



“Indoco Remedies Q1 FY11 Results Conference Call”

July 22, 2010



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- Moderator** Ladies and gentlemen good evening and welcome to Indoco Remedies Q1 FY11 Results Conference Call hosted by Dalal & Broacha Stock Broking Ltd. As a reminder, for the duration of this conference, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference, please signal an operator by pressing "*" and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Ms. Purvi Shah. Thank you over to you.
- Purvi Shah** Thank you Farah. Good evening everyone. This is Purvi from Dalal & Broacha Stock Broking. I would like to extend a warm welcome to all of you for Indoco Remedies Q1 FY11 Post Results Conference Call. We have with us Ms. Aditi Kare Panandikar, Director - Business Development & HRD, Mr. Sundeep V. Bambolkar, Director - Finance & Operations, and Mr. Ganesh Gokhale, VP – Accounts. I would now like to hand over the proceedings to Ms. Aditi Kare for introductory remarks and business outlook. After which we can have the question and answer session. Thank you and over to you.
- Aditi Kare** Yeah good afternoon, I now request Sundeep to make initial comments, after which I would like to say a little bit on the domestic market.
- Sundeep Bambolkar** Yeah good afternoon participants. I would like to present the financial performance of the company for the 1st quarter of 2010-2011.
- During this quarter ended June 30th 2010, the company's net sales have increased by 13.26% to Rs. 111.38 crores from Rs. 98.34 crores over the same quarter previous year. In this quarter, 67.8% of the revenues have accrued from domestic business and 32.2% from international business. As far as growth is concerned, the domestic market has grown by 7.6% and international market has grown by 27.3% over the same quarter previous year. The emerging markets have shown a growth of 74%. The material consumption to net sales is 43.7% compared to 40.9% during the same quarter last year. The staff cost is 13.3% compared to 13.2%. Research expenses are at 1.72% of net sales compared to 2.52%. Other expenses are 25.6% of net sales compared to 24.4% during the same quarter last year. There has been substantial savings of Rs. 28 Lakhs on the interest paid for the quarter under review compared to the same quarter last year. This is mainly due to efficient working capital management and control on debtors outstanding.
- The earnings before interest depreciation tax and amortization works out to 16.9% compared to 20.8%. Finally, the profit after tax for the quarter is Rs. 14.82 crores as compared to Rs. 16.88 crores. In this quarter, the material consumption ratio was higher as compared to the same quarter last year, mainly on account of various product mix in the domestic business and strengthening of the rupee against foreign currency such as the British Pound and Euro. Also

during the quarter the average cost of working capital borrowing is reduced to 5.03% which is mainly due to borrowings in foreign currencies.

Interestingly, an analysis of the June 10 quarter over the March 10 quarter gives the deeper insight. It is heartening to note that the profitability has improved by Rs. 6.59 crores over the last quarter ended March 2010.

The improved profitability is mainly on account of improved material consumption ratio, higher turnover and control over fixed cost. The material consumption is at 43.7% in the current quarter compared to 47.2% of the last quarter. The staff cost is 13.3% in the current quarter compared to 13.7% of the last quarter. The research expenses are at 1.7% compared to 2.7%. Other expenditures stand at 25.6% in the current quarter compared to 26.4% for the last quarter. Interest paid is at 0.65 crores which is lower compared to 0.72 crores for the last quarter. EBITDA margins stand at 16.9% of net sales compared to 11.4% during the last quarter and profit after tax is Rs. 14.82 crores that is 13.3% of net sales compared to Rs. 8.23 crores that is 7.6% of net sales for the last quarter.

We also wish to inform you that the company is yet to receive approvals from the Ministry of Power, Government of Goa for shifting the electricity supply from Reliance to Goa State Electricity Board. We expect this said approval shortly. Once the approval is received there will be considerable savings in the electricity and power cost at both our Goa plants. Coming to the infrastructure, the company has initiated the following measures at its manufacturing facilities so as to improve productivity and production output. The company has completed the expansion and modernization of its API plant at Patalganga at an approximate investment of Rs. 15 crores. To increase output and manage the timely delivery, company is embarking up on its expansion and modernization program at its various plants located in Baddi, Goa, and Waluj. In the current financial year, the company has proposed to invest around Rs. 93 crores for this purpose. Following are the main areas of expansion activities. Approximately Rs. 48 crores will be invested in the new tablet projected Goa; this unit will be approved by all the major global regulatory agencies. We expect trials, production, and validation activities to commence by January 2011. I am also glad to report that expansion of our ophthalmic sterile facility has been completed. The validation activities are in progress and we shall be manufacturing the exhibit batches of various products from August 2010. This will speed up the ANDA and dossier filing activities with Watson and Aspen. The above expansion and modernization measures will help us in catering to the various demands from domestic and international markets resulting in higher revenues in the near short term future.

Further, we would also like to inform you that the bio equivalence study for an anti-psychotic formulation has been cleared thus paving the way for dossier filing in Australia and South Africa. The plan to file this dossier in EU and US is being advanced in view of successful passing of bioequivalence studies with Australian reference product. The bio studies for a cholesterol lowering formulation is in progress and the results will be known in the next

quarter. The MDA has already been circulated to all of you. And after Aditi gives her comments on the domestic market, we would like to invited questions from all the participants. Thank you very much.

Aditi Kare

Yeah as you are aware, Indoco has come a long way from where it was entirely GP driven organization on the domestic marketing side. Over the last 8 years, we have consistently shifted our focus towards the more lucrative prescribers that is the consultant physicians. This has resulted in many of our divisions including Warren-Excel, Spera, and the newer therapies doing exceedingly well. However the two main division for the company Indoco and Spade have not performed up to mark and this has resulted in us not getting the expected sales revenue from the domestic market as was expected for this quarter. The volume of old products, in particular Vepan and Febrex Plus have not performed up to mark and a closer analysis of the prescribing pattern of these prescribers has now indicated that these are products driven by the general practitioner. Having understood this, corrective measures have already been taken in strategy and I am very confident that in the coming quarters, this setback that is given by the anti-respiratory segment in particular will be pretty curbed.

Sundeep Bambolkar

We have completed the narration of the comments for the quarter. We now invite questions and queries from the participants.

Moderator

Thank you very much. Ladies and gentlemen, we will begin with the question and answer session. Anyone who wishes to ask a question may please press "*" then 1 on the touchtone telephones. If you wish to remove yourself from the question queue, you may press "*" and 2. Participants are requested to use only handsets while asking a question. Our first question comes from line of Akshat Vyas from Anvil. Please go ahead.

Akshat Vyas

This is pertaining to Ms. Aditi. I wanted to ask you in terms of the domestic front you said, the divisions which were not performing, you are saying that you are going into a restructuring phase, you will focus into general practitioners, right ma'am?

Aditi Kare

Yeah what are you saying exactly, I didn't get you.

Akshat Vyas

I just wanted to understand the change on focus what are you going to do in the domestic front?

Aditi Kare

Look what has happened is both Indoco and Spade which are the old divisions of the company; we are focusing on the consultant physicians, the general practitioner, some other specialties like the gynac, ENT, etc. What has happened is for the first time this quarter, our new products have done exceedingly well, although on a very small base and this is largely because of our focus on the consultant practitioners and the other doctor specialties. What has happened in turn is the older products such as Febrex Plus in particular and Vepan, we have lost prescription share from the general practitioner. I am not saying that these two divisions will

go back to being to general practitioner divisions at all, all I am saying is in order to protect the interest of these top brands, we will have to see that they are promoted to the general practitioners and that is the strategy which is being adopted for these two brands.

- Akshat Vyas** Okay. And how much does your top brand contribute in your domestic growth?
- Aditi Kare** The top brands of 10 crores and above contribute about 23% of our top line.
- Akshat Vyas** Okay. And those were the products which would have been affected?
- Aditi Kare** At least two of those, yes.
- Akshat Vyas** Okay ma'am. Thank you.
- Moderator** Thank you. Our next question comes from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.
- Nishit Shanghvi** Hello ma'am this is Nishit Sanghvi. I just wanted to know ma'am, the new products that we have launched one is your Viscid OD and one is AXL CV, what are the use format?
- Aditi Kare** Viscid OD it's an antacid kind of product, like Domperidone combination, Rabeprazole. What else did you ask about?
- Nishit Shanghvi** AXL CV.
- Aditi Kare** That is an anti-infective Clavulanic acid combination with amoxicillin.
- Nishit Shanghvi** Okay. And why are we showing a degrowth in the diabetic and cardiac segment?
- Aditi Kare** As you are aware, we used to have a division called Radius Surge, which now ceases to exist. Some of these products have been taken up by the other divisions of Indoco. You must be aware we have launched the new division of Eterna which is focused on chronic therapy. Those are chronic products directed at the orthopedicians and the surgeons.
- Nishit Shanghvi** Is there less focus in the preceding quarters on these products?
- Aditi Kare** On which products?
- Nishit Shanghvi** On the diabetic and cardiocare products, as in...
- Aditi Kare** Not really, it is one super specialty division carrying this product, we continued although in a very small measure and these products are not really are not great percentage of our top line.

The anti-diabetics which are part of the product group that is carried by Indoco the main divisions have done well.

Nishit Shanghvi Okay. And the increase in other expenses by 18.6%, any particular reason for this?

Sundeep Bambolkar Main reason is the foreign exchange fluctuation because the foreign exchange loss has increased to about more than 2 crores, so that's why you see that other expenditure going up.

Ganesh Gokhale And that loss is mainly because of our ECB loans which we have revalued as of 31st March at something as 44.5 that we have to revalue as of 30th June 46.67 something. This is unrealized to loss which we have to account as per the accounting standard, on around almost \$16 million.

Nishit Shanghvi Was there any gain in the corresponding quarter previous year?

Ganesh Gokhale Yeah the gain was 29 Lakhs in the previous quarter.

Nishit Shanghvi Okay. And in preceding quarter, was there any gain or loss?

Ganesh Gokhale There was also a gain.

Nishit Shanghvi In the preceding quarter, it is other expenditure within this June quarter is 25.6%, compared to March quarter it has improved.

Nishit Shanghvi Was there a gain in the preceding quarter in the March?

Ganesh Gokhale March quarter there was a gain.

Nishit Shanghvi Okay. How much was it?

Ganesh Gokhale It was 1.27 crores.

Nishit Shanghvi Okay sir thank you.

Moderator Thank you. Our next question comes from the line of Sushant Dalmia from Angel Broking. Please go ahead.

Sushant Dalmia Regarding the milestone payment, on last concall, you indicated that you would book certain milestone payments?

Sundeep Bambolkar Yes.

Sushant Dalmia So whether it's been accounted for?

Sundeep Bambolkar No, in this quarter there have been no milestone payments, because milestone payments accrue on completion of certain obligations from Indoco sites. So some milestone payment will come in this quarter, July to September.

Sushant Dalmia So what could be the quantum for..?

Sundeep Bambolkar No, we have not discussed what is the quantum of the signing amount or the milestones right from beginning.

Sushant Dalmia So in terms of the ANDA filing we will do in the second quarter, would that be the precise thing or ...?

Sundeep Bambolkar One more ANDA will be filed.

Sushant Dalmia And in terms of R&D expenses it has de-grown for quarter.

Sundeep Bambolkar Yes, see R&D expenses cannot be monitored regularly, it's a function of lots of things. So actually the effort is to spend more as we said in the earlier quarters also. So I think by the time the financial year is completed, we will be clocking somewhere around 2.75% to 2.80% of next phase that remains.

Sushant Dalmia And in terms of on the earlier concall, you had given a guidance in terms of around 20%-25% both on the domestic, would it hold after this?

Aditi Kare Yeah we are very confident looking at the trend, because if we look at the April, May, June, and April and May were very bad for couple of these products, but June there is a definite revival. On account of that, I am pretty confident still of being able to do the top line in domestic. Does it answer your question?

Sushant Dalmia In terms of the ORG numbers for...?

Aditi Kare ORG we have not yet received June data, because it comes in the last week of July, but looking at some parameters, for example, Indoco has done better in its covered market compared to its competitors. So typically what is happening is that these new products which we are launching and allowing that to expand the therapeutic base. And these are the markets which are more potentially growing. So I am particularly happy with the development that the new products have grown by 90% over the same period last year. And this is a very good positive trend and shows lot of potential for the coming month for the product performance. It would also lower our dependence on the top two-three brands; some of them which like for example, Febrex Plus has a seasonal element to it.

Sushant Dalmia So over all you maintain your guidance of 20%-25% on a domestic front and around 30%-35% growth on the export front for the whole...

- Aditi Kare** Yes.
- Sushant Dalmia** Okay that's it from my side.
- Moderator** Thank you. Our next question comes from the line of Sharath Nayak from Prodigy Investments. Please go ahead.
- Sharath Nayak** I just wanted to understand, would it be fair to compare the EBITDA margin for the June quarter vis-à-vis the March quarter considering the fact that historically our margins in the June quarter has been significantly higher on account of the seasonal mix which causes margins to be higher. What would be your comment on this?
- Sundeep Bambolkar** I would like to comment on this. If you see historically the March quarter used to be very bad, but if you see we have revived the March quarter to a large extent. What I am trying to say is that June quarter used to be very heavy when March quarter used to be very bad. They have ironed out those differences to a large extent if you see notice now, that's why compared to two quarters, when I give my narration.
- Sharath Nayak** Correct, but I just wanted to understand why is June quarter this year significantly down as compared to June quarter of 2009 in terms of margin?
- Ganesh Ghokhale** We have done away with those seasonal variations and do not see the seasonal variations and the revenue predictability has come in, just like we clocked a certain average last year, this year also predictability will be there, quarter after quarter. It will not take a drastic dip as used to happen earlier.
- Aditi Kare** There are several things happening in the company, (a) in the domestic business itself the product mix is changing drastically. (b) The percentage of international business to domestic is changing in a big way. (c) Third thing that is happening is the product mix because of the API segment which is coming in. So all this put together is giving a kind of product market which sort of tempers any kind of June effect which was happening earlier.
- Sharath Nayak** Okay so would you consider these margins in a steady state or do you see any improvement in this margin?
- Aditi Kare** At least we see an improvement from here, because if you look at the other businesses which is the regs and non-reg market, they have done very well. Again in the domestic, as I said the other divisions, other than Indoco and Spade have done well. Since we have identified the issues in Indoco and Spade as a consequence of which this quarter has not been up to the mark, correct of them you should allow us to see much better margins in future.

- Sundeep Bambolkar** I would like to reiterate here we closed the year 2009-2010 with the EBITDA margins of 17.6%, but I stand by the commitment that we will do EBITDA margins of around 18.5% to 18.6% in this year.
- Sharath Nayak** Okay. Thank you.
- Moderator** Thank you. Our next question comes from the line of Alok Deora from Social Finance. Please go ahead.
- Alok Deora** I just have a few questions, one was regarding the impact of rupee on the raw material cost, could you throw some light on that and what is the future expectation on that front?
- Sundeep Bambolkar** Yeah the percentage of our export to net sales has gone up as far as the export component is concerned that is mainly because of the sales realization dipping down because the currencies have depreciated. But what we have got is a hedging mechanism in the pound with our principal buyer. To that extent, we are protected and now with the pound moving up, I think pound has moved up swiftly by Rs. 5-6 compared to the last quarter. So in this quarter, that kind of fluctuation in the RM cost will be diminished.
- Alok Deora** Okay. What is the forward strategy to protect against the raw material fluctuation because if it goes against what you expect then it could affect the raw material cost significantly?
- Sundeep Bambolkar** Yeah, what we have done is we have negotiated better contract in our RM cost, number one. Number two, we have also negotiated a better pound protection strategy with our buyer.
- Alok Deora** Okay. And in terms of your domestic market, what do you expect in the quarter two of the year, how would you expect it to pan out?
- Aditi Kare** That said, it is largely the performance of Indoco and Spade really which is carrying the mass therapy products where there is a predominantly contribution from old products. So we have Vepan which is anti-infective and Febrex Plus which is an anticold, particularly which have pulled the sales down. We have already put corrective strategies in place. But even then looking at the trend from April-May-June, over June has been exceedingly well for all the products, if you are looking at that, I don't see any concerns going forward for domestic. We would stick to your guidelines.
- Alok Deora** Okay. And just a last question on the guidance front, during your last call, you had guided somewhere closed to 550 crores, but in the first quarter you have managed around 110 crores roughly, so do you standby that guidance or can we incorporate some downside on that?
- Aditi Kare** I think 550 we have talked of net sales of 525 even at that stage, even today we standby.
- Alok Deora** Okay. And margins as said earlier would be around 8.6% EBITDA margin.

Sundeep Bambolkar 18.6%.

Alok Deora Yeah 18.6%. Alright thank you so much.

Moderator Thank you. Our next question comes from the line of Jaswinder Sodhi from Span Capital. Please go ahead.

Jaswinder Sodhi Just wanted your take on, I think it's mentioned in the annual report that you are looking at now more of those 505(b) 2 and Para-IV filings. Are we actually developing them or that is just the stated thing that we would look at them into the future?

Aditi Kare Yeah there lots of new products frankly are under development. We have got some very, interesting molecules, patent expiring in periods 2014 to 2018 and beyond and on many of them, there are exciting opportunities both for 505(b) 2 or even Para IV. Earlier Indoco had always had the strategies in place but we were not able to move ahead especially in markets such as US because we were not tied up with strong partners. We are very confident today because especially with this deal that has happened with Watson. Even in the basket of 6-7 products which have with them there are couple of very interesting opportunities, we are moving ahead on that. So there is definitely, especially on CR and SR kind of formulations, work has been completed and we are pretty ahead on that. Sundeep mentioned in his initial narration on some of these products filed, these have also been cleared, so we are pretty ahead on it.

Jaswinder Sodhi And when do we see the first of the products from this Watson alliance being launched?

Aditi Kare First of them has got filed now.

Sundeep Bambolkar Filed about one month back.

Jaswinder Sodhi So that would essentially by Para-III, right?

Aditi Kare We cannot speak at this time, what is what.

Jaswinder Sodhi Okay. Thank you.

Moderator Thank you. Our next question comes from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Nishit Shanghvi Hi this is Nishit again, how much sales have we done in UK and German markets?

Sundeep Bambolkar Yeah I will just give you the number. UK is about 12.5 crores. Germany is about 4.5 crores.

Nishit Shanghvi Okay. And what is the YOY growth UK and Germany markets?

Sundeep Bambolkar Both these markets, there has been marginal growth, because we are exploring new territories like Australia, New Zealand, and South Africa. Pricing and margins are far better.

Nishit Shanghvi Just wanted to know about this deal for the ophthalmic product and the dermatology product in the US, can you throw some light on this?

Sundeep Bambolkar This is the company with whom we have signed a deal for manufacturing their validation batches. Product has already developed by them and we have to manufacture the validation batches and once the ANDA is approved, it will come back to Indoco. So this is a fresh opportunity because the company is also talking to us for more products.

Nishit Shanghvi When will this pan out in the sense the ANDAs will get approval, so once the filing takes place then after a period of probably two years you will get the approval, right?

Aditi Kare Okay, yeah so at this stage the downtime for an ANDA after filing is closed to 18 months, that's probably a web case scenario so it takes to assume to 18-20 months, okay.

Nishit Shanghvi Okay and this is the same partner where you are going to do for dermatology also or is it different?

Sundeep Bambolkar They are keen to us on dermatology but things have not yet gone ahead.

Aditi Kare See dermatology was always a focus area for Indoco even earlier.

Nishit Shanghvi Okay how big is this product, this ophthalmology product?

Sundeep Bambolkar No numbers can be given at this stage.

Nishit Shanghvi Okay thank you.

Moderator Thank you. Our next question comes from the line of Bhavin Shah from Dolat Capital. Please go ahead.

Bhavin Shah What should be the likely field force addition this year?

Aditi Kare Force addition, across these two new divisions in totality we are going to add close to 200 people, because as I said we restructured Radius Surge, so although we have added more in totality the plus-plus will be about 200.

Bhavin Shah That would total up the size to what figure, the marketing representative strength?

Aditi Kare 1700 people.

Bhavin Shah Post addition?

Aditi Kare Yeah.

Bhavin Shah Okay lovely. And given to understand that we have signed with Aspen, Watson, and there are other triggers awaited, are we looking at building up capacity, what sort of CAPEX are we looking at maybe two years down the line?

Sundeep Bambolkar This current year we are going to invest 93 crores, out of that 48 crores is in our new Greenfield project and the construction is well on the way and we will be commissioning the plant in January 2011.

Bhavin Shah This should be within the 93 crores bracket that you are saying?

Sundeep Bambolkar Yes, 48 crores out of 93, this tablet block will be approved by all the major global regulatory agencies like US, UK and all the others.

Aditi Kare We are looking at moving a lot of our existing products with high volumes into this. We will get efficiencies by increasing batch sizes, reducing cost on analysis and so on, in addition to adding capacity. So we are going to double our capacities on the total by the end of this calendar year.

Bhavin Shah Okay so the existing manufacturing gets transferred to the new block?

Aditi Kare Well yeah, we have yet to take smaller size batches in the older blocks.

Bhavin Shah Okay, but then you will have to look for regulatory approval also coming in for this block.

Aditi Kare We will naturally get it triggered, because our partners are also equally interested that our batch sizes go up.

Bhavin Shah Right, sure. I just wanted to get the execution timeline that does not get delayed?

Sundeep Bambolkar No, it won't get delayed.

Bhavin Shah Okay so you are saying that likely addition to a revenue from these transfers that are happening or these deals that are being signed up partly in about FY12?

Sundeep Bambolkar From April 2011, you see the rise in revenues because I am taking three months for triggering the audit.

Bhavin Shah Okay. So that should not be a concern, within three months you think the audit should be sanctioned.

Sundeep Bambolkar Yeah one audit at least, the UK audit will be done.

Bhavin Shah Okay. So from April onwards, we see revenue is kicking.

Sundeep Bambolkar Yeah absolutely.

Bhavin Shah Okay great sir. Thank you.

Moderator Thank you. Our next question comes from the line of Darshana Joshi from Sahara Mutual Fund. Please go ahead.

Darshana Joshi Just a small clarification, two of our products have not contributed well in this quarter, so what would have been the sales growth otherwise if they would have done well?

Aditi Kare We would have definitely clocked 15% plus actually and it is not just two, predominantly these two.

Darshana Joshi Okay. That's it, thanks.

Moderator Thank you. Our next question comes from the line of Ashish Thakar from ICICI Securities. Please go ahead.

Ashish Thakar I just wanted to know whether the UK and Germany figures which you have given as 12.5 and 4.5 crores, can we assume that these figures also include the sales from metformin?

Sundeep Bambolkar Yeah we can because one year of supplies is completed and now the contract is almost getting over.

Ashish Thakar Okay and the contract will be on for what duration?

Sundeep Bambolkar Another two to three months.

Ashish Thakar And could you give any guidance as far as the Kenyan and the Southern markets are concerned because we believe we have some orders although to a small extent?

Sundeep Bambolkar Yeah we have won some very good tenders in Kenya, Sudan and Costa Rica and those supplies have already started from last two months.

Ashish Thakar Okay. So have these sales been significant? Is it okay for the management to share this sales number?

Sundeep Bambolkar For this Kenya, Sudan, and Costa Rica, these tender values in the present quarter should be around 6-7 crores.

Ashish Thakar Okay. And as far as the domestic markets are concerned, this quarter we had witnessed 7.1% in formulation which is below the market growth rate. What would be the strategy going ahead and what guidance would the management like to give on this group?

Aditi Kare As I said earlier, we had very clearly said this year domestic should grow by 20% actually and as I explained earlier it is a lack of volume coming in from some of the older products which has resulted in this quarter getting hit on the top-line.

Ashish Thakar So we can consider this as a one-time blip?

Aditi Kare Yeah certainly.

Ashish Thakar Okay yeah thanks for taking my question.

Moderator Thank you. Our next question comes from the line of Akshat Vyas from Anvil. Please go ahead.

Akshat Vyas The major brands which you have seen predominantly which didn't contribute this time, they were in which segments?

Aditi Kare Both, one is in respiratory segment and the other is an antibiotic which is also predominantly used for upper respiratory tract, so both have got to do with respiratory.

Akshat Vyas Okay. And one more thing in terms of your tax rate, how much would it be going ahead?

Sundeep Bambolkar Tax rate, right now we are on MAT, the Baddi plant 100% exemption gets over on 31st March, 2011. And for another five years, we will have 30% exemption. We have got accumulated MAT credit of 22 crores which will be utilized in those next five years, current tax rate is around 18%, but we are placing full MAT credit for that.

Akshat Vyas And the guidance which is set for FY11, is around top-line sales 525 crores?

Sundeep Bambolkar Yeah.

Akshat Vyas And EBITDA is 18.6% right?

Sundeep Bambolkar 18.5% yeah.

Akshat Vyas Okay. Thank you.

Moderator Thank you. Our next question comes from the line of Neeraj Toshniwal from SKS Research. Please go ahead.

Neeraj Toshniwal What is the net debt amount on your books as of 30th June?

Sundeep Bambolkar Net debt is about 95 crores, because we have borrowed external commercial borrowing. Only working capital territory is around 22 crores. Yeah purely working capital and the remaining is long term loan.

Neeraj Toshniwal And is there any FCCB conversions?

Ganesh Gokhale No, we do not have any FCCB on our books.

Neeraj Toshniwal Okay. You just mentioned that you have done some successful passing of bioequivalence studies.

Sundeep Bambolkar Yeah.

Neeraj Toshniwal Could you tell me something about that? How much revenue is expected from that and when would it be done?

Sundeep Bambolkar One molecule the anti-psychotic molecule we have cleared the final bioequivalence and that is predominantly to be launched in Australia at this stage, but we are encouraged by this bio study going through quickly so we are conducting bio studies on the US and the European reference standard products for the same molecule. And the second is on lowering molecule for which the final bio is going on and the results would be known by end of August.

Neeraj Toshniwal Okay and What is the revenue coming from the first molecule?

Sundeep Bambolkar See we will outline that dossier to multiple companies. First company is of course Australia where we are yet to get into any negotiation because we wanted to first complete the dossier and then do the negotiation.

Neeraj Toshniwal Okay. So from dossier...

Sundeep Bambolkar From Australia, there will be one company and from Europe at least there are minimum five enquiries for that product.

Neeraj Toshniwal Okay. So nothing in absolute terms?

Sundeep Bambolkar Not at this stage.

Neeraj Toshniwal Okay. Thanks sir, that's it from my side, thank you.

Moderator Thank you. As there are no further questions, I would like to hand the floor back to Ms. Purvi Shah.



Indoco Remedies
July 22, 2010

- Purvi Shah** Thank you Farah. As there are no further questions, on behalf of Dalal & Broacha, we sincerely thank the top management of Indoco Remedies for spending their time with us and discussing the company's first quarter results. This concludes the conference call.
- Sundeep Bambolkar** From the Indoco team, I would like to take this opportunity to thank all of you for having logged into our call. And we look forward to interacting with you in the next quarter. Thank you.
- Moderator** Thank you very much. On behalf of Dalal & Broacha Stock Broking Ltd. that concludes this conference call. Thank you for joining us. You may now disconnect your lines.