“Indoco Remedies Limited
Q3 FY2019 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Indoco Remedies Limited Q3 FY2019 Results Conference Call hosted by Nirmal Bang Equities Private 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vishal Manchanda of Nirmal Bang Equities. Thank you and over to you Sir!

Vishal Manchanda: Good afternoon everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you to Indoco Remedies Q3 FY2019 earnings call. We thank the Indoco management for giving us an opportunity to host the call. We have with us, the senior management of the company represented by Ms. Aditi Panandikar, Managing Director, Mr. Sundeep V. Bambolkar – Joint Managing Director, Mr. Vilas V. Nagare – President - Corporate Affairs and M&A, Mr. Mandar Borkar – Chief Financial Officer. I now handover the conference to the Indoco Management!

Sundeep Bambolkar: Thanks a lot. Good evening all the participants. Let me begin with the business highlight: Financial highlight, net revenues for the quarter were at Rs.248 Crores against Rs.274 Crores. Sequentially, the rights for the quarter were higher by 5.1%. Year-to-date, the net revenues go at Rs.696 Crores as against Rs.758 Crores. EBITDA for the quarter is at Rs.24.8 Crores compared to Rs.43.2 Crores. Year-to-date EBITDA is at Rs.48.2 Crores compared to Rs.85.4 Crores.

Now on Domestic formulations business, revenues from Domestic formulations business for the quarter are at Rs.152 Crores as against Rs.156 Crores. Year-to-date, sales grew by 3.9% at Rs.461 Crores as against Rs.444 Crores. As per AWACS Indoco ranks in the IPM with market share of 0.68% as on December 2018. For the third quarter FY2019, IPM growth is 9.5% whereas Indoco growth is 12.2%. Indoco has shown good growth amongst the 21 to 30 ranks corporate. As per SMSRC, Indoco ranks 23rd with prescription share of 0.85% as on December 2018 MAT basis.

Our sales in third quarter particularly on secondary sales trend are encouraging, which may demand for our products are intact and progressing too. However, the same is not reflected enough in primary sales may be due to change in the purchase pattern of trade. On the new product introduction front during the quarter, the company launched four new products three is on chronic and one in chronic category.

On the international formulation business front, during the quarter revenues from international formulation business were at Rs.68 Crores as against Rs.99 Crores. Year-to-date, the net revenues were at Rs.163 Crores as against Rs.260 Crores. US business revenues were at Rs.3 Crores as against

Rs.8 Crores. Year-to-date the net revenues were at Rs.14 Crores against Rs.35 Crores. The company has 10 ANDA approvals till date and 37 filed for which approval is pending.

The sterile manufacturing facility at Goa plant II was re-inspected by US FDA from November 14, 2018 to November 21, 2018, which concluded with two observations from 483. The compliance response has been submitted and the EIR is expected. In the meantime, the company has received prior approval supplement for Brimonidine 0.2% from US FDA. US FDA also inspected the company's oral dosages facility at Goa plant I from January 17, 2019 through January 25, 2019 with regulatory agency show increased observation the site. None of these observations are critical in nature and are related to areas of improvement needed in documentation practices and review procedure.

The company will respond to these observations within the stipulated time of 15 days. Europe business revenues during the quarter were at Rs.31 Crores compared to Rs.54 Crores. Year-to-date, the net revenues were at Rs.79 Crores as against Rs.132 Crores. Post-issuance of the restricted GMP license by UK MHRA for Goa plant I, audit was conducted in July 2018 by an independent EU qualified person QP to check the progress on the corrective and preventive measures committed to the UK authority. Based on QP report, UK MHRA conducted a focused audit in October 2018. The audit was completed with no critical observation.

To reinstate the EU GMP certification at Goa plant I, a full GMP audit by EU qualified person has started from January 24, 2019. The full GMP inspection by UK MHRA will be scheduled thereafter. The company also had UK MHRA audit at Goa plant II from September 17, 2018 to September 21, 2018, which concluded with no critical observations and compliant response has already been submitted. The company's facilities at Baddi, that is existing plant I and plant III acquired from Micro Labs were also audited by UK MHRA from October 16, 2018 to October 20, 2018. The audit was concluded with no critical observations. While Baddi plant I will continue to supply to Europe. Baddi III will add significant value to sales from EU once the approval from UK MHRA is received.

South Africa and Australian and New Zealand business revenues for the quarter were at Rs.14 Crores compared to Rs.16 Crores. Year-to-date, the net revenues were at Rs.22 Crores as against Rs.44 Crores. The company faced audit from May 28, 2018 to May 31, 2018 at Goa plant II by TGA Australia. Inspection report for the same has been received and compliance response has been submitted. The emerging market revenues for the quarter were at Rs.20 Crores compared to Rs.21 Crores. Year-to-date, the net revenues were at Rs.49 Crores as against the same period last year.

API business revenues during the quarter were Rs.22 Crores compared to Rs.16 Crores. Year-to-date, the net revenues were at Rs.57 Crores as against Rs.45 Crores. During the revenues from CRO and Analytical Service Business were at Rs.5 Crores compared to Rs.3 Crores. Year-to-date the net

revenues were at Rs.15 Crores as against Rs.9 Crores. That is all about the business highlight for the quarter and I now request the participants to put up their questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Hari Bilawat from Eechfin Consultant. Please go ahead.

Hari Bilawat: Good evening Sir. Look into the quarterly performance, year-to-year, Y-o-Y performance is very poor, it is negative in almost all the parameters, first in revenue also it is about 5% lower, EBITDA is also around 42% to 43% lower, PAT also lower, so all parameters Y-o-Y lower, another thing is EBITDA margin of the company is very less, it is around 9% to 10%, whereas even your average last year itself was 13%, how come this, margin is coming very low unless we improve EBITDA margin and all these things profitably, we will not improve, what are your views on them?

Aditi Panandikar: Can you just introduce yourself again; I did not catch your name?

Hari Bilawat: I am Hari Bilawat from Eechfin Consultant, based in Mumbai.

Aditi Panandikar: Are attending the call for the first time?

Hari Bilawat: Yes, to the Indoco.

Aditi Panandikar: Because I explained a lot. I do not know how much again cover on what you had just said, but I think most people were who are familiar with our stock and are aware of what is happening in our company, understand what the organization has been going through over the last one and half years.

Hari Bilawat: But, if you can explain these profitability parameters being very low?

Aditi Panandikar: Yes, I will just quickly tell you, very briefly what the two business is, we have broadly two large businesses, one the Indian business, which is a branded sales, which is the ethical marketing and the international business, which is generally the backend of generics and our own filings and there has been issues largely with the international business this year, which has impacted us severely, which is about the ongoing regulatory issues at our sites, generally people who track the Reg market business understand that once your plant has regulated issues and average turnover period is around 2 to 3 years before they are resolved. We are only halfway through that period, but we are very confident that in the next three months we are going to see resolution on most of the regulatory issues we have it a lot of plants. Consequent to these regulatory issues we have not been able to fully manufacture and supply to the Reg markets as we should have and that explains the loss of topline largely and since most of the infrastructure is for these market it also explains the EBITDA numbers that you are looking at, so people who have been tracking us quarter-on-quarter, if you look at our performance

quarter-on-quarter, you start seeing a small improvement that is coming in because some of these manufacturing sites have now started supplying and the Indian business, which is a branded sales, which also had suffered a lot consequence of the GST issues of last year is now stabilizing, but I think probably this call may not be the place if you are not sure with the company and we would be most open to you coming and meeting our team and they will explain the whole issue.

Hari Bilawat: But what more sense on meeting with the regulatory requirement do you need any capital expenditure of this or just normal expenditure, normal O&M is sufficient to come to your regulatory requirement?

Aditi Panandikar: No, we are a company that has been manufacturing and supplying to the Reg countries for more than 15 years now and it is not that the plants are not of regulatory standard, most of the issues that we had has much as with most of the pharma companies in India have got to do with the EBITDA change in the expectation from the regulators on what they are looking at and the increased benchmarks and what we have to comply with and it is an ongoing process, from which we did not need to engage with remediation partner or an agencies. As regards the expenditure is not really on capex kind of scale, it is an ongoing thing, I think our company would have spent about 4 Crores last year and this year we would be spending lower than that.

Hari Bilawat: Thank you. We will see some improvement later on.

Moderator: Thank you. The next question is from Sachin Kasera of Lucky Investment Managers. Please go ahead.

Sachin Kasera: Good afternoon Madam. When do we see the domestic business coming back on track in terms of double-digit growth?

Aditi Panandikar: Q3 is possibly the first quarter where we have seen a double digit growth in a secondary as reflected by AWACS, which is always the starting point for the momentum that we made because in ethical sales, which we do in India it is 90% of the pull factor, which then creates the primary, so I am really very hopeful that these kind of secondary 12.5% kind of growths that we have registered in secondary. We will now reside in a much better performance of primary.

Sachin Kasera: So, can we look at a close to double-digit growth in Q4 of this quarter and may be double digit in FY2020?

Aditi Panandikar: For the fourth quarter indecently, yes.

Sachin Kasera: Secondly, if you could give us some sense on how do we see the ramp up of the European operations?

Aditi Panandikar: So, Europe supply from four facilities of the company, two in Goa and one in Baddi currently and the second one in Baddi, which is under approval now, so frankly as of now the largest supply to Europe is plant I, which has been under MHRA scanner since last January as you are aware and that is the highest capacity we have, so apart from that whatever supplies can happen from Baddi I and plant III in Goa, they have been asking, but they are quite small compared to what plant I is to supply.

Sachin Kasera: Basically only once the Goa plant I and Baddi plant III get approved, we will start ramp up in Europe?

Aditi Panandikar: Well, the minute Goa plant I comes in you will immediately see at least a regularization of supply and then with Baddi III, which is around the bend then you will see the growth.

Sachin Kasera: And hopefully, both of them should get cleared in the March quarter?

Aditi Panandikar: Right. You hope and so are we.

Sachin Kasera: In terms of the US, now you could share with us, how is the response progressing by and when do we expect the EIR and if some kind of approval or the ramp up of the US business for FY2020?

Aditi Panandikar: There were the US inspection in plant II first and then in the same quarter, so I must address that although everybody seen excited about this the solid oral facility, so plant II inspection with US FDA has happened and we have just had two observations, two 483s and as you know that was the plant, which was under WL and that was the plant we were most worried about because post WL audit will always more difficult one and I am happy to say that we have finished all our responses and looking at FDAs timeline they take about 90 days nowadays to come back to you on the status of EIR, the first year, so I am hoping by end of February we should hear from them on plant II, which is a sterile dosage. Coming to the oral facility plant I, which had surprise inspection last to last Thursday. We have just concluded that audit and as you are all aware as well as what Sundeep has just discussed we had six observations and he has also shared with you the nature of those observations and I personally present in the audit and I am very confident that we will be able to address the issues, not only that I really believe that some of the issues that we have been pointed out are very good improvement measures and we will be able to supply products soon, but once again I think we makes 90 days to year from FDA what we have to see about that plant from a status perspective. As regards how does it impact business, currently we supply one product from that site and there is no change in that. We continue to supply that product and we have several filings from those sites and we will wait for them now post these inspections for stopwatch on those to be taken off.

Sachin Kasera: Madam, assuming that we promote the plants in the next one to three months, in terms of filing that we have for US, due to the issues that we had with the plant approval, is it that just still remain

attractive or is it that a large part of the pipeline that we had filed because of one and half or two more years we could supply so these opportunities have not for that company, if you could comment on that?

Aditi Panandikar: Most of our filings were really of the future, so it is not really to say that it not attractive for us because it is meant for now and immediate future, so I am still hopeful that considering specially for plant II from there much of filings have happened and where it is sort of you we have been grasp the kind of status change is likely to happen on that site, so I am very confident that for a company the size of Indoco each and very opportunity remains very attractive no doubt about that.

Sachin Kasera: Thank you very much and all the best.

Moderator: Thank you. The next question is from Vishal Manchanda of Nirmal Bang. Please go ahead.

Vishal Manchanda: Thanks for taking my question. Just trying to understand assuming the sterile facility gets approved in the stipulated time 90 days, so how many ANDAs should we expect for you to come from the US?

Aditi Panandikar: Well, we have many filings, which are pending approval, some of those filings were waiting, some action point from our side, which also needed submission to FDA all of which was stalled and there are some products, which were simply waiting for the facility kind of clearance to come in, so I am confident about three to four products approvals would come in quickly.

Vishal Manchanda: And how long the others?

Aditi Panandikar: For the others all the work that is required now for submission in FDA has started at that site because we could not undertake the job until the status of the site got lifted and now in anticipation post that that has begun, the filings have also started, we have to make, there is controlled correspondence that happens with FDA on each of these, and some of the products that has begun and we will be making a filing subsequent to which we should hear from FDA.

Vishal Manchanda: So, three to four sterile products will come through and apart from that we should also expect oral products also to come through?

Aditi Panandikar: Yes.

Vishal Manchanda: And these oral products filings would be kind of owned by Indoco Remedies?

Aditi Panandikar: Yes.

Vishal Manchanda: And how many oral can we expect?

Aditi Panandikar: I think around two to be sure.

Vishal Manchanda: Just one more, on the ophthalmic side you have a suspension product, which is believed to be very complex, so could you wide on where are we on that complex product, if you have suspension?

Aditi Panandikar: Incidentally, one of the products for which one additional information is going to be submitted to FDA now that we are going to be clean, post which we will hear from them.

Vishal Manchanda: As I understand you were expected to submit commercial batches for it, so have those been done?

Aditi Panandikar: Yes, that is likely I would have said that is underway right now.

Vishal Manchanda: Any timeline how long can that take?

Aditi Panandikar: I think it is better we do not talk about it right now, we keep you updated with which we hear any thing positive, we are as eager as you.

Vishal Manchanda: Right and on the ophthalmic product, Sundeep kind gave some colour how large these opportunities could be in terms of per end year revenues on an average, but not specifically either any ANDA, but on an average how larger you expect them to be for you?

Sundeep Bambolkar: Vishal, you know that each and every product has different sizes you cannot really average them out, but if you want to ask that question then may be $125 million per product is what I can say is the average number.

Vishal Manchanda: That is a market opportunity, is that correct?

Sundeep Bambolkar: Yes that is right.

Vishal Manchanda: And Teva will take the launch for those products?

Sundeep Bambolkar: Yes.

Vishal Manchanda: Thank you. That is all from my side.

Moderator: Thank you. The next question is from Aditya Khemka of DSP Mutual Fund. Please go ahead.

Aditya Khemka: Good evening. Thanks for the opportunity. Madam, two things I heard, which are quite interesting, one is the fact that you got a prior approvals supplement from unit II post inspection, what was the time lag between the approval on the PA and the inspection completion date?

Aditi Panandikar: I think it was less than a month, I do not know the dates exactly, but I am pretty sure it is less than a month.

Aditya Khemka: Fair enough, also therefore in your understanding if you are getting a Pas approval from our facility, which is under warning letter, does that effectively mean that the warning letter is lifted or is it not relevant for that the warning letter stays on a year or not the approval anyways come through?

Aditi Panandikar: I think it is the first case very surely, nothing more than FDA if we have a WL on that site.

Aditya Khemka: To understand I think there is a WL on the site you have said FDA does not generally hand out their approvals.

Aditi Panandikar: Yes.

Aditya Khemka: Now the other interesting point on this you said was that a certain CRLs incremental data points we have to respond to the FDA on some of your filing, you were not doing that earlier but you are doing that now so my understanding on this, we are a produce commercial batches and you are under warning letter, you are not supposed to produce the commercial batches FDA probably would not accept them but now you have started production so as there has been communication with the FDA that it is okayed for you?

Aditi Panandikar: I just want to make a small correction. We cannot call these commercial batches. These are scale up batches. For lot of the issues in response to CRLs are generally to do with scaling up at the site. To address some of the queries FDA might have with the product, so it is about taking a batch and showing that the concerns they have probably do not exist or we have addressed them.

Aditya Khemka: Fair enough. My point was that although you might have this query say for the last one year, on the FDA as far as scale up batch production, you did not produce it, while the inspection did not happen and you started producing it presumably after the inspection happened so is there a communication between you and FDA that it is okay for you to now produce these scale up batches. Is it your over intuition and you are on belief that you did not produce it earlier and you are producing it now?

Aditi Panandikar: I would not put it so much on intuition. I mean if you want to go over verbatim a warning letter, is not an import alert so ideally there nothing stops you from doing nothing under warning letter, it is just that you are under a scanner, so anything and everything you will do there is a possibility that it may not get accepted so when you are working on something like an R&D project, you definitely do not want to play in that zone, which is while we were playing it safe and we now believe that this is the right thing to do so we are started doing it.

Aditya Khemka: And that belief is again underlying your presumption or assumption that the volume letter will get lifted basis the last inspection happened at the plant?

Aditi Panandikar: Yes. I was there in that audit. We have the two filings and it may not be there in black and white, but I am pretty sure that the status is going to change.

Aditya Khemka: Fair enough, to go back to be plant 1 audit so you had six observations, could you just remind me how many observations you had in the first, in the first project that we got for the plant?

Aditi Panandikar: Eight, I do not remember that as well.

Aditya Khemka: So any overlap between those eight and these six?

Aditi Panandikar: No.

Aditya Khemka: No. Just I understand it is a very harsh question to ask, but some of the observations that you have got plant II and I am sure some of the observation you must have gotten in plant 1 are exceedingly similar to what many other pharma companies have got in many of their inspections over the past two to three years. I just fail to understand why are not companies learning from each other's mistakes or reading the other company's form 483 and trying to make the same procedure seamless in your own facility rather than waiting for every other come and point it out, could you explain us to where that deficiency lies or is it just that every is to random and therefore nothing can help us?

Aditi Panandikar: The conversation can go on and on but very simply I can tell you this, the titles of the 483s you read are standard for various cases so if the titles read the same that it does not mean the issues cited are the same, they are different, so you should read under each template for the issues cited on the examples taken they would be different from site to site.

Aditya Khemka: I understood Madam. I appreciate that. The last question I had was on the India business, so I was just going through the press release. There are certain segments within our India business where we are actually degrowing Y-o-Y if I am not on even losing market share and some of our top brands history of put out there, some of those top brands are also declining Y-o-Y not even growing and I understand that the primary market sales have picked up at secondary has not yet, but you know for the past three to four quarters inventory adjustment has been in the argument for the suboptimal performance of the India business could you through some light as to what this year and year inventory adjustment has been and why this inventory adjustment will not continue in the fourth quarter or the entire year of FY2020?

Aditi Panandikar: Aditya, first thing I think at this stage I should admit I do not know how much you are aware of, how the India branded sales business happens on most company but the sales people are driven by something called targets and incentives on it and that is largely responsible for driving primaries it has no impact really on secondaries although there is a case to be made that if unless there is a primary well the secondary comes on. So to a certain extent if the primaries do not happen over a period of time the secondaries get impacted and then you have to improve the secondaries to have an improvement on primary it is like a chicken and egg thing, so what happened for us I do not know but I am pretty sure it must have happened for some of the other ANDAs companies also, is that when you set targets for this year and you announce incentives to people we looked at the last year and analyze that we have lost about 45 days of sale and we made that correction in the base sale before giving growth, the expectation therefore was that I have been asked this question before that the supply chain gets filled once then what happens. It is not as simple as that if you have taken a 11-month base sale and added an extra month on it that is more than 8.33% then taken a base and then given growth on that with the expectation that people will achieve it this year and then this year that correction does not happen for the primary collection so what happened basically if you look at our performance in the first quarter you saw that zeal and people also wanted to show performance and it was a much better quarter than the last year first quarter because we had GST issues then, but second quarter is such as thinking in for them that the real primary consumption the way should happen has not happened and there is a certain amount of I would say a field reluctant then to go up to targets which we have identified and we also corrected it and I am very confident that therefore fourth quarter will be different.

Aditya Khemka: If you may Madam what is the guidance for FY2020 for you to India business growth, assuming obviously nothing six sigma event happens like the GST or a demonetization but would be your internal assessment of how much your business should grow over the week base of FY2019

Aditi Panandikar: 50%.

Aditya Khemka: 50%, so I would ask one more question Madam on the UK MHRA side so while we had a QP audit, currently you said another audit is ongoing at the same site in Goa I so this is a focus audit?

Aditi Panandikar: This is a QP audit we had a focus audit from MHRA earlier on July.

Aditya Khemka: Right and what is ongoing is the QP audit, now after the QP audit said again UK MHRA will come for GMP audit.

Aditi Panandikar: That is right.

Aditya Khemka: So just to understand the timelines so when would you expect the MHRA QP audit to happen?

Aditi Panandikar: Well, actually when you are under scanner from MHRA. At any given time we will just give you sort of, sign of six months after which we have to come again so they came in July, so actually they should be coming in January but it say we have a QP happening now which is a precursory demand, so once this audit report goes in I think they should come in anytime.

Aditya Khemka: Fair enough Madam and any updates on our own front-end information in US or is that exercise for now shelved then we will look for a partner for other this or partnered.

Aditi Panandikar: No as now there is nothing there to report the partnership continues and we are in discussion.

Aditya Khemka: Right, Thank you Madam.

Moderator: Thank you. Next question is from the line of Mayank Agarwal from Atom Investment. Please go ahead.

Mayank Agarwal: Good afternoon so I have got a couple of questions. The first one is from a broad sector perspective so looking at the pharmaceutical industry both on the API and the combination manufacturing what according to you faces the biggest threat of disruption of these manufacturing, the current manufacturing that we follow in the industry. So could there is something like a 3D printing or artificial intelligence or something other than these that could disrupt the way we currently manufacture our APIs and formulation?

Aditi Panandikar: Well most of as I said earlier, right in the beginning, most of the red market supply from India, as a business happens for the generic industry and whether it is very little space for innovation because you actually have to make a product, which is exactly similar to what the innovated has so that the disruptions if you ask me for us of course time and again the industry rises up to the occasion is if the input cost go up and they have to keep working on the processes involved, we will have to look at the efficiency of manufacturing to bring down the prices of you know the cost of manufacturing basically, for the industry I think in the last couple of years, the biggest disruption has been the regulatory compliance, expectations and the fallouts of not being on the right side of the regulator and that creates the disruption which is way beyond just the impact of not being able to supply immediately, it also had impact on the immediate future business or the far future business for the company because the filings of generics, which you might have made with the regulator, which has so time sensitive to get impacted.

Mayank Agarwal: Sure that I understood, you do not expect anything coming from the technology side as such.

Aditi Panandikar: No as I said I think any India we are some of the best technologist or the technology innovation happening, but the only technology really we can use is just to make the process, probably increase

back side bring down the cost of manufacturing we really do not have the freedom to work on anything else within the formula because we have to make a product which is exactly same as the innovator.

Mayank Agarwal: Sure, sure now understood, yes coming to the point that you alluded on the regulatory compliance disruption, yesterday the Commissioner of US FDA tweeted and he said that we would be collaborating with EU to allow drug inspectors to sort of rely on each other so EU and US FDA regulators partnering with each other so that the target is such to excides which have got some sort of unknown history of no notorious side so do you think is good news for the industry in general because most of the time we find that there is a warning letter from US FDA but not from MHRA or vice versa but if there is harmonized?

Aditi Panandikar: I think they have been collaborating for the last three years, and last two years in particular which is how you see that whichever site has an issue with one regulator very soon it gets into an issue with the other so they have been collaborating.

Mayank Agarwal: Right, okay and just one last final question, very quickly, you have few para 4 filings in your pipeline so how do you foresee the legal litigation risks for those please.

Aditi Panandikar: I did not get your question.

Mayank Agarwal: You have some para 4 filings right, so how do you see the risk of getting into some sort of a legal litigation because para 4 filings you are challenging the innovator, right?

Aditi Panandikar: Actually if you have put in a para 4 and you get into litigation it is good news, if you are in generics so which is a whole idea of doing that because if you want to get into litigation because you see an opportunity and you have factored in the costs associated with that so I think most people who going for para 4 filing are aware of the sort of estimated cost involved, timelines, but look at the opportunity and accordingly make a decision. It is so handy.

Mayank Agarwal: The lawyers they drive extensive cost right, if they take large of money is that?

Aditi Panandikar: I hope there is no lawyer then on the call right now.

Mayank Agarwal: No by is that not an expensive game, you are taken to risk, but you rewards as well.

Aditi Panandikar: Yes if it has required to be done we have to do it.

Mayank Agarwal: But you do not see that as a threat litigation according to you would be good news for Indoco.

Aditi Panandikar: Yes.

Mayank Agarwal: Thank you, all the best.

Moderator: Thank you. Next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Yes. Can you split the 37 pending ANDAs into sterile and orals?

Mandar Borkar: 49 sterile, 5 are injectable and 18 are solids.

Chirag Dagli: 5 injectable and similarly for the 10 approved products.

Mandar Borkar: 10 approved, there are two orals, and rests are Ophthal.

Chirag Dagli: 8 Ophthal, okay so you know both some of this resolution that comes through especially at the sterile plant how should we think about scale up in the eight approved sterile products?

Aditi Panandikar: Well, I think among the eight approved, obviously would be the one product, which Latanoprost, which we have done away with, as in our site is now not included in their site and that was a good thing for us because that is how the FDAs coming in and cleared us so we would have to relook at these eight opportunities again where we will start supply now as soon as there are some of those which we need to look at again and we will come back to you.

Chirag Dagli: As of now there is not anything need be out of the approved products, which can?

Aditi Panandikar: There were anyway mature and old generics, which we were supplying.

Chirag Dagli: Can you quantify the operating expenses at these largish plants which are you know and kind of capacity utilization that is there for some of these largish plants?

Aditi Panandikar: Because of the regulatory issues that have happened in the largest plants in the last couple of years, you know our capacity utilization has been really low at these sites, which is what I said earlier and that also explains why the EBITDAs are on the lower side because we are carrying the cost of operation at all these sites. As regards exact numbers, they vary site to site and if you get in touch with our team, I am sure they will send it to you.

Chirag Dagli: Thank You so much.

Moderator: Thank you. The next question is from the line of Alka Katyar from India Nivesh. Please go ahead.

Alka Katyar: It has already been answered. Thank you.

Moderator: Thank you. Next question is from the line of Surjeet Pal from Prabhudas Lilladher. Please go ahead.

Surjeet Pal: Thanks for take my question. I was going through your old numbers, you were 17, 18 and 19 and there are lots of questions about US market. I think US markets, which you have said you are currently getting 3 Crores, the best possible revenue you have got is 38 Crores in Q3 FY2017, right? It is basically loss of roughly around 30 Crores of sales and if I take UK that could be adding few more but what I found out is that your EBITDA margins which is low, the basic crux is that your domestic business is not doing well that is where the crux. Because I think US and Europe from the current scenario of last three years is not that very important as far as profitability is concerned, and even if I take the topline, you topline is within the range of 250 to 280 so basically 30 Crores of difference, if I take FY2017, FY2018 and till Q3 FY2019, right so even if we consider US revenue and all these things comes into picture your EBITDA margin will not improve unless until your domestic business improves, which is your key contributor in topline as well as margin so the current scenario of mid single digit kind of EBITDA margin are that is mainly your domestic business is not in good stead so what is your remedy to achieve that the old charm of around 17% to 18% kind of margin and when do you think that could be achieved?

Aditi Panandikar: Surjeet first of all while you made a good argument and all the points are excellent. I have to tell you this that international business may not add directly to incremental EBITDA margin for the company but then not being in a state of even regular sustenance and when you have, you are carrying eight manufacturing sites and three or four of those are, you are carrying on all the costs, with no topline coming out of it whether you like it or not directly or indirectly it is eroding our EBITDA. So probably what is happening is the EBITDA is domestic is getting all we are using that funds for all these activities of international from where we do not have any revenues, so it is not fair enough to say that. I do agree that EBITDAs on the domestic business which were there probably two years ago from there we have slipped a bit on various, because of various reasons and that has also got to do with EBITDAs in domestic have got to do largely with the costs of the people you carry and in those days the industry was growing at 20% when we were also doing 15% to 20%. Now the industry growth has come down to 7% and I think every Indian companies having a relook at the number of people they have in the field because that is a single largest cost centre for domestic if you want to improve your EBITDAs, so what was okay, I mean there was two years ago, you were okay to put in an additional man in the field because you would give a 75000 a month and you would be okay to carry that that whole equation has now changed and everybody recognizes that you cannot put a man in this scenario where the industry is going at 7% and you must get each man rather to give you more so I think what you are hinting at is per man return which I do agree over the last two years we have not had a great increment in that area and that is where we work on.

Surjeet Pal: Second thing you have said your Q4 will come into good state as far as domestic business is concerned and as again going through your Q4 numbers in FY2018 and I think in last three years it is the highest growth, 16% year-on-year growth you got in Q4 FY2018, do you think Q4 FY2019 you could achieve some good numbers at least 10% kind of in domestic market?

Aditi Panandikar: Yes I have already said that for Q4 standalone domestic will grow a double digit.

Surjeet Pal: Thank you.

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

Vishal Manchanda: Eight approved ophthalmic ANDAs out of the eight I think all these are owned by your partners, in these ANDAs, so is it the partner that will decide whether they want to continue marketing?

Aditi Panandikar: Partly because the gap that has got created for supply of the products, they would look at where they are either taking the product from or whether the opportunity revise that attractive.

Vishal Manchanda: So is the partners Teva for all of these?

Aditi Panandikar: No these are very old filings and there are some other partners also involved.

Vishal Manchanda: But theoretically speaking?

Aditi Panandikar: Teva probably have the two products, which we were supplying, at that point.

Vishal Manchanda: Okay so among the eight two are for Teva that is what you mean?

Aditi Panandikar: Yes.

Vishal Manchanda: The one Brimonidine Tartrate for which you got past approval?

Aditi Panandikar: That is our own product.

Vishal Manchanda: So that you can still supply there, in the US, but you do not supply it now?

Aditi Panandikar: We will start now.

Vishal Manchanda: You will start now, and theoretically speaking if your partners want you can start supplying the other seven also now even before the warning letter is lifted.

Aditi Panandikar: Yes.

Vishal Manchanda: So you have not been in communication with your partners on how to take this?

Aditi Panandikar: We have, but considering we had a warning letter and we do not officially have the EIR in hand you can understand we are not in a negotiation situation so we have to wait, but we are talking to them and we would start soon.

Vishal Manchanda: In case, your partners refuse to take this to the market so what is the option you have?

Aditi Panandikar: See there is these 7 or 8 products basically who are just our initial kind of filing and the real cherry or whatever the cake for us always was the new filings that we have done are products of the future and I think all of us should concentrate more on those because what we are making was hardly anything. It is not that significant in light of everything but we will still look at them there were some very, very old mature products for which we have pure contract manufacturers, we did not even have a profit share so we are talking to some people and we are in talks with that and we would probably in next quarter we will see some upside coming out of that.

Vishal Manchanda: Just one more clarity so these two ANDAs, Vigamox and Olopatadine these are in those eight ophthalmic ANDAs that are approved right?

Aditi Panandikar: They were tentative, but they were never commercially supplied.

Vishal Manchanda: But these are on of those eight ANDAs that are approved. Okay Thank you that is all.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference back to the management for some closing comments.

Sundeep Bambolkar: Thank you very much all the participants for your active participation. Thanks a you, have a nice evening.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Nirmal Bang Equities, we conclude this conference. Thank you all for joining us. You may now disconnect your lines.