INDOCO REMEDIES LTD

indoco remedies limited

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January 23, 2020

To The Manager Listing Department National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai 400051. Scrip Code: INDOCO	To BSE Limited Corporate Relationship Department 1st Floor, New Trading Ring, Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400001 Scrip Code : 532612

Dear Sirs,

Sub : Disclosure under Regulation 30 of LODR Regulations 2015

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find Management Discussion & Analysis for the Third Quarter FY20 for your information and record.

For Indoco Remedies Limited

Jayshankar Menon
Company Secretary

Management Discussion & Analysis for the Third Quarter FY20

Financials (Stand-alone)

(₹ In Lakhs)

Particulars	Unaudited				Unaudited			Audited
	Quarter Ended				Year-to-date			Year Ended
	Oct'19-Dec'19	Jul'19-Sept'19	Oct'18-Dec'18	Gw %	Apr'19-Dec'19	Apr'18-Dec'18	Gw %	Apr'18-Mar'19
Gross Sales								
Formulation :								
- Domestic	17835	18630	15252	16.9	52623	46117	14.1	60619
- Export								
Regulated Market :	6275	5163	4815	30.3	15757	11388	38.4	16085
Emerging Market :	2052	2251	2036	0.8	5916	4890	21.0	7265
Export Total	**8327**	**7414**	**6851**	**21.5**	**21673**	**16278**	**33.1**	**23350**
Formulation … (A)	**26162**	**26044**	**22103**	**18.4**	**74296**	**62395**	**19.1**	**83969**
API :								
- Domestic	592	625	803	(26.3)	2081	2232	(6.8)	3197
- Export	1278	1711	1420	(10.0)	4497	3483	29.1	5025
API … (B)	**1870**	**2336**	**2223**	**(15.9)**	**6578**	**5715**	**15.1**	**8222**
CRO & Analytical Services… (C)	**312**	**180**	**474**	**(34.2)**	**748**	**1530**	**(51.1)**	**1946**
Gross Sales… (A+B+C)	**28344**	**28560**	**24800**	**14.3**	**81622**	**69640**	**17.2**	**94137**
Other Operating Income	590	637	1456	(59.5)	1776	1932	(8.1)	2637
Income from Operation	**28934**	**29197**	**26256**	**10.2**	**83398**	**71572**	**16.5**	**96774**
EBIDTA	3511	3214	2478	41.7	9000	4816	86.9	7671
Operating Profit	2351	2037	1577	49.1	5464	1855	194.6	3613
Profit/(Loss) Before Tax	1132	931	390	190.3	2091	(1864)	..	(924)
Profit/(Loss) After Tax	934	733	534	74.9	1885	(1447)	..	(284)

- ***Financial Highlights***

Revenues for the quarter grew by 14.3 % at ₹ 283.4 crores, against ₹ 248.0 crores, for the same quarter last year. Year-to-date, revenues grew by 17.2 % at ₹ 816.2 crores, as against ₹ 696.4 crores for the same period last year.

During the quarter, the material consumption was 29.2 % of the net sales, compared to 35.6 % for the same quarter last year. Staff cost to net sales is 24.0 %, compared to 23.7 %. Depreciation / Amortization are at ₹ 17.6 crores, compared to ₹ 17.7 crores. Research & Development (R&D) expenses to net sales are 4.6 % at ₹ 12.9 crores, compared to 5.0 % at ₹ 12.4 crores. Other expenses to net sales are 32.0 % at ₹ 90.6 crores, compared to 31.5 % at ₹ 78.2 crores.

Year-to-date, material consumption was 31.6 % of the net sales, compared to 34.3 % for the same period last year. Staff cost to net sales is 23.6 %, compared to 24.9 %. Depreciation / Amortization are at ₹ 52.6 crores, compared to ₹ 52.1 crores. Research & Development (R&D) expenses to net sales are 4.4 % at ₹ 35.7 crores, compared to 5.5 % at ₹ 38.4 crores. Other expenses to net sales are 31.6 % at ₹ 257.9 crores, compared to 31.1 % at ₹ 216.6 crores.

Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) to net sales for the quarter is 12.4 % at ₹ 35.1 crores, compared to 10.0 % at ₹ 24.8 crores for the same period last year.

Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) to net sales for year-to-date is 11.0 % at ₹ 90.0 crores, compared to 6.9 % at ₹ 48.2 crores for the same period last year.

- **Rating**

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

[ICRA] A2 Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.

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

➢ ***Finished Dosages***

Ranking in IPM

As per AWACS, Indoco jumped one rank and is placed at 29th in the IPM, with market share of 0.67 % as per Dec'19 MAT data.

As per SMSRC, Indoco ranks 23rd with prescription (R_x) share of 0.85 % as per Nov-Dec'19 MAT data.

Indoco's Domestic Formulation Business:

Revenues from Domestic formulations business for the quarter grew by 16.9 % at ₹ 178.3 crores, as against ₹ 152.5 crores for the same quarter last year. Year-to-date, revenues grew by 14.1 % at ₹ 526.2 crores, as against ₹ 461.2 crores for the same period last year.

Details of revenues from major therapies are as follows: (₹ In Lakhs)

Therapy	Q3FY20	Q3FY19	Gw %	YTD 19-20	YTD 18-19	Gw %
Stomatologicals	3221	2718	18.5	9897	8626	14.7
Respiratory	3606	2912	23.8	8533	7399	15.3
Anti-Infectives	2759	2413	14.3	8197	6884	19.1
Gastro Intestinal	2134	1955	9.2	7500	6553	14.5
Vitamin /Mineral /Nutrient	1192	1040	14.5	3644	3442	5.9
Ophthal / Otological	1026	909	12.8	3220	2920	10.2

Details of revenues from major brands are as follows: (₹ In Lakhs)

Brand	Q3FY20	Q3FY19	Gw %	YTD 19-20	YTD 18-19	Gw %
Cyclopam	1583	1442	9.8	5762	4884	18.0
Febrex Plus	1991	1526	30.5	5157	4319	19.4
Sensodent K	1031	953	8.1	3288	2916	12.8
Cital	955	792	20.6	3162	2476	27.7
Oxipod	1053	873	20.7	3092	2463	25.6
ATM	1005	838	20.0	2858	2215	29.0
Sensoform	520	491	5.9	1646	1550	6.2
Karvol	918	793	15.8	1640	1499	9.4
Cloben G	498	508	-1.9	1612	1606	0.4
Sensodent KF	530	458	15.8	1591	1425	11.6
Rexidin	500	330	51.2	1449	1070	35.4
Methycal	398	341	17.0	1099	1198	-8.3
Tuspel	440	373	18.0	1044	995	4.9
Bactogard	322	275	16.9	1017	840	21.1
Carmicide	273	284	-4.1	894	855	4.5

New product introductions:

During the quarter, the Company launched five new products in Chronic Segment. The total number of new product launches till date stands at eight i.e., seven in Chronic Segment and one in Sub-Chronic Segment.

The Company has recently launched two new promising products, details of which are as under:

Aloja – Indoco Focus, a division of Indoco launched a bio-equivalent, anti-diabetic product, viz., Alogliptin, which is indigenously developed at Company's R&D facility and manufactured at USFDA approved site. The product offers once a day dosage which facilitates better dosage compliance for Diabetic patients with high pill burden. The launch of Aloja marks the intention of Indoco to become a competitive player in the Diabetic therapy market in India.

Apixabid – Indoco CND, a cardiac specialty division of Indoco, launched Apixabid in December 2019 after expiry of a product patent for Apixaban in India. This generic equivalent of brand Eliquis® is also indigenously developed at Company's R&D facility and manufactured at USFDA approved site. It is one of the safe and highly effective Novel Oral Anti-Coagulants (NOACs) with worldwide sales of Eliquis® touching US$ 12.5 Billion up to 2019, as per Newport data.

Currently the launch activities for Apixabid are on hold as Indoco is contesting a patent infringement case filed against it in Delhi High Court in December 2019 by an innovator company. Although, the outcome of the patent infringement case cannot be ascertained with certainty, Indoco is strongly defending the case filed against it.

- **International Formulation Business**

During the quarter, revenues from International formulations business grew by 21.5 % at ₹ 83.3 crores, as against ₹ 68.5 crores for the same quarter last year. Year-to-date, revenues grew by 33.1 % at ₹ 216.7 crores, as against ₹ 162.8 crores for the same period last year.

USA

During the quarter, revenues were at ₹ 16.1 crores, as against ₹ 2.6 crores for the same quarter last year. Year-to-date, revenues were at ₹ 29.7 crores as against ₹ 13.6 crores for the same period last year.

Indoco has secured an ANDA approval for Febuxostat Tablets, 40 mg and 80 mg. Febuxostat is used for the treatment of gout caused by excessive levels of uric acid in the blood (Hyperuricemia).

The Company has secured another ANDA approval for Glycopyrrolate Injection 0.2 mg/ml filed from its Goa Plant II on behalf of its partner in the US. Glycopyrrolate is indicated for use as a preoperative antimuscarinic to reduce salivary, tracheobronchial, and pharyngeal secretions; to reduce the volume and free acidity of gastric secretions.

An ANDA approval for Tranexemic Acid Injection filed from its Goa Plant II, has also been received on behalf of its partner in the US. Tranexemic acid belongs to a class of drugs known as antifibrinolytics. Tranexamic acid works by slowing the breakdown of blood clots, which helps to prevent prolonged bleeding, during your menstrual period.

Europe

During the quarter, revenues from Europe business grew by 44.9 % at ₹ 45.4 crores, compared to ₹ 31.3 crores for the same quarter last year. Year-to-date, revenues grew by 55.6 % at ₹ 122.5 crores as against ₹ 78.7 crores for the same period last year.

South Africa, Australia & New Zealand

Revenues for the quarter were at ₹ 1.3 crores, compared to ₹ 14.2 crores for the same quarter last year. Year-to-date, revenues were at ₹ 5.4 crores as against ₹ 21.6 crores for the same period last year.

Emerging Markets

Revenues for the quarter were flat at ₹ 20.5 crores, compared to ₹ 20.4 crores for the same quarter last year. Year-to-date, revenues grew by 21.0 % at ₹ 59.2 crores, as against ₹ 48.9 crores for the same period last year.

Plant Regulatory Update

Goa Plant-I

US consultants are on board for remedial actions to resolve the concerns raised in the warning letter issued by the USFDA on 18th July 2019 for Goa Plant-I. Periodic compliance updates are being timely submitted to the USFDA Agency.

Inspections have been conducted by the Australian Health regulators in Q3 2019 and inspection outcome is awaited from the Agency TGA. The outcome for the re-inspections conducted by SAHPRA in Plant I (Health Agency of South Africa) is awaited from the health authority as well.

Goa Plant-II & Goa Plant-III

The sterile manufacturing facility (Plant-II) at Verna, Goa, received EU GMP certification from the UK Health Regulator in December 2019. This is an outcome from the last successful inspection conducted by UK MHRA in September 2019.

Goa Plant-II facility received EIR from the US regulators in November 2019, on successful conclusion of the inspection conducted by USFDA in October 2019. This is the second successful Pre-Approval Inspection (PAI) of this site in less than 6 months. The site continues to maintain its Voluntary Action Indicated (VAI) status.

Inspections have been conducted by the Australian Health regulators in Q3 2019 in Plant II and inspection outcome is awaited from the Agency TGA. The outcome for the re-inspections conducted by SAHPRA in Plant II & III (Health Agency of South Africa) is awaited from the health authority as well.

- **Active Pharmaceutical Ingredients (APIs)**

Revenues for the quarter were at ₹ 18.7 crores, compared to ₹ 22.2 crores for the same quarter last year. Year-to-date, revenues grew by at 15.1 % at ₹ 65.8 crores, as against ₹ 57.1 crores for the same period last year.

Diversion of capacity for internal consumption has resulted in API division's muted growth during the quarter. However, the capacity from new facility will be used and growth will resume gradually, as we complete regulatory work of registering the new API site in Customer's Dossiers / ANDAs.

- **CRO & Analytical Services**

During the quarter, revenues from CRO & Analytical Services business were at ₹ 3.1 crores, compared to ₹ 4.7 crores for the same quarter last year. Year-to-date, revenues were at ₹ 7.5 crores, compared to ₹ 15.3 crores for the same period last year.

- **Future Outlook**

The Company's Domestic business continues to focus on brand building, new product launches, thrust on sub-chronic (Specialty) segment and penetration in the North and East Region.

Going forward, the Company's business from US is expected to grow as ANDAs will be commercialized at regular intervals followed by product launches. Business from EU will also witness impressive growth as additional capacities are created with MHRA-UK approval of Baddi Plant III and reinstatement of full GMP status of Goa Plant I.

Expertise in Research & Development, backward integration in API in select products, own 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.

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.