

Management Discussion & Analysis for the First Quarter FY21

Financials (Stand-alone)

(₹ In Lakhs)

Particulars	Quarter Ended				Year Ended
	Un-audited	Audited	Un-audited		Audited
	Apr'20- Jun'20	Jan'20- Mar'20	Apr'19- Jun'19	Gw %	Apr'19- Mar'20
Gross Sales					
Formulation :					
- Domestic	14751	16001	16158	(8.7)	68624
- Export					
Regulated Market :	7648	5996	4320	77.0	21754
Emerging Market :	1897	1957	1612	17.7	7872
Export Total	9545	7953	5932	60.9	29626
Formulation ... (A)	24297	23954	22090	10.0	98250
API :					
- Domestic	840	777	864	(2.8)	2858
- Export	1379	1246	1509	(8.6)	5743
API ... (B)	2219	2023	2373	(6.5)	8601
CRO & Analytical Services (C)	165	340	255	(35.5)	1088
Gross Sales (A+B+C)	26680	26317	24718	7.9	107939
Other Operating Income	906	885	549	65.0	2661
Income from Operation	27586	27202	25267	9.2	110600
EBIDTA	4886	3334	2275	114.8	12334
Operating Profit	3424	2134	1076	..	7598
Profit Before Tax	2424	780	28	..	2871
Profit After Tax	1723	540	218	..	2425

Covid-19

The concerns and uncertainties due to Covid-19 affected day-to-day life and business operations. Despite challenges, the Company took all efforts in maintaining continuity in operations to ensure uninterrupted supplies of medicines in India and across the world. Efforts by Indocoites reporting to work and also those working from home (WFH), helped the Company to restrict the de-growth in the domestic market to a single digit and post an impressive growth in the International business, resulting in a modest growth of 8% in total revenues for the first quarter.

Financial Highlights

Net revenues for the quarter grew by 7.9 % at ₹ 266.8 crores, as against ₹ 247.2 crores, same quarter last year. Sequentially, revenues for the quarter were marginally higher by 1.4 % at ₹ 266.8 crores, as against ₹ 263.2 crores.

During the quarter, material consumption was 30.6 % of the net sales, compared to 34.6 % for the same quarter last year. Staff cost to net sales are 24.6 % compared to 24.5 %. Depreciation/Amortization are at ₹ 19.1 crores, compared to ₹ 17.0 crores. Research & Development (R&D) expenses are at 3.8 % compared to 4.5 % at ₹ 10.3 crores as against ₹ 11.1 crores for the same quarter last year. Other expenses to net sales are 26.1 % at ₹ 69.6 crores, compared to 29.4 % at ₹ 72.6 crores.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDTA) to net sales for the quarter is 18.3 % at ₹ 48.9 crores, compared to 9.2 % at ₹ 22.7 crores, for the same quarter last year.

The Profit After Tax (PAT) for the quarter is 6.5 % at ₹ 17.2 crores, compared to 0.9 % at ₹ 2.2 crores, same quarter last year.

Rating

The Company's working capital facilities are rated as [ICRA] 'A2+' and long term borrowings are rated as [ICRA] 'A'.

[ICRA] 'A2+' rating instruments are considered to have strong degree of safety regarding timely payment of financial obligations. [ICRA] 'A' rating instruments 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 June'20 report, the Indian Pharma Industry (IPM) has de-grown by 5.9 % in Quarter I of FY21. Indoco ranks 29th in the IPM, with market share of 0.65 % as on June'20 MAT. As per SMSRC MAT June'20 report, IPM shows de-growth by 20 % in prescriptions generated. Indoco ranks 23rd with market share of 0.83%.

Domestic Formulations Business:

The revenues from Domestic formulations business de-grew by 8.7 % for the quarter at ₹ 147.5 crores, as against ₹ 161.6 crores for the same quarter last year.

In midst of Covid-19 pandemic, Indoco used various methods to create multiple touch points with stakeholders like Doctors, Stockists, as well as, Retail Chemists through Digital Platforms. The objective was to build engaging virtual interaction models, e.g., care-delivery adaptation, patient-support enhancement and supply-inventory management. These measures will pave the way for a better communication in future as well.

Details of revenues from major therapies are as follows: (₹ In Lakhs)

Therapy	Q1FY21	Q1FY20	Gw %
Stomatologicals	3643	3384	7.6
Gastro-Intestinal	2586	2683	-3.6
Respiratory	1911	1751	9.1
Anti-Infectives	1607	2011	-20.1
Vitamin / Mineral / Nutrient	1001	1318	-24.1
Gynaec.	966	1009	-4.2
Anti-Diabetic	844	762	10.7
Dermatology	684	724	-5.5

Details of revenues from major brands are as follows: (₹ In Lakhs)

Brand	Q1FY21	Q1FY20	Gw %
Cyclopam	2077	2083	-0.3
Sensodent K	1413	1164	21.4
Febrex Plus	1261	1187	6.3
Cital	1163	1141	2.0
ATM	783	688	13.8
Sensodent KF	691	556	24.3
Sensoform	631	573	10.1
Cloben G	486	534	-9.0
Oxipod	462	679	-31.9
Karvol Plus	398	202	97.3
Methycal	370	412	-10.2
Glychek	363	295	23.1

New product introductions:

During the quarter, Telmichek-CT Tablets was launched in the Cardiac Category.

There is no change in the status of Apixaban patent litigation as the normal functioning of the Courts in India, including the Delhi High Court is suspended since March 2020 due to Covid-19 crisis. As of now, the case is scheduled for hearing before the Delhi High Court on September 8, 2020.

International Formulations Business

During the quarter, revenues from International formulations business grew by 60.9 % at ₹ 95.4 crores, as against ₹ 59.3 crores for the same quarter last year.

USA

During the quarter, the revenues were at ₹ 26.8 crores, as against ₹ 2.6 crores for the same quarter last year.

The Company received approval for its ANDA for Olanzapine Tablets 2.5mg, 5mg, 7.5mg, 10mg, 15mg and 20mg. Olanzapine is indicated for the treatment of schizophrenia and bipolar disorder. The US market size of Olanzapine Tablets is of USD 65 million as per available IMS data. The Company is planning to launch this product in the US in the second half through the marketing partner.

One of the Company's US partner received approval for Palonosetron injection ANDA, which was filed from Goa Plant II. Launch of this product has been planned in Quarter II of FY21.

In addition to Rasagiline tablets and Glycopyrrolate injections, launch quantities of Tranexamic injections (June'20) and Zolendronic injections (July'20) have been shipped to USA from Goa Plant II.

Europe

During the quarter, the revenues grew by 26.8 % at ₹ 47.9 crores, as against ₹ 37.8 crores for the same quarter last year. UK was the major contributor to the business.

South Africa, Australia and New Zealand Business

The revenues for the quarter were at ₹ 1.8 crores, as against ₹ 2.8 crores for the same quarter last year.

Emerging Markets

The revenues for the quarter, the revenues grew by 17.7 % at ₹ 19.0 crores, as against ₹ 16.1 crores for the same quarter last year. Ivory Coast, French West Africa and Kenya have been major contributors.

Regulatory Update on Goa Plant I

Periodic compliance updates are being timely submitted to the USFDA Agency. An inspection of the site by the US health regulators (virtually or on-site), is anticipated to be scheduled.

Active Pharmaceutical Ingredients (APIs)

Revenues from API business were at ₹ 22.2 crores, as against ₹ 23.7 crores for the same quarter last year.

CRO & Analytical Services

During the quarter, revenues from CRO and Analytical Services business were at ₹ 1.6 crores, as against ₹ 2.5 crores for the same quarter last year.

Future Outlook

The Company's Domestic business continues to focus on brand building, thrust on chronic and sub-chronic segment, as well as, penetration in the North and East Region. The Company will selectively launch new products in the Speciality segment to boost growth. With well-known legacy brands, Doctors loyalty over 6 decades, highly motivated field force, distribution network across India and presence in growing segments including Stomatologicals and Ophthalmology will help the Domestic business to grow on sustainable basis.

On International front, the Company's US business is expected to grow as ANDAs are being commercialized at regular intervals and USFDA's approvals have started flowing in. Reinstatement of the EU-GMP compliance certificate for Goa Plant-I and the EU-GMP approval of newly acquired solid dosages manufacturing facility at Baddi (Plant-III) will boost the EU business, with availability of larger manufacturing capacity. Indoco is also consolidating its position in the Emerging Markets through active brand promotion in select markets. Robust pipeline in speciality dosages, viz., Ophthalmics & Injectables, will enable the Company to have an upper edge over its competitors in the International business.

Expertise in Research & Development, backward integration with own APIs, a full-fledged 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.

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.