

Conference Call Transcription Report On Q2FY09 & H1FY09 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:

Welcome to the Q2 FY09 Financial Performance of Indoco Remedies Ltd Conference Call presented by Mr. Surya Narayan Patra and Mr. Sundeep Bambolkar, hosted by Reliance Money.

At this 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 keypad.

I'd like to hand the conference over to your speaker now. Over to you, sir.

Surya Narayan Patra:

Good afternoon everybody. I on behalf of Reliance Money welcome you all to the second quarter FY09 earnings call of Indoco Remedies Ltd. In order to discuss the quarterly as well as half yearly performance in detail we have with us Mr. Sundeep Bambolkar, Director, Finance and Operations; Ms. Aditi Kare Panandikar, Director of Business Development and HR; and Mr. Ganesh Gokhale, VP, Finance and Accounts from company side.

Now, I request Mr. Bambolkar to discuss the financials and brief us what is the future outlook of the company. Over to you, sir.

Sundeep Bambolkar:

Thank you, Surya. During the second quarter ended September 30th, the company's net sales have declined to Rs.78.62 crores compared to Rs.84.43 crores. That is a decline of 6.9% over the same quarter previous year. This reduction in turnover was mainly due to the decrease in the domestic business of the company. The export business however has registered a growth of 47.7%. Some of the credit control measures introduced by the company had impacted the domestic sales. However, it is interesting to note that the demand for the company's brand at the retail level is growing as indicated by the ORG IMS data. The company is therefore confident that the positive impact of the measures taken will be seen in the future quarters.

As a result the profit after tax for the quarter was Rs.2.17 crores compared to Rs.10.85 crores during the same quarter previous. There are three main factors why the profit has declined. First of course is the reduction in the domestic business. Second the power and fuel costs of the company for its plants in Goa, has gone up considerably. But we take it that this is a one-off time that this is happening, mainly because it is linked to the price of naphtha which is in turn is linked to the price of oil in the international market. And the price of oil during this quarter was at its peak.

Nov 4, 2008

However, since the end of September we have seen a substantial decline in the price of oil from \$147 it has now come to around \$65. Besides, the company has also taken several measures to ensure that the power and fuel bill is restricted in future.

We have installed an agro fired boiler which will be activated within 15 days from today. And we are also entering into an agreement with the Goa State Electricity Board. This agreement will come into effect from February. So, we take it that this was a one time hit. Second main reason for decline in profitability was the Forex loss of around Rs.1.40 crores.

Two factors contributed to this loss. Number one was borrowings in foreign exchange and second one was the hedging. Since the hedging was done quite sometime back to protect the company against any fall in the dollars, which was very much, at that time -- the trend was downwards and we had hedged the dollar at around Rs.41. So, this time, during this quarter the dollar really shot up and went to almost 48 – Rs.49. In future quarters also we have hedged the dollar but it is much more respectable to the levels of 43-44 and eventually even to 48 and 49.

The pound which is our main contributor, because 50% of our international business happens in the U.K. has been hedged right up to July of the '09. Again there the hedging for the present quarter is around 81-82, but in future quarters it is 84-85 and right up to 88. Since the company has taken all these remedial measures to reduce the impact of these factors we are sure that profitability in the quarters to follow will be positive. The ORG ranking of the company that is secondary sales audit during September 2008, we were at 29 compared to September 2007 where we were at 32.

Talking about the export front, the exports to regulated markets during the second quarter have registered a growth of 52.8%. Sales for the second quarter that is September '08 has been Rs.18.47 crores, as compared to Rs.12.09 crores for the same period last year.

In semi-Reg markets has also shown the growth of over 20 % it is recorded sales of 5.10 crore compare to 4.21 crore for the same period last year.

Also in semi-Reg markets, during this quarter we have introduced 13 products in different geographies across the globe and also have target business in Philippines and Malaysia. In Malaysia our own dossiers Metformin has been approved and the Glipizide Gliclazide will be approved shortly.

We also now have a range of products in our basket for which we have CTD dossiers with Bio-Equivalence studies performed by the company. In turns give us our full impetus to our marketing efforts and will contribute to improvement in margin in the future quarter as far as regulated markets are concerned.

The company has also received its first approval from EDQM. We now have a certificate of suitability for Metformin if we are manufacturing for Indoco.

I think largely this was the financial and the business discussions we wanted to have. Now we would invite question from the participant.

Operator:

Certainly, sir. At this time, participants who wish to ask a question please press "star" "one" on your telephone keypad and wait for your name to be announced.

The first question comes from Mr. Bhavin Shah from Daulat Capital. Over to you, sir.

Bhavin Shah:

A good afternoon everybody. My question is pertaining more on the domestic formulation business, I mean, sorry if I missed it out, but just wanted to understand relatively the performance has been subdued during the quarter. How do we plan to pick it up from hereon and where exactly has it dampened? That's all.

Aditi Kare Panandikar:

Yeah I'll take that, with regards to demand for a product in the domestic market is concerned we are very confident we have been tracking our own secondary sale which we do periodically. We have also been looking at the IMS ORG data, which has by and large done the performance of the company in the past also and on both fronts we are very confident that the secondary sale strength for the company is very good.

Apart from that, I think I should first explain why this dip in the sales has happened this quarter. There have been certain credit control measures which the company has adopted. This has as a consequence of which we have actually not supplied the product, whereas the orders were already there. So strategically, we are on track and I think that should answer your question.

Bhavin Shah:

Full year perhaps we have been likely to register a positive growth or do we remain flattish, indicating us for the half year?

Aditi Kare Panandikar:

We will close with a slight growth, which we are definitely to still try and achieve a double digit growth in domestic sales. All efforts are in that direction. It would be close to about 9 to 10%.

Bhavin Shah:

And is there any negative impact in account of excise cut or anything of that sort that you see?

Aditi Kare Panandikar:

I am sorry, can you repeat that?

Bhavin Shah:

Is there any excise impact which you have seen, perhaps this counted you on the net sales...

Aditi Kare Panandikar:

Nothing through the excise, I think. Okay your question is that because of the reduction of the excise duty, you feel that our competitors might have been able to sell in a lower price. But that's not the case at all, as I explained the secondary sales were definitely up. This is an impact of what we started in the last quarter. I do not know whether you were logged in our con-call last quarter. But we had already discussed. Last quarter also we had shown a growth in domestic only of about 7%. And we had started the credit control measures and we knew that the impact would last for another quarter. For the third quarter also, we expected to be slightly sluggish. Although we are definitely sure of achieving the phase we had achieved same quarter last year and a little bit more.

Bhavin Shah:

Thanks for that. And the other question was on bulk drugs primarily. How much, of it is captively consumed and for that, the profit margin trend you know coming down negative or?

Aditi Kare Panandikar:

No, currently captive consumption is very small. As you know our entire strategy for APIs is revolving around the reg market formulations of Indoco and to consume those APIs. As Sandeep explained already we had one EDMS now its U.S. in hand, which is going to allow us to consume our own metformin. It is being added to our product files which of regulatory process, we should take another quarter, post which we will be able to use our own API.

Bhavin Shah:

Okay. And the overall profit, EBITDA margin is more impacted because of power and fuel, is it?

Sundeep Bambolkar:

Power and fuel also and naturally the domestics businesses being down, the margins have been impacted in totality as a company.

Bhavin Shah:

Unless we see a revival in domestic formulation the margins are not really going to spike up or the exports is increasing or rather compensating for?

Aditi Kare Panandikar:

Yeah exports is only 25% of the whole business.

Sundeep Bambolkar:

75% is domestic.

Bhavin Shah:

Right, but given on that 25%, there are no extraordinary margins that we perhaps are getting.

Sundeep Bambolkar:

There are good margins at EBITDA level even today the margins are above 18%.

Bhavin Shah:

I'll be in the queue, thanks a lot.

Operator:

Mr. Bhavin, are you finished with your question?

Bhavin Shah:

Yeah. Thanks.

Operator:

Okay. Thank you, sir. Next question comes from Mr. Jigesh Chawla from Enam Holding. Over to you, sir.

Jigesh Chawla:

Hello, sir. I just wanted to know that there has been a rise in employees expenses for this quarter is it for the reason of you've hiked the salaries of the employees or you hired new employees?

Aditi Kare Panandikar:

No, this is

Jigesh Chawla:

Yeah

Aditi Kare Panandikar:

This is the quarter in which we increment for the field staff that goes out.

Jigesh Chawla:

Okay.

Aditi Kare Panandikar:

So the arrears for that have come in.

Jigesh Chawla:

Okay. So this won't be repeated in the next quarter?

Aditi Kare Panandikar:

We've also taken about 100 new reps.

Jigesh Chawla:

Okay.

Aditi Kare Panandikar:

For one of the new division.

Jigesh Chawla:

Okay, okay. And on the revenue front the decline which we have witnessed in the domestic formulations for this quarter will we be able to regain those sales in the coming quarters or this is gone for now?

Aditi Kare Panandikar:

No, no we'll definitely be able to regain.

Jigesh Chawla:

Okay. Okay. So that must have actually reduced our working capital requirement right?

Aditi Kare Panandikar:

Exactly.

Jigesh Chawla:

Yeah, yeah. And one just a strategic question on, if your price today is quoting below the IPO price that you had come out with, so would you be looking at doing buyback of the shares. Your company is trading around I mean, I think should be below book value now?

Sundeep Bambolkar:

We are studying the situation and within a few weeks I think we'll come out with some strategy on that.

Jigesh Chawla:

Okay. Okay.

Sundeep Bambolkar:

Yeah

Jigesh Chawla:

Thank you, sir.

Nov 4, 2008

Sundeep Bambolkar:

Thank you

Jigesh Chawla:

Thanks Aditi. Thanks

Operator:

Thank you, sir. Once again participants who wish to ask a question please press “star” “one” on your telephone keypad. Next, on line, we have Mr. Krishna Kiran from Capital Market. Over to you, sir.

Krishna Kiran:

Hi, sir. Hello.

Sundeep Bambolkar:

Yeah.

Krishna Kiran:

Sir, in first presentation I was missed some number. Sir, would you kindly repeat how at what prices to hedge your future influence in U.S. and Europe?

Sundeep Bambolkar:

Okay.

Krishna Kiran:

Yeah.

Sundeep Bambolkar:

Okay. The pound has been hedged starting from around 84 right up to 88.

Nov 4, 2008

Krishna Kiran:

Okay. US.

Sundeep Bambolkar:

Fall contribute 50% of the influence from abroad.

Krishna Kiran:

Okay, sir.

Sundeep Bambolkar:

And the dollar I think from 43 right up to 49.

Krishna Kiran:

43 to 49.

Sundeep Bambolkar:

Even to even Rs.50 to some extent.

Krishna Kiran:

Okay. 43 to 50, sir. Coming to nutrition segment revenues, sir, in like last year same quarter it was 4.64 crore and this year 2.97. Sir, are you expecting same next quarter will be like fall in this segment?

Aditi Kare Panandikar:

Yeah. We used to have a brand here, a very small brand earlier but was really very small the impact of any single product has not really affected here, if you look at all the therapeutic segment you'll see the same impact. And largely on account of the credit control, you'll see this kind of -- this kind of a profile across all the segments. It is nothing specific to one therapeutic segment.

Krishna Kiran:

Okay. Thank you. That's it.

Operator:

Thank you, sir. Next, on line, we have Mr. Suri from Span Capital. Over to you, sir.

K. Sunder Suri:

Yeah. Good afternoon, Mr. Bambolkar, this is K. Sunder Suri here.

Sundeep Bambolkar:

Yeah. Yeah. Good afternoon.

K. Sunder Suri:

Just wanted to know what is the quantum, how much have you hedged the value of a hedge?

Sundeep Bambolkar:

As far as the pound is concerned 400,000 per month, right up to July '09.

K. Sunder Suri:

Yes.

Sundeep Bambolkar:

\$ 1 million per month. This is up to September or October '09.

K. Sunder Suri:

Okay. And this decline in the domestic sales as you said this is for your rationalization due to your rationalization, by when do you see this normalizing, another quarter or so or two quarters?

Sundeep Bambolkar:

Two quarters.

K. Sunder Suri:

Two quarters.

Aditi Kare Panandikar:

Two quarter, which is underlined we expected to be continue to be sluggish, although you would not see should not see a decline to this extent.

K. Sunder Suri:

Right.

Aditi Kare Panandikar:

The quarter after that we will see the demand.

K. Sunder Suri:

So I mean on an annual, I mean if you look on a yearly basis it would be, do we see a growth vis-à-vis we last year or do we see a decline?

Sundeep Bambolkar:

There will be a growth.

K. Sunder Suri:

Okay. So, you expect to cover up in the coming quarter's, right?

Sundeep Bambolkar:

Yes, yes.

K. Sunder Suri:

Okay. And just wanted to know what is the quantum of Forex loss you have booked during the quarter?

Nov 4, 2008

Sundeep Bambolkar:

Forex loss is around 1.4 crores.

K. Sunder Suri:

Okay.

Sundeep Bambolkar:

Frankly, of two components, one is the loss due to the borrowing in foreign exchange.

K. Sunder Suri:

Okay. How much is that quantum?

Sundeep Bambolkar:

It'll be around 55 lakhs.

K. Sunder Suri:

Okay.

Sundeep Bambolkar:

And is the loss Q2 hedging which is the balance portion that is around 75 to 80 lakhs.

K. Sunder Suri:

No, my question was how much, what's your debt as on date?

Sundeep Bambolkar:

Debt is around 50 crores.

K. Sunder Suri:

How much of that is Forex denominated?

Aditi Kare Panandikar:

No, all that is not in the foreign currency.

K. Sunder Suri:

Okay.

Sundeep Bambolkar:

12 crores.

K. Sunder Suri:

12 crores. Okay. Fine, thank you so much. I am done with my questions. Thanks.

Sundeep Bambolkar:

Okay. Thank you.

Operator:

Thank you, sir. Next, on line, we have Mr. Abhishek Bishnoi from Economic Times. Over to you, sir.

Abhishek Bishnoi:

Sir, hi. Congratulation on a good set of numbers. This is Abhishek from Economic Times. I just want to know sir, you had fallen into two new segments, oncology, anti-allergy. What kind of growth have you seen there? And what is the outlook there?

Aditi Kare Panandikar:

Yeah. It is still very early days. The launch it's, you know, the divisions are very new. And in the MDA we have given the actual sales. The segments are also very small, but we are very positive going forward.

Abhishek Bishnoi:

Okay.

Aditi Kare Panandikar:

Yeah.

Abhishek Bishnoi:

And ma'am the 10 %growth that you were talking in the cut of domestic formulation, this is for domestic market or for the segment in at all?

Aditi Kare Panandikar:

We are taking about Indoco's domestic phase.

Abhishek Bishnoi:

Domestic phase. Not for domestic formulation?

Aditi Kare Panandikar:

Domestic formulation.

Abhishek Bishnoi:

Okay. Well, it's about 9 to 10% for the whole year, that's the outcome.

Aditi Kare Panandikar:

Yeah.

Abhishek Bishnoi:

Okay. And ma'am apart from this Amneal JV, I mean in this regard would there be any other, you know, partnership you have a focus, you have, you know, a lot more genuine focus in U.S. market. So on these lines would there be any other JV's the possible arrangement that you would be looking for?

Aditi Kare Panandikar:

We had progressed rapidly on the corridor of NDA, where we are completely, vertically integrated.

Abhishek Bishnoi:

Okay.

Aditi Kare Panandikar:

We have finished validation batches for couple of it's product, the study's are underway and in the next six months we expect to have another three, four products ready. And we are excluding various arrangements that it may be for the speaking of us.

Abhishek Bishnoi:

Okay. Fair enough. And that answers my question. Thank you.

Aditi Kare Panandikar:

Yeah.

Operator:

Thank you, Mr. Abhishek. We have a follow-up question from Mr. Jigar Sawla from Enam Holding. Over to you, sir.

Jigar Sawla:

Hello. I just wanted to check up of the current debt position of the company at gross level and net level?

Sundeep Bambolkar:

Current debt is around 50 crores as we said earlier.

Nov 4, 2008

Jigar Sawla:

Okay. That will be on the consolidated basis?

Sundeep Bambolkar:

No, it's only Indoco Remedies Limited we are talking about.

Jigar Sawla:

Yeah. I'm so sorry; this will be on the gross level?

Sundeep Bambolkar:

Yeah.

Jigar Sawla:

And what will be the cash that company is sitting on?

Sundeep Bambolkar:

Cash whatever is there we have been invested in liquid fund.

Jigar Sawla:

Right.

Sundeep Bambolkar:

And some free cash equated instead of 5 crores.

Jigar Sawla:

Okay. So net debt would be about 45 crores?

Sundeep Bambolkar:

Definitely.

Jigar Sawla:

Yeah. Thank you, sir.

Operator:

Thank you, Mr. Jigar. Once again, participants who wish to ask a question please press "star" "one" on your telephone keypad and wait for your name to be announced. Next on line we have Mr. Ashish Thavkar from ICICI Direct. Please, go ahead, sir.

Ashish Thavkar:

Sir, good afternoon. Sir, sir, like wherever we have the MDA, it's been seen that we look and have a lot of information about the export markets, but we do not have any detail clarity as far as the domestic business is concerned. And moreover like 75% is contributed by the domestic business, so are we taking any affects to provide more clarity on the domestic business in our MDA section.

Aditi Kare Panandikar:

Yeah. I think, probably we take it a little bit for granted because it's such an old business for the company. Also we discuss it at a very detailed level in many of our corporate presentations about the marketing divisions, etc. But if you look at the therapeutic segment, while revenues are being given back, but it is a good suggestion, probably going forward we'll give you further clarity on the different divisions we have and their working.

Ashish Thavkar:

Okay. That's good. And this next question is like regarding the bulk i.e. your API's. Like, we have been seeing an increase in raw material prices that are sourced from China. You know at the same time, we are also manufacturing our own API's and we are also using it then for our captive consumption. So, is there some kind of offsetting in the cost structure?

Aditi Kare Panandikar:

Well, API which will go into formulation for our end-market. It is only at a short-term measure that we are using some of those API manufacture for our own consumption for domestic sale. But the strategy really fits them for international market. So there as you know it is much more beneficial to be vertically basic and the cost element that you are discussing does not become just a relevant factor.

Ashish Thavkar:

So, obviously can you -- like you can see more feed in prices of the raw materials that are sourced from China?

Aditi Kare Panandikar:

Yes, certainly. At the time of the Olympics, there was a lot of noise. Thereafter, there was also some clump on account of excessive stock, which had been maintained here in India by probably a lot traders as well as the formulation manufacturers. As you know the April to June quarter was not actual nominal, as everybody has expected. So, that also had people stocked up higher levels and the consequence of, you know, the prices have started coming down.

Ashish Thavkar:

Okay. Ma'am, one last question. Like, we have been launching new products every quarter. So, is there any kind of strategy that as the multi-products would be launched, how much would be the incremental contribution from these new product launches

Aditi Kare Panandikar:

Yeah. I do not have the number right now. But I could get it for you. Technically, we look at the products launch in the last two years and term the same as new product.

Ashish Thavkar:

Okay, ma'am. Thanks a lot. I'll get back with the questions, if I have any. And all the best.

Aditi Kare Panandikar:

Yes, yes.

Operator:

Thank you, Mr. Ashish. We have a follow-up question from Mr. Abhishek Vishnoi from Economic Times, over to you, sir.

Abhishek Bishnoi:

Hi, actually, I just wanted to know your hedging levels and how much is the hedge position right now?

Sundeep Bambolkar:

Yeah. I just mentioned it in another question. Pound is 400,000 per month and dollar is 1 million per month and euro is 100,000 per month.

Abhishek Bishnoi:

Okay.

Sundeep Bambolkar:

And rates are highest rate for pound, we've secured is 88.

Abhishek Bishnoi:

Okay.

Sundeep Bambolkar:

Highest for dollar is 50.25.

Abhishek Bishnoi:

50.25.

Sundeep Bambolkar:

Yeah. And the highest for euro is 70.

Abhishek Bishnoi:

70. Sir, these highest rates have the concentration on the highest rate itself, I mean -- the more.

Sundeep Bambolkar:

The concentration is on the average rate, the average rate for dollar would be around 46 to 47.

Abhishek Bishnoi:

Okay.

Sundeep Bambolkar:

For pound would be around 86.

Abhishek Bishnoi:

Okay.

Sundeep Bambolkar:

And euro is 66 to 67.

Abhishek Bishnoi:

Perfect. Perfect. Thank you so much that answers my query.

Operator:

Thank you, Mr. Abhishek. Next, on line, we have Mr. Bhavin Shah from Daulat Capital. Over to you, sir.

Bhavin Shah:

Thanks for taking my question again. Ma'am if you could discuss show some more light on the recent contract that we signed to the company in US for supplying the bulk or the manufacturing ingredient in the Phase Two and Phase Three, when does it commence and how big is the opportunity for this product.

Aditi Kare Panandikar:

Now we would start the work in the next couple of month as if we pointed out in the MDA, the product is still in Phase One, Phase Two stages but, we expect it to get to commercialization much earlier for some of the rest of the world market. Indoco participation in this, as a manufacturer of the batches which will be going into the clinical trial and well as the manufacturer of the validation batches and eventually manufacturer of the commercial product. I am afraid; I'm not able to give you further details on the product per se. It should be under confidence.

Bhavin Shah:

Yeah. Ma'am but any, any clue or any link on by when can we see possible revenue accreditation on these accounts.

Aditi Kare Panandikar:

It is just in Phase One, Phase Two. So I am afraid, it will be too early to give any kind of analyze on that.

Bhavin Shah:

The validation batches have -- will probably commence in the next one odd quarter.

Aditi Kare Panandikar:

Yeah. One odd quarter, the batches for supply for clinical trials will start. The validation batches would eventually come in when the product has been commercialized.

Bhavin Shah:

Thanks. Okay. And when we expect the AOK tender to get closed.

Sundeep Bambolkar:

I think during the month of -- by November end.

Bhavin Shah:

All right. Thank you. Wish you all the best.

Sundeep Bambolkar:

Yes, sir. Thank you.

Operator:

Thank you, sir. Once again, participants, who wish to ask a question please press "star" "one" on your telephone keypad and wait for your name to be announced. I repeat participants, who wish to ask a question, please press "star" "one" on your telephone

Nov 4, 2008

keypad. We have a follow-up question from Mr. Ashish Thavkar from ICICI Direct. Over to you, sir.

Ashish Thavkar:

Thanks for taking my question. Like, we were just talking about the Phase One and Phase Two where Indoco would be manufacturing the product but could you let us know the target market size of the product.

Aditi Kare Panandikar:

No, since it's a NDA, I think it will be very difficult to identify, you know, target market size based on any kind of information that could be available in the market because it's a novel concept altogether.

Ashish Thavkar:

Thank you. But like when can we expect it, you know, to get commercialized.

Sundeep Bambolkar:

No, right now it's too early.

Aditi Kare Panandikar

Probably in the next quarter or the quarter after that we will be able to give some greater clarity of it.

Ashish Thavkar:

Okay. Okay and like regarding the domestic market like we have been following credit measures you know but like although we are all aware that Indoco has a very good reputation in the domestic market but don't we, you know, in some way have the fear of losing the market to other companies in the domestic market.

Aditi Kare Panandikar:

You are concerned about losing market share.

Ashish Thavkar:

Yeah.

Aditi Kare Panandikar

So that doesn't happen (A) we are working in a branded product segment, (B) as I said the secondary's are already up (C) the orders are coming in, we are not supplying that's all. And when I say we are not supplying it is more of (inaudible) and certainly the management will not allow us to go to a stage where we -- we lose the market share to other brand.

Ashish Thavkar:

Okay. But these credit measures have been followed for the quarter up-to-date so in the coming quarter, could we see increased contribution from the domestic market?

Aditi Kare Panandikar:

Yeah. Some revival will be there as I said.

Ashish Thavkar:

Okay. Okay then yeah. Thanks a lot, that's from my side and all the best.

Aditi Kare Panandikar:

Yeah.

Operator:

Thank you, sir. I repeat participants, who wish to ask a question please press "star" "one" on your telephone keypad and wait for your name to be announced.

Next, on line, we have Ms. Sarabjit Kaur from Angle Broking. Over to you, ma'am

Sarabjit Kaur:

Hi. I have a question, could you provide a flavor on the operating margins for the full year and what will be the drivers for the same?

Sundeep Bambolkar:

Operating margins for the whole year.

Nov 4, 2008

Sarabjit Kaur:

Yeah.

Sundeep Bambolkar:

Normally, our EBITDA margins annually are around 21%. So I guess this time also it will be in the same range 20 to 21%.

Sarabjit Kaur:

In spite of domestic not doing well, you are confident of achieving those kind of margins.

Aditi Kare Panandikar

For the whole year.

Sarabjit Kaur:

Yeah.

Sundeep Bambolkar:

I think because by the end of the year, we are planning -- we are strategizing the domestic full growth by about 9 to 10% as Aditi already told you. So while that is in place, the margins would definitely climb to those levels.

Sarabjit Kaur:

Okay. Fine, thanks.

Operator:

Thank you, ma'am. I repeat, participants who wish to ask a question please press "star" "one" on your telephone keypad.

At this time, there are no further questions from the participants. I'd like to hand the flow back to Mr. Surya Narayan Patra for final remarks. Over to you, sir.

Surya Narayan Patra:

Thank you. Sir, I have couple of questions. The first and second quarter use to be a superb quarter for Indoco. So, and then the half year we had seen a decline in the revenues in the domestic front, so can we see growth from this level in the second half?.

Aditi Kare Panandikar:

Yeah. certainly as I said, in the third quarter we expect to do as well as the same quarter last year. If not, little better. And in the fourth quarter we see a revival. Overall and on an agreement basis, I expect to have a growth of close to about 9% in domestic sales.

Surya Narayan Patra:

The margin what you have indicated for the full year, the margin expense, slight expansion during the second half would be contributed by just by the domestic formulation business reviving up or practically by some international operation also?

Sundeep Bambolkar:

Also by international operation.

Aditi Kare Panandikar:

As well as measures taken towards controlling costs like the electricity, that's true.

Surya Narayan Patra:

And what was the average debt cost during the quarter month?

Sundeep Bambolkar:

Average debt.

Ganesh Gokhale:

Average borrowing cost was around 9% till September.

Surya Narayan Patra:

Okay.

Ganesh Gokhale:

Now in October it has gone up a little bit, but up to September it was 9% average.

Surya Narayan Patra:

In the previous quarter, whether any 100 basis point or something like that, the expansion in the average borrowing cost?

Aditi Kare Panandikar:

I am sorry. Can you repeat that?

Surya Narayan Patra:

What was the case in the previous quarter month?

Sundeep Bambolkar:

Previous quarter also was around 9%.

Ganesh Gokhale:

It was around 8.5. September it has reached to 9%.

Surya Narayan Patra:

Okay. And one last question. See we have started participating with the innovative players like, we have just signed a contract cooperation contract with some NDA players and we have been doing some dossier development activities since long, so are we in a way expanding our business model towards crams kind of activity?

Aditi Kare Panandikar:

Certainly. We are doing a lot of work on contract research, not only a formulation but also in API. And although we had been doing building block to MCs as part of the contracted research work for APIs, we have now drew these through this outstanding product got into partnering on an MDA formulation. So contract research, contract manufacturing as you know is already an integral part of our export modeling currently. And with these export, we will truly be a crams player now.

Surya Narayan Patra:

And just a small question. Any update on the API side? Any major development from that side?

Aditi Kare Panandikar:

No. As Sundeep might have said in his initial presentation, for couple of the products, validation batches are done. By end of this year, late December, we would be ready to file. We are very much on track for all the other products also. All the products are moving as per schedule.

Surya Narayan Patra:

Okay. So, that is all from my side and wish you all the best for the full year.

Aditi Kare Panandikar:

Thanks a lot.

Surya Narayan Patra:

Thanks to all the participants for their support and special thanks to the entire management team of Indoco Remedies.

Aditi Kare Panandikar:

Thanks.

Sundeep Bambolkar:

Thank you.

Operator:

Thank you, sir. That does conclude our conference for today. Thank you for participating. You may all disconnect now.

END