

Conference Call Transcription Report On Q3FY09 & 9MFY09 performance of



Indoco Remedies Limited

Corporate Participants:

Mr. Sundeep Bambolkar - Director (Finance & Operations),
Ms. Aditi Kare Panandikar-Director Business Devpt & HR
Mr. Ganesh Gokhale - VP (Finance & Accounts)

Hosted By:
RELIANCE Money
Anil Dhirubhai Ambani Group

PRESENTATION

Operator

Thank you for standing by and Welcome to Q3 FY 2009 financial performance conference call for Indoco Remedies Limited, presented by Reliance Money. At the time all participants are in a listen only mode there will be a presentation followed by a question and answer session at which time. If you wish to ask a question please press “star” “one” on your telephone. I would like to hand the conference all the Mr. Surya Narayan Patra now over the user.

Mr. Surya Narayan Patra

Ya! Thank you Good afternoon everybody. I on behalf of Reliance Money Welcome you all to the third quarter FY 09 earning call of Indoco Remedies Limited to discuss the quarterly performance the we have with us

Mr. Sundeep Bambolkar Director Finance & Operation, and

Ms. Aditi Kare Panandikar Director Business Development and HR and

Mr. Ganesh Gokhale VP Financial Account from the company side.

Now I request Mr. Bambolkar discuss quarterly financials and brief us about the future outlook of the company. Over to you Sir.

Corporate Participant: (Mr. Sundeep Bambolkar)

Ya! Thank you Surya, good afternoon and I welcome all the participant and Thank you for logging into our Con Call for the third quarter results. As discussed in the last conference call the company has tightened the credit control measures and as expected the domestic sales have been affected. However the export sales have shown a growth of 30 % for the corresponding quarters for previous year. APIs sale for the quarter was Rs. 439 Lakhs as against Rs.157 Lakhs for the corresponding quarter previous year. The total de growth in the top line is around 14.5 % over the same quarter previous year. However the sale compared to the immediate preceding quarter had remained almost same. It is interesting to note, the demand for the company's brand at the retail level over the competition is growing continuously as indicated by ORG IMS data. The Company's ranking in the secondary sales audit and also improved from 33rd in December 2007 to 32nd in December 2008 as per the ORG IMS data The company therefore is confident that the positive impact of these measures taken will be seen in the future quarter. We are happy to inform you all that the tightened credit control measures has been improving the company's cash flow to a great extent. The reduced sales had affected the profitability of the company. The profit after Tax for the quarter is Rs.63 Lakhs compared to Rs. 11.85 crores during the same quarter previous year.

The percentage of profit after Tax to net sales has reduced by 12.20 percent and the percentages of EBITDA margin to net sales has reduced by 11.6 percent. The reduction in the profit is mainly due to the loss of contribution on account of reduced sales. The contribution loss is to the tune of Rs.6 crores. The employees cost for the quarter has marginally gone up by Rs.67 lakhs due to the normal increment during the year. The other expenditures gone up by Rs 3.60 crores for the same quarter previous year. The increase in the other expenditure is mainly on account of foreign exchange losses. The Pound had depreciated against the Rupees beyond the expectation and dollar has remained at Rs.48 to 49 range through out the quarter. This has result in a forex loss of around Rs.2.60 crores during the quarter. However the next 2 quarters the company has hedge the pound at Rs.84 and 85 levels. The MTM position as on 31st December is at Rs.65 lakhs net gain. Coming to the other cost centers the average rate for container to UK during the quarter was US dollars 2500. This has affected the international freight cost for the company. The freight costs have gone up in totalities by Rs.71 lakhs during this quarter. However it is interesting to note the freight to UK has dropped significantly during the Jan to March quarter and each

container now cost USD 1200. In addition there has been intensive traveling activity pertaining to the domestic sales specially Spera and Cresta, two new division formed within the company. This has increased traveling cost by 48 lakhs during the quarter. The sales promotion expenses, also gone up by Rs.100 lakh during this quarter. During the preceding quarter the company's power and fuel cost has gone up substantially due to increased in oil prices in the international market. However during this quarter the company has saved Rs.80 lakhs over the last quarter previous year. These savings continues in the future quarter due to others step taken by the company. The company had installed an Agro fired boiler at in Goa plant which is helping to the company to reduce the power cost. Interest cost during the quarter has gone up by Rs.70 lakhs over the same quarter for the previous year. From October 2008 up to December almost all the bank had increase the rate by 2 to 3 percentage point. Even the borrowing cost of foreign currency loan has gone up considerably by around 400 Bips due to non- availability of foreign currency worldwide. However the company was fortunate enough to have sufficient finance available during this finance crunch. Thanks mainly to all the banker for showing their confidence in the company.

During the quarter ICRA has rated A-one plus rating to the companies commercial paper programs of 25 crores. ICRA is also awarded LA plus rating for the long term borrowing of the company. The company expects to improve in domestic sales January to March quarter compare to the immediate preceding quarters. On the export front, we expect to cross the significant milestone this year. That of recording over 100 crores turnover. Due to these measures, the company profitability is expected to improve during the January to March quarter. We have already circulated the management discussion and analysis and the hope that all of you received the same. I now request all the participant to raise the queries and we would be happy to respond to the same. We now wait for questions from the participant. Thank you very much.

Operator:

Certainly sir, at this time, if you wish to ask the question, please press "star" "one" on your telephone keypad and wait for your name to be announced. If you wish to cancel the request Please Press the hash 'or' the pound key.

I repeat participant wish to ask the question please press "star" "one" on your telephone keypad and wait for the name to be announced. Participant press "star" "one"

First on line we have Mr. Rahul Sharma from Karvy

Mr. Rahul Sharma:

Good evening, I just wanted to know how are the initial numbers looking at Jan - March quarter what type of revenue growth are you expecting in the domestic formulation based in this quarter and any outlook on FY10 number's also

Corporate Participant

During the quarter we expect domestic sales to cross 60 crores and exports sales to touch around 26 to 27 crores

Mr. Rahul Sharma:

Ok! out of which in exports how much do you did you say sir

Corporate Participant

Around 26 to 27 crores

Mr. Rahul Sharma:

In domestic how much would be your formulations in...

Corporate Participant

This is only the formulation term, what I am giving you

Mr. Rahul Sharma:

Do you foresee any major improvement in your operating margin also in account of better revenues in the last quarter?

Corporate Participant

Yes definitely compare to the justifying this further quarter we expect the margin to look up sharply

Mr. Rahul Sharma:

Can we expect more than double digit's?

Corporate Participant

Yes it will be definitely

Mr. Rahul Sharma:

Ok Sir! Thank you Sir

Operator

Thank you Sir next on line we have Mr. Sarabjit from Angel Broking.

Mr Shushant: (on behalf of Sarabjit)

Hi. Sir this is Shushant here from Angel Broking the first question was Sir the foreign exchange losses of 2.6 crores all are realized or the translation one

Corporate Participant

It is partly realized as well as partly in translation because certain as of 31st December we have valued all our Pound Debtors at 68 so that is all unrealized now the pound is going up little bit So that will get realized in favorably in this coming quarter

Mr Shushant:

And sir what would be the break-up in terms of realized and the unrealized 2.6 crores

Corporate Participant

It will be around 60 – 40%. 60 is realized and 40 is unrealized

Mr Shushant:

And Sir I was supposed your exports was fully hedge So any, in terms of any MTM gains on forward contracts

Corporate Participant

Ya! as of 31st December our MTM gain is 65 lakhs

Mr Shushant:

5 lakhs

Corporate Participant

Ya! 65

Mr Shushant:

65 and it is under which line item in terms of 2.6 under 65

Corporate Participant:

I did not get you.

Mr Shushant:

Or 2.6 crores is under which line item sir, foreign exchange loss,

Corporate Participant:

Other expenditure.

Mr Shushant:

And you MTM gain also.

Corporate Participant:

Yeah!

Mr Shushant:

And sir what would be our current debt position?

Corporate Participant:

Current debt position will be in the range of 80 crores, 80-85 crores.

Mr Shushant:

Sir, this is gone up in terms of quarter on quarter?

Corporate Participant:

Debt, sorry, sorry you are taking about the debt?

Mr Shushant:

Ya, debt, debt.

Corporate Participant:

Sorry, I was under the impression you are talking about the debtors. Debt was around the 40 to 42 crores.

Mr Shushant:

And sir, in terms of your, FY 10 outlook in terms how do you see in terms of domestic business planning out?

Corporate Participant:

Yeah!

Domestic you know on a term of credit control measures, we had taken aback and from hereby expect to improve for the march quarter and hence at the opening as already told by me, don't expect to outperform the march of last year. But thereon there is going be a significant but gradual increase and July to September quarter is a largest quarter for the company, and a we do accept the domestic to do well for the next year.

Mr Shushant:

Mam, in the last Con call you indicated that the 4th quarter would be revival quarter for the company?

Corporate Participant:

That's right.

Mr Shushant:

Will it be spelling over to the next fifth?

Corporate Participant:

No I mean, when I say we are doing an domestic is would as doing at must did the last quarter that is kind of revival.

Mr Shushant:

No out performance.

Corporate Participant:

Not to be domestic, for the export you will see that, for forthcoming quarters they will out perform.

Mr Shushant:

And mam in terms of the AOK tender, What the status in terms of the final confirmation, when it would to be received?

Corporate Participant:

Still expecting it for the last week of Feb, mostly in the first week of march an official confirmation.

Mr Shushant:

Ok thanks.

Operator:

Thank you sir, Once again participant who wish to ask question, Please press star one on a telephone key pad, and wait for you name to be announced.

Next on line we have Mr. Varun Rao from Religare security

Mr Varun:

Ya hello, sir he had the question on realization rate for the quarter just want to know what is average realization rate in terms of pound, Euro and dollar?

Corporate Participant:

During this quarter USD's actual invoice booking was at 48.5, all pound at 80.72 and euro was the 65.

Mr Varun:

And our average hedging rate for the three currencies?

Corporate Participant:

For the USD our average hedging going forward .Going forward the USD is at 46, pound is around 85-86, Euro is at 66.

Mr Varun:

Ok, Thank you sir,

Operator,

Thank you Mr Varun

Once again participant who wish to ask a question please press * one on your telephone key pad, and wait for your name to be announce. I repeat if you wish to ask a question, please press * one on a telephone.

Participant may press *one to ask a question. I repeat participant who wish to ask a question, please press * one on your telephone. Participant who wish to ask a question may press *one on your telephone now.

At this time there are no questions sir.

Mr.Surya:

Ok,

In fact, I have a couple of queries.

Corporate Participant:

Yes Surya,

Mr.Surya:

This quarter we are saying regulated for regulated market export gross is just 10% some thing like that.

Corporate Participant:

No no, 29 %

Mr.Surya:

It's semi-regulated market?

Corporate Participant:

Almost both are 29%

Mr.Surya:

What is the kind of the growth, which you expect, why because our domestic combination, which is being the practice, segments that is not doing as per expectation. So in the export side what should to the kind of the growth want to do expect?

Corporate Participant:

They are roughly targeting 40% growth for March 10

Mr.Surya:

Beyond that any major figure that we once a looked at it for the export type.

Corporate Participant:

Ya, there will be no. of figures one is new geography opening out such as the south Africa, Australia is just opened out so that will be one trigger, the second is the likelihood of winning the tender which is filled in the Germany, Two triggers we are looking at for the immediate short terms that is for the one year with pattern,

Mr.Surya:

And any updated on that graduals approval and US kind of revenue follow.

Corporate Participant

As per as USA concerned product development is going on. And one by one will be filling those air deals so I think the first approval will be on 10, 11, ok

Mr.Surya:

And about Brazil whether we have started any thing so one we because it is almost six month now after getting that envisage approval,

Corporate Participant

Ya !

Brazil will have a short listed 2 'or' 3 companies to the partner,

Mr.Surya:

Ok!

Corporate Participant

Of course in Brazil there you must have partner to work with,

Mr.Surya:

Ok!

Corporate Participant

So that process already going on right now,

Mr.Surya:

Ok!

So that will take some time to get some commercial benefit out of it

Corporate Participant

Ya! Ya!

It will take at list one year

Mr.Surya:

And the, what is the rate of suggested dossier selling or outlasting the dossier

Corporate Participant

Or quite a number now we have some new some high-end molecules in the pipeline.

As I like the during the last year with behind the initial you know the lower end Molecules

We have graduated to much higher level now we had expect a at least 10 to 12 crores revenue out of that activities

Mr.Surya:

For that is for FY 10 in the one last question there is about debt we have not seen any debt additional during the quarter.

Corporate Participant

Debt you are talking about

Mr.Surya:

What was the debt addition during the quarter or there was nothing it because of the interest arise in the interest cost.

Corporate Participant

No that was because the rate of interest got hiked up

Mr.Surya:

Ok

Corporate Participant

We have a negotiated a new loan with Citi Bank, and that is 3 million USD so where getting the draw down today in fact.

Mr.Surya:

Ok, Then What was the average kind of debt cost for the company sir?

Corporate Participant

9.75 %.

Mr.Surya:

Foreign as well as domestic kind of debt?

Corporate Participant

Both together.

Mr.Surya:

Ok, That is it from my side. Special thanks to the inter management team of Indoco Remedies Ltd and thanks to all the participant so there support and present listening. Thank you sir,

Operator:

Thank you sir

Thank you sir, for participating

That does conclude the conference today thank you for participating in reliance Conference Bridge, you may all disconnect now.
