

INDOCO REMEDIES LIMITED

MANAGEMENT DISCUSSION & ANALYSIS FOR THE SECOND QUARTER FY15

➤ **Revenue figures**

(₹ In Lacs)

Particulars	Unaudited							Audited
	Quarter Ended				Half Year Ended			Year Ended
	July 14 – Sept. 14	Apr. 14 – Jun. 14	July 13 – Sept. 13	% Gwth	Apr. 14 - Sept. 14	Apr. 13 - Sept. 13	% Gwth	Apr. 13 – Mar. 14
Net Sales :								
Domestic – Formulation	13740	12156	12061	13.9	25895	21835	18.6	43861
- API	684	589	672	1.8	1273	1250	1.8	2277
Total Domestic ... (A)	14424	12745	12733	13.3	27168	23085	17.7	46138
Formulation Exports :								
- Regulated Market	6555	5728	5340	22.8	12284	8713	41.0	20046
- Emerging Market	950	609	854	11.2	1559	1377	13.2	3066
Formulation Exports Total:	7505	6337	6194	21.2	13843	10090	37.2	23112
API's Export :	667	658	552	20.8	1325	1061	24.9	2323
Total Export ... (B)	8172	6995	6746	21.1	15168	11151	36.0	25435
Total Net Sales (A+B)	22596	19740	19479	16.0	42336	34236	23.7	71573
Analytical & Testing Income	46	55	26	76.9	101	74	36.5	164
Net Revenue	22642	19795	19505	16.1	42437	34310	23.7	71737
Other Operating Income	201	68	726	(72.3)	269	1318	(79.6)	1034
Total Income from Operation	22843	19863	20231	12.9	42706	35628	19.9	72771
EBIDTA (Net of R&D)	4863	3657	3298	47.5	8520	5736	48.5	12008
Operating Profit	3769	2866	2383	58.2	6635	3740	77.4	8479
Profit Before Tax	3336	2499	2045	63.1	5835	3144	85.6	7211
Profit After Tax	2241	2004	1604	39.7	4245	2522	68.3	5790

➤ **Financial Highlights**

During the second quarter of FY15, the net revenues have grown by 16.1 % at ₹ 226.4 Crs as against ₹ 195.0 Crs during the same period last year. The Domestic Business has grown by 13.3 % at ₹ 144.2 Crs as against ₹ 127.3 Crs and International business by 21.1 % at ₹ 81.7 Crs as against ₹ 67.5 Crs during the same period last year.

Favorable product and business mix has brought down the material consumption to 35.2 % of net sales during the quarter as against 38.8 % for the same period last year. The staff cost to net sales is 15.9 % as against 17.1 % for the same period last year. The depreciation / amortization are at ₹ 13.1 Crs as against ₹ 7.7 Crs for the same period last year. The increase is mainly on account of change in the basis of calculating the depreciation which was necessitated due to introduction of new Companies Act 2013. Research & Development expenses to net sales is 2.2 % at ₹ 4.9 Crs as against 2.0 % at ₹ 3.8 Crs for the same period last year. Other expenses to net sales are 26.2 % at ₹ 59.2 Crs and as against 28.9 % at ₹ 56.4 Crs during the same period last year.

Earnings before Interest, Depreciation, Tax & Amortization (EBIDTA) to net sales for the quarter is 21.5 % at ₹ 48.6 Crs as against 16.9 % at ₹ 33.0 Crs during the same quarter last year. On YOY basis, EBIDTA to net sales is 20.1 % at ₹ 85.2 Crs as against 16.7 % at ₹ 57.4 Crs same period last year.

Profit after tax (PAT) to net sales for the quarter is 9.9 % at ₹ 22.4 Crs as against 8.2 % at ₹ 16.0 Crs during the same quarter last year. On YOY basis, PAT to net sales is 10.0 % at ₹ 42.4 Crs as against 7.4% at ₹ 25.2 Crs 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**

Indian Pharma Market

As per AWACs data, the Indian Pharmaceutical Market (IPM) grew by 12.3 % at ₹ 22122 Crs during the second quarter as against ₹ 19701 Crs same quarter last year. The growth of 12.3% in this quarter is higher than the growth of 9.5% of previous quarter and also against the growth of 4.3% of corresponding quarter last year. During the quarter, acute segment grew by 11.7 % and chronic segment grew by 13.7 %. Amongst the 20 therapies, the contribution of 5 top therapies was 57% of the IPM market. Anti-infectives grew by 10.6% at ₹ 3803 Crs, Cardiac grew by 10.4% at ₹ 2596 Crs, Gastro Intestinal grew by 13.7% at ₹ 2601 Crs, Vitamins/Minerals/ Nutrients grew by 12.8% at ₹ 2004 Crs, Anti Diabetic grew by 23.9% at ₹ 1627 Crs.

Indoco's Domestic Formulation Business:

The domestic formulation business during the quarter grew by 13.9 % at ₹ 137.4 Crs as against ₹ 120.6 Crs during the same period last year. On YOY basis, the domestic formulation business grew by 18.6% at ₹ 259.0 Crs as against ₹ 218.3 Crs same period last year.

Top Therapeutic Segments

(₹ In Lacs)

Therapy	(Jul 14-Sep 14)	(Jul 13-Sep 13)	Gwth %
RESPIRATORY	2634	2301	14.5
ANTI-INFECTIVES	2448	1944	25.9
STOMATOLOGICALS	2380	2046	16.3
GASTRO INTESTINAL	1801	1718	4.8
PAIN / ANALGESICS	1106	934	18.4

Details of Brands which performed well are mentioned below:

(₹ In Lacs)

Brand	(Jul 14-Sep 14)	(Jul 13-Sep 13)	Gwth %
SENSODENT K	777	681	14.1
ATM	727	471	54.3
OXIPOD	668	520	28.4
SENSOFORM	458	409	12.0
CITAL	424	371	14.3
KARVOL PLUS	366	310	18.1
TUSPEL PLUS	329	276	19.2
FLAMAR	262	213	23.0
REXIDIN	179	152	17.8
LIGNOX	173	144	20.1

Ranking in Indian Pharma Market (IPM)

Secondary Sales Audit Ranking (AWACS)

Month		MAT	
Sept'14	Sept'13	Sept'14	Sept'13
28	28	29	30

CMARC Prescription Ranking (Rxs)

Bi-Monthly Ranking	
July'14-Aug'14	July'13-Aug'13
27	25

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

Product	Pack Size	Division	Therapy
Tuspel Plus SF	100 ML	Indoco	Respiratory
LVR Forte Syrup	200 ML	Spera	Gastro Intestinal
Durashape Tablets	60'S	Indoco	Anti-Obesity
LP-Slim Tablets	60'S	Eterna	Anti-Obesity
KG-Low Tablets	60'S	Spera	Anti-Obesity
OBI-X Tablets	60'S	Indoco CND	Anti-Obesity

The Company has launched a unique Anti-Obesity formulation for the first time in India. The novel formulation comprises of Leucine + Pyridoxine that will revolutionize the treatment of overweight and obesity. With a multifold increase in the incidence of overweight and obesity in the Indian population, there is a tremendous demand for a scientifically backed weight management therapy. Most of the anti-obesity drugs available in the market have adverse side effects and limited efficacies. Hence, there is a huge unmet need for an effective and safe anti-obesity drug. The Company is confident that this novel formulation will satisfy this unmet need.

In the month of July, 2014, National Pharmaceutical Pricing Authority (NPPA) brought another 39 molecules under price control in the Chronic segment. This order impacts the ceiling price of molecules falling mainly under Cardiac and Anti-diabetic therapy. However, for Indoco, the impact is negligible.

➤ International Business

The International formulation business during the quarter grew by 21.2 % at ₹ 75.0 Crs as against ₹ 61.9 Crs during the same period last year. On YOY basis the International formulation business grew by 37.2% at ₹ 138.4 Crs as against ₹ 100.9 Crs same period last year.

Regulated Markets

The regulated market during the quarter grew by 22.8 % at ₹ 65.5 Crs as against ₹ 53.4 Crs during the same quarter last year. On YOY basis, the regulated market grew by 41% at ₹ 122.8 Crs as against ₹ 87.1 Crs

In the Regulated markets space, the contribution of Europe was the highest at 61.9%, followed by US at 21.9 % and South Africa, Australia & New Zealand put together at 16.2%. Europe, Australia, Africa and Asia registered good sales growth over the same quarter last year.

MHRA (Medicines and Healthcare Products Regulatory Agency) UK, inspected Company's oral (solid and liquid) dosages and creams & ointments facility at Goa Plant I in August'14. **The facility received MHRA re-approval with no critical and no major observations.**

During the quarter, approval for two ANDAs was received by Watson (Actavis) and Indoco expects to commence supplies against these approved products (ANDAs) soon. Watson (Actavis) also received a tentative approval for a Para IV application filed from Indoco's site.

Emerging Markets

The emerging markets for the quarter grew by 11.2 % at ₹ 9.5 Crs as against ₹ 8.5 Crs during the same quarter last year. On YOY basis, the emerging markets grew by 13.2% at ₹ 15.6 Crs as against ₹ 13.8 Crs same period last year. Kenya, Tanzania, Myanmar & Sri Lanka registered good sales growth.

➤ **Active Pharmaceutical Ingredients (APIs)**

During the quarter, the revenues of API business grew by 10.4 % at ₹ 13.5 Crs as against ₹ 12.2 Crs during the same period last year. The domestic sales of API business remain muted during the quarter whereas the API export sales grew by 20.8% at ₹ 6.7 Crs. On YOY basis, the API export sales grew by 24.9 % at ₹ 13.2 Crs as against ₹ 10.6 Crs same period last year.

➤ **Future Outlook**

Company's domestic business will continue to focus on brand building, new product launches, concentrated efforts to increase share in chronic segment and penetration in Tier II and Tier III towns, especially in Northern and Eastern Region. 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, viz., Research & Development and Manufacturing. 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.

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.