



Date: 26th May, 2025

To The Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra - Kurla Complex Bandra (East) <u>Mumbai - 400 051</u> <i>Stock Code : INDOCO-EQ</i>	To The Listing Department Bombay Stock Exchange Limited Floor 25, P. J. Towers, Dalal Street, <u>Mumbai - 400 001</u> <i>Stock Code : 532612</i>
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Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call on Audited Standalone and Consolidated Financial Results for the quarter and year ended 31st March, 2025

Pursuant to the 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 22nd May, 2025 at 03:30 p.m. (IST) in respect of Audited Standalone and Consolidated Financial Results for the Quarter and Year ended 31st March, 2025. The Earnings Conference Call concluded at 04:25 p.m. (IST) on 22nd May, 2025.

You are requested to kindly take the same on record

**Thanking you,
Yours faithfully,
For Indoco Remedies Limited**

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RAMANATHAN HARIHARAN
Date: 2025.05.26 11:05:35
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**Ramanathan Hariharan
Company Secretary & Head- Legal**



“Indoco Remedies Limited
Q4 FY '25 Earnings Conference Call”
May 22, 2025



MANAGEMENT: **Ms. ADITI KARE 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. RASHMI SHETTY – DOLAT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Indoco Remedies Limited Q4 and FY '25 Earnings Conference Call hosted by Dolat Capital. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Rashmi Shetty from Dolat Capital. Thank you, and over to you, ma'am.

Rashmi Shetty: Thank you, Manav, and good afternoon, everyone. I, Rashmi Shetty, on behalf of Dolat Capital, welcome you to the Q4 FY '25 earnings call of Indoco Remedies. We thank the Indoco Remedies' management for giving us this opportunity to host the call. Today, we have with us the senior management of the company represented by Ms. Aditi Kare Panandikar, Managing Director; Sundeep Bambolkar, Joint Managing Director; and Pramod Gorpade, CFO.

I will now hand over the call to the management for the opening remarks. Over to you, sir.

Sundeep Bambolkar: Thank you, Rashmi. Good afternoon, everyone. Thank you all for joining this call today. Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are projections or estimates about our future events. These estimates reflect the management's current expectations of the future performance of the company.

Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Indoco does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new confirmation, future events or otherwise.

Now I'll request our Managing Director, Ms. Aditi Kare Panandikar, for her comments. Thank you.

Aditi Kare Panandikar: Good afternoon, everybody, and thank you for joining us on this call today. Many of you have been partners with us through our many quarters of success, and I thank you to being patient with us through this quarter, which no doubt has been quite painful and for this entire year, which has been one of a kind for Indoco.

Let me start by talking about the key factors that are responsible and have impacted the business of the company this year. As you know, earlier in the beginning of the

year, we formed a 100% subsidiary, Warren Remedies Private Limited, with an intention to take products over the counter. As you know, Indoco has a long history of ethical products. And in order to service the OTC segments properly as well as to manufacture cosmetic licensed products, we have invested in people, infrastructure as well as the supply chain.

The first year of OTC has given us limited success by way of sales and the Nielsen numbers indicate a good growth at the tertiary demand stage. The investments in the infrastructure and the cost of running the facility as well as the costs associated with advertising on television, radio as well as digital media have taken their toll, and we had expected this kind of a negative impact in WRPL for the first 2 years.

Secondly, there has been a great impact on the company's performance because of the master manufacturing plan, which we have put in place across all our solid oral sites. As you all know, globally, pharmaceutical products are witnessing pricing pressure either due to patent cliff or government intervention to provide medicines at affordable prices. This has called for supplying quality products at much cheaper and competitive prices. While cost of goods and material costs are consistently going up, the only way to stay competitive is to increase efficiency in manufacturing.

Meanwhile, mostly for our European markets, a business which we got into more than 20 years ago, we have steadily built good market share across many geographies for large volume solid oral products. For example, we have with our partners, Perrigo and several other players, over 60% of the market in U.K. for paracetamol. When it comes to allopurinol formulations, we have over 80% of the market in Germany, 35% of the market in U.S. and several other geographies.

Having acquired this market share, we felt it proper to invest in our manufacturing sites to make them more compliant going forward in order to enable us to run better technology, reduce manpower used in manufacturing, packing, processing and supply as well as increase batch sizes to get better returns. We had, therefore, planned this kind of improvement across all our 4 manufacturing sites of solid orals. However, several times during this year, particularly in the second half, many of these sites had to be -- had to take a planned shutdown for this at the same time. This has impacted supply of product to Europe and U.S. and this has shown in our results.

Point number 3 was the most unplanned and unexpected event, which is the warning letter on our sterile plant in Goa. As you know, we were inspected first by U.S. FDA in February 2023, after which we were classified OAI. Thereafter, there was a surprise audit in June 2024, which has resulted in the warning letter. On my earlier calls, I have explained that while we were to be prepared with our remediation actions by November

'24, FDA's early audit in June meant that several of our updates were yet pending with the FDA, and therefore, we ended up getting a warning letter.

Warning letter on the sterile plant meant that several of the products we were supplying to U.S. market could no longer be supplied as many of them were manufactured and packed under aseptic conditions, and our updates were yet pending. Therefore, Warren Remedies Private Limited, its impact on our consolidated numbers, the master manufacturing plan and the subsequent impact of lack of having sufficient product to sell in Europe and U.S. of solid orals. And last but not the least, the impact of the warning letter on the U.S. business has taken its own toll on the company's performance for this year.

There have been a few positives in this entire year, though. And the most -- the biggest and largest positive is the sales of our star product, Cylopam. Happy to share that the product added INR25 crores incrementally in 1 year alone. And today, as per IQVIA, we are clocking a turnover of INR178 crores at PTR rates. Apart from that, across the organization, various initiatives to increase digitization, digitalization to reduce other operating costs to control capex going further are in full swing. I'm very confident going forward, we will see a lot of positives from this.

While we are at it, there is one good positive message I would like to share about the Plant II in Goa. Plant II in Goa, our sterile facility, which is under warning letter, was earlier inspected by EMA or the European Medicine Agency, and the audit has gone very successfully. We have no criticals, no majors and a few minors. My team at Plant II is extremely enthused with this audit, and it shows that we are on the right track towards providing remediation even to U.S.

Another good news to be shared is as recently as about 24 hours ago, we have also received some positive communication from U.S. FDA, which allows us to restart a couple of our lines in Plant II. I'm confident that both these events will help us gain returns in sales that we have been missing on the international business, which has largely impacted the overall performance of the company.

Now for greater details on the financial performance of quarter 4 and the whole year, I hand over to Mr. Sundeep.

Sundeep Bambolkar: Thank you, Aditya. Good afternoon, everyone. Let me first begin with the business highlights. The standalone net revenues of the company for the fourth quarter FY '24-'25 are at INR3,411 million compared to INR4,351 million for the same quarter last year. For the year, standalone revenues are at INR14,948 million as against INR17,620 million. Consolidated net revenues for the company for the fourth quarter '24-'25 are at INR3,839 million compared to INR4,391 million for the same quarter last year.

For the year, consolidated revenues are at INR16,413 million as against INR17,882 million. Standalone EBITDA to net sales for the quarter is 1% at INR35 million compared to 13.2% at INR574 million. Standalone EBITDA to net sales for the year is 8.6% at INR1,280 million compared to 14.6% at INR2,580 million. Consolidated EBITDA to net sales for the quarter is minus 0.2% at minus INR0.8 million compared to 11.1% at INR489 million for the same quarter last year. Consolidated EBITDA to net sales for the year is 6% at INR993 million compared to 13.7% at INR2,443 million.

Domestic formulation business. Revenues from domestic formulation business for the quarter are at INR1,851 million as compared to INR1,911 million. Major therapeutic segments like vitamins, minerals, nutrients, gastrointestinals and urology performed well during the quarter as compared to the same quarter last year. On the international business front, revenues from International Formulations business are at INR1,104 million compared to INR2,140 million. Revenues from regulated markets for the quarter are at INR786 million as against INR1,458 million.

Revenues from U.S. business for the quarter are at INR308 million as against INR675 million. Those for Europe for the quarter are at INR466 million as against INR765 million. And for South Africa, Australia and New Zealand, they are INR12 million against INR18 million. Revenues from emerging markets for the quarter are INR318 million as against INR682 million and revenues from API business for the quarter INR409 million as against INR217 million. Revenues from services, AnaCipher and Indoco Analytical Solutions are at INR47 million as against INR83 million. That's all about the business highlights for the fourth quarter.

And I now request the participants to put forth your questions. Thank you

Moderator: We have a first question from the line of Vivek Patel from Ficom Family Office.

Vivek Patel: I just had a quick question on a few molecules. How is brinzolamide and dorzolamide molecules performed over the last, say, 1 year? And how would you, based on our assessment, expect them to perform over the, say, coming 1 to 2 years? And which geography is driving the growth of these molecules or this therapy as a whole ophthalmic?

Aditi Kare Panandikar: Yes. Thank you for your question. So as I mentioned in my opening remarks, our sterile manufacturing site for ophthalmic products at Goa, which is Plant II, has been under warning letter since June this year. And for the greater part of this year, we have not - - we have been handicapped and have not been able to manufacture products which have been made in aseptic conditions.

So dorzolamide as well as brinzolamide as well as [Dorzo-Timo 0:14:34] and other ophthalmic products, which are largely with aseptic filling, we have not been able to supply. And therefore, as of this year, if you see, there is hardly any sales coming from these products. Possibly a very little amount might have been sold in the first quarter, which is quite minimal.

You also asked about what is the potential of these products in the U.S. I'll let Mr. Sundeep talk about that.

Sundeep Bambolkar: Brinzolamide, the market right now is about \$65 million. There are about three players in the market. So that is about brinzolamide. Dorzolamide has many players, and the market has shrunk considerably.

Aditi Kare Panandikar: However, we are integrated on both dorzolamide and brinzolamide with our API, and we'll make every effort to get our market share.

Moderator: We have our next question from the line of Niteen from Aurum Capital.

Niteen: So my first question is, when are we expecting U.S. FDA inspection? Are there any efforts from our side? You mentioned that EMA Europe inspection got cleared, and we also got a letter -- positive letter from the U.S.A., this to help a couple of lines to start. So can you please elaborate the impact on our revenue and profits from these 2 developments?

Aditi Kare Panandikar: Yes. So thank you for your question. As I said, the U.S. FDA update is very, very recent. We are now looking at what this allows us to do. As I said, a couple of lines, they have allowed us to restart. We are looking at the products which were approved from those lines, so we can start commercial manufacturing and supply. As such, for this year, I think it would be safe to say that any incremental effective sales from this plant would only begin in the second quarter this year.

I would be very hesitant to put any numbers on this. But I think it is safe for you to assume that there are several approved products as well as several filings from this site. And your question on the -- when are they likely to audit and thing, we are continuously trying to get them to come down earlier. Our last updates, most of the updates on the remediation would be completed by July or August this year. So I think as a site, we have to be ready any time after that.

Niteen: Got it. My next question is, so how much we have spent on this ongoing refurbishment of manufacturing plant till date? Can you elaborate that?

Aditi Kare Panandikar: So we spent close to INR4 crores per quarter on remediation expenses. And this has happened for all 4 quarters this year.

Niteen: Okay. And what is the total investment in Warren Remedies in terms of debt, equity and corporate guarantees we have given so far?

Sundeep Bambolkar: So in Warren, there are 2 parts. One is about our toothpaste business, Sensodent-K, KF, which madam explained. And second is our investment into intermediates and API manufacturing. So both put together, till now, we have invested close to about INR280 crores for both the plants and certain activities on the marketing setup and distribution network.

Niteen: If you can give a breakup...

Sundeep Bambolkar: Sorry, this is the debt. A large component of this is financed through debt.

Niteen: Got it. Got it. So what is the total outstanding debt now that we have? And what will the peak consolidated debt on the books? And what is -- what will the repayment plan for this?

Sundeep Bambolkar: Yes. So total short-term loan, which is there is INR20 crores and long-term loan is INR330 crores overall. While in Indoco, we have close to about INR400 crores as a long-term debt and about INR211 crores as a short-term debt. So all put together, close to about -- debt level is about INR960 crores.

Niteen: Will that be the peak one? Or will there be any further debt also will be taken?

Sundeep Bambolkar: We estimate that this is like a peak.

Moderator: We have our next question from the line of Sudarshan Padmanabhan from ASK Investments.

Sudarshan Padmanabhan: Ma'am, I would like to understand a little bit more on the cost structure. I mean, if I look at our other costs and the employee costs below the gross margin, the spend has consistently been increasing over the last few years. And I see that proportionately the top line is not expanding. You did talk about expenditure towards the OTC and bringing up the capacity or manufacturing to better standards. So how do we see the costs, say, in the next few quarters and next few years? Because it looks like it has consistently been spending without seeing visible benefits at least in the last few quarters.

Aditi Kare Panandikar: Yes. Thank you for that question. So like I mentioned earlier, this has been a year of several setbacks when we've had -- we have not been able to optimally utilize our manufacturing plants because of planned and other shutdowns. Also with the warning letter and the remediation costs, there have been several additional costs at the sterile site as well. If you look at this year, therefore, and you study the performance of -- for

revenues, the international business has -- is actually at 48% compared to the previous year.

Whereas all the manufacturing sites that are engaged in activity, the fixed costs at those sites have been growing. So typically, this is a mismatch between the revenues and the cost structure that we are holding, and that is largely responsible.

Coming to other expenses and the increase. In fact, the master manufacturing plan is our attempt to be able to control a lot of the other expenses and bring them in harness. As part of the master manufacturing plan, we have aligned manufacturing of several large molecules at various locations. We have increased batch sizes.

We intend to bring down the manpower employed at various sites. And all in all, we expect this year on a much higher expected manufacturing base to actually manufacture 25% less batches. So all of this should help us control these costs which are going out of hand.

Some of the largest heads that have been increasing under other expenses, one is stores and spares and the second is lab expenditure. So stores and spares, a lot of it has got to do with the remediation and therefore, some of the work that we've had to do on products.

Also with regard to -- as we have tried to synchronize products across various sites, we've had to also go for spares at various sites for manufacturing those products. So I don't expect this kind of a base to stay on a long-term basis. As of now, I think we are doing close to INR140 crores on other expenses, but I am hopeful in another quarter to be able to arrest it at INR120 crores.

Sudarshan Padmanabhan: Sure, ma'am. And ma'am with respect to the utilization and again connecting to the capex, if at all we require because as you mentioned because of various issues, we are not able to utilize the capacity. I mean, what would be -- I mean, I'm not asking for a precise number, but what could be on a blended basis, the utilization across capacity? And also with us completing the remediation, probably should that cost -- you talked about the INR4 crores, if I'm correct, that cost would more or less be behind us?

Aditi Kare Panandikar: Well, I wouldn't say all cost of remediation for U.S. is behind us. Like I said, updates will go on until December. So we have to factor that in. I think your first question was more about -- what was the first part of your question? It was about...

Sudarshan Padmanabhan: Utilization across the plant given several...

Aditi Kare Panandikar: Yes, yes, yes, yes. So because of this restructuring of products across sites, what we have achieved really is bringing down the complexity of the product mix at each unit and in turn, increasing capacity because then that means fewer changeovers, better efficiency in testing and several other things. So quite frankly, I think your question was about how much revenues can we get from this kind of a turnover.

So even of a steady year like the earlier year when we did not have manufacturing problems, we were very confident on multiplying by at least 2.5x our top line from this business. So I think last year, other than India business was at close to INR800 crores, if I'm not mistaken. And we can easily look at up to INR2,000 crores with this revenue -- with this capacity, sorry.

Sudarshan Padmanabhan: Sure. So I don't think we would be requiring major capacities apart from maintenance capex, right?

Aditi Kare Panandikar: No, no.

Sudarshan Padmanabhan: Yes. And ma'am, with respect to normalization in the international business, I mean, how do we see both the U.S. and European business gathering momentum? And in the light of things while margins have been a little difficult for us to -- or anybody to kind of put a precise number, how do we see the margins expanding, say, in the near and medium term?

Aditi Kare Panandikar: So the last part of your question – so coming to U.S. business, U.S. last year, total revenues for U.S. market in '23-'24 were INR286 crores, of which there were substantial amount coming from sterile, close to INR200 crores was revenue from the sterile plant alone, which this year is only INR42 crores. Whereas oral solids, which were only INR52 crores last year are at INR81 crores now.

So solid oral contribution has really gone up. And as we get into '26, '27, '28, where more solid orals would go off patent for which we already have tentative approvals, I expect solid oral business to ramp up. This business is coming from Plant I incidentally, which has also been revamped as part of the master manufacturing plan.

Coming to sterile, as I said, with this latest positive stroke coming from U.S. FDA, we expect resumption of supplies in the second quarter this year. And gradually, you will see a pickup till the last quarter. Coming to Europe, our normal base for Europe used to be around INR300 crores. And this year, it got impacted because of inability to supply, etcetera, of solid orals. And I expect it to go back to the INR300 crore level in the coming year. I hope that answers your question.

Sudarshan Padmanabhan: And U.S., I mean, we would basically see a step-up jump from the second half of this year. So it would be more of an FY '27 rather than an FY '26 kind of a scenario.

Aditi Kare Panandikar: Yes. This is a year of us coming back to our normalized values of the prior year.

Sudarshan Padmanabhan: Sure. And ma'am, you had given some color on the costs coming down by about INR20 crores a quarter. What is the kind of margins that one should expect because the margins have come up quite sharply from where it was. So some color on that in the near term as well as long term.

Aditi Kare Panandikar: So like I said, when you have to run 8 manufacturing sites, all having fixed costs, but you're able to efficiently supply only out of 2, I think you can do your own math, and that is what has really put the pressure on margins. Therefore, I would like to wait for another quarter for numbers to talk for themselves because it's a dynamic between both. It is not sufficient for us to complete our restructuring of manufacturing.

We also should be able to supply from those sites very effectively. As of now, we have sufficient orders in hand and feel confident that we'll be able to do that. But I would like maybe Q2 will be the right quarter for you to show this upside. And then from there, I will be more confident telling you about improvement after that.

Sudarshan Padmanabhan: Ma'am, on the domestic business, I mean, we have taken a lot of initiatives in the past, I mean, reorganizing the field force, etcetera. Where do we see or when do we start seeing the benefits of that because we still continue to lag the IPM cost?

Aditi Kare Panandikar: So let me just quickly correct you on that because when you compare with IPM, we might be lagging. But vis-a-vis our covered market, we are doing very well. So as you know, we are one of the companies which has got a very high stake in acute and sub-chronic. And just to give you some numbers, we have -- for the fourth quarter, our stomatologicals has grown by 2.5% as per IQVIA, whereas as per the market is minus 1.4%. Our another category where we are very -- we have a large stake, which is respiratory, where the market has grown slower than us and so is anti-infective.

So if you look at our performance in India, within our -- within the zone where we operate and are present, we have done pretty well. Regards the impact seen on our numbers, that is largely because a couple of our toothpaste, which now are sold by Warren Remedies as OTC. And I've explained this earlier, we have changed the supply chain. And it has taken us almost a year to catch up and come back to normal levels. So the last month, I think month of April is the first time we are seeing again growth in the sales of the two toothpastes, which have gone OTC in IQVIA.

So what is suffering really is the projection. If you look at the consolidated picture of India business performance, you will see that we have grown at more than 8.5%, which is at par or even better than the industry growth.

Moderator: We have a next question from the line of Maulik from B&K Securities.

Maulik: One question which I had is that in the opening comments, we mentioned that Warren Remedies' operational costs have been impacting our margins. So would you be able to quantify or give some idea on how much that impact is? You answered it partially to the previous participants, but a little bit of more understanding on that?

Aditi Kare Panandikar: No, I think by and large, I can just give you the way you could look at it is IRL is standalone, and we also give consolidated results. So in consolidation, we have two entities. One is Warren Remedies Private Limited, which manufactures and sells OTC toothpaste of cosmetic license, and it also manufactures certain API stacking materials for us. So there has been a good investment in that.

The second entity is FPP, which is the company we acquired in U.S. to create our front end. So both these entities have impacted our margins. But at this stage, I'm not -- we have not really giving out those numbers, but safe to say that the impact coming from both these entities on the consolidated numbers is expected to go down this year.

But if the main entity where we had major constraints because of product availability and the U.S. FDA warning letter, if that gets corrected, this impact is not going to really hurt our numbers too much.

Maulik: Understood. Understood. And 2 clarifications. You mentioned the remediation cost, which we have been incurring. Can you please repeat it?

Aditi Kare Panandikar: So we have been incurring close to INR4 crores every quarter on remediation, which includes costs of the remediation partners, certain improvements to be done at the site, etcetera, etcetera.

Maulik: Okay. Okay. And is my understanding correct that by July, August, the site would be ready and any time inspection could be due after that?

Aditi Kare Panandikar: We would hope we have to wait and see. The site will be ready after August.

Moderator: We have our next question from the line of Kenil Mehta from Omkara Capital.

Aditi Kare Panandikar: We can't hear you?

Moderator: Your voice is muffled. We can't understand what you are saying.

Aditi Kare Panandikar: I think, we lost him.

Moderator: We'll move on to the next question from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Ma'am, as you had rightly guided in last quarter that Q4 will be even worse than Q3. So do you think like we have bottomed out in terms of losses or Q1 -- Q2, we will continue to see some -- like we'll continue to see losses as well? Like anything that you would like to say given how things are?

Aditi Kare Panandikar: Yes, yes, yes. So thank you for reminding me. I had kind of painted a picture of Q4. And as you have seen, it has not been a great quarter on margins at all. And yes, I believe we are at the rock bottom of the losses. And from here on, I don't expect any further deterioration.

Ankit Gupta: But losses will continue at least for a quarter or 2?

Aditi Kare Panandikar: Like I said, losses -- continuing losses or coming out into profit is a function of both revenue and arresting of costs. And most -- out of the 3 factors which have impacted us, the master manufacturing plan related impact has now almost gone. 99% is over. Regarding warning letter, to the extent of 50%, I think we would be on our feet back.

And regarding Warren Remedies, as I explained, when you go OTC and you start pumping into ad expenditure, investment, people, the kind of infra we put up, we were anyway planning to have a couple of years of muted. So I don't expect the losses from Warren Remedies to further increase. So net-net, I think you will only see improvement from here.

Ankit Gupta: And ma'am on the European site, you had indicated that post our master manufacturing plan, we'll start seeing growth even from FY '24 numbers. FY '25, again, we have seen degrowth in numbers. But in FY '26, we'll start seeing growth from FY '24 EU numbers. So like what kind of growth are we expecting in the European market for next financial year?

Aditi Kare Panandikar: So like I said, at this point, we should look at doing numbers equivalent to or better than the previous year.

Ankit Gupta: Okay. So FY '24 should be considered as the base and on that, we should be flat or should grow somewhat.

Aditi Kare Panandikar: We will grow. We will grow. But having -- you must understand coming out of such a period, it's not easy for us to talk of growth. Like I said, let the numbers talk for themselves.

Ankit Gupta: Sure, sure. And on the India growth side, India business growth, so except for -- if you remove the Warren Remedies and our base business, if you consider what kind of growth should we expect for next financial year? And what are our plans for launching new products? And how do you see the scale up in those new products?

Aditi Kare Panandikar: Yes. So 3 questions. Let me start with Warren Remedies because you said keep Warren Remedies aside. But just to quote as per Nielsen, which is a report we now look at to study the health of our toothpaste, we have got good volume and value growth in the market in the excess of double digits. So I expect this to create good demand. And from here on, I expect Warren Remedies base sales to also grow in a good fashion, at least in double digits.

Coming to Indoco Remedies Limited. today, at IRL, our contribution of new products to total growth is in excess of 4.5%, which is way higher than the industry average of 2.5%. So most of our new launches are doing very well. This quarter, for example, we have launched a product Drotitec and its brand extension among several others. And on new products, certain products like Noxa, we continue to be market leaders. With NINAF, we stay #2, but most of our new products have done very well.

Coming to IRL standalone without Warren, without new products, if you look at our legacy products without new products, then most of our legacy products other than Febrex Plus, which has got impacted from market. Market of Febrex Plus is, I think, down minus 4%. We are flat. So -- and azithromycin, which is our brand ATM, market is also down, and we are equivalently at the same level. So other than these 2 brands, almost all other products of Indoco have shown very healthy double-digit growth. Cyclopam, as I said, has grown by 25%. If you look at a product like Cital also, it is growing in double digits for the year. And...

Ankit Gupta: So on the Indian business, can we expect -- including the new products and the higher sales of new products that we have launched in FY '24 and '25, can we expect 12%, 15% of growth in the domestic market?

Aditi Kare Panandikar: So we will attempt to do much better than the market. Okay.

Ankit Gupta: Okay. And on Warren Remedies, do you think we can breakeven next year or FY '27 is the only year we can breakeven there?

Aditi Kare Panandikar: I think safe to say '27.

Moderator: We have our next question from the line of Raja Kumar, an Individual Investor.

Raja Kumar: Ma'am, just a couple of questions. First is on the capex. I see about INR276 crores of capex is waiting to be capitalized. So just want to know what is the capex budget for

the current year? And also this INR276 crores is more to do with the remediation expenses that we are carrying out? Or is it -- does it going to augment our existing capacity?

Aditi Kare Panandikar: So there are 2 parts to it. Some of it, very little is towards remediation because most of the capex on remediation was done in the earlier year also. So most of the capex spend this year has been for putting a master plan in place and expanding capacity. For the numbers, I will hand over to Pramod, if he'd like to give.

Pramod Ghorpade So with regards to capex, as madam also mentioned about our investment during the last couple of years and particularly last year when we invested heavily. So overall capex investment was close to about INR200-plus crores, plus what we have invested in Warren. So both put together more than INR300 crores. While your question about the plan for this particular financial year '24 -- '25-'26, we don't intend to spend much on capex. We have controlled capex. And most of the capex work is almost at finishing stage in all sites. So we don't anticipate much capex, except the routine maintenance capex.

Raja Kumar: Okay. And what would be the charge that you'll be taking on account of this increased capex once you -- I assume we'll capitalize this in FY '25-'26. So that is also going to kind of hit your...

Aditi Kare Panandikar: We can't hear you very clearly. Can you repeat that last part?

Raja Kumar: No, my question is this INR276 crores once capitalized, you'll be taking a hit on the depreciation for FY '25-'26. Yes, that's going to put pressure on your existing -- already the bottom line is bleeding. So just want to know what would be the additional hit we'll be taking?

Pramod Ghorpade Yes. So currently, if you see depreciation is in the range of about INR100 crores, close to INR100 crores. So in addition to this, the assets which will be capitalized, out of that, some assets are which are long term in nature. So about INR9 crores to INR10 crores would be the additional depreciation on the new assets.

Raja Kumar: This is per quarter?

Pramod Ghorpade Per annum, per annum.

Raja Kumar: Per annum. Okay. Yes. And the next question is, I see that the rating agency is currently kind of downgraded your credit rating. So, I mean, what is the plan? Do you have a plan to get your rating up? Or this is something not going to happen in the short to medium term?

Sundeep Bambolkar: Yes. This is Sundeep Bambolkar. See, when we went through a similar patch in 2016, U.S. FDA and U.K. MHRA plant issues, we had similar problems and the rating agency had downgraded us that time also. But immediately, when we had a good performance ever since 2018, right up to '24 now, we have always been A1+ in the short term and AA- on the long term, which is the topmost rating company of our size can have. And subsequently, we have been having excellent borrowing rates. So this is a limited period phenomenon, which we have to face. And as soon as we are out of it, they will come down and upgrade us once again.

Raja Kumar: Okay. And sir, just continuing on the same question, given that you have a significant borrowing cost, is there a plan to organically only reduce this? Or you have any other monetization plans to reduce the debt?

Sundeep Bambolkar: No, it will be organic only. From our cash accruals, we'll repay the loans. And you will be surprised that even today, our loans are in the range of 8.5% to 8.75%. I agree for a company of Indoco's quality, they are slightly on the higher side. But we have borrowed as low as 4.75% to 5.5% when our performance was good and the rates were under control. So let's see, it's a function of global rates, rates by RBI and our performance, 3 in 1. I hope you got it.

Raja Kumar: Yes, yes, I got it. But my worry is you've got too many things to take care. So the path to profitability is going to be a long cost is what I think.

Aditi Kare Panandikar: Yes, that is true. But like I said, since we understand that much of the problems this year are on account of a cause effect that we are in control of, as the product supply begins from the sites and we are able to bring in efficiency and control costs, we feel pretty confident that we'll be able to come out of it. But thank you for your concern.

Moderator: We have our next question from the line of Vishal from Systematix.

Vishal: On your OTC business, would you be able to share what -- how much are we spending on building these OTC brands annually in terms of advertisement, promotion, channel spend?

Aditi Kare Panandikar: No, sufficient to say that it is quite high compared to the ethical business. And our immediate competitor spends close to 35% of their revenues on it, that much I know. So because Sensodyne is our biggest competitor and the largest player in the OTC segment for sensitivity toothpaste and their budgets are in that range. For us, partly, it's going to be a bit high. In the first year, I think we have spent close to 40%. But it will slowly come down as the sales go up.

Yes, I said in the first couple of years, we were not expecting to break even because costs associated with advertising in this industry and product promotion are pretty high.

We have to remember, we are going from 25,000 dentists as customers to lakhs and lakhs of end users, supply chain wholesalers, grocers, retailers and the whole bank. So it's going to be a little bit high initially. But going forward, as the sales go up as a percentage, it should come under control. But this is a business which requires in the initial 2 to 3 years, heavy investment on brands.

Vishal: Some sense, like you spent about INR16 crores on remediation. So would this spend be even larger than what you spend on remediation, the spend on your OTC brands?

Aditi Kare Panandikar: Yes, yes. I mean...

Vishal: It is a larger number.

Aditi Kare Panandikar: Yes, a larger number, certainly.

Vishal: And this has all come up because of the strategy to do it OTC. Had you not probably thought of taking it OTC, you would have not spent this money at all?

Aditi Kare Panandikar: Yes. But our pace would have been limited to the scope of what they could in the sensitivity market, which is very limited in the ethical space.

Vishal: So like any sense on how these -- what are the numbers are we getting to see on a monthly basis for these OTC brands?

Aditi Kare Panandikar: So as per Nielsen at tertiary level, our brand is growing at 18%, 19% in value. But there are many other parameters to be looked at when you're taking your product OTC. I mean, there are terms which are also new to me yet, but I'm getting familiar with them, things like weighted distribution, numerical distribution. So it's about creating reach. And from -- fundamentally, from all these numbers, it's looking good. It's not as if the past have not grown. They have shown a 10% growth, but we were expecting to do much better.

And today, we get 90% of -- 99% of our sales coming from -- through the chemist channel, whereas Sensodyne gets more than 35% coming from grocers where our presence is negligible. So it is 1-1 channel which we have to bring in, and that will open the market for us. The sensitivity market otherwise is INR500 crores, INR600 crore market. And the moment you go look at the sensitivity toothpaste market in Nielsen, it is an INR1,100 crore market. So it's a no-brainer that we had to go for this.

Vishal: Okay. And you still continue to promote these as a prescription brand?

Aditi Kare Panandikar: Other variants of those. Not the same product.

Vishal: But earlier, you used to get your sales as a prescription brand before kind of going OTC.

Aditi Kare Panandikar: Yes, but the prescriptions continue because we realized that when we were purely ethical also, if a patient approaches the doctor and says that they are using an XYZ brand, the doctor does not stop them. So -- and incidentally, these toothpastes, if you look at the amount of prescriptions they were dependent on, it is very small compared to any other category.

So this is a category which depends less on prescriptions and more on repeat purchase and end customer kind of thing. I hope that answers your question. So our 2 ethical divisions in dental, they continue to carry variants of Sensodent-K and KF, but not these 2 products. So Sensodent-K Fast Relief and Sensodent-KF Cavity Protection is now purely under OTC.

Vishal: And your price point is similar to the larger brands in the category? The GSK brands basically.

Aditi Kare Panandikar: Yes, yes.

Vishal: It is at the same price point.

Aditi Kare Panandikar: Similar, yes, yes.

Vishal: Okay. And you are not promoting this as a trade generic. You're promoting this as a direct to consumer brand.

Aditi Kare Panandikar: No, no, no trade generics for us. Not here. No. This is proper OTC. The setback we got this year has largely got to do with the channel change. Earlier in the ethical business, we were -- we had the system where a carry and forward agent would carry our product and the primary sale happened directly to the stockist.

Here, we have super distributors who then sell out. So they are our business partners. And with this shift where they have to sell more and more to wholesalers and distributors who are non-pharma or they have to sell to pharma distributors who ask from different terms. This phase has been a little bit tricky for us, but now it has all settled. So I feel confident going forward, we will see higher growth.

Vishal: Would you also put this on these modern retail stores or you would restrict to pharmacists?

Aditi Kare Panandikar: We would have to because 30% of Sensodyne market is coming from modern trade.

Vishal: So we will get to see your products on modern trade channel?

Aditi Kare Panandikar: Yes, yes, gradually. We already made small initiations. I believe we are on Amazon now, and it will come on others as well. But for us, because of predominantly the history with the ethical side, it will still stay very large in chemist and then we'll be adding grocers and then modern trade. It will go in that fashion.

Vishal: Right. And just one final one, if I can. So the kind of the need to put so much of CapEx in the last few years, were we really kind of facing capacity constraints? Or this is more about a long -- more about the future that you are looking at?

Aditi Kare Panandikar: A bit of both, more for the future.

Vishal: Right. So just I'm asking this because we have kind of stretched our balance sheet in doing this. And...

Aditi Kare Panandikar: Yes. So you're asking me if we could have postponed anything.

Vishal: Yes, that's what I meant.

Aditi Kare Panandikar: No, I think opportunities like that, that you cannot really postpone. Like I explained to you, people generally try to get market share after they have capacity. Ours is the other way around, we have market shares. Now we have to use the capacity optimally.

Moderator: We have our next question from the line of Moksh Ranka from Aurum Capital.

Moksh Ranka: I want to know what -- going forward, how much R&D as a percentage of the sales, are we going to increase it from our current 5% to 6%? Or are we planning to decrease it?

Aditi Kare Panandikar: No, we are not planning to increase or decrease, but we are maintaining it at 5%. Even on a lower top line this year, in absolute terms, it has come down because we are now being a little bit more picky about the products we take up.

How many because we have enough in our pipeline waiting to be filed. So considering the company is going through these times, we have decided to be very choosy about how much we invest in R&D for the next couple of years. But it will still stay at around 5% of top line. I don't think it will come below that.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to the management for closing comments.

Aditi Kare Panandikar: Thank you all on behalf of Sundeep, Pramod and me. Thank you for joining us on this call. And as I said right at the beginning, thank you for your patience as we pull the organization out of this situation. I look forward to meeting you under better circumstances. Thank you very much.

Sundeep Bambolkar: Thank you.

Pramod Ghorpade Thank you.

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