Company Name: : Indoco Remedies Ltd.

Management Participants :

- Mr. Pramod Ghorpade : Chief Financial Officer

11th Annual Valorem Conference Highlights:

- Weak performance over the past two years was driven by internal restructuring under the Master Manufacturing Plan (MMP) and FDA related disruptions, rather than demand weakness.

- The MMP, involving plant shutdowns, automation, and capacity upgrades, impacted near-term performance but is expected to deliver structural cost efficiencies and operating leverage.

- A USFDA warning letter significantly disrupted US operations, leading to a sharp decline in revenues and profitability.

- EU/UK revenues declined ~60% to INR 275–300 crore, while US revenues fell from INR 280 crore to ~INR 100 crore

- Additional investments in the US front-end (FPP) and the Warren division further weighed on margins. With remediation largely complete, the US business is expected to recover to ~INR 200 crore post-clearance and scale to INR 350–400 crore over 2–2.5 years, with EBITDA margins potentially exceeding 30%.

- The EU/UK business has stabilized at a quarterly run-rate of INR 70–75 crore, with margins expected to improve to 13–14% though remaining structurally lower.

- The Warren division is emerging as a key growth driver, with OTC products benefiting from the Rx-to-OTC shift and revenues expected to reach INR 125 crore in FY26 and INR 200+ crore in FY27.

- The API business offers medium-term optionality with potential to scale to ~INR 500 crore over 3–4 years, supported by a strong R&D pipeline and AI-led efficiencies.

- The domestic business remains a stable, high-margin base (70%+ gross margins) with 9–10% growth, and the company targets 11–12% revenue CAGR and ~15% earnings CAGR going forward, with MMP benefits expected to drive performance.

Key Questions & Answers discussed during the Concall:

- **What are your long-term growth targets and risk mitigation strategies?** We are targeting revenue CAGR of 11–12% and earnings CAGR of ~15% over the medium term. To mitigate USFDA-related risks, we are diversifying manufacturing across facilities and optimizing costs, including rationalizing operations and controlling expenses at the US plant. Additionally, we are maintaining disciplined ad spends in OTC and continue to build long-term value through our filings, which we estimate at INR 300–400 crore.

- **When do you expect the business to return to normal levels?** We expect Q4 FY26 to be a largely "normal" quarter across most segments. However, the US business remains contingent on the USFDA inspection and subsequent clearance, and normalization there will depend on the regulatory outcome.

- **What is the current status of the USFDA issue?** We have completed the remediation work and have formally communicated to the USFDA that we are ready for inspection. However, the timing of the inspection remains uncertain, as it is determined by the regulator and has not yet been indicated to us.

- **How much time will it take to recover US revenues post clearance?** We expect a relatively quick ramp-up to around INR 200 crore post clearance, supported by alternate manufacturing arrangements already in place. Over the medium term, we believe the US business can scale up to INR 350–400 crore within 2–2.5 years.

- **What is the current profitability of the US business?** The US plant is currently loss-making due to low utilization and high fixed costs. However, the underlying product portfolio has strong gross margins of around 70–80%, and we expect profitability to improve significantly as volumes recover and utilization levels increase

- **What margin profile and recovery outlook do you see for the US business?** The US plant is currently loss-making due to low utilization and high fixed costs; however, the product portfolio has strong gross margins of 70–80%. Post USFDA clearance, we expect a quick ramp-up to ~INR 200 crore, with potential to scale to INR 350–400 crore over 2–2.5 years. EBITDA margins are expected to be ~20% at normal levels and can exceed 30% at optimal utilization.

- **How do you view the sustainability and margin profile of the EU/UK business?** The EU/UK business is stable but structurally lower margin. Gross margins are below 40%, and EBITDA margins are expected to improve from sub-10% levels to around 13–14% as operations normalize.

- **What are the growth drivers for the Warren division and API business?** The OTC business under the Warren division is growing strongly, supported by the Rx-to-OTC shift, with revenues expected to increase from ~INR 125 crore in FY26 to over INR 200 crore in FY27, along with improving profitability. The API business provides additional optionality and can scale to ~INR 500 crore over the next 3–4 years, subject to regulatory approvals.

- **How strong is the pipeline and domestic business outlook?** We have a robust US pipeline of 55 products, including 33 approved and ~20 pending, providing strong growth visibility. The domestic business remains a steady contributor, expected to grow at 9–10% with high gross margins of over 70%, supported by new launches and premiumization.