May 26, 2023

To	To
The Listing Department **National Stock Exchange of India Limited** Exchange Plaza, Bandra – Kurla Complex Bandra (East) Mumbai – 400 051 ***Stock Code : INDOCO-EQ***	The Listing Department **Bombay Stock Exchange Limited** Floor 25, P. J. Towers, Dalal Street, Mumbai – 400 001 ***Stock Code :* 532612**

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the quarter and year ended 31st March, 2023

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Earnings Conference Call held on 23rd May, 2023 in respect of Audited Standalone and Consolidated Financial Results for the quarter and year ended 31st March, 2023.

Thanking you,

Yours faithfully,
For Indoco Remedies Limited

RAMANATHAN HARIHARAN Digitally signed by RAMANATHAN HARIHARAN Date: 2023.05.26 15:19:18 +05'30'

INDOCO REMEDIES LIMITED MUMBAI

Ramanathan Hariharan
Company Secretary & Head Legal

"Indoco Remedies Limited

Q4 FY'23 Earnings Conference Call"

May 23, 2023

MANAGEMENT: **MS. ADITI PANANDIKAR – MANAGING DIRECTOR – INDOCO REMEDIES LIMITED**
MR. SUNDEEP BAMBOLKAR – JOINT MANAGING DIRECTOR – INDOCO REMEDIES LIMITED
MR. PRAMOD GHORPADE – CHIEF FINANCIAL OFFICER – INDOCO REMEDIES LIMITED

MODERATOR: **MS. CYNDRELLA CARVALHO – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Indoco Remedies Limited Q4 FY '23 Earnings Conference Call hosted by JM Financial. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Ms. Cyndrella Carvalho from JM Financial. Thank you, and over to you, ma'am.

Cyndrella Carvalho: Thanks, Zico. Good afternoon, everyone. I, Cyndrella Carvalho, on behalf of JM Financial, welcome you all on the Q4 FY '23 earnings con call of Indoco Remedies. At the outset, I thank the management of Indoco Remedies for giving us this opportunity to host the con call. I'm looking forward to have an insightful interaction on the earnings with the management.

Today, from the management team, we have with us Ms. Aditi Panandikar, Managing Director; Mr. Sundeep Bambolkar, Joint Managing Director; Mr. Pramod Ghorpade, Chief Financial Officer. I now hand over the call to the management for the opening remarks. Over to you, Ms. Aditi.

Aditi Panandikar: Thank you, Cyndrella, and thank you to all of you for joining us this afternoon. The year 2022-'23 has been an eventful year for us at Indoco. Across businesses and geographies at Indoco, several new initiatives are underway to make the company future ready.

In the domestic space, several positives, including a spectacular new launch performance and a stellar growth by Cyclopam, a key brand, were unable to overcome the high base effect of acute category COVID product sales of last year. Consequently, we ended the year on a flat note.

New introductions have generated sales in excess of INR30 crores this year and now contribute close to 2.6% of our India sales. Dropizin, Noxa and Subitral, each at INR10 crores, INR9 crores and INR8 crores have been featured in the top 20 new launches this year. The newest launch, Ninaf is the first time in India launch of an antifungal derma product and has already clocked INR1 crores in 40 days of launch. Almost all top 20 brands for the company are showing robust double-digit prescription growth and this augurs well for future sales.

Two of our brands' features amongst the top 300 brands in the IPM and Cyclopam has jumped 27 ranks this year in the list. We now have 3 brands of over INR100 crores and another 4 of between INR50 crores to INR100 crores. The focus at Indoco is to make big brands bigger, while we succeed with our new launches.

While the company is ranked 27th or 28th in the retail audit depending on season, our rank in prescription audit is 20th. There is, therefore, an urgent need to get more out of our prescriptions, especially for those products which have an OTX element in their sales. Accordingly, this year, we have launched a direct-to-consumer division primarily focusing on a few dental products. Digital marketing on social media has also begun for these products. These initiatives will allow us to create better product availability and to keep our patients better informed of the therapy choices they have.

Now coming to international business. As some of you are already aware, the warning letter on Plant 1 has been lifted. The EIR for the plant was received and the inspection is classified as VAI. Plant 1 capacity is now available for supply of products to U.S. We expect quick approvals of products already filed from this site and will also now have an opportunity to file more products from here for the U.S. market.

In Europe this year, key highlights include garnering a 30% market share for Lacosamide tablets and a 20% market share for Lacosamide injection, both of which were first generics in the market. In Germany, our allopurinol has 70% market share, thanks to our second year in a row grant of AOK tender. Across the company, several initiatives where automation is being looked at to accelerate performance are being considered.

Our field sales officers in India have been given iPad for detailing to doctors. This is expected to improve both effectiveness and efficiency in the doctor chamber. Pan-India, our SAP S/4 HANA, DMS or the Document Management System and TrackWise are some of the successful implementations resulting in better systems and enhanced effectiveness and speed. Many such other interventions, especially in manufacturing, operations are also on the anvil.

Now beyond business, Indoco recently successfully completed the SMETA or Sedex Members Ethical Trade Audit. The Sedex Members Ethical Trade Audit methodology focuses on 4 pillars: Labor standards, health and safety, environmental performance, and business ethics. The successful SMETA 4 Pillar Audit at Indoco Goa Plant 1 showcases the company's unwavering commitment to responsible manufacturing practices.

Indoco's dedication to labor standards, health and safety, environmental performance and business ethics has earned it recognition as a socially responsible organization. Earlier this year, we entered into a share purchase and shareholders' agreement, along with the power purchase agreement to acquire 26% stake each in Kanakal Wind Energy Private Limited and Jalansar Wind Energy Private Limited for setting up solar power plants at Akkalkot, Solapur District in Maharashtra. This is in compliance with the regulatory requirements for being a captive user under the Indian Electricity Law.

Protecting our environment is of utmost importance to us, and it is our constant endeavor to conserve and promote green energy. This arrangement will help us save electricity costs on a recurring basis at our R&D center at Navi Mumbai as well as at API plant at Patalganga. The company's core corporate responsibility is to practice its corporate values through a commitment to grow in a socially and environmentally responsible way while meeting the interest of its stakeholders. We are exploring many such other energy saving opportunities at our other sites as well.

That is all from me. I'll now hand over the call to Mr. Sundeep Bambolkar, joint MD to take you through the financials of quarter 4 and full year.

Sundeep Bambolkar: Thank you, Aditi. Good afternoon, all the participants. Hope you all are doing fine. Let me first begin with the business highlights. Net revenues of the company for the fourth quarter grew by 6.9% at INR428 crores compared to INR400.3 crores. For the year ended March '23, revenues grew by 9% at INR1,638 crores as against INR1,502 crores. EBITDA to net sales for the quarter is 15% at INR64.2 crores compared to 20.1% at INR80 crores. EBITDA for the year is at 17.4% at INR284.9 crores compared to 21.8% at INR327 crores.

The year 2023-'24 witnessed business activities swinging back into action very much similar to pre-COVID times, wherein business travel, marketing expenses, business promotion, etcetera, have increased considerably as compared to previous year. Profit after tax to net sales for the quarter is 6.9% at INR29.7 crores compared to 8.9% at INR35.6 crores. For the year, PAT is 8.7% at INR142.8 crores compared to 9.9% at INR149.2 crores. EPS is INR2.75 for the quarter compared to INR4.38. And for the year, EPS stands at INR15.34 compared to INR16.77.

Our solid dosage facility at Goa, that is Plant 1 has received the establishment investigation report with voluntary action-initiated status from the U.S. FDA. We have also forayed into digital marketing space for our domestic business with focus on select dental portfolio alongside traditional and ethical marketing strategies. New product launches in domestic market, Ninaf cream in dermatology and Ladyboon in hormonal segment have provided substantial growth in domestic revenue generation.

Now on to the Indian pharma industry. The Indian pharma market is valued at INR44,138 crores and has registered a growth of 11% during the fourth quarter of FY '22, '23 against similar fourth quarter of last year. During this quarter, Indoco has registered sales of INR299 crores with a growth of 13.6%. In the IPM, Indoco ranks at 27 positions in Q4 FY '23 with a market share of 0.68%. The source is AWACS for April to March '23.

Domestic formulation business. Revenues from domestic formulation business for the quarter, degrew by 4.3% at INR184.5 crores compared to INR192.9 crores. Major therapeutic segments, namely Urology, Dermatology and Gastrointestinal performed well during the quarter as compared to the previous corresponding quarter of last financial year. For the year, revenues degrew by 0.8% at INR796.7 crores against INR803.1 crores.

Now to the international formulation front, revenues from international formulation business witnessed a growth of 14.1% at INR216 crores compared to INR189.5 crores. For the year, revenues grew by 21.5% at INR753.7 crores as against INR620.5 crores. Revenues from regulated markets for the quarter grew by 5.3% at INR163.4 crores against INR155.2 crores. For the year, revenues grew by 21.2% at INR610.5 crores against INR503.6 crores. Revenues from U.S. business for the quarter grew by 2.6% at INR71.3 crores as against INR69.6 crores. And for the year, revenues grew by 25% at INR265.9 crores as against INR212.7 crores.

The Europe revenues for the quarter grew by 3% at INR82.1 crores against INR79.7 crores for the same quarter last year. And for the year, revenues grew by 17.5% at INR320.5 crores as against INR272.8 crores. South Africa, Australia and New Zealand for the quarter grew by 70% at INR10 crores against INR5.9 crores. And for the year, the revenue grew by 33.6% at INR24 crores against INR18 crores.

The emerging markets for the quarter grew by 53.6% at INR52.8 crores against INR34.3 crores and for the year, the revenues grew by 22.5% at INR143 crores against INR117 crores. The API business for the quarter grew by 74.3% at INR22.8 crores against INR13.1 crores. And for the year, the revenues grew by 11.5% at INR71 crores against INR63 crores.

Revenues from AnaCipher CRO and Indoco Analytical Solutions for the quarter recorded a sale of INR4.5 crores against INR4.8 crores, and for the year, INR17 crores against INR15.7 crores. That's all about the business highlights for the fourth quarter and the annual highlights. I now request questions from all the participants. Thank you.

Moderator: Thank you. Our first question is from the line of Mitesh Shah from Nirmal Bang Securities. Please go ahead.

Mitesh Shah: My question is regarding domestic market. What would be the growth excluding the COVID for quarter and the year-end. Also the second question, I just take all the questions together. U.S. also we missed our guidance of INR280 crores, INR285 crores that what is the reason for this? And what would be the expectation? And also on the margin front, the other expenditure was bit high, can you explain for that as well?

Aditi Panandikar: Yes, I'll just take the first question. We'll go one by one. I think your question was about the COVID impact. If you recall from my earlier calls, I had estimated correctly, I think that ATM and Karvol Plus together will impact us to the extent of around INR40 crores, so if you look at those 2 products alone, that is close to INR45 crores on an annual basis. This has been partly recovered by around INR15 crores coming incrementally from the new launches this year.

Another INR14 crores coming from Cyclopam and the rest of the INR10 crores has come from other brands. So it was the negative impact of COVID products which did not allow us to grow. Coming to your second question, I think on U.S. markets and guidance, I think Mr. Sundeep would like to answer that?

Sundeep Bambolkar: Yes. Coming to the U.S. market, you're right. We had guided for between INR280 crores and INR285 crores. However, you are aware that Plant 1 had the warning letter, which has been lifted subsequently. So now we will be in a position to ship existing products from Plant 3 into Plant 1 and ship it to U.S. So capacity will no longer be a constraint. And henceforth shipments will be very, very regular, and hence, there won't be any hiccups in future.

Mitesh Shah: What about other expenditure?

Aditi Panandikar: Yes. Other expenditure for the year -- for the quarter -- on the quarter basis, if you check.

Mitesh Sha: Quarter.

Aditi Panandikar: Yes, yes. The ads which are extraordinarily high, our advertising and sales promotion, repairs, traveling and legal and professional. Of these legal and professional -- traveling is small, but legal and professional and repairs is definitely not a onetime thing, and we don't expect such high amounts going forward. Regarding advertising and sales promotion, it is sort of -- some of it especially related to India business is in sync with growth of sales. So last year, we had done very good sales in India business, and that's why the advertising and sales promotion for this year has come high. The coming year completed, India business has not done very well, so I don't expect this ad in the next year to be so much higher. Does that answer your question?

Mitesh Shah: Got it. I have a few more. I will come back on the queue.

Moderator: Thank you. Our next question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

Rashmi Shetty: Ma'am, could you give us the quantum, what was your -- how much was your legal and professional onetime charges included in the other expenses? And what was this advertising and marketing sales related to the domestic business, which is included in other expenses, which I believe would be recurring in nature every quarter, right? So if you can give the quantum, it would be helpful for us to model in the future.

Pramod Ghorpade: Yes, Rashmi, Pramod here. As Madam explained, the legal and professional is close to about INR5 crores. So out of that, almost about 90% to 95% is a onetime kind of cost. It is not a recurring in nature as such. Secondly, about the sales promotion activities, out of the sales promotion activities, certain portion is basically on the strategic initiatives in terms of going for different kind of models. So again, that component becomes a onetime cost. While others are -- I would say, investment for the future revenues. So we have -- as you know, as per accounting standard, we have to take the cost in this particular period, while revenues will follow in following quarters.

Rashmi Shetty: Okay. And what would be that amount for this investment related to the domestic business?

Pramod Ghorpade: In terms of value, of course, we don't bifurcate that, whether it is a onetime cost or recurring. But a large component of this, close to about as I said, in terms of percentage, is investment for the future business. You can take 75% to 80% of probability.

Rashmi Shetty: Understood. And again, on the U.S. business, have we booked any profit share from Brinzolamide and Combigan in this quarter?

Pramod Ghorpade: Yes.

Rashmi Shetty: And what was that amount? And where was it sitting?

Pramod Ghorpade: So it's a part of our total sales, our revenue.

Aditi Panandikar: Rashmi, as such, it is not separately. It is sitting inside the U.S. sales only.

Pramod Ghorpade: Total U.S. sales.

Rashmi Shetty: Okay. And what was that amount?

Aditi Panandikar: Around INR16 crores.

Rashmi Shetty: INR16 crores this quarter?

Aditi Panandikar: Yes.

Rashmi Shetty: Okay. And how do we see EBITDA margins in FY '24 and '25 given that our advertising sales promotion cost is also going up, and we have seen that R&D has also picked up during the quarter. So if you can give some guidelines on operating margin front?

Aditi Panandikar: Yes. So Rashmi, we are confident of doing between 18% to 19% EBITDA.

Rashmi Shetty: Okay for FY '24.

Aditi Panandikar: Yes.

Rashmi Shetty: Okay. And one last question on India business, while we see the peers as well as the secondary sales performance, we have seen that this quarter, your anti-infective and respiratory has really done well. But when I see Indoco Remedies' performance, I understand that there was a high gauge which is sitting, but still, we have completely shown negative growth. So how should we look this forward in FY '24 and '25, is it that we are losing market share in anti-infective and respiratory because of the competition? Or this is something was purely COVID-related?

Aditi Panandikar: Yes. Rashmi, thank you for that question. It helps me explain a lot. First and foremost, for the market, what is anti-infective, and which is a key molecule for the anti-infective driving the market is Amoxi-Clav. Whereas for us, our anti-infectives are primarily driven by Oxipod, which is Cefpodoxime and azithromycin, which is ATM. So the market that shows an extraordinarily high increase in anti-infective sale is from a very different molecule than us.

Secondly, when it comes to respiratory, again, most of the expiratory products that we're doing very well, are in the anti-asthma and inhaling category, whereas our respiratory really within Indoco was driven or is driven by Karvol Plus cough preparations, cough and cold, like Febrex Plus. So if you look at us with the risk covered market, we actually get an extraordinary impact of the contribution of Karvol Plus to our segment because Karvol is 90% of the entire market kind of, okay? So it is not comparable. But I want to bring your attention to another sort of thing.

If you actually look at our performance as indicated by AWACS or IQVIA, you will see that we are doing double-digit growth in India business for the quarter and for that matter for the year also. And you might wonder why the difference between our secondary performance, which is indicated by IQVIA and AWACS and our internal sales. So the answer to that is this year in the last quarter, typically, when you have a lot of field force who are not going to achieve targets, you have a lot of primary sales which get postponed, but at a secondary level, there is no impact of this.

So when you look at [inaudible 0:23:56] growth, when you look at our performance, as indicated by IQVIA for the month of March, we were the fastest-growing company in the top 30 and for the quarter also, we are in double-digit growth. It simply shows the kind of disconnect between primaries and secondaries and typically, this is not uncommon in the acute category. So when season comes, you see a lot of primary beyond what the real secondary is and when the season drops, you see a drop in primary beyond the actual consumption. So these kind of things are there, but they get ironed out generally over a couple of quarters. Does that answer your question?

Rashmi Shetty: Okay, ma'am. And finally, what is the guidance you give for India business in FY '24, '25.

Aditi Panandikar: So FY '24, '25, finally, I think, is free of all COVID issues. I'm hoping, I'm pretty sure now. And looking at the kind of, yes. Looking at all the -- fundamentally, all the things that we have done in this period to make the business solid, I'm pretty confident of a minimum of 15% growth.

Moderator: Thank you. Our next question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Sir, my question is on the U.S. business. So if I remove that INR16 crores of profit sharing out and primarily looking at it on a comparable basis, on a Q-on-Q basis. So we have seen the U.S. business eroding consistently. I mean, if I'm just looking at a trend. Now with the new capacity in place, I mean, how do we see this part of the business picking up? If you can give some color with respect to what are the kind of launches or the traction that we can see. And from the current base, what is the kind of growth that one can expect?

Sundeep Bambolkar: Yes. In U.S., we have an extremely healthy order book. That's the first point I should tell you. So we are extremely confident of our growth between 25% to 30% this year. That's the second point. Now coming to the products, allopurinol is our product in U.S., which is doing extremely well. And in the current year, we should easily be doing INR60 crores with that one single product. The bottleneck was in supplies because it was being supplied from Plant 3 in Goa. Now that Plant 1 is free of the warning letter, it will be supplied from Plant 1 also. With the result that the market will be flooded with supplies from Indoco and more and more orders will come in. So there is no problem of supplies because there's no bottleneck now in manufacturing capacity.

Coming to our injectables and ophthalmics, that is from Sterile plant, which is going on in full swing. And our future concentration is on complex injectables suspension ophthalmics mainly and niche solids.

Sudarshan Padmanabhan: And one bookkeeping question. I mean last quarter, when we talked about forex, I mean, I was under the impression that the entire amount that is basically the difference between the rupee-euro, or the rupee-pound and the rupee-dollar, whatever the depreciation happened between the second quarter and the third quarter, would have been completely provided. This quarter, again, we are seeing some kind of additional provision in the forex but when I'm looking at the forex, there has not been a real change. So what is it that is driving again the forex loss? And I mean, is it the end of the forex loss? Or do we again continue to see something at this point.

Sundeep Bambolkar: Forex loss happened because of MTM, mark-to-market, that is conditions beyond our control. And this quarter, the MTM loss has been only INR50 lakhs. Last quarter, it was a heavy loss on account of MTM but not this quarter. And as regards to the hedging of the currency is concerned, we are well placed. For example, euro is right now, market is ruling around 89.5 and we have hedged at 93, 93.5. Pound we are hedging at 105 to 106 and the market is ruling around 102. So hedging wise, there's no problem at all. This is MTM, mark-to-market, which is totally beyond our control. But still in this quarter, the loss has been very limited.

Sudarshan Padmanabhan: And one final question before I join back the queue. I mean, when I'm looking at the absolute cost between 1 quarter, it's third quarter and the fourth quarter, there is about INR25 crores additional that has basically been approved in this quarter. I would assume that partially as you explained this one-off partially, it is not one-off. I mean, the investment that you are doing in, number one, in terms of digital, I mean, even if I assume that out of this INR25 crores, half of it is recurring and half is one-off. On a full year basis, it comes to about INR40-odd crores. to absorb this INR40-odd crores, you might have to do something like around INR50 crores, INR60 crores kind of revenue given our gross margins of about 70-odd percent. So are we looking, number one, to absorb this cost, say, in the next couple of quarters? I'm just trying to understand how do we see the margin trajectory absorbing this additional cost over the next 3 to 4 quarters?

Pramod Ghorpade: Yes. You rightly said, there are 2 components. One is about the recurring and second is about the onetime. So if you remove a onetime kind of a nature of cost, then approximately about INR5 crores to INR10 crores that is what the additional cost, which we feel that will be recurring on a quarter-on-quarter basis. While there will be incremental sales, as we discussed in terms of domestic as well as to some extent, certain portion of expenses related to export will be recovered from the incremental sales in export as well. So we are very much confident to recover this extra -- our incremental cost, which is going to be on a recurring basis.

Moderator: Thank you. Our next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: So my question is on domestic market. Now in various discussions, ma'am, you've mentioned that on the legacy portfolio and the newer portfolio that we are launching. Now if you have to understand the products which we have launched in the last 3 years, what percentage of our current business is coming from those? And what is the kind of market share we've achieved in those products? The products we launched in last 3 years?

Aditi Panandikar: Yes, yes. so as I said earlier, the 3 -- last 2 years, I can give you because that is how we classify new products. So a total of 2.5%, 2.6% of our sales are now coming from the products we have launched in the last 2 years. In these, happy to share that Noxa, which is Ozenoxacin cream, we continue to be market leaders despite being the fifth product to be launched in that market. Dropizin also we are fast gaining market share. And the third product, Subitral, which is a SUBA-Itraconazole. We are very confident with this new launch of Ninaf, which is a naftifine allylamine antifungal which works very well with itraconazole. We are hoping and very sure that both Subitral and Ninaf will continue to do well from here on.

So new products definitely have added great value and will continue to add value in the years to come. However, we have a lot on base in key brands. We have stopped calling them legacy because they continue to grow at high numbers.

Cyclopam, as I explained earlier, has done very well this year with a 17% growth in primary and around 50% growth in prescriptions and it is slated to do very well in the coming year as well. Our second large product, Febrex Plus has again faced brunt this year of COVID base from last year when anti-cold medications did exceedingly well, but there is a lot of scope for us to improve on performance of Febrex Plus.

The third product, Oxipod which is cefpodoxime antibiotic has recovered from the lull when azithromycin was doing very well. And this year, Oxipod has done exceedingly well, and I'm confident it will continue to do well. Other than that, Cital, and Cital UTI, both products to be used in summer, one for urinary tract infections and the other for -- as a disodium hydrogen citrate for micturition and in summer months. Both these products are doing very well for the company.

In fact, if you look at the top 20, and of course, I cannot forget the dental products, both the Toothpaste Sensodent, Sensodent-K, Rexidin M mouthwash, all these products are doing very well. Kidodent is also doing well. So apart from one or two brands, that is ATM, Karvol Plus and Febrex Plus, all 3 sorts of recovering from the COVID base, these are the 3 products not doing well. Otherwise, all our key brands have done well. So I feel very confident going ahead.

In addition to that, if you have heard me speak of the direct-to-consumer, so we are expecting our toothpaste to begin to do better than they are doing currently because we will get an impact coming from the kind of availability that we are making for our product. I hope that answers your question.

Nikhil: Thanks for this elaborate answer, but what I'm trying to understand is that in last 2 years, if we -- if one follows your call, you spent a lot of energy and investment in growing the domestic business, brought about organizational changes also. If you have to compare our performance of our key brands in the last 2 years, although there is COVID, so let's only focus on one year versus what it was in '19, '20, have you seen a sea change in the terms of the growth of prescriptions. So if you can just share some numbers, like how is the prescription grown for our top brands post we bringing those organizational changes, sales changes for these brands?

Aditi Panandikar: Yes. So the toothpastes have done very well compared to pre-COVID times. But on some other products, yes, the COVID level -- pre-COVID levels are yet to be completely achieved. I am very confident, basically the kind of -- I think you are back of your mind is the flat growth that we have given this year. So as I said, 45 CRO almost was the impact of the COVID product. But apart from that, certain changes also have been done. If you are aware, we brought 2 of our specialty divisions together, CND and Focus into a new division called Synergy. A consequence of that, there's been a letting go of certain products like a tail of brands. So we have been sharing products also as we have gone ahead.

What is important is that fundamentally, we focus on products which have a future, and which can be grown. So apart from one or two brands, I have no concern for products to go back to their pre-COVID levels. In fact, even a product like Karvol Plus, about which we have been discussing for some time now, the setback it has given during COVID, I actually went back and did a kind of an analysis of how it performed pre-COVID and you would be surprised that in the year '18, '19, it was giving us 2% contribution in Q4, and the sale was INR2.6 crores.

This year post-COVID, it is giving us 3% contribution with the sale of INR5.67 crores. So all said and done, even Karvol Plus has doubled, it has just come down from its 10x levels that is sold during COVID. I hope you -- this answered your question.

Nikhil: Yes. And secondly, there was some amount of attrition also at the MR level in some specific geographies for which we were working. So how are things there? Are we seeing some improvement or some stabilization?

Aditi Panandikar: Some improvement is definitely there, but with certain divisions and some geographies, we continue to have attrition. And we are focusing on efforts to bring that down, including impact of vacancy to come on our businesses. So I feel confident this year, with all our initiatives, we will be able to nullify that impact.

Nikhil: Okay. And last question on the U.S. Now if we go through our call for last 2 years, our guidance and actual reporting, there always is a disappointment, which comes up. When would you say that most of the things are now set in place, even considering now the U.S. FDA things and inspections and everything, where do you believe that now probably, we are more set-in terms of the infrastructure and ability to meet the demand? How confident you feel that now probably what we see, what the potential of the products are, we would be able to achieve.

Sundeep Bambolkar: Well, I don't know why you're disappointed, INR285 crores is what we guided, and we did INR266 crores. I agree we missed the guidance, but we have shown a growth. We have registered a growth of 25% in the U.S. business which is one of our most profitable businesses. That's the first point.

Second point is we have done a number of launches in U.S., which are profitable for the organization. We have ophthalmic suspensions, we have complex injectables, we have niche products in the U.S., and this is not the end of it. Now if you want to know the jump, in '19, '20, we did INR56.5 crores. In '20, '21, we did INR148 crores. In '21, '22, we did INR212 crores and in '22, '23, we have done INR266 crores.

Aditi Panandikar: But I -- partly, maybe if I want to sympathize with you, against guidance, I guess, we have to be a little bit cautious now while giving guidance's because U.S. is that kind of market. If you are aware of what is happening with many of our peers, I think at Indoco, one thing you can rest upon, we are careful with our product selection and would like to play in this market to make money.

So some of our decisions to postpone or not launch products, which might result in some kind of a deviation from expected numbers would be guided by some definite business fundamentals. Okay?

Coming back to capacity, as I said, up till now, we had only one plant giving us solid oral, that was Plant 3 and which is also a small capacity. Plant 1 from where we are manufacturing 2 products, while we were supplying products, we were not able to transfer any additional products there. And neither were we getting any new approval from that site. Plant 1 is today our largest site for solid orals, and that will all now become available for U.S. I don't commit that in 1 quarter, you will see any kind of big change because it will involve filing, approvals coming in, etcetera. But I'm very confident by end of 2 quarters, you will see a big upside coming from supply happening out of Plant 1.

Moderator: Thank you. Our next question is from the line of Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: Regarding allopurinol German tender, can you guide when it is up for renewal?

Pramod Ghorpade: We have just won it for the second time. For the last 2 years, we supplied, that was the first time we won the tender. And now from January, we have won it for the second time. So for the entire 2023 and entire 2024, Indoco would be the supplier. So it will be up for renewal in January '25.

Vishal Manchanda: And would this be similar quantities as the previous time or this time around, there are larger quantities and the same price.

Sundeep Bambolkar: Larger, the quantities are larger. Last time, we averaged INR65 crores per year. This time, we should average between INR75 crores and INR80 crores per year.

Vishal Manchanda: Okay. And second one on how many approvals are we expecting in the U.S. during the year?

Sundeep Bambolkar: U.S. approvals, about 3 to 4 in the current year.

Vishal Manchanda: And how many of this would be ophthalmic and injectable?

Sundeep Bambolkar: Most of them are ophthalmics. Hardly one only injectable.

Vishal Manchanda: And would any of these be suspensions.

Sundeep Bambolkar: Yes, at least one.

Vishal Manchanda: Okay. And can you talk about the market size for the suspension product?

Sundeep Bambolkar: Not at this stage because let the launch come closer, then we could talk about it in the second quarter or so.

Vishal Manchanda: And would you be kind of how limited competition market is that whether it's a 2-tier, 3-tier market?

Sundeep Bambolkar: Yes, we'll give you all the details during the second quarter meeting.

Vishal Manchanda: Okay. And the emerging market performance was very strong during the quarter. Is that the new base for the business or there was an exception?

Sundeep Bambolkar: Yes, slightly it'll average out during the first quarter, but from second quarter onwards, you'll see consistent numbers.

Aditi Panandikar: Q2 and Q3 were a bit of a lull for emerging this year. So there's been a lot of catching up for some products. I guess, that is why Sundeep says that it may not stay on this high, but still it will be better than earlier years.

Vishal Manchanda Okay. Aditi ma'am, can you talk about the average price increase that you would have taken on our Indian branded portfolio during the year?

Aditi Panandikar: Around 5% to 6%.

Vishal Manchanda: And we hope to take the same price increase this year as well?

Aditi Panandikar: Yes, yes.

Vishal Manchanda: Okay. And would this come around the second quarter? Or you would have already taken that for the year?

Aditi Panandikar: So we have different products coming up for price rise different times in the year. So each product takes a different time cycle on match basis, so it's very difficult. That is how it works to 5% to 6% any given financial year.

Vishal Manchanda: Okay. So this could not average for the 12 months. It will only be probably only for 6 or 9 months, that 5% to 6% price increase.

Aditi Panandikar: No, no. I mean at any given time, you will have one or the other product taking a price increase. We don't take at one time across all our products. Otherwise, you would have seen the 10%, right?

Vishal Manchanda: Got it. Understood. And just a clarification on the U.S. profit share number. Is that entirely attributable to brinzolamide?

Aditi Panandikar: No, no, not entirely to brinzolamide. In fact, the entire point, although we did say around 16, I had to rush to tell you that 2 of those are for Europe, and it is 14 coming from U.S. And if I'm not mistaken, it is spread across at least 2, 3 products.

Vishal Manchanda: Yes, yes. And would this be a recurring quarterly number? Or would this be a recurring annual number, if it is incorrect. INR13 crores number from U.S.?

Aditi Panandikar: If I remember correctly in previous calls, I said that we will do close to INR10 crores to INR12 crores on a quarter basis. I feel confident to maintain that because for quite a lot of products, we are now keeping IP for [inaudible 0:46:00]. In that case, we may not license out initially, meaning we may not collect a dossier fee or whatever, and profits may come directly in sales, so we are not actually looking at increasing the amount coming from profit share from future molecules.

Vishal Manchanda: Okay. And just one final one on blended Combigan, our partners Teva have lost market share this quarter. Can you give some color on that?

Pramod Ghorpade: Yes, Brimonidine Timolol what all you're talking about?

Sundeep Bambolkar: Combigan.

Vishal Manchanda: Yes, Combigan.

Pramod Ghorpade: Yes, yes. Yes. So we had some challenges to resolve, and the resolution will be done by October. So October, the supply should begin.

Moderator: Thank you. Mr. Vishal, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Aditya Khemka from Incred Asset Management.

Aditya Khemka: Aditi ma'am, average price increase of 5% to 6% in India and ex-COVID, our India business growth is actually 5% to 6%. So zero volume growth?

Aditi Panandikar: There has been a volume growth of 1%, Aditya, if you actually want to know.

Aditya Khemka: But that is what we are targeting for, we are satisfied.

Aditi Panandikar: I'm sorry.

Aditya Khemka: That is what we are targeting for 1% volume growth. That is where we should be?

Aditi Panandikar: No, this is for the year gone by, I meant.

Aditya Khemka: Yes, yes. So I mean my question is, what went wrong? Or was this the number we were targeting?

Aditi Panandikar: We did not target 1% growth. If you remember my calls, clearly, I was pretty positive, at least in the second half of the year to be able to post a higher single-digit growth. And if you heard my answer in some of the earlier calls, Typically, with the March performance being what it was, it has caught up with us. If you look at our numbers as per AWACS, AWACS shows us growing on a Y-o-Y basis at least at 12.7%.

And for the quarter -- Q-o-Q, we are minus 3%, but the market is minus 10%, but the market is also minus 4%. So we are going in tandem with what has happened to the market at this time Aditya. And we were not targeting a 1% growth, certainly not. This year, as I have guided, we will do close to 15%. That is our attempt. And with 5% price rise and maybe 1% or 2% coming from new products, we will have to do the rest of it in terms of volumes only. I can't say any other way, right?

Aditya Khemka: How do we get there? What will we do different this year compared to what we did last year?

Aditi Panandikar: You will see it when it happens, isn't it? A lot of things happening across the organization. And I'm very confident, especially in some of the segments where we have key products that we will be able to do exceedingly well.

Aditya Khemka: But ma'am, MRs missing their incentives and therefore, not selling in March so that they can sell it in April. I understand those dynamics. But that is something that can be recurring in nature because if your targets are always 15%, and you're always going to achieve 8%-10%, MRs are going to miss their incentives and they keep postponing their sales. So somewhere in the organization, the incentives of the MR versus the reality, if the market is probably not dawning or if not jelling with each other. And that also links to another question, which another participant asked on the attrition. So if the MR is going to miss incentive, you will have attrition on your doorstep, right, with itself is a cancel. So how -- as a manager, how do you deal with this conundrum?

Aditi Panandikar: So the first thing is, of course, to see that the MRs perform. And it is not a year after year phenomenon that March happens, and people don't achieve when they leave. Last year, we had some very good performances coming in, of course buoyed with the COVID season. So sometimes alternative year basis, this is seen, but it is being corrected through some very fundamentally corrective measures that are being taken in the organization.

If you look at our acute division, if you look at the 2 dental divisions, we have several key products, which have been established very well with very sound prescription growth and if you see the prescription fundamentals, there is no reason why primary should not come, but yes, attrition in the field, you understand the dynamics as much as we. When a man goes away, the local stockist probably does not feel very confident placing the next order.

We are working out various ways in which we can use our managers to cover these areas so that, that kind of a dip is corrected. But operationally, a lot of corrections being brought in Aditya. I would prefer to speak about them these only after the results start coming in.

Aditya Khemka: And which will be beginning first quarter or second quarter ma'am?

Aditi Panandikar: Now if I have to tell you that this year first quarter was bad, so my first quarter this year will be good. So if you -- basis on whether you're looking at growth or actual deliverables. So let us stick to fundamentals. I am very confident new products will continue to do very well. Key brands will grow. Attrition has come much under control compared to earlier and several initiatives are being done through regional learning and OD initiatives to try and bring this under control.

These things cannot be timed to say that it will happen in 1 quarter, 2 quarter. But very clearly, there is a leverage for us because even when our division achieves 95% target, we see that around 60% people would be -- would have done their targets. So there is a lot of a number of people who have to get into sales excellence and give us deliverables. There are a lot of geographies which are not coming up to our expectations. It is not possible for the organization to keep -- it is very important in the India business to get a decent return per man before you have to put in more people. So we are balancing these things, and I feel very confident that many of the initiatives, we have taken, will give us returns in the coming year.

Aditya Khemka: And Aditi ma'am, your India business profitability would be in line with peers of your size, right? In line, better or lower? I mean, how do you?

Aditi Panandikar: I think in line, given our acute portfolio.

Aditya Khemk: In line with the acute portfolio heavy guys, right. So that brings me to you, Sundeep sir, if Aditi ma'am's India business is in line with peers, then at the EBITDA level, the contribution of export business is close to nothing, right?

Sundeep Bambolkar: How can you say that the U.S. business is profitable.

Aditya Khemka: And what about the Europe and the similar? Because I'm looking at the consol EBITDA, and I'm just deducting the India business EBITDA from that, there is nothing much left there to show for.

Sundeep Bambolkar: EBITDA depends on number of parameters. And expenditure shooting up is one of parameters where EBITDA can go down for any business.

Aditya Khemka: Right. And have we launched the Brinzo, the bigger SKU, I understand from the previous call, you said that in Brinzo, the smaller SKU was selling but the larger SKU, yet to launch. Has that been launched in this quarter?

Sundeep Bambolkar: Yes, yes. Just launched.

Aditya Khemka: Just launched, is it in March or in May?

Sundeep Bambolkar: This quarter, I mean, the quarter, which is going through, April.

Aditya Khemka: So it was launched sometime in April.

Sundeep Bambolkar: Yes.

Aditya Khemka: Right. So in that context -- I'm sorry, before I get to that, Combigan, you said there were some issues, and you expect them to resolve by October. What were the issues?

Sundeep Bambolkar: It's technical in nature. So a bit away from this all.

Aditya Khemka: So it's okay, manufacturing related basically.

Sundeep Bambolkar: Related to technical issues, yes.

Aditya Khemka: Okay, technical. So that also brings a slight question mark on the quality of the manufacturing and technical expertise we are owning right. I mean, we have seen through last 5, 6 years, we've gone through 2 warning letters, resolved them, we've had quite a bit of jump in R&D expenditure, yet we are accessing in some of our largest products, the Brinzo larger SKU, Combigan opportunity, we are facing execution hiccups. Where do you feel the gap is?

Is it manpower? Is it R&D expertise? Is it the quality of manpower at the manufacturing point, because something is clearly not aligning, right? I mean some of the largest opportunities there slip-ups, which tend to at least as an outsider, tend to tell me that there is something which is not functioning properly. So have you been able to identify that? And what corrective actions are we taking?

Aditi Panandikar: Aditya, let me answer that one by one because you posed lots of questions. I'm a little bit amused to see the kind of deductions you have made because of various issues which have nothing to do with each other. First and foremost, the warning letters at the plant are to do with the quality management system and the compliance and systems at plant and have nothing to do with the product.

So I cite in this quarter, you would appreciate us for our warning letter being lifted Instead, you want to remind us about the lapses in our warning letter, little amusing. But let me come back straight to the manufacturing-related problems on Combigan that you may be talking about. You have to understand that on a call like this, we are not able to speak with complete clarity on products, which are actually owned by Teva, whatever it might be.

Also for these products, there are quality teams of Teva and regulatory teams of Teva sitting on our shoulders and heads, enforcing certain things for us to do, which may not entirely be in our hands.

All said and done, I think now that we have enough experience and exposure of sterile products, both ophthalmics, difficult to do ophthalmics, difficult to do injectables. It is not a child's play, and it is a very difficult manufacturing. Yes, where have we learned? Safe to assure you that we have learned more than any of our peers on what can go wrong especially matters beyond our control in the regulatory space.

If you take ophthalmic products alone, and this has become generally and not specifically for any product. From the ring retention in the see container closure system that FDA enforced changes upon and made us do batches again and file everything all over again. And each of those products were again owned by Teva and not by us, so we had to go as per their guidance's.

I think it is a totally different kind of ball game than vanilla manufacturing. So we've had several such issues, but I feel we have still managed to skirt through most of them very effectively. Coming to what is not going right or what is going wrong. Typically, these products are by very nature, initially to be taken in small batch sizes and batch sizes can only be enhanced later as the volume picks up. Therefore, you -- generally it eats up capacity. That has meant that we've not always been able to supply products on a timely manner to all geographies, giving U.S. preference over all others. Many of these things are now being streamlined and aligned.

Coming to the people managing our sites, you will be happy to know that today at Indoco, about 5 years ago, we had elevated plant head position to AVP from GM. This year, we have now got one head sterile and one head solid orals and liquid orals, etcetera, etcetera. So as and when expertise or skill sets are needed, we have actually done that as a company, which is very conscious about the backlashes of FDA though.

We have been extremely careful about what is being allowed to be manufactured in what fashion and not. The way I look at it is these 4, 5 years have been a huge learning for us as a company. And going forward from here on, I'm very confident that we will be able to perform and post a much better performance.

You had asked me in one of my earlier calls that if I got XYZ number of observations on solid orals, then how do I expect to do well on sterile and after that, subsequent to that, I think you know that I got less than half those observations in sterile. So I would be very happy if -- let's be very frank and look at the things the way they are and not unnaturally join the dots which don't need to be joined.

Aditya Khemka: Fair enough. As an outsider, these are the questions I had, and obviously, the responses are elaborate. Ma'am, have we received the classification for the sterile plant audit that we have created where we got half of those observations?

Aditi Panandikar: No, no, no. Based on what we got for solid orders, we expect it to be by sometime mid-June.

Aditya Khemka: Mid-June. Right. One last question, ma'am, what is our capex plan for FY '24 and '25

Pramod Ghorpade: Aditya, our capex plan is in line with our last guidance in terms of overall about INR125 crores is the capex, which we are planning for the coming years.

Moderator: We move to the next question. Our next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Sundeep sir, my question is with regards to the INR14 crores profit share. In the last quarter call, you had mentioned that brinzolamide, the dosage, which is the smaller is the one where you were expecting profit shares and you have mentioned today that you are -- the larger dosage is something that you're launching now in the first quarter. And you've mentioned Combigan will come in October. So could you please tell me what contributed to the profit share except for brinzolamide, the old dosage? You said there were 2, 3 products.

Sundeep Bambolkar: Yes, we have not given out names of the products, but in U.S., we are generally following that first option with any partner is profit share for Indoco. So there are 4 or 5 products where we have got profit share, and that is the result of that INR14 crores number which you are seeing.

Aejas Lakhani: Okay. Sir is it -- so then just help me bridge the gap here. So whatever is right now coming in the form of profit shares, is the steady-state profit shares that you're expecting that will come through FY '24 as well on a quarterly basis. On top of this, you will build the brinzolamide larger dosage strength and Combigan in '24. Is that understanding, correct?

Sundeep Bambolkar: Yes, yes.

Aejas Lakhani: Okay. And when you are launching brinzolamide now in this quarter, again, it will take 2 quarters for the profit shares to start kicking in and similarly for Combigan.

Sundeep Bambolkar: Correct, correct.

Aejas Lakhani: Okay. Okay. And sir, you had -- last quarter, you had spoken about a modified release cardiac product. Is that launched?

Sundeep Bambolkar: No, no, not yet.

Aejas Lakhani: Okay. You had also mentioned about a key product launch that got delayed because of which there was a profit share, which was expected in December, which was going to get June to April, is that on course?

Sundeep Bambolkar: Which product for U.S. market or which one?

Aejas Lakhani: Yes, sir, you had mentioned for the U.S. market that there were some key launches with -- through partners, which again got delayed, and there were profit shares expected in December, but now you have said that in the first quarter, they will come through.

Aditi Panandikar: We check our...

Sundeep Bambolkar: Yes, we'll just check that out.

Aditi Panandikar: And come back to you.

Aejas Lakhani: Okay. And sir, the guidance of -- so sir, again, just one last thing, which does not -- I'm not able to triangulate it is. Your U.S. revenues ex of the profit share, are you saying that there has been a sequential decline because of production not being available? Is that what you've been saying?

Sundeep Bambolkar: I fail to understand -- there's no decline, I fail to understand where you're seeing the decline.

Aejas Lakhani: No, no, sir, I'm asking that the base business, which is ex of the profit share. Could you just call out what is that base business number for FY '23? And what was the corresponding number for '22?

Aditi Panandikar: Yes. I think you're getting a little confused because there are 2 elements beyond sales. One is what we call dossier income, which is where we license out a product. And the second is what we call profit share. So in this quarter, in particular, while we got profit share, there were no out-license dossiers because as I mentioned earlier, we are now keeping much of the dossiers for our own filing. So -- which is why you are getting confused. So same quarter last year, for instance, we had a very heavy income from dossiers. So it is not as if last time, everything that got old in U.S. was commercial. Okay?

Aejas Lakhani: Got it. Ma'am and you had called out this dossier income last quarter I think it was closer to the INR5 crores, INR6 crores. Is it similar number?

Aditi Panandikar: No, no. On the fourth quarter last year, dossier income was over INR17 crores, which is nil right now.

Moderator: Thank you. Our next question is from the line of Vishal Manchanda from Systematics. Please go ahead.

Vishal Manchanda: On your Europe business, are we targeting more tenders there because you said you have already been trying for other tenders too. So any guidance there?

Sundeep Bambolkar: Your question is not clear.

Moderator: Mr. Vishal may we request you to use the handset please.

Vishal Manchanda: Yes. So on Europe, we were targeting more tenders on new products. So any color there? Are we looking at more tender wins in Europe?

Sundeep Bambolkar: We are going to file the tender, but the results will come out only in July or August.

Vishal Manchanda: Okay. And earlier, you had guided about some high-value launches that you are making in Europe and about the oncology -- sorry, high potency plan that you have added to your manufacturing setup.

Sundeep Bambolkar: Those products are anytime due for approval. And once we get approval, the business will start.

Vishal Manchanda: And so approval is expected this year, FY '24 or it can take longer?

Sundeep Bambolkar: Early second quarter, I think, this year.

Vishal Manchanda: Any sense on the contribution that we should expect from these launches?

Sundeep Bambolkar: A bit too early, we can talk about it in the second quarter.

Moderator: That was the last question of our question-and-answer session. I now hand the conference over to the management for closing comments.

Aditi Panandikar: Yes. Thank you all for your numerous questions. It always keeps us on our toes and allows us to elaborate on our strategies and thought process. Thank you very much and thank you once again.

Moderator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.