



“Indoco Remedies Limited Q1 FY '26 Earnings Conference Call”

July 24, 2025



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MODERATOR: **Ms. RASHMI SHETTY – DOLAT CAPITAL MARKETS
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Moderator: Ladies and gentlemen, good day and welcome to the Indoco Remedies Q1 FY '26 Earnings Conference Call hosted by Dolat Capital Markets Private Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Rashmi Shetty. Thank you and over to you, ma'am.

Rashmi Shetty: Thank you and good afternoon everyone. I, Rashmi Shetty, on behalf of Dolat Capital welcome you to the Q1 FY '26 Earnings Call of Indoco Remedies. We thank the Indoco Remedies Management for giving us this opportunity to host the call.

Today, we have with us the Senior Management of the Company represented by Ms. Aditi Panandikar – MD; Sundeep Bambolkar - Joint MD and Mr. Pramod Ghorpade - CFO.

I will now hand over the call to the management for the opening remarks. Over to you, sir.

Pramod Ghorpade: Thank you, Rashmi. Good afternoon, everyone. Thank you for joining this call today.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements which are projections or estimates about our future events. These estimates reflect the management's current expectation of the future performance of the Company.

Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Indoco does not undertake any obligation to publicly update any forward-looking statement whether as a result of new confirmation, future events or otherwise.

Thank you. I will hand over the mic to our Managing Director – Ms. Aditi Panandikar for her opening comments. Thank you.

Aditi Panandikar: Good afternoon and thank you very much for logging into this call for a discussion on the Results of Q1 FY '26.

As you will all recall, our Company Indoco went through several challenges last year and consequently results of the second half and in particular of Q4 FY '25 were severely impacted. Coming out of such a period is not easy, but I am happy to share that while it is a steep road to recovery, there has been marginal improvement on many fronts. This is reflected into the results of 1st Quarter FY '26 wherein despite our negative impact of mark-to-market on the numbers,



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we have yet shown improvement in EBITDA both for standalone as well as consolidated for the Company.

I am happy to share that the OTC business has shown great improvement and we have seen a growth of more than 46% over immediate preceding quarter this year. In addition to that, our master manufacturing program which was almost near completion has seen a Phase-1 rollout in the 1st Quarter this year and this is seen in the increase of more than 26% in international business, solid oral exports which we have seen in this quarter.

On point #3 which is the warning letter by US FDA on Goa Plant-2, efforts to complete remediation and get the FDA to inspect Goa Plant-2 continue. Meanwhile, US FDA has allowed manufacturing to start from 2 out of 4 lines in the plant. Also, as of last evening, we heard the happy news that European authorities have approved the plant for sterile product supply to Europe. This speaks well of all the efforts we have taken at the plant for remediation and to meet with global standards of manufacturing.

I will now hand the call over to Mr. Sundeep to take you through the financials of the 1st Quarter.

Sundeep Bambolkar:

Thank you, Aditi. Good afternoon, everyone.

Let me first begin with the business highlights:

Standalone net revenues of the Company for the 1st Quarter 2025-26 are at Rs. 3,838 million compared to Rs. 3,942 million for the same quarter last year and Rs. 3,411 million for the immediately preceding quarter, showing a 12.5% growth on Q4 FY '25. Consolidated net revenues of the Company for the 1st Quarter FY '25-'26 are at Rs. 4,291 million compared to Rs. 4,243 million for the same quarter last year and Rs. 3,839 million for the immediately preceding quarter.

Standalone EBITDA to net sales for the quarter is 3.9% compared to 13.1% for the same quarter last year. For the immediately preceding quarter, we were at 1%. Consolidated EBITDA to net sales for the quarter is 4.1% compared to 11.3% last year and for the preceding quarter, we were negative.

Domestic formulation business:

Revenues from domestic formulation business for the quarter are at Rs. 2,028 million compared to Rs. 2,002 million for the same quarter last year. Major therapeutic segments like Gastrointestinal, Anti-infective, Stomatology and Respiratory performed well during the quarter as compared to last year.

On the international business front:

Revenues from international formulation business are at Rs. 1,393 million compared to Rs. 1,571 million for the same quarter last year. Revenues from reg markets for the quarter are at Rs. 950 million against Rs. 1,273 million. Revenues from US business are at Rs. 283 million against Rs. 487 million. For Europe, for the quarter, we are at Rs. 635 million against Rs. 754 million and for South Africa, Australia, New Zealand at Rs. 32 million compared to the same figure last year.

Revenues from emerging markets are at Rs. 443 million as against Rs. 298 million. And for the API business, we are at Rs. 366 million against Rs. 312 million. Revenues from AnaCipher CRO and Indoco Analytical Solutions are at Rs. 50 million against Rs. 57 million. That is all about the business highlights for the quarter and I now request the participants to put forth their questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Nirmam from Unique PMS. Please proceed.

Nirmam: Hi. Thank you for the opportunity and congratulations for the GMP certificate from the European authorities. So my question is, for the plant under warning letter, is the remediation complete with what the US FDA expects? And if so, when can we invite the FDA to come and audit the plant?

Aditi Panandikar: So I said this in the earlier call also. Our remediation efforts are on, they are almost near completion. We expect to finish most of it by August this year, which is coming month. Some of the updates will continue to go to FDA for until December this year, but they keep getting updates from us and when are we ready to? I think from September any time, we should be able to reach out to FDA to ask them to come and audit us.

Nirmam: Ma'am, so given this approval from the European authorities, do we have approvals in Europe to sell our sterile products in Europe?

Aditi Panandikar: Just for a couple of products, but important products, so which is why it was triggered. But that now opens up other opportunities.

Nirmam: And so we will be filing more products for the European markets as well?

Aditi Panandikar: Yes, wherever the opportunity looks good.

Nirmam: And on the master manufacturing plan, ma'am, so you said we have rolled out Phase-1. So is there anything more that is left? And secondly, in the rollout that has happened, so how has been the efficiency versus our expectations?

Aditi Panandikar: Yes. So when I said Phase-1, that is why I called it Phase-1. Not that the plants have not completely started. But out of the 4 plants we talked about last time, 3 are now completely on.

But as part of Phase-1, the manufacturing has begun. For us to get complete efficiency, the balancing of products, the availability of the right number of orders, because with the kind of disturbance we had last year, it is going to take us some time to put that in place. Efficiency will be seen when the plant capacities really had occupied fully, which is why I said in Phase-2, we should be able to see the outcome.

Nirmam: And when do we expect?

Aditi Panandikar: Sorry?

Nirmam: No, when do we expect this whole rollout to get over?

Aditi Panandikar: So by end of Q2 now, so come Q3, from day 1, we should have all plants up and going.

Nirmam: Ma'am, that is helpful. And on the domestic market, so the growth has not been, formulation side Rs. 200 crores, I think we did that last year, we did that this year, so how do you see this market panning out for this year?

Aditi Panandikar: Yes. So again, if you look at domestic IRL alone, yes, it is flat. But with Warren OTC in toto, the Company has shown a growth of on Y-o-Y basis about 5% and on Q-o-Q basis around 14%. But 1st Quarter for most companies is challenging because it comes after the March, which is typically a big billing month for most people who have to finish their targets. So the way to look at India business performance would be to look at our performance possibly as shown in IQVIA, which is absolute third party. So, if you look at the IQVIA analysis of 1st Quarter performance, then for the industry, Q1, for the covered market, there has been a growth of 8% and for Indoco Remedies, the growth is 10%. So when it comes to absolute secondary, as we call them that is the primary impact sometimes weighs between Q4 and Q1. But at secondary level, there is a good 10% growth in the performance of products and almost all top 4 segments, Anti-infectives, Respiratory, GI, as well as Stomatologicals are in very healthy double digit growth.

Nirmam: And lastly, are the interest costs, so we saw a substantial increase in the interest costs, so if you could give the net debt number right now and how do you see the debt reducing over the next say 1-2 years?

Sundeeep Bambolkar: Yes. So Mr. Nirmam, debt level at this point of time, that is on 30th June, is overall at consolidation level, short term and long term put together is Rs. 951 crore, which is reduced by about Rs. 21 crore as compared to March 25. So we have repaid a certain loan as per the repayment schedule. As regards to finance cost, it includes certain FX loss on account of mark to market. That includes close to about Rs. 5.5-Rs. 6 crores. If I remove that, then you can see the like-to-like comparison of finance cost. But definitely it has increased slightly on account of overall exposure to the long-term and the short-term borrowings, what we have at this point of

time. The second part of the question, we expect another loan repayment in the coming period in 9 months, about Rs. 68 crores repayment, which is planned for the remaining 9 months.

Nirmam: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Kenil Mehta from Boring AMC. Please proceed.

Kenil Mehta: I would like to know, are we going to further infuse capital in Warren Remedies because it has a Rs. 52 crore negative net worth to strengthen the balance sheet?

Aditi Panandikar: What is your question? Can you repeat?

Kenil Mehta: Are we going to infuse capital in Warren Remedies as it has a negative net worth of Rs. 52 crores to strengthen its balance sheet in coming 3 quarters?

Aditi Panandikar: Yes.

Kenil Mehta: And also in our US subsidiary, which has a negative net worth, in FPP Holdings?

Aditi Panandikar: No, in FPP, that is not required.

Kenil Mehta: So you are expecting it will become profitable?

Aditi Panandikar: Yes. FPP's performance is in a manner linked to our US performance. So when we improve here, they will also.

Kenil Mehta: Understood. And I would like to know, what is the OTC revenue for this quarter?

Aditi Panandikar: I think, close to.

Sundeep Bambolkar: So for the quarter, it is Rs. 31.6 crores, overall.

Aditi Panandikar: Yes, OTC revenue 1st Quarter was Rs. 31.6 crores, yes.

Kenil Mehta: Understood. Thanks a lot. No questions.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from ASK Wealth ND PMS. Please proceed.

Sudarshan Padmanabhan: Thank you for taking my question. And congrats on getting the GMP for the European market. My question is on the European markets. Now that there is a positive development that has happened here and if you look at our exchanges about Rs. 65 crores, where do you see this kind of open opportunity for you to scale up? And do you have any such numbers that you can share?



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Aditi Panandikar: I can't hear you very clearly, but I think I got the gist of your question. You want to know about the prospects for Europe going forward, right?

Sudarshan Padmanabhan: Yes.

Aditi Panandikar: Yes. So Europe this quarter, we have done Rs. 63.5 crores and this is despite some challenges continuing in this quarter also of supply to Europe, which is the factor I said by end of Q2, we will be able to overcome. So by Q3, you will see Europe bounce back to its regular levels of supply. If your question is regarding the sterile approval for Europe out of plan 2, as you know, Europe is a continent of many countries and although Ophthalmics and Injectables have got good prospects in Europe, they kind of are divided into several countries. We are looking at those products which have substantial potential and volume. And we look to start supply to Europe from this unit. And at this point, I would reserve giving any numbers.

Sudarshan Padmanabhan: Sure. And with respect to the semi-regulated market, we have seen a good growth this time. What was driving the kind of growth this quarter? And should we expect similar kind of run rate to continue?

Aditi Panandikar: Yes. So as you know, our model in the semi-reg markets is very much like the India model where we build brands. And there has been a good growth in demand for our products on the ground. And therefore, we are seeing this kind of growth in semi-reg markets. The growth is uniformly seen in various territories across French West Africa, rest of Africa, LATAM and other Asia as well. And since there is good concentration now on brand building, as well as there has been a good amount of revamp with the sales structure and the people who are responsible on the ground in French West Africa, both of this combined with a good strategic impetus from corporate office has resulted in this kind of growth. And going forward, we are pretty confident that we should be able to sustain this.

Sudarshan Padmanabhan: And on the West market, any view on Brinzolamide and Combigan launch? How do we see this business moving up? And also in terms of remediation cost, how much was there in this quarter and how do we see the cost coming down?

Aditi Panandikar: So when it comes to Plant-2, if you heard my earlier response, we hope the authorities come down before December and help us lift the warning letter. Some of these products, especially Brinzolamide, etc., they are very complex suspension products. And as of now, it will be some time before we will be able to supply those from the unit. Quite honestly, it is better to look at probably Q4 this year as a time for when we can start evaluating the Ophthalmic business to the US and its performance.

Sudarshan Padmanabhan: And on the remediation cost?

Aditi Panandikar: Remediation continues. We continue to spend close to around Rs. 4 crores per quarter.

Sudarshan Padmanabhan: Yes, sure. And if we see an improvement in the cost on Q-on-Q basis, and if I am probably fast forwarding it for the next 4 quarters or even further to that, our business is clearly an operating leveraged business where we have a high gross margin, but it is basically the higher cost that is impacting us. So from what you have done in this quarter, can you give us some fair color on where we see by the end of the 4th quarter when things kind of get back to normal and probably more towards FY '27 exit? Is it something that we should be at least hitting double digits by the end of the year in terms of run rate and probably get back to somewhat closer to what we were in say, FY '26?

Aditi Panandikar: Actually, it would be very tough at this stage to give any numbers, to be honest. But as you have seen, there is good cost containment or at least the beginning of cost containment. We have a lot of efforts going on across the organization, across all manufacturing sites as well as sales functions to control any unnecessarily other expenses. Good control is beginning to come in on CAPEX and other spend and while we work on the efficiency at the plants. So our EBITDAs were very severely impacted and as you know, previous year, we were running at around 11%-13% EBITDA. So I think our first intent would be to get back to those levels and I would wait for another quarter to give you some kind of a future path. But save that, I can give you one commitment, you will see quarter-on-quarter improvement from here on.

Sudarshan Padmanabhan: Sure. One final question before I join back the queue. It is on the domestic side I believe Warren has done about 5%. Can you give some color because if I look at the growth optically, it looks lower than the overall IPM while I think the products that you are into might be different? So in terms of more from market share, in terms of more from prescription, how are we trending? Are we taking the market share? Are we kind of maintaining it? And how do we see the efforts panning out in terms of bringing growth back into control?

Aditi Panandikar: Yes. So as you know, we have a larger share of acute segment in our portfolio. We also have close to 30%-35% coming from seasonal products. And if you actually look at the performance of domestic for this quarter, it was ridden by one singular factor. Probably it is the climate change impact directly seen on a seasonal product portfolio, but our main division, Pharma, and I used to say this that it has a hero for each season. And this is the first time we saw both Cital and Cyclopam impacted together in one quarter at a primary level. But I must hastily tell you that if you look at our performance as per IQVIA, which is more indication of secondary, then Cyclopam in the quarter, has grown by 11.4%. Cital is flat. It is flat. The category for Cital is also flat. The category for Cyclopam is, that market is growing at lower than 6%. We are growing at 11%. As you rightly said, some of our products are in categories which show this kind of a seasonal thing. But this year, summer was very muted because of the early onset of rain. In addition to that, a heavier push by some of the divisions in March probably must have impacted primary performance. But at secondary level, we are fine. Prescriptions also for 8 of the 9 top brands of the Company are in double-digit growth. So I am not really concerned about the hygiene of the branded business. Also, new products continue to do well and they are at close to



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4.5% of the topline. This quarter also, we have launched several new products. I think we have given you some indication in the MDA.

Sudarshan Padmanabhan: Thanks a lot, ma'am. I will join back the queue.

Moderator: Thank you. The next question is from the line of Rehan Saiyyed from Trinetra Asset Managers. Please proceed.

Rehan Saiyyed: Good afternoon, team. Thank you for giving me the opportunity. So ma'am, my first question is towards the MR productivity in India, so what is the current field of MR productivity? Am I audible?

Aditi Panandikar: Yes, now it is better.

Rehan Saiyyed: Can I continue with my question?

Aditi Panandikar: Yes.

Rehan Saiyyed: So what is the current field for MR productivity in India? Have you taken any strategic decision to rationalize division or therapy focus in light of profitability pressures? Please put some light on this?

Aditi Panandikar: So our average per man return is in the range of 3+. Our larger acute divisions average out at 3.5-4. But we have several small divisions where the therapy is also niche, like Ophthal, which is sub 2. And some of the newer, some of the ethical dental divisions because of the portfolio, which has shifted to OTC and while they build again a new portfolio. So this is an impact of that. But I am confident by end of this year, we should be able to add at least 25,000 per man by way of incremental PHY. And regarding resizing and restructuring, we are always looking out for that. Currently, the effort is to move the very low PHY headquarters to a reasonable level of at least 2, which should help us take the average much higher.

Rehan Saiyyed: And my next question is around the R&D expenses. R&D expenses came in at Rs. 21.6 crores this quarter. Can you provide more insights on pipeline progress, and the number of filings expected in FY '26 for any differentiated or complex generic things worked on in the Company going forward?

Aditi Panandikar: So we expect to file 4-5 products this year. And regarding the increased R&D expenditures, this is typically because in the 1st Quarter of the year, you see a lot of expense on R&Ds, purchasing innovative samples, etc., a lot of extra expenditure happens and that is why it is reflected like that. But by and large, we keep it at 5%. I think we should be able to maintain that 5%-5.5%.

- Rehan Saiyyed:** And ma'am, last one bookkeeping question. Can you please provide a CAPEX in the coming quarter of FY '26 and guidance for the full year primarily before maintenance or any expansion of formulation of CAPEX and pipeline capacity? Are we going forward?
- Aditi Panandikar:** So as we have said earlier also, we are now very much controlling the CAPEX going forward. Currently, there are some projects which are underway at Goa Plant-2 as well as at the API site for Warren Remedies. Those are the only ones which will be gradually completed that too not entirely this year. So I am not expecting anything more than around Rs. 50 Cr incrementally to be put in CAPEX this year.
- Rehan Saiyyed:** Thank you, ma'am. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please proceed.
- V. P. Rajesh:** Hi. Thanks for the opportunity. My first question was if you can comment on the debt we had outstanding at the end of the quarter?
- Aditi Panandikar:** Yes. So the total debt outstanding is around Rs. 950 crores. Yes, one second, let me see.
- Sundeep Bambolkar:** Let Mr. Pramod give you details.
- Pramod Ghorpade:** So Mr. Rajesh, as you mentioned earlier, overall debt level at consolidation level, short term is Rs. 350 and long term is Rs. 600. Both put together Rs. 950 crores as of 30th June, 2025.
- V. P. Rajesh:** And how much do you think you will pay down this year?
- Pramod Ghorpade:** So in remaining 9 months, so we have already paid about Rs. 21 crores in 1st Quarter. In remaining 9 months, we will be repaying about Rs. 68 crores as per our current plan.
- V. P. Rajesh:** And my other question was on the other income line. So while it has come down quarter over quarter, but if you look at compared to last year, it is still significantly higher. So obviously, there is onetime cost regarding remediation and perhaps other related expenses, so what is sort of the sustainable business related other expenses? If you can just give a sense of that, that will be helpful?
- Pramod Ghorpade:** So remediation cost is nothing to do with other income as such.
- Aditi Panandikar:** Are you talking about other expenses?
- V. P. Rajesh:** Expenses or income? Other expenses?
- Aditi Panandikar:** So the couple of headers in other expenses we are watching very carefully, which have grown historically for us or like your advertising sales promotion, naturally as the business is expanded,

lab, stores and spares, travel, those are the ones we are checking, power and fuel, of course, although a lot has been done by the Company towards getting solar, etc., which is going to help us going forward. So we are watching these very closely. And many of these other expenses, quite frankly, as the sales increase, you will see that as a percentage of sales, it will come under control. We do not expect with increase in sales, other expenses to increase in the same proportion.

V. P. Rajesh: I get that. My simple question was that, see, if you look at Q1 FY '25, it was Rs. 120 crores. Q4, it was Rs. 161 crores and this quarter is Rs. 157?

Aditi Panandikar: Yes, correct.

V. P. Rajesh: So what I am trying to understand is, out of 157, there must be sort of one-off costs and some costs related to the remediation process. So if you take those out, should we be sustainable?

Aditi Panandikar: What should be an average level? So we would be comfortable at around 120, I feel at standalone. Are you asking on consolidated basis?

V. P. Rajesh: Yes, I am looking more at console level, yes?

Aditi Panandikar: Consolidated, around 140 should be fine.

V. P. Rajesh: And my last question is about the marketing expenses incurred on the OTC business if you can just give some color around that and what are the plans for the rest of the year?

Aditi Panandikar: So typically, for the first 5 years in an OTC business, a good amount of funds have to be deployed towards digital marketing, towards other direct reach to consumers. And the numbers are actually higher. This year also, we have budgeted much higher. Although, in the 1st Quarter this year, some of it has not come in, which is why we are seeing slightly better results. We are aware of that. But as I said in the last management call also, we would want to wait for a full couple of years before we see a breakeven happen at Warren Remedies. If you want to know the exact number, I am not disclosing that right now.

V. P. Rajesh: But would you say that the business is now breaking even or how far away is it from breaking even at the EBITDA level?

Aditi Panandikar: Yes, so for the 1st Quarter, it has broken even at EBITDA and in fact, done quite well, yes.

V. P. Rajesh: Wonderful. And lastly, on the US phase, given that you have perhaps less visibility of the US FDA inspection, when do you think it is possible that you will start sort of seeing the light at the end of the tunnel and the revenue start ramping up? Is it Q3 or Q4 or Q1 next year?



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- Aditi Panandikar:** In the beginning of the year, we had said Q4. But after, I think May end when we last spoke with each other after the last management call, that same day we got a go-ahead from US FDA to restart two lines. So it has been just 2 months since we got this go-ahead. Activities have ramped up at the site. Sales are yet to happen from the products manufactured. So I would say by Q3, Q3 is a good quarter in which we should be able to see some impact coming in from supply of sterile to US.
- V. P. Rajesh:** Right, that part I understood. My question was, what is remaining for which they have to come and inspect and then approve it? For that particular line, when is the earliest you see that line coming back into production?
- Aditi Panandikar:** So like I said, we hope it would happen in this calendar year.
- V. P. Rajesh:** That is all I have. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Keshav Karwa from White Pine Investment Management Private Limited. Please proceed.
- Keshav Karwa:** Yes, hi. Sir, I just had one question. I wanted to know what is the breakup for API revenue, domestic and export API revenue?
- Aditi Panandikar:** Yes, so although we do record it as domestic and export largely because of where the product is sold and absorbed. Technically, almost all API we sell is used to make formulations which are exported. So when I say domestic, it is to other Indian players who then export the formulations because these are all DMS grades only at the same price as we would give for DMS grade material. But all the same, I can kind of give you a breakup, we have done around Rs. 16 crore selling API in India and around Rs. 21 selling API outside this continent.
- Keshav Karwa:** This quarter 1. Thank you.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Aditi Panandikar:** Yes. So good afternoon everybody. Thank you for the very interesting questions. And I hope we have tried to resolve your queries to the best of our abilities. Thank you for your confidence in us and with the promise to deliver better results in the future, I would like to sign off and wish you all a great week ahead. Thank you.
- Moderator:** On behalf of Dolat Capital Markets Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.