

## Management Discussion & Analysis for the Fourth Quarter FY20

### Financials (Stand-alone)

(₹ In Lakhs)

Particulars	Unaudited				Audited		
	Quarter Ended				Year Ended		
	Jan'20- Mar'20	Oct'19- Dec'19	Jan'19- Mar'19	Gw %	Apr'19- Mar'20	Apr'18- Mar'19	Gw %
<b>Gross Sales</b>							
<b>Formulation :</b>							
- Domestic	16001	17835	14502	10.3	68624	60619	13.2
- Export							
Regulated Market :	5996	6275	4697	27.7	21754	16085	35.2
Emerging Market :	1957	2052	2375	(17.6)	7872	7265	8.4
<b>Export Total</b>	<b>7953</b>	<b>8327</b>	<b>7072</b>	<b>12.5</b>	<b>29626</b>	<b>23350</b>	<b>26.9</b>
<b>Formulation ... ( A )</b>	<b>23954</b>	<b>26162</b>	<b>21574</b>	<b>11.0</b>	<b>98250</b>	<b>83969</b>	<b>17.0</b>
<b>API :</b>							
- Domestic	777	592	965	(19.5)	2858	3197	(10.6)
- Export	1246	1278	1542	(19.2)	5743	5025	14.3
<b>API ... ( B )</b>	<b>2023</b>	<b>1870</b>	<b>2508</b>	<b>(19.3)</b>	<b>8601</b>	<b>8222</b>	<b>4.6</b>
<b>CRO &amp; Analytical Services ( C )</b>	<b>340</b>	<b>312</b>	<b>415</b>	<b>(18.2)</b>	<b>1088</b>	<b>1946</b>	<b>(44.1)</b>
<b>Gross Sales (A+B+C)</b>	<b>26317</b>	<b>28344</b>	<b>24497</b>	<b>7.4</b>	<b>107939</b>	<b>94137</b>	<b>14.7</b>
Other Operating Income	885	590	705	25.5	2661	2637	0.9
<b>Income from Operation</b>	<b>27202</b>	<b>28934</b>	<b>25202</b>	<b>7.9</b>	<b>110600</b>	<b>96774</b>	<b>14.3</b>
EBIDTA	3334	3511	2855	16.8	12334	7671	60.8
Operating Profit	2134	2351	1758	21.4	7598	3613	110.3
Profit/(Loss) Before Tax	780	1132	940	-	2871	(924)	-
Profit/(Loss) After Tax	540	934	1163	-	2425	(284)	-

## **Covid-19**

Domestic and International Sales for the 4<sup>th</sup> quarter FY20 got impacted due to supply chain issues and ban on Paracetamol exports in the last week of March'20.

We never anticipated that the novel Corona Virus would grip the entire world so rapidly. The kind of disruption it has created to the economy and agony to mankind has never been witnessed before. We still do not know the consequences this pandemic will have and have no clue with regards to time, resources and efforts that would be required to come back to normalcy.

We have been quick in complying with the Government directives and are taking special care in protecting our employees, even though we are facing challenges in keeping our production facilities running. Indocoites across India, rose to the occasion and are braving the risk and hardships in travelling, reporting on duty to keep the continuity in production and field activities going. Teams looking after Supply Chain and Support Staff have been working tirelessly to facilitate movement of raw materials and finished products throughout India.

In the fight against the CORONA VIRUS outbreak, the Management & Staff of Indoco contributed Rupees One Crore to the Hon'ble Prime Minister's 'Citizen Assistance and Relief in Emergency Situations Fund' (PM-CARES Fund).

## **Financial Highlights**

Net revenues for the quarter were at ₹ 263.2 crores, as against ₹ 245.0 crores, same quarter last year. For the year, the net revenues were at ₹ 1079.4 crores, as against ₹ 941.4 crores last year.

During the quarter, material consumption was 27.5 % of the net sales, compared to 33.1 % for the same quarter last year. Staff cost to net sales are 23.9 % compared to 23.6 %. Depreciation/Amortization are at ₹ 18.2 crores, compared to ₹ 19.5 crores. Research & Development (R&D) expenses are at 5.3 % compared to 5.4 % at ₹ 14.0 crores as against ₹ 13.1 crores for the same quarter last year. Other expenses to net sales are 33.9 % at ₹ 89.3 crores, compared to 29.2 % at ₹ 71.5 crores.

For the year, material consumption was 30.6 % of the net sales, compared to 34.0 % last year. The Staff cost to net sales are 23.7 % compared to 24.6 % last year. Depreciation/Amortization are at ₹ 70.8 crores, compared to ₹ 71.6 crores. Research & Development (R&D) expenses to net sales are 4.6 % at ₹ 49.7

crores, compared to 5.5 % at ₹ 51.5 crores. Other expenses to net sales are 32.2 % at ₹ 347.2 crores, compared to 30.6 % at ₹ 288.1 crores.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDTA) to net sales for the quarter is 12.7 % at ₹ 33.3 crores, compared to 11.7 % at ₹ 28.5 crores, for the same quarter last year. For the year, EBIDTA to net sales is 11.4 % at ₹ 123.3 crores, compared to 8.1 % at ₹ 76.7 crores last year.

The Profit After Tax (PAT) for the quarter is ₹ 5.4 crores, as against ₹ 11.6 crores, same quarter last year. For the year, the PAT is ₹ 24.2 crores, as against loss of ₹ 2.8 crores last year.

### **Rating**

The Company's working capital facilities are rated as [ICRA] 'A2+' and long term borrowings are rated as [ICRA] 'A'.

[ICRA] 'A2+' rating instruments are considered to have strong degree of safety regarding timely payment of financial obligations. [ICRA] 'A' rating instruments are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

### **Finished Dosages**

#### **Indian Pharma Market (IPM)**

As per AWACS, Indoco ranks 29<sup>th</sup> in the IPM, with market share of 0.66 % as on March'20. For the fourth quarter FY20, the Indian Pharma Industry has grown at 9.7 %.

In terms of prescription (R<sub>x</sub>) generation, Indoco ranks 23<sup>rd</sup> with market share of 0.88 % as per Nov'19-Feb'20 SMSRC report. Prescription (R<sub>x</sub>) growth of Indoco Corporate is driven by growth recorded in specialties like ENTs, Dentists and General Practitioner.

#### **Indoco's Domestic Formulations Business:**

The revenues from Domestic formulations business grew by 10.3 % for the quarter at ₹ 160.0 crores, as against ₹ 145.0 crores for the same quarter last year. For the year, the revenues grew by 13.2 % at ₹ 686.2 crores, as against ₹ 606.2 crores last year.

**Details of revenues from major therapies are as follows:**

(₹ In Lakhs)

Therapy	Q4FY20	Q4FY19	Gw %	2019-20	2018-19	Gw %
Stomatologicals	2832	2554	10.9	12729	11180	13.9
Respiratory	2821	2333	20.9	11354	9732	16.7
Anti-Infectives	2307	2017	14.4	10504	8901	18.0
Gastro Intestinal	2229	2055	8.4	9729	8608	13.0
Vitam. / Miner. / Nutr.	1243	1388	(10.5)	4887	4830	1.2
Gynaec.	1045	867	20.7	3754	3277	14.6
Ophthal	778	808	(3.7)	3998	3728	7.2

**Details of revenues from major brands are as follows:**

(₹ In Lakhs)

Brand	Q4FY20	Q4FY19	Gw %	2019-20	2018-19	Gw %
Cyclopm	1748	1596	9.5	7510	6479	15.9
Febrex Plus	1561	1333	17.1	6718	5651	18.9
Cital	1181	889	32.8	4344	3366	29.1
Sensodent K	935	853	9.5	4223	3769	12.0
Oxipod	872	754	15.7	3964	3216	23.3
ATM	865	718	20.5	3723	2933	26.9
Karvol	632	523	20.7	2271	2022	12.3
Methycal	551	755	-27.1	1650	1954	-15.5
Sensodent KF	508	449	13.0	2098	1874	12.0
Sensoform	446	446	0.0	2093	1997	4.8

**New product introductions:**

During the year, eight new products, five in Cardiac segment, two in Anti-diabetic segment and one in Dermatology segment, were launched.

In the case of Apixabid, which was launched in December'19 and withdrawn subsequently the Court hearing in the injunction matter is delayed due to the ongoing Covid-19 crisis. Although, the outcome of this case cannot be ascertained at this stage, Indoco is positive about its defense strategy.

**International Formulations Business**

During the quarter, revenues from International formulations business grew by 12.5 % at ₹ 79.5 crores, as against ₹ 70.7 crores for the same quarter last year. For the year, the net revenues grew by 26.9 % at ₹ 296.3 crores, as against ₹ 233.5 crores last year.

## **USA**

During the quarter, the revenues were at ₹ 26.8 crores, as against ₹ 11.3 crores for the same quarter last year. For the year, the net revenues were at ₹ 56.5 crores as against ₹ 24.9 crores last year.

In February'20, the USFDA approved the First to file (FTF) ANDA with Paragraph IV certification for Olopatadine Hydrochloride Ophthalmic Solution USP 0.7 %, developed at Indoco's R&D centre. The ANDA has been filed from Goa Plant-II on behalf of our US partner and has been approved by the USFDA with 180 days' generic drug exclusivity. The product will be launched by Indoco's partner as per the agreed settlement date.

The consignment of Allopurinol tablets and Rasagiline tablets (launch quantity) were dispatched to USA from Goa Plant-III in April'20. The first consignment of Glycopyrrolate Injection was also dispatched from Goa Plant II for launch in the US in April'20.

The Company received approval for its own ANDA for Succinylcholine Chloride Injection, USP 200 mg / 10 ml (20 mg / ml) multi-dose vial, therapeutically equivalent to the Reference Listed Drug (RLD) Quelicin Injection of Hospira, Inc. This approval was received in the month of May'20 in a record time of just 4 months, from the date of filing the ANDA.

## **Europe**

During the quarter, the revenues were at ₹ 31.5 crores, as against ₹ 27.8 crores for the same quarter last year. For the year, the net revenues were at ₹ 154.0 crores as against ₹ 106.5 crores last year.

Indoco has been a part of the initiative by the Indian and British Government to supply Paracetamol tablets to United Kingdom, in its fight against Covid-19. The first shipment of Paracetamol tablets to the UK was airlifted on 12<sup>th</sup> April'20 from Goa airport. Indoco was the only Company to whom the permission was granted by the Indian Government for shipment of Paracetamol tablets. The restriction, however, is now completely withdrawn.

## **South Africa, Australia and New Zealand Business**

The revenues for the quarter were at ₹ 1.6 crores, as against ₹ 7.9 crores for the same quarter last year. For the year, the net revenues were at ₹ 7.0 crores, as against ₹ 29.4 crores last year.

## **Emerging Markets**

The revenues for the quarter were at ₹ 19.6 crores, as against ₹ 23.7 crores for the same quarter last year. For the year, the net revenues were at ₹ 78.7 crores as against ₹ 72.6 crores last year.

In March'20, the month-end shipments due to lockdown suffered a set-back, resulting in drop in the sales for the quarter.

**Regulatory Update on Goa Plant I** - US consultants continue to be on board for remedial actions to resolve the concerns raised in the warning letter issued by the USFDA on 18<sup>th</sup> July'19. Periodic compliance updates are being timely submitted to the USFDA.

## **Active Pharmaceutical Ingredients (APIs)**

Revenues from API business were at ₹ 20.2 crores, as against ₹ 25.1 crores for the same quarter last year. For the year, the net revenues were at ₹ 86.0 crores, as against ₹ 82.2 crores last year.

The new API facility at Patalganga received the Certificate of Suitability (CEP) for Allopurinol API from European Directorate of Quality of Medicine (EDQM), paving the way to commence supplies to the European Markets.

## **CRO & Analytical Services**

During the quarter, revenues from CRO and Analytical Services business were at ₹ 3.4 crores, as against ₹ 4.1 crores for the same quarter last year. For the year, the net revenues were at ₹ 10.9 crores as against ₹ 19.5 crores last year.

Indoco's CRO (AnaCipher) at Hyderabad received the WHO approval through a desk assessment review process held in March'20 by the Pre-Qualification Inspection unit of WHO (World Health Organisation).

## **Intellectual Property Rights (IPR)**

The Company filed 68 process patent applications for API intermediates (24 granted patents) and 22 for Finished Dosages (10 granted patents).

In January'20, the Company was honoured with the 'IDMA Margi Memorial Best Patent Awards 2018-19' for 2 of its Formulation Patents for Diclofenac & Quetiapine tablets.

## **Future Outlook**

The Company's Domestic business continues to focus on brand building, thrust on sub-chronic segment and penetration in the North and East Region. The Company will selectively launch new products in Speciality segment to boost the growth. With well-known legacy brands, Doctors loyalty over 6 decades, highly motivated field force, distribution network across India and presence in growing segments including Stomatologicals and Ophthalmics will help the Domestic business to grow on sustainable basis.

On International front, the Company's US business is expected to grow as ANDAs are being commercialized at regular intervals as USFDA's approvals are started flowing in. Reinstatement of the EU-GMP compliance certificate for Goa Plant-I and the EU-GMP approval of newly acquired solid dosages manufacturing facility at Baddi (Plant-III) will boost the EU business, with availability of larger manufacturing capacity. Indoco is also consolidating its position in the Emerging Markets through active brand promotion in select markets. Robust pipeline in speciality dosages, viz., Ophthalmics & Injectables, will enable the Company to have an upper edge over its competitors in the International business.

Expertise in Research & Development, backward integration with own APIs, a full-fledged CRO set-up, excellence in finished dosages manufacturing and a strong customer base makes the Company, a preferred partner, offering complete solutions to generic companies worldwide.

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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.