

## Management Discussion & Analysis for the Third Quarter FY19

### Financials (Stand-alone)

(₹ In Lakhs)

Particulars	Unaudited				Unaudited			Audited
	Quarter Ended				Nine Month Ended			Year Ended
	31.12.18	30.09.18	31.12.17	Gw %	31.12.18	31.12.17	Gw %	31.03.18
<b>Gross Sales (Net of Sales Returns):</b>								
<b>Formulation :</b>								
- Domestic	15252	15898	15593	(2.2)	46117	44389	3.9	59498
- Exports								
Regulated Market :	4815	3633	7800	(38.3)	11388	21089	(46.0)	27564
Emerging Market :	2036	1650	2147	(5.2)	4890	4885	0.1	7169
<b>Exports Total</b>	<b>6851</b>	<b>5283</b>	<b>9947</b>	<b>(31.1)</b>	<b>16278</b>	<b>25974</b>	<b>(37.3)</b>	<b>34733</b>
<b>Formulation ... ( A )</b>	<b>22103</b>	<b>21181</b>	<b>25540</b>	<b>(13.5)</b>	<b>62395</b>	<b>70363</b>	<b>(11.3)</b>	<b>94231</b>
<b>API :</b>								
- Domestic	803	595	454	76.9	2232	1797	24.2	2432
- Export	1420	1317	1121	26.7	3483	2744	26.9	3655
<b>API ... ( B )</b>	<b>2223</b>	<b>1912</b>	<b>1575</b>	<b>41.1</b>	<b>5715</b>	<b>4541</b>	<b>25.9</b>	<b>6087</b>
<b>CRO ... ( C )</b>	<b>474</b>	<b>498</b>	<b>304</b>	<b>55.9</b>	<b>1530</b>	<b>942</b>	<b>62.4</b>	<b>1413</b>
<b>Gross Sales (A+B+C)</b>	<b>24800</b>	<b>23591</b>	<b>27419</b>	<b>(9.6)</b>	<b>69640</b>	<b>75846</b>	<b>(8.2)</b>	<b>101731</b>
Other Operating Income	1456	(28)	393	270.5	1932	1349	43.2	2427
<b>Income from Operation</b>	<b>26256</b>	<b>23563</b>	<b>27812</b>	<b>(5.6)</b>	<b>71572</b>	<b>77195</b>	<b>(7.3)</b>	<b>104158</b>
EBIDTA	2478	1181	4321	-	4816	8543	-	13486
Operating Profit	1577	190	3818	-	1855	5858	-	9713
Profit/(Loss) Before Tax	390	(1052)	2434	-	(1864)	2262	-	4843
Profit/(Loss) After Tax	534	(779)	2266	-	(1447)	2069	-	4120

### **Financial Highlights**

Net revenues for the quarter were at ₹ 248.0 crores, against ₹ 274.2 crores, same quarter last year. Year to date, the net revenues were at ₹ 696.4 crores, as against ₹ 758.5 crores for the same period last year.

During the quarter, material consumption was 35.6 % of the net sales, compared to 33.0 % for the same quarter last year. Staff cost to net sales are 23.7 % compared to 21.1%. Depreciation / Amortization are at ₹ 17.7 crores, compared to ₹ 17.3 crores. Research & Development (R&D) expenses to net sales are 5.0 % at ₹ 12.4 crores, compared to 5.2 % at ₹ 14.4 crores. Other expenses to net sales are 31.5 % at ₹ 78.2 crores, compared to 26.3 % at ₹ 72.1 crores.

Year to date, material consumption was 34.3 % of the net sales, compared to 34.5 % for the same period last year. Staff cost to net sales are 24.9 % compared to 22.4 %. Depreciation / Amortization are at ₹ 52.1 crores, compared to ₹ 51.4 crores. Research & Development (R&D) expenses to net sales are 5.5 % at ₹ 38.4 crores, compared to 5.2 % at ₹ 39.7 crores. Other expenses to net sales are 31.1 % at ₹ 216.6 crores, compared to 28.4 % at ₹ 215.4 crores.

Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) to net sales for the quarter is 10.0 % at ₹ 24.8 crores, compared to 15.8 % at ₹ 43.2 crores, for the same quarter last year.

Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) to net sales Year to date is 6.9 % at ₹ 48.2 crores, compared to 11.3 % at ₹ 85.4 crores for the same period last year.

#### **➤ Rating**

The Company's working capital facilities are rated as [ICRA] A1 (Pronounce ICRA A One) and long term borrowings are rated as [ICRA] A+ (Pronounce ICRA A Plus) by ICRA. Outlook on long term rating is stable.

Instruments with A1 rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

Instruments with A rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

➤ **Finished Dosages**

**Indian Pharma Market (IPM)**

As per AWACS, Indoco ranks 30<sup>th</sup> in the IPM, with market share of 0.68 % as on Dec'18.

For the third quarter FY19, IPM growth is 9.5 % whereas Indoco's growth is 12.2 %. Indoco has shown good growth amongst the 21-30 ranked Corporates.

As per SMSRC, Indoco ranks 23<sup>rd</sup> with prescription (Rx) share of 0.85 % as on Dec'18 MAT basis.

**Indoco's Domestic Formulation Business:**

The revenues from Domestic formulations business for the quarter is ₹ 152.5 crores, as against ₹ 155.9 crores for the same quarter last year.

Year to date, sales grew by 3.9 % at ₹ 461.2 crores, as against ₹ 443.9 crores for the same period last year.

**Details of revenues from major therapies are as follows:**

(₹ In Lakhs)

Therapy	Q3FY19	Q3FY18	Gw %	YTD 18-19	YTD 17-18	Gw %
Respiratory	2912	3148	-7.5	7399	7488	-1.2
Stomatologicals	2718	2741	-0.8	8626	7899	9.2
Anti-Infectives	2413	2516	-4.1	6884	6903	-0.3
Gastro Intestinal	1955	1892	3.3	6553	6079	7.8
Vitamin/Mineral/ Nutrient	1040	1165	-10.7	3442	3227	6.7
Ophthalmic	909	950	-4.3	2920	2767	5.6

## Details of revenues from major brands are as follows:

(₹ In Lakhs)

Brand	Q3FY19	Q3FY18	Gw %	YTD 18-19	YTD 17-18	Gw %
Febrex Plus	1508	1677	-10.1	4227	4306	-1.8
Cyclopam	1432	1413	1.4	4845	4579	5.8
Sensodent K	899	880	2.2	2746	2466	11.3
ATM	838	824	1.7	2215	2040	8.6
Cital	792	673	17.6	2476	2113	17.2
Oxipod	789	812	-2.7	2196	2246	-2.2
Karvol Plus	776	771	0.7	1460	1385	5.4
Cloben G	508	516	-1.7	1606	1631	-1.6
Sensoform	491	514	-4.3	1550	1461	6.1
Sensodent KF	460	486	-5.3	1414	1376	2.8

### New product introductions:

During the quarter, the Company launched 4 new products, viz., 3 in Sub-chronic and 1 in Chronic.

### International Formulation Business

During the quarter, revenues from International formulations business were at ₹ 68.5 crores, as against ₹ 99.5 crores for the same quarter last year. Year to date, the net revenues were at ₹ 162.8 crores, as against ₹ 259.7 crores for the same period last year.

### USA

During the quarter, the revenues were at ₹ 2.6 crores, as against ₹ 7.7 crores for the same quarter last year. Year to date, the net revenues were at ₹ 13.6 crores as against ₹ 34.6 crores for the same period last year.

### Current Status of ANDAs:

- ❖ 10 approvals till date
- ❖ 37 filed, pending approval

The Sterile manufacturing facility at Goa Plant II was re-inspected by USFDA from 14<sup>th</sup> to 21<sup>st</sup> Nov'18, which concluded with two observations (Form 483s). The compliance response has been submitted and Establishment Inspection Report (EIR) is expected. In the mean time, the Company has received Prior Approval Supplement (PAS) for Brimonidine 0.2 % from USFDA.

USFDA commenced inspection of the Company's Solid Oral facility at Goa Plant I, from 17<sup>th</sup> Jan'19.

## **Europe**

During the quarter, the revenues were at ₹ 31.3 crores, compared to ₹ 54.2 crores for the same quarter last year. Year to date, the net revenues were at ₹ 78.7 crores as against ₹ 132.1 crores for the same period last year.

Post issuance of the restricted GMP license by UK-MHRA for Goa Plant I, audit was conducted in July'18 by an independent EU - Qualified Person (QP) to check the progress on the corrective and preventive measures committed to the UK Authority. Based on QP's report, UK-MHRA conducted a 'Focus Audit' in Oct'18. The audit completed with no Critical Observations.

To re-instate the EU GMP certification at Goa-Plant I, a full GMP audit by EU-Qualified Person (QP) will be conducted from 24<sup>th</sup> Jan'19. The full GMP inspection by UK-MHRA will be scheduled thereafter.

The Company also had UK-MHRA audit at Goa Plant II from 17<sup>th</sup> to 21<sup>st</sup> Sept'18, which concluded with no critical observations and compliance response has been submitted.

The Company's facilities at Baddi, i.e., Plant I (existing) and Plant III (acquired from Microlabs) were also audited by UK-MHRA from 16<sup>th</sup> to 20<sup>th</sup> Oct'18. The audit was concluded with no critical observation. While Baddi Plant I will continue to supply to Europe, Baddi Plant III will add significant value to sales from EU, once approval from UK-MHRA is received.

## **South Africa, Australia and New Zealand Business**

The revenues for the quarter were at ₹ 14.2 crores, compared to ₹ 16.0 crores for the same quarter last year. Year to date, the net revenues were at ₹ 21.6 crores as against ₹ 44.2 crores for the same period last year.

The Company faced audit from 28<sup>th</sup> to 31<sup>st</sup> May'18 at Goa Plant II by TGA, Australia. Inspection Report for the same has been received and compliance response has been submitted.

## **Emerging Markets**

The revenues for the quarter were at ₹ 20.4 crores, compared to ₹ 21.5 crores for the same quarter last year. Year to date, the net revenues were at ₹ 48.9 crores as against ₹ 48.8 crores for the same period last year.

There is mutual recognition procedure between Ukrainian regulatory authority and UK-MHRA and supplies to Ukraine can take place on UK-MHRA approval. However, due to UK-MHRA restricted GMP licence, Ukrainian regulatory authority inspected Indoco's Goa Plant I facility from 10<sup>th</sup> to 14<sup>th</sup> Dec'18, and the Company awaits inspection report, on resolution of which, the supplies to Ukraine will commence.

### ➤ **Active Pharmaceutical Ingredients (APIs)**

The revenues from API business were at ₹ 22.2 crores, compared to ₹ 15.7 crores for the same quarter last year. Year to date, the net revenues were at ₹ 57.1 crores, as against ₹ 45.4 crores for the same period last year.

### ➤ **CRO & Analytical Services**

During the quarter, revenues from CRO and Analytical Services business were at ₹ 4.7 crores, compared to ₹ 3.0 crores for the same quarter last year. Year to date, the net revenues were at ₹ 15.3 crores as against ₹ 9.4 crores for the same period last year.

## ➤ **Future Outlook**

The Company's Domestic business continues to focus on brand building, new product launches, thrust on sub-chronic (Speciality) segment and penetration in the North and East Region.

Going forward, the Company's business from US is expected to grow speedily as ANDAs will be commercialized at regular intervals after resolution of USFDA's warning letter. Reinstatement of the EU-GMP compliance certificate for Goa Plant I and EU-GMP approval of newly acquired solid dosages manufacturing facility at Baddi (Plant III) will also boost the EU business. Indoco is also consolidating its position in the Emerging Markets through active brand promotion. Robust pipeline in multiple dosage forms will enable the Company to have an upper edge over its competitors in the international business.

Expertise in Research & Development, backward integration in API in select products, own CRO set-up, excellence in finished dosages manufacturing and a strong customer base makes the Company, a preferred partner, offering complete solutions to generic companies worldwide.

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### **Safe Harbour**

Statements made in this Management Discussion and Analysis (MDA) describing the Company's objective, projections, estimates and expectations may be 'Forward-looking statements' within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied due to risks, uncertainties and inaccurate assumptions.