

Indoco Remedies

Q3 FY21 call highlights

- ✓ Indoco has received USFDA approval for an injectables product.
- ✓ Company has won major orders from Germany of Rs 1.4 bn for Allopurinol tablets. Supply has started in this quarter (it is very marginal). Rs 700 mn worth of products will be supplied in CY21E.
- ✓ 2 of the key brands febrex plus and oxipod (the company is top-6 of this brand) have de-grown during the quarter. For febrex and oxipod sales the company expects it to pick up in 2QFY22.
- ✓ Cyclopam product sales also got affected due to COVID-19.
- ✓ Therapies such as ophthalmology, sub -chronic, dental sales to pick up and expects acute segment to lag.
- ✓ **Other expenses** - Cost related to India business has increased marginally. Other expenses for 4Q will be in the same range as 3Q. and can expect 100-200 bps increase in FY22E for the expenses.
- ✓ **Litigation**- there were couple of hearings but there is no movement currently.
- ✓ US business includes Rs180mn milestone payments from approvals.
- ✓ Re-paid Rs 500 mn from Dec-18 to Dec-20. Gross debt is Rs 2.8 bn (Working capital debt is Rs 1.4bn). Long term debt by the end of FY22E around Rs 1.2bn.
- ✓ Indian sales to grow by 8-9% in FY21 and 15% in FY22.
- ✓ US business will do Rs 1.5bn of sales in FY21 and Rs 2.25bn in FY22E.
- ✓ Europe business will grow at 20-25% in FY21E.
- ✓ **Tax rate for FY21E, FY22E**- 32-34%, MAT credit available is Rs 500-550 mn.
- ✓ **R&D spend** - Rs 500-600 mn per year will continue
- ✓ **Complex products approvals** - There are a couple of products, the company will comment on post USFDA comes for audit of the product.
- ✓ **Production** - Closed to 80% is vertically integrated in the international business.

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