

INDOCO REMEDIES LIMITED

MANAGEMENT DISCUSSION & ANALYSIS FOR THE FIRST QUARTER FY14

➤ **Revenue figures (Stand Alone)**

(₹ in Lacs)

Particulars	Un-audited				Audited
	Quarter Ended				Year Ended
	30.06.13	31.03.13	30.06.12	% Gwth	31.03.13
	(A)	(B)	(C)	(D)	(E)
Net Sales :					
Domestic – Formulation	9774	9252	9395	4.0	39040
– API	578	420	349	65.6	1662
Total Domestic ... (A)	10352	9672	9744	6.2	40702
Formulation Exports :					
- Regulated	3374	5292	4452	(24.2)	18138
- Emerging Markets	522	518	542	(3.7)	1951
Formulation Exports Total:	3896	5810	4994	(22.0)	20089
API's Export :	509	545	359	41.8	1782
Total Export ... (B)	4405	6355	5353	(17.7)	21871
Total Net Sales (A+B)	14757	16027	15097	(2.3)	62573
Analytical & Testing Income	48	21	19	152.6	70
Net Revenues	14805	16048	15116	(2.1)	62643
Other Operating Income	590	(145)	492	19.9	397
Total Income	15395	15903	15608	(1.4)	63040
EBIDTA (Pre R&D)	2711	2822	2922	(7.2)	10598
Operating Profit	1358	1688	1520	(10.7)	6038
Profit Before Tax	1099	1426	1170	(6.1)	4837
Profit After Tax	918	1285	1035	(11.3)	4266

➤ **Financial Highlights :**

The company's revenue from operations for the quarter ended 30th June, 2013 stood at ₹ 148.0 crs as against ₹ 151.2 crs during the same period last year.

Domestic Branded Formulations business grew by 4.0 % at ₹ 97.7 crs for the quarter ended as against ₹ 93.9 crs during the same period last year. As per AWACS data, the Indian Pharma Market (IPM) grew at 7.8 % as against 17.1% during the same period last year. Slowdown in domestic market and the effects of anticipated pricing policy subdued the growth for the quarter. The therapeutic segments which performed well during this quarter are Anti-Infectives, Respiratory, Pain/Analgesics, Stomatological, Vitamins/Minerals/Nutrients and Cardiac. API Domestic business performed well with revenues at ₹ 5.8 crs for the quarter as against ₹ 3.5 crs during the same quarter last year.

International Formulation business degrew by 22 % at ₹ 39.0 crs as against ₹ 49.9 crs during the same period last year. Regulated Markets revenues are at ₹ 33.7 crs as against ₹ 44.5 crs during the same period last year and the Emerging Markets revenues are at ₹ 5.2 crs as against ₹ 5.4 crs during the same period last year. The shift from the low cost contract manufacturing business to a high margin CRAMS opportunity in the short run and manufacturing against company's own dossiers and MAs in the long run has resulted in muted growth in international business. API Export business grew by 41.8 % at ₹ 5.1 crs as against ₹ 3.6 crs during the same period last year.

During the quarter, the material consumption to net sales is 40.3% at ₹ 59.7 crs as against 43.7% at ₹ 66.1 crs during the same period last year. Improvement in material cost is on account of product mix and also due to efficiency in procurements. The staff cost to net sales is 17.8% at ₹ 26.3 crs as against 15.4 % at ₹ 23.3 crs during the same period last year. The depreciation / amortization are at ₹ 7.3 crs as against ₹ 5.8 crs during the same period last year. Research & Development expenses are at 1.9% of the net sales amounting to ₹ 2.7 crs as against 2.4% amounting to ₹ 3.6 crs during the same period last year. Other expenses to net sales are 27.6% at ₹ 40.8 crs as against 24.8% at ₹ 37.4 crs during the same period last year.

Company's EBIDTA margin stood at ₹ 27.1 crs for the quarter as against ₹ 29.2 crs during the same period last year.

Profit before tax (PBT) stood at ₹ 11.0 crs for the quarter as against ₹ 11.7 crs during the same period last year. The Profit after tax (PAT) stood at ₹ 9.2 crs for the quarter as against ₹ 10.3 crs during the same period last year.

➤ **Credit Rating :**

The Company's working capital facilities are rated as A1+ and long term borrowings are rated as A+ by ICRA.

A1 + rating indicate highest credit quality rating and A+ rating indicates adequate credit quality rating.

➤ **Finished Dosages:**

Domestic Business

The therapies which performed well during the quarter are as under:

(₹ in Lacs)

Therapy	Apr 13- Jun 13	Apr 12- Jun 12	Gwth %
Anti-Infectives	1,459	1,359	7.3
Respiratory	1,355	1,283	5.6
Pain / Analgesics	759	675	12.4
Vitamins / Minerals / Nutrients	618	547	12.9
Cardiac	238	225	5.7

The products which performed well during the quarter are as under:

(₹ in Lacs)

Product	Apr 13-Jun 13	Apr 12-Jun 12	Gwth %
Sensodent KF 100	260	239	8.8
Methycal Tab	181	160	13.1
Tuspel Plus Expectorant	158	137	15.3
Glychek-M Forte	152	140	8.6
ATM 500 Tab	147	137	7.3
Lignox 2% ADR	139	123	13.0
Karvol Plus	124	108	14.8
Kidodent 75 Gms	104	83	25.3
Cal Aid	98	62	58.1

During the quarter, the company launched nine products, details of which are as follows:

Products	Therapy
MCBM-DHA	Gynaec
Febrex LP Syrup	Respiratory
Flamar Plus Gel	Pain / Analgesic
RR Sensoform 40 & 80	Stomatological
Oxipod – CV DS	Anti - Infectives
DBZ Capsules	Vitamins / Minerals/ Nutrients
SM Fibro Capsules	Vitamins / Minerals/ Nutrients
Nepachek	Ophthalmologicals
E-zint	Gastro Intestinal

Ranking in IPM

The company has moved up the rank by two positions in the Secondary Sales Audit report from AWACS and moved to the next position as per CMARC Prescription ranking report.

Secondary Sales Audit Ranking (AWACS)

Jun'13	Jun'12
29	31

CMARC Prescription Ranking (Rxs)

May – Jun'13	May – Jun'12
28	29

International Business

Regulated Markets:

Goa I facility is now USFDA approved and the first consignment of solid dosages will soon be dispatched to USA against Indoco's own ANDA. However, the company is still awaiting USFDA nod for the launch of two sterile products through Actavis (Watson) agreement. A new product has been added to the list of products signed with Actavis (Watson) taking the tally to 23. We expect to file 8 ANDAs in the current calendar year

To facilitate approval of our own dossiers in EU, we have made an application for audit of sterile facility (Goa Plant II). This will facilitate filing and approval of our Dossiers in EU.

Emerging Markets

During the quarter, 14 new registrations were received in the emerging markets and a few ophthalmic products were launched in Columbia. Aggressive promotion of dental products in Kenya and a tie up with leading marketing and distributing company in Nigeria, are the other highlights.

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

The break-up of API revenues for the quarter are as under:

(₹ in Lacs)

Particulars	Apr'13 - Jun'13	Apr'12 - Jun'12	Gwth %
Domestic	578	349	65.6
Export	509	359	41.8
Total	1087	708	53.5

API Business both in domestic as well as international markets has performed well. The Patalganga facility, Kilolab and Analytical lab (AnaCipher) in R&D centre received the USFDA approval paving the way for higher growth of the Division in future. The Patalganga facility has also been registered with Japanese regulatory authority to facilitate DMFs filing in Japan.

➤ **Intellectual Property Rights**

The total number of patent applications filed as on date is 55, out of which 37 pertain to API processes and 18 pertain to finished dosages.

➤ **Future Outlook:**

With announcement of the new pricing policy and the timely onset of monsoon, the growth momentum in the domestic market is expected to pick up. Focus on chronic segment, better market penetration and promotion of legacy brands will help in improvement of domestic sales as well as margins.

The spurt in international business will be triggered with commencement and ramp up of sales of sterile formulations in US markets. The strategy to partially replace contract manufacturing business with supplies against own dossiers/marketing authorizations in European markets is being pursued as planned to improve the margins and sustainability.

The API business is expected to grow at a much faster pace due to its low base and at the same time, will contribute immensely in our formulation business through backward integration in select APIs.

With strong infrastructure built over a period of time, skilled manpower and strategic alliances, the Company is poised for a higher growth, improved margins and sustainable business.

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, certainties and inaccurate assumptions.
