



“Indoco Remedies  
Q3 FY2022 Earnings Conference Call”

February 02, 2022



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**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY2022 Earnings Conference Call of Indoco Remedies hosted by Centrum Broking Limited. As a reminder all participant 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 this conference call, please signal an operator by pressing “\*” and then “0” on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Ms. Cyndrella Carvalho from Centrum Broking Limited. Thank you and over to you, Madam!

**Cyndrella Carvalho:** Thanks Margaret. I Cyndrella Carvalho welcome you all on behalf of Centrum Broking on Q3 Earnings Concall of Indoco Remedies Limited. At the outset I thank the management of Indoco Remedies for giving us this opportunity to host the earnings call. From the management team today we have with us Ms. Aditi Panandikar, Managing Director, Mr. Sundeep Bambolkar, Joint Managing Director; Mr. Pramod Ghorpade, CFO, Mr. Vilas Nagare, Corporate Affairs and M&A. I now hand over the call to the management team for their opening remark. Over to you management team!

**Sundeep Bambolkar:** Good afternoon all the participants. Hope you and your family members are all safe and healthy. Let me first begin with the business highlights, net revenues of the company grew by 4.6% at Rs.348.6 Crores compared to Rs.333.3 Crores for the same quarter last year. For the nine month period ended December 2021 revenues grew by 19.5% at Rs.1102.4 Crores as against Rs.922.6 Crores. EBITDA to net sales for the quarter is 21.1% at Rs.73.4 Crores compared to 18% at Rs.60 Crores. EBITDA for the nine month period is 22.4% at Rs.246.5 Crores compared to 18.3% at Rs.169 Crores for the same period last year. PAT to net sales for the quarter is 9.5% at Rs.33 Crores compared to 7.5% at Rs.25.1 Crores and for the nine month period.

We were at domestic formulation business revenues from domestic formulation business for the quarter grew by at 15.2% at Rs.181.5 Crores compared to Rs.157.6 Crores for the same quarter last year. Major therapeutic segments namely anti-infectives gastrointestinal, urological and respiratory performed well during this quarter as compared to the previous corresponding quarter for the last financial year for the nine month period revenues grew by 27.2% at Rs.610 Crores as against Rs.479.7 Crores for the same period last year.

During the quarter Dropizin syrup 100 ml, the molecule name is Levodropropizine and Chlorpheniramine Maleate syrup was launched under the respiratory segment. Now on the international formulation business front, revenues from international formulation business witnessed a growth of 5.5% Q-o-Q for the nine-month period ended December 2021 revenues grew by 19.5% at Rs.431 Crores as against Rs.360.5 Crores for the same period last year.

Y-o-Y revenues were flat revenues from regulated markets for the nine-month period December 2021 grew by 18.2% at Rs.348.4 Crores as against Rs.294.7 Crores for the same period last year, Q-o-Q revenues degrew by 2.3% revenues from U.S business for the quarter grew by 9.6% at Rs.49.1 Crores as against Rs.44.8 Crores or the same quarter last year. For the 9 month period

revenues grew by 24.3% at Rs.143.1 Crores as against Rs.115.1 Crores for the same period last year. Revenues from Europe registered a growth of 13.7% for the nine month period for the current fiscal year at Rs.193.1 Crores over the same period last year at Rs.169.9 Crores.

Quarter-on-quarter sales have degrown by 9.1% at Rs.54.3 Crores over previous quarter of the current year which stood at Rs.59.7 Crores. Revenues from South Africa, Australia and New Zealand have recorded 25% growth for a nine month period of the current fiscal year at Rs.12.1 Crores over the same period last year at Rs.9.7 Crores; Q-o-Q sales grew by 41.5% at Rs.5.4 Crores in the previous quarter of the current year which stood at 3.8 Crores. Revenues from emerging markets for the quarter grew by 27.9% at Rs.34.3 Crores as against Rs.26.8 Crores for the same quarter last year. For the nine-month period revenues grew by 25.5% at Rs.82.6 Crores as against Rs. 65.8 Crores. The growth for the revenues from API business remained flat at Rs.19.69 Crores over 19.73 Crores.

During the nine month period for the current fiscal year the API business recorded sales of Rs.50.3 Crores, Revenues from AnaCipher CRO and Indoco Analytical Solutions, for the quarter, grew by 43.4% at Rs.4.4 Crores as against Rs.3 Crores. The nine-month period revenues grew by 32.7% at Rs.10.9 Crores as against Rs.8.2 Crores that is all about the business highlights for the third quarter and I now request the participants to put up their questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer questions. The first question is from the line of Aditya Khemka from InCred AMC. Please go ahead.

**Aditya Khemka:** Thank you for the opportunity. The first questions are on the India business so while 50% growth Y-o-Y looks good but if I compare your Q3 FY2022 revenue to your Q3 FY2020 revenue in India, they are both similar at around Rs.180 Crores so which basically implies no growth whatsoever from FY2020 first quarter to FY2022 first quarter so could you take us through what has been the reason for such a performance?

**Aditi Panandikar:** You are talking of growth in Q3 FY2022 over Q3 FY2020 that is right. We were fine aspect if you look at the health of the pharma business in the India space for us. Frankly we are doing exceedingly well with in all our core therapy areas respiratory, stomatological, anti-effectives and GI if at all there is and Q3 FY2020 that might have been a one-off event I think because otherwise third quarter for us is not a big quarter in 2020 I will just look at it and maybe I will answer your question a little later more meaningfully but let me just talk about third quarter this year in any case for performance as in Q1 this year we had the side of COVID wave, in Q2 we got the season to support us and in Q3 again we may not have measured in absolute terms equivalent to the Q2 but the business has done really well and both COVID as well as non-COVID baskets have done well this year for us so if you look at the corporate we are ranked now 26th as per in the IPM as per Awacs and 23<sup>rd</sup> as per SMSRC in prescription ranking and all our growth and all parameters are indicating health of business remains strong I come back to you on what happened in 2020 and answer your question again.



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- Aditya Khemka:** Basically when I look at your FY2020 quarters it does not seem like a one-off because we did like Rs.160 Crores in Q1 in 2020, then we did Rs.180 in Q2 and then we did Rs.178 in Q3 which tends to be the normal sort of trajectory of the business, Q1 and Q2 better than Q1 and Q3 slightly less but then Q2 so this does not really my major concern here is that if I look at your Q1 FY2022 versus Q1 2020 then two versus Q2 2020 and then Q3 FY2022 versus Q3 FY2020 while Q1 and Q2 we have shown 45 22% growth over 2020 respective quarters because 2021 quarters were obviously disrupted. We see material growth in Q1 2022 integration and I understand some of it could have come from COVID but Q3 is like absolutely flat which so over the COVID our base business has just not grown from Q3 2020 to Q3 2022?
- Aditi Panandikar:** Okay let me come back to you because I would like to understand what was in the base days of the 2020 performance?
- Aditya Khemka:** Sure Madam and second question along the same business so in our previous call we said that we were optimistic about crossing about Rs.850 Crores in the India business in FY2022 now that in the nine months we have done only about Rs.610 Crores full year number will definitely fall short of 850 so where do you see the full year number now and what changed for us to not meet that number is some color on that?
- Aditi Panandikar:** Aditya 850 if you remember in my previous calls, the explanation was very clear we had taken growth on a previous year of regrowth we also looked at various parameters such as west which was more heavily impacted and where we are strong and therefore our ability to rebound having said that for a nine month period we are at 95% of the target taken so as such the fourth quarter target is on the higher side and I feel pretty confident of being able to do well for the year okay we may not do it 50, is the field target but we will come close to it not to worry.
- Aditya Khemka:** Okay but even if you were to come close to it Madam your Q4 sales will have to be better than Q3 says is that a possibility given that Q4 is seasoned?
- Aditi Panandikar:** It is a definite possibility.
- Aditya Khemka:** That Q4 can be better than Q3 in terms of absolute space?
- Aditi Panandikar:** Yes as for the half year this year the company was on target and 60% of our field sales officers were in excess of 100% of their target, what has happened in Q3 probably is a kind of a lending effect, people getting into comfort zones but it is not impacting our secondaries in anyway and I am very confident Q4 will come back.
- Aditya Khemka:** Thanks for that. Now coming to the export side of business question for you Sundeep Sir on the European business so our EU sales again seem to be tracking short of what we had indicated in the previous calls, any particular reason you would like to call out why European agencies have been lower than what we were expecting?



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**Sundeep Bambolkar:** I had indicated in the last call that Q3 we were not on track as far as Europe is concerned, the main reason was that the API price of Paracetamol had shot up and as a result we were not getting the desired feedback from our front-end partners so that was one of the reason we had to slow down on that molecule and that is the main reason however the brighter side of the story is things have come back now at least 70% to 75% on track compared to what it was in the last quarter so in Q4 we should be doing far better than Q3 as far as Europe is concerned.

**Aditya Khemka:** Understood so for the full year when earlier we had said about Rs.300 Crores for Europe now do you feel like 270-280 is doable or do you feel?

**Sundeep Bambolkar:** 285 to 290 is certainly doable.

**Aditya Khemka:** And same question for the U.S business since we launched Brinzolamide, we have not really seen a material uptake in numbers so just to so Q3 FY2021 we were 45 Crores in US I understand there were some milestones included and in these three quarters since we have launched Brinzolamide we are doing 45 to 48 Crores in the US so is the product not really getting market share are we not really making money on Brinzolamide or is it that the base business is sliding too fast?

**Sundeep Bambolkar:** No we are making money. Of course we have to give it a little time to settle down if you see in this quarter US has done 49 Crores it is the highest among all the past three quarters so in Q4 definitely things will look up the order book is extremely healthy as far as U.S is concerned and directly on our own having out licensed the NDAs or through partners we now have about more than 18 products in the US so definitely things are on track for Q4.

**Aditya Khemka:** All right one last question I think for the CFO, this is on the other expenses line item so our other expenses were about 98 Crores, 98 Crores both in Q1 and Q2, this quarter the other expenses seems to have come off significantly it is only Rs.88 Crores so Rs.10 Crores lesser than the last two quarters and I can see R&D expense has not really changed that much it is about 17 Crores so what has given the change in other expenses what is driving the lower other expenses or is this cost saving or is the seasonality of expenditure is what I am more concerned about?

**Pramod Ghorpade:** Yes Aditya Pramod here so if you see overall you are right. One is about cost saving measures, cost control, cost efficiency measures that is one secondly we have operational excellence program we are working very well in all plants and third is about less sales and marketing expenses in line with the sales so these are the primary reason for reduction in overall other cost.

**Aditya Khemka:** All right so basically because the sales did not come up to the level that it was in the past two quarters that is why other responses were mostly variable expenses which are lesser than the previous two quarters?

**Pramod Ghorpade:** Exactly Aditya.



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- Aditya Khemka:** Understood. Just one last question and then I will get back in the queue what our current net cash or net debt position?
- Sundeep Bambolkar:** I will take that short term is around Rs.120 Crores and long-term is also equivalent.
- Aditya Khemka:** So 120 Crores debt and this is net or is this gross of cash?
- Pramod Ghorpade:** Gross of cash.
- Aditya Khemka:** So how much cash do we have right now in the book?
- Pramod Ghorpade:** So roughly it is in the range of 6 to 8 Crores?
- Aditya Khemka:** 6 to 8 Crores so about 240 Crores of net debt. Got it thank you and I will get back in the queue.
- Pramod Ghorpade:** 226 is a cross so we have to net the cash so net balance is about 119 or 120.
- Aditya Khemka:** 220 okay thank you.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** My question relates to our CRO business so when we are likely to see the scale in this business and is this business profitable at the EBITDA level right now?
- Aditi Panandikar:** Yes it is definitely profitable at EBITDA level Indoco got into the CRO business through an acquisition some years ago we acquired a Nicholas pyramid site at Hyderabad and it is comparatively a much smaller scale CRO it met with our needs Indoco had filed several first to five para 4 products that and we continue to use about 50% to 60% capacity for our own needs and the rest is being we have external clients and customers servicing looking at the performance of the division. We have planned to expand it and we will be doubling the capacity in the coming year.
- Vipul Shah:** So how many scientists we are employing there?
- Aditi Panandikar:** This is a CRO so we have around 80 employees of whom about four to five medical practitioners and the rest are bioanalyticals scientists and clinical technicians, statisticians etc.
- Vipul Shah:** Lastly Madam our material cost as a percentage of sales has shoot up very sharply both year over year and a quarter over quarter also so what is the main reason and why we are not able to pass it on?

- Aditi Panandikar:** Why we are not able to pass it on largely is at least for the India side of the business, we are into brands and you are not able to increase prices just like that. Let me come to why we have got impacted as you might have been aware the whole China situation was and it was anticipated that the cost of goods would get impacted; however, at Indoco in the first two quarters because of better planning availability of product and materials in hand, we were able to for the first two quarters not to have this kind of impact but in this quarter in particular it has hit us, so cost of goods has largely gone up because of the increases in pricing prices both of starting materials for API as well as some of the APIs purchased particularly from China.
- Vipul Shah:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Kunal Mehta from Vallum India. Please go ahead.
- Kunal Mehta:** Thank you very much for the opportunity I wanted to understand could you please let me know the market share of Teva in Brinzolamide as at the end of this December quarter?
- Aditi Panandikar:** Teva market share is close to 22%.
- Kunal Mehta:** For this quarter Madam what do you understand let me have you accounted for any significant profit share from the product or if we depend on remittance from the partner and then you would later account in the coming quarters?
- Sundeep Bambolkar:** We have not yet accounted for any profit share.
- Kunal Mehta:** Got it Sir and any indication as to I am not asking about in this quarter but in terms of how what would be the duration, would you recognize it every six months or we recognize it on a yearly basis how would it work?
- Sundeep Bambolkar:** Actually, it all depends as in when the profit share comes accrues to us that are the time we account for it so mostly now it will be directly in end of March.
- Kunal Mehta:** Got it Sir, I wanted to understand regarding the order book in Europe, can you please let us know the situation of the order book for Europe in the next six months?
- Sundeep Bambolkar:** Order book in Europe is at around 120 Crores right now. The order book position is very sound. It is the question of executing those orders in a very efficient and successful way which we are planning and as Pramod spoke about the operational excellence program which we instituted during the year between finance and operations and the plants that is taking very active shape and that is the reason we have the confidence that Europe will deliver definitely close to the figure which we had committed.

- Kunal Mehta:** Understood Sir and this Rs.120 Crores I mean order book to building will happen over the next, we will have it continues over the next few quarters?
- Sundeep Bambolkar:** Few months.
- Kunal Mehta:** I wanted to understand regarding the initiative of passing on the inflation governmental prices on the domestic side so what is to understand do we have regarding a pricing case for especially for the brands in NLEM do we have any visibility as to when we would be allowed to take and then what quantum would it be regarding the price increases especially on the acute side?
- Sundeep Bambolkar:** Generally what happens is the non-scheduled products we are allowed to take price increase up to 9% to 10% per annum and the scheduled drugs of course goes with the government directive but it is a matter of the number of brands competing in the market and so many other factors whether a company wants to take a price rise or not/
- Kunal Mehta:** And this is in the coming few months based on the fact that everybody in the industry is facing strong pressure if you have to put a number on. What is the expected price size across the board which can happen at an average level, would it be right?
- Aditi Panandikar:** We have currently at around 4.8% of 9% price rise that has been taken on the entire book and certainly in the coming quarters based on wherever there is scope to increase we shall look at it.
- Kunal Mehta:** Got it. Thank you very much for the answers.
- Moderator:** Thank you. The next question is from the line of Aditya Khemka from InCred AMC. Please go ahead.
- Aditya Khemka:** Thanks for the opportunity. Yes madam you wanted to answer the question number three?
- Aditi Panandikar:** Aditya you just get out my numbers for 20 to be sure so first and foremost if you look at our product-wise performance or therapy-wise performance we are at par except for respiratory as a segment where this year because of performance of Karvol Plus we have done well but one product Febrex Plus is not yet back to the pre-pandemic levels so and that is a major brand for the company so that is one product we have seen this hit, and if I look at the particular performance of Q3 that year Q3 FY2020 Febrex Plus had grown by 30% so I would have to look at some other probably there was a scheme operating in the market or something like that to unnaturally push numbers for that category if you look at our performance otherwise Aditya Febrex Plus also compared to the last two years is quarter-on-quarter doing well and month-on-month doing well but it is yet not back to the earlier level of 2020 so that is the reason I just wanted to clarify.
- Aditya Khemka:** Sure what sort of seems to be a bit of a problem here is that a product like Febrex which has Paracetamol, Chlorpheniramine etc, in COVID times and we have seen a slight bit of a wave this



quarter as well in the December quarter as well so what worries me is that in those times if products like Febrex do not do well then what sort of are we losing market share in the representative segment or is it that the segment itself is not doing well?

**Aditi Panandikar:** As such Aditya although these the product sounds like it should do well. I think in Q4 you will see that like I mentioned there has been one challenge we have faced in at the corporate level in Q3 our two top acute therapy divisions both are on very high achievement of target in excess of that target and when that happens as I said it is a little difficult to push people to do their primaries. The division which carries product subjects plus also which has actually got a better kind of tailwind this year because of the COVID situation so we all agree internally also that it is performance of ATM which probably has not got our people to go all out for Febrex plus and this is recognized and corrective measures are being taken in the last quarter.

**Aditya Khemka:** The only reason I have asked is if you see Dolo the performance of Dolo in our market...?

**Aditi Panandikar:** Same Paracetamol Aditya.

**Aditya Khemka:** I am saying that the Paracetamol related brands with Dolo, Crocin they have all done exceptionally well so that sort of worries me whether Febrex is it has to be something internal other than external?

**Aditi Panandikar:** Yes I get it as I explained this kind of a Dolo thing has happened with Febrex plus but definite strategies are in place now to correct it.

**Aditya Khemka:** Right and what part of our portfolio is at the NLEM?

**Aditi Panandikar:** In 11%.

**Aditya Khemka:** So for this 11% given that WPI is still of 10% I think last I checked it was 10.4% so one should safely assume that you will be able to take 10% price increase in the entire and NLEM portfolio am I right?

**Aditi Panandikar:** Yes.

**Aditya Khemka:** But for non-NLEM portfolio is where you guys are saying you are slightly more tentative because their competitive positioning will make difference?

**Aditi Panandikar:** Correct.

**Aditya Khemka:** But in the non-NLEM portfolio and how many categories would we be let us say the top three leaders in the respective molecule or even in the respective therapy area?

- Aditi Panandikar:** We are in top three. It depends on how you categorize Aditya. So we have never considered it like that way. Cyclopam is the number one if you look at the Dicyclomine Paracetamol market if you look at it in the anti-pathway market you are number three so the same appears for most others instead for Febrex Plus we are number two and three depending on where we are in the country. For ATM, which is Azithromycin we are number three now this year in the Azithromycin brand, Karvol Plus we are number one, for the dental products we are number 1 so many categories you are number one. I understand where you are heading with this whether you feel we will be able to take price or not because of our competitive position so these are decisions we made strategically based on where we feel we have strengths or otherwise.
- Aditya Khemka:** Wherever your top three right maybe one two or three would you say that is a strong enough position to take a price increase or would you still have to watch out for the leader to take price hike?
- Aditi Panandikar:** Absolutely because these are not very expensive products per se so that 8%-10% is not going to damage the pockets of the buyers also.
- Aditya Khemka:** Exactly sorry to dwell on this a little more but so what percentage of your non-NLEM portfolio you can say with certainty given the positioning of the brand or the absolute price of the product or the leadership of the brand whichever variable you pay more weightage too what percentage of non-NLEM portfolio would you say you will be comfortably able to take a high single digit or 10% sort of a price increase because your cost pressure is very visible but you are 50%?
- Aditi Panandikar:** Aditya, I will just come in on the cost pressure side also partly the cost pressures have come in not only for India business on brand they have also come for the international business because of the starting prices of API and right Mr. Sundeep explained in the earlier response it is also one of the reasons we slowed down manufacturing some of our contract manufacturing kind of product line because we could see that there is definite pressure on margin. There is now a good understanding with ours with partners with which we are real expecting to be able to give better margin even for the contract manufacturing business so you will see the cost of goods come under control.
- Aditya Khemka:** In the fourth quarter so far I mean it has been only a month in the fourth quarter but it has the pricing of the solvent and key starting material come down relatively compared to the third quarter from China or is it now stable but not coming down?
- Aditi Panandikar:** Stable but coming down?
- Sundeep Bambolkar:** Stable but not coming down.
- Aditya Khemka:** So you need price increases to improve margins right?
- Sundeep Bambolkar:** Yes let us see how the next 15 days of February pan out then we can take decisions.

- Aditi Panandikar:** But on Q4 we expect similar?
- Sundeep Bambolkar:** Compared to Q3 right because of the pressure.
- Aditya Khemka:** Sundeep Sir same question for you obviously outside India we have a couple of branded businesses as in our some of our exposed to semi-regulated markets so in those semi-rate markets would you be comfortable with price increases to pass on the cost pressure regulated markets I understand because it is so competitive and there is no branding it would be difficult please let me know if you concur?
- Sundeep Bambolkar:** Correct see part of the branded business in Africa we are our own front end that is French west Africa which is, this year going to do about 40-42 Crores of business throughout the year so that that business we have just stepped into that business so we would not be keen to disrupt by taking price rises unless it is very much evident in other countries of course we have already started asking for price rise and we are getting a favorable response from the front end.
- Aditya Khemka:** I understand and just one more question on the API side so now where are we on capacity utilization I understand our internal consumption would be first priority but our external sales have been around 20 Crores now so anything any visibility there of improvement or most of the capacity will be used for internal?
- Aditi Panandikar:** Aditya we are our internal consumption has gone up significantly and but we expect by next year to be able to sort this out so we can satisfy both internal and external customers there is not much concerned with the external customer's order position but certainly this year because we have not been able to satisfy them. There has been a little bit of an issue but by next year I expect the external sales of API to also catch up.
- Aditya Khemka:** Right and Sundeep Sir on the total EBITDA now so we are at around 247 Crores for nine month EBITDA in FY2022, you said Q4 you will easily be able to achieve Rs.300 Crores EBIDTA target for FY2022?
- Sundeep Bambolkar:** Yes true.
- Aditya Khemka:** On this quarters U.S says can you quantify how much was the milestone and what was that milestone amount in Tokyo if you could remind me?
- Sundeep Bambolkar:** In Q3?
- Aditya Khemka:** Yes how much was it in Q3 and how much was it in Q2 if you could remind me?
- Aditi Panandikar:** Similar lines for the company I can tell you not specifically on a product around 8 Crores has come in through profit share this quarter.



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- Aditya Khemka:** Rs.8 Crores has come through profit share in this quarter and this profit share is different from what we used to call milestones the regulatory milestones we receive from partners?
- Aditi Panandikar:** That is separate.
- Aditya Khemka:** So how much would be the regulatory milestones this quarter?
- Aditi Panandikar:** Regulatory milestones close to 20 Crores total including the profit share.
- Aditya Khemka:** Including the profit share. So this Rs.8 Crores profit share would largely be Benzodiazepine, am I right?
- Aditi Panandikar:** Yes.
- Aditya Khemka:** Okay understood thank you madam I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.
- Cyndrella Carvalho:** Thanks for the opportunity if we can look at our Indian domestic market given the wave 3 is also contributing in Q4 but on the new launches that we had done in the domestic market and the coming year how should we look at it and what is the outlook here that you have and what are the new launches trend that you can help us understand, how are they progressing?
- Aditi Panandikar:** Thank you for the question Cyndrella as you know one of the areas of weakness for Indoco as the corporate in the domestic space has been our ability to scale new products and make them a success, earlier this year we restructured part of our strategy group for the India business created a chief marketing officer function and the main sort of focus for this team has been to select and launch good products so I am happy to share that the products we have launched up to now two products one is Noxa or Ozenoxacin cream which despite being the fifth launch in its segment in the very second month of launch has taken a leadership position and is the number one brand in its therapy now. The second product which we have launched in Q3 is as we discussed **(inaudible) 36:36** syrup. It is a periphery acting cough syrup and very happy to share that the first three months trends are extremely good for this cough syrup as well. So I see lots of value adds coming from new launches to the company's performance going ahead not only will it help us grow going forward it will help us change the manner in which our portfolio is structured today as we are very heavy on legacy products I am expecting new products to contribute substantially going ahead to the company.
- Cyndrella Carvalho:** This is helpful and on the cost side if we take the price increases in coming say from next year's Q1 onwards then should it be sufficient for us to maintain and grow our margins or you still think that the pricing scenario from the input side will still remain slightly like elevated how should we look at it?

- Aditi Panandikar:** Rise in input prices or cost of goods we expect this to be now not a short-lived thing honestly possibly by the next quarter things in the fourth quarter thing should stabilize on cost of goods front, 40% of our business now is exports and like Mr. Sundeep explained especially that part of the exports where we are into contract manufacturing etc., our partners also understand the pressures on the business and we have been able to correct that so going forward that would get corrected India reviews as we discussed we will take price rises wherein whenever we feel strategically also it makes sense so I do feel that for Q4 the cost of goods will possibly stay similar to what it is now but thereafter then it should be okay.
- Cyndrella Carvalho:** Thank you Aditi. This is very helpful. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Vibha Batra from FairConnect. Please go ahead.
- Vibha Batra:** Thanks for taking my question. If you were to see our sales for FY2022 till date nine months what percentage will be because of COVID I know it is very hard but if you were to compare it with previous year and kind of segregate that if there is no way for, what would be the hit on sales that is my first question and if you can quantify the sales growth coming here considering everything and also your tax rate why is it high and how is it likely to move next year?
- Aditi Panandikar:** I will take your first question on COVID basket, etc. As you have seen for nine months we have grown at close to 19.5% for the company and domestic business is grown at more than 27%, if you look at a COVID basket there is one product which sort of appears in both COVID and non-COVID that is the nature of the product which is ATM which is an Azithromycin, Micro Light and Anti-Infective. It was always a very strong brand for us it got a bit of an upside in the first few quarters so it sort of plays in both places but even otherwise if you see then this market has also grown at 27%. We are one of the few companies which has a very good balance of COVID and non-COVID basket where products on both sides are done well so absolute terms next year when we hope for sake of everybody else there should be no further waves we do realize that certain upside possibly a product like Karvol Plus a decongestant may slow down a bit some part of ATM sales may recede but otherwise I do not see much impact. Coming back to your question on taxation I think I just like Pramod to handle that?
- Pramod Ghorpade:** As regards to tax rate currently we are at 35% plus surcharge in the last two years, next year onwards we will be in a better tax rate that is a 25% plus surcharge.
- Aditi Panandikar:** Hope that answer your question?
- Vibha Batra:** No. If you were to quantify in value terms, COVID basket your estimate on how will it by how will it shrink by next year for all sales growth what will you achieve coming here?
- Aditi Panandikar:** Total COVID basket contributes to around 17% of our topline of which major product is really ATM which I do not expect it to really shrink too much so just one product we are likely to get impacted on and that is Karvol but even Karvol Plus already on YTD basis it is on growth it has

been degrown only in this quarter so I do not feel we should have too much impact next year because of COVID because new launches and growth of all other products we should be able to manage the portfolio.

**Vibha Batra:** Okay so overall sales growth will be what 10% to 15% or 15% to 20%?

**Aditi Panandikar:** Yes 10% to 15% is a good number to look at in a post COVID year.

**Vibha Batra:** Margins will improve from here?

**Aditi Panandikar:** They will improve from here because of various things including better returns our PCPM as I used to call it which used to be around 2 had gone up to 2.5 and this year has already gone up to 2.8 and I have said in one of my earlier calls that in two years we should cross three and we will do that very effectively next year.

**Vibha Batra:** So our margins will be in excess of 20% coming year?

**Aditi Panandikar:** EBITDA margins are you talking about currently we are at 21% EBITDA.

**Vibha Batra:** So they will improve from here.

**Aditi Panandikar:** I think that is what we all work for.

**Vibha Batra:** Okay thank you.

**Moderator:** Thank you. The next question is from the line of Vishal Manchanda from Nirmal Bang Institutional Equities. Please go ahead.

**Vishal Manchanda:** Thank you for the opportunity. Sir, do we also stand by US guidance of Rs.250 Crores for the year?

**Sundeep Bambolkar:** Because of certain disruptions in material availability and transportation and logistics, 225 to 230 is what would be a very realistic number at the end of the year.

**Vishal Manchanda:** Basically we would need to do around 80-85 Crores in the fourth quarter correct we have visibility on that almost?

**Sundeep Bambolkar:** There is a very healthy order book for US too in fact better than Europe and we have clear visibility.

**Vishal Manchanda:** Sir in the U.S. any color on which products are driving your business there, which is the most?

**Sundeep Bambolkar:** There are seven to eight injectables which we have launched, about five to six ophthalmic and 4 solid dosages so most of the products are doing well.



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- Vishal Manchanda:** Any specific products that are going better that?
- Aditi Panandikar:** I think that would not fair enough to discuss it, I hope you understand.
- Vishal Manchanda:** Do we have enough capacities on the suspension side or we are adding capacities there?
- Sundeep Bambolkar:** We are adding capacity. One line is about to be commissioned in the month of March, a new line in Goa plant 2.
- Vishal Manchanda:** Okay so how will that expand your capacity?
- Sundeep Bambolkar:** The capacity will go up by about 33%.
- Vishal Manchanda:** That is not a large expansion so it will just add 33% to your existing capacity?
- Aditi Panandikar:** 33% is pretty substantial.
- Vishal Manchanda:** Are you fully utilized now or you have spare capacity within?
- Sundeep Bambolkar:** We are utilized to the extent of 75% to 80%. This new line will be over and above that.
- Vishal Manchanda:** There was a minor disruption in Teva market share last quarter so are we happy kind of taken care of that now?
- Sundeep Bambolkar:** Disruption in the sense?
- Vishal Manchanda:** On Brinzolamide Teva's market share?
- Sundeep Bambolkar:** I presume so yes.
- Vishal Manchanda:** Yes so that has been taken care and fourth queue should be normal for that?
- Sundeep Bambolkar:** Yes.
- Vishal Manchanda:** Thank you. That is all for me.
- Moderator:** Thank you. As there are no further questions in the participants I now hand the conference over to the management for closing comments.
- Aditi Panandikar:** Thank you everybody for being with us today we wish all of you a safe and healthy period ahead and look forward to interacting with you in future. Thank you very much.
- Moderator:** Thank you. On behalf of Centrum Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your line.