

## Chairman's Note



### Fellow Stakeholders

Against the backdrop of an increasingly globally integrated macro-economic scenario, the Indian economy has shown clear signs of moderation after an unabated upward trend and a 9 percent growth rate over the past three fiscals. While overall industrial production grew by 8.3 per cent during 2007-08, the manufacturing sector grew at the rate of 8.7 per cent. Going forward, although we may see some signs of a slowdown, India is expected to remain the second-fastest growing economy in Asia and sustain a relatively higher rate of economic development.

Even as soaring crude prices has upset the tide in the global economy and triggered a sharp surge in inflation in India and reversed last year's trend of the Indian Rupee appreciating against the US Dollar, the pharmaceutical industry in general and our company in particular has remained relatively insulated.

The Indian pharmaceutical industry continues to be on the high growth trajectory after achieving an average annual growth rate of approximately 14 per cent in the last six years. Estimates now suggest that the industry will grow at a rate which is far higher than the estimated growth rate of the overall economy.

It is also interesting to note that this growth in the pharmaceutical sector has been multidimensional as Indian companies continue to grow organically as well as inorganically. Organic growth can be attributed to the enhanced healthcare facilities and increased spending on healthcare as economic growth has led to rising disposable incomes and demand for better medical facilities. Companies have started investing heavily in Research and Development and the inorganic route is being used to bolster growth. Besides this, it also helps to gain access to marketing channels and distribution networks in different countries and to develop a better understanding of local markets.

India has assumed an important place in the global pharma space after the country shifted from the process to product patent regime and since then has grown successfully. It has its own set of concerns including uncertainty over Government Regulations. Nevertheless, the potential remains huge with specific segments offering lucrative opportunities.

According to McKinsey, the Indian Pharma market is set to grow from USD 6.3 billion in 2005 to USD 20 billion by 2015, with a growth rate of 12.3 per cent. Patent expirities and drying pipelines coupled with general pricing and cost pressures faced by pharmaceutical companies abroad, has translated into a huge opportunity for Indian companies in the Generics space as well as the Contract Manufacturing space.

**To align ourselves with the industry in terms of the financial accounting period and to have better comparability, we decided to change our accounting year end to 31st March. Resultantly, our results for FY 2007-08 reflect a nine month period commencing on 1st July,2007 and ending on 31st March,2008.**

Given this backdrop, Indoco has registered a good performance with a growth of 16 per cent in Net Sales to Rs.263 crores. The Net Profit for the same period was Rs.30 crores, up 50 per cent compared to the corresponding period last year. This good result can be primarily ascribed to improved production output and rationalization of costs.

This nine month period was also a consolidation phase for our company and has helped us to lay an even stronger foundation for the future growth of the company. Various initiatives reflected in the form of enhanced capacity utilizations, receipt of significant approvals for export markets especially in the ophthalmology segments reflect the potential in our company going forward in both regulated and the semi-regulated markets. On the Domestic front we expect our strong brand portfolio to be our growth driver. CRAMS segment continues to offer good opportunities and we have taken significant measures to strengthen our business prospects there.

Finally, I would like to personally thank every staff member of the company as our progress is a mere reflection of their efforts. I would also like to express my gratitude to all our stakeholders including shareholders, customers, bankers, medical fraternity and vendors for their continued support.

I sign off with the promise that each one of us at Indoco is striving hard to ensure yet another year of significant progress.

A handwritten signature in black ink, appearing to read 'Suresh G Kare'.

**Suresh G Kare**

Chairman and Managing Director

