

**INDOCO REMEDIES LIMITED**

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE FIRST QUARTER FY15**

➤ *Revenue figures*

(₹ In Lacs)

Particulars	Unaudited				Audited
	Quarter Ended				Year Ended
	30.06.14	31.03.14	30.06.13	Gwth%	31.03.14
<b>Net Sales :</b>					
Domestic – Formulation	12156	10533	9774	24.4	43861
- API	589	488	578	1.9	2277
<b>Total Domestic ... ( A )</b>	<b>12745</b>	<b>11021</b>	<b>10352</b>	<b>23.1</b>	<b>46138</b>
Formulation Exports :					
- Regulated	5728	6098	3374	69.8	20046
- Emerging Market	609	728	522	16.7	3066
Formulation Exports Total:	6337	6826	3896	62.7	23112
API Export :	658	684	509	29.3	2323
<b>Total Export ... ( B )</b>	<b>6995</b>	<b>7510</b>	<b>4405</b>	<b>58.8</b>	<b>25435</b>
<b>Total Net Sales (A+B)</b>	<b>19740</b>	<b>18531</b>	<b>14757</b>	<b>33.8</b>	<b>71573</b>
Analytical & Testing Income	55	55	48	14.6	164
<b>Net Revenue</b>	<b>19795</b>	<b>18586</b>	<b>14805</b>	<b>33.7</b>	<b>71737</b>
Other Operating Income	68	(224)	592	(88.5)	1034
<b>Total Income from Operation</b>	<b>19863</b>	<b>18362</b>	<b>15397</b>	<b>29.0</b>	<b>72771</b>
<b>EBIDTA</b>	<b>4086</b>	<b>3705</b>	<b>2712</b>	<b>50.7</b>	<b>13451</b>
<b>Operating Profit</b>	<b>2866</b>	<b>2574</b>	<b>1357</b>	<b>111.2</b>	<b>8479</b>
<b>Profit Before Tax</b>	<b>2499</b>	<b>2258</b>	<b>1099</b>	<b>127.4</b>	<b>7211</b>
<b>Profit After Tax</b>	<b>2004</b>	<b>1855</b>	<b>918</b>	<b>118.3</b>	<b>5790</b>

➤ **Financial Highlights**

The net revenues for the first quarter of FY15 have shown a strong growth of 33.7 % at ₹ 198.0 Crs as against ₹ 148.0 Crs during the same period last year. During the quarter, the Domestic Business has grown by 23.1% at ₹ 127.4 Crs as against ₹ 103.5 Crs and International business by 58.8% at ₹ 70.0 Crs as against ₹ 44.0 Crs during the same period last year.

Favourable product and business mix has brought down the material consumption to 36.7% of net sales during the quarter as against 40.3 % for the same period last year. The staff cost to net sales is 17.0 % as against 19.5 % for the same period last year. The depreciation / amortization are at ₹ 9.5 Crs as against ₹ 7.3 Crs for the same period last year. Research & Development expenses to net sales is 2.2% at ₹ 4.3 Crs as against 1.9% at ₹ 2.7 Crs for the same period last year. Other expenses to net sales are 26.0% at ₹ 51.5 Crs and as against 25.9% at ₹ 38.3 Crs during the same period last year.

Earnings before Interest, Depreciation, Tax & Amortization (EBIDTA) to net sales for the quarter is 20.6 % at ₹ 40.9 Crs as against 18.3 % at ₹ 27.1 Crs during the same quarter last year.

Profit after tax (PAT) to net sales for the quarter is 10.1 % at ₹ 20.0 Crs as against 6.2% at ₹ 9.2 Crs during the same quarter 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**

**Indian Pharma Market**

During the first quarter, the Indian Pharmaceutical Market (IPM) grew by 8.8% at ₹ 20065 Crs as against ₹ 18435 Crs over the same quarter last year. In the preceding quarter, IPM had grown by similar growth of 8.8%. During the quarter, acute segment grew by 7.7% and chronic segment grew by 11.5 %. Among the top key therapies, Cardiac (8.8%), Gastro Intestinal (9.1%), Vitamins/ Mineral /Nutritients (9.1%), Anti Diabetics (18.0%) & Respiratory (11.7%) reported comparatively good growth in this quarter.

**Indoco's Domestic Formulation Business:**

The domestic formulation business during the quarter grew by 24.4% at ₹ 121.6 Crs as against ₹ 97.7 Crs during the same period last year. Therapeutic segments which performed well are Stomatologicals, Gastro Intestinal, Anti-Infectives, Respiratory, Pain/Analgesic, Gynaec. Vitamins/Minerals/Nutrients, details of which are as under,

(₹ In Lacs)

Therapy	Apr 14-Jun 14	Apr 13-Jun 13	Gwth %
Stomatologicals	2451	1991	23.1
Gastro Intestinal	1909	1481	28.9
Anti – Infectives	1742	1481	17.6
Respiratory	1601	1355	18.2
Pain / Analgesics	998	759	31.5
Gynaec.	827	638	29.6
Vitamins / Minerals / Nutrients	819	595	37.6

Brands which performed well during the quarter are as under:

(₹ In Lacs)

Brand	Apr 14-Jun 14	Apr 13-Jun 13	Gwth %
Cyclopam	1407	1078	30.5
Febrex Plus	1000	847	18.1
Sensodent	600	507	18.3
Sensodent K	593	499	18.8
Cital	577	422	36.7
Sensoform	487	408	19.4
ATM	451	424	6.4
Oxipod	432	355	21.7
Cloben G	408	354	15.3
Glycheck	320	271	18.1

**Ranking in IPM****Secondary Sales Audit Ranking (AWACS)**

Month		MAT	
Jun'14	Jun'13	Jun'14	Jun'13
29	29	30	31

**CMARC Prescription Ranking (Rxs)**

Bi-Monthly		MAT	
MAY'14-JUN'14	MAY'13-JUN'13	Jun'14	Jun'13
27	26	25	26

During the quarter, the company launched 7 products, details of which are as follows:

<b>Product</b>	<b>Therapy Name</b>
Mofloren-D	Ophthal / Otologicals
Trybr-D	Pain / Analgesics
Trybr	Pain / Analgesics
Karvol Clear	Respiratory
Concize Syrup	Vitamins / Minerals / Nutrients
Rexidin-M Forte Gel	Stomatologicals
Tavaren	Ophthal / Otologicals

Both our legacy brands as well as new launches have done well this quarter. Indoco has been consistently launching around 25 new introductions every year through its eight marketing divisions in India. These new introductions as well as focus on chronic segments will be key growth drivers for domestic business.

#### ❖ **International Business**

The international formulation business during the quarter grew by 62.7% at ₹ 63.4 Crs as against ₹ 39.0 Crs during the same period last year.

#### ***Regulated Markets***

The regulated market during the quarter grew by 69.8% at ₹ 57.3 Crs as against ₹ 33.7 Crs during the same quarter last year.

Indoco has received the Establishment Inspection Report (EIR) from USFDA for Sterile facility (Plant II) and Solid Dosages facility (Plant III) located in Goa. Currently Indoco has 22 ANDAs filed from its sites which includes 3 filings in this quarter.

Within Europe, both the major countries U.K and Germany have done well. New business from Spain, Australia and New Zealand has commenced which will boost the sales in the subsequent quarters.

#### ***Emerging Markets***

The emerging markets for the quarter grew by 16.7% at ₹ 6.1 Crs as against ₹ 5.2 Crs during the same quarter last year. The focus on emerging markets is clearly on trade business and brand building. The emphasis is on strengthening Indoco's presence in the niche segment of Ophthalmics and Stomatologicals.

➤ **Active Pharmaceutical Ingredients (APIs)**

During the quarter, the revenues from API business grew by 14.7 % at ₹ 12.5 Crs as against ₹ 10.9 Crs during the same period last year. During the quarter, the Company paid GDUFA fees for 3 of its DMFs filed with USFDA and has obtained CEP renewal for 2 of its API from European Directorate for Quality of Medicines (EDQM). We have also filed a new CEP application for Brimonidine API and filed a DMF for Olapatadine in Europe.

➤ **Intellectual Property Rights (IPR)**

The total number of patent applications filed by the Company as on date is 58, out of which 38 pertain to API processes and 20 pertain to finished dosages. Company's process patent application for Lacosamide API has been granted and published in Europe. Company also received the formal Notice of Allowance from the United States Patent and Trademark Office (USPTO) in which the examiner have approved the utility patent application for Grant in response to our National Phase application of Tapentadol filed with USPTO.

➤ **Future Outlook**

Company's domestic business will focus on brand building, new product launches, concentrated efforts to increase share in chronic segment and penetration in Tier II and Tier III towns. Though the domestic formulations business will grow at a much higher rate than the industry average, its proportion to the total revenues will reduce over a period of time due to faster growth expected from international business.

Indoco's international business will continue to focus on its core competencies in Research & Development and Manufacturing excellence. The Company will continue to remain the preferred partner, offering complete solutions to generic companies worldwide. Additionally, it will also exploit the larger opportunities through alliances in major markets.

Going forward, the US business is expected to grow speedily as ANDAs will be commercialized at regular intervals. While surging ahead in the Regulated Markets, Indoco is also consolidating its position in the Emerging markets through active brand promotion. Part of the emerging market is exploited through distributors appointed by Indoco and the other part through alliances.

Expertise in R&D, excellence in Manufacturing and strong customer base will drive Indoco's Domestic as well as International business in the coming years.

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**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.