

INDOCO REMEDIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER ENDED SEPTEMBER, 2005

➤ **Revenue figures:**

The table below gives the breakup of revenues (Gross of excise duty):

(Rs. In Lacs)

Particulars	1st Quarter			Year
	2005-06	2004-05	Growth %	2004-05
Sales				
Formulation- Domestic	5135.30	4170.73	23.13	18095.02
Formulation- Export	667.71	526.58	26.80	2908.29
API	126.71	89.02	42.34	574.38
Total	5929.72	4785.64	23.91	21577.69
Other Income	395.08	53.73	635.31	480.66
Total Income	6324.80	4839.37	30.69	22058.35
PBT	914.67	695.03	31.60	3673.59
PAT	642.35	546.76	17.48	2513.02

Key Highlights :

➤ **Revenue Growth :**

During the year, total income has grown by 30.69% for the quarter ending September 30, 2005. The growth in turnover is due to sustained growth in domestic business.

The other income includes insurance claim arising due to goods destroyed by floods on July 26, 2005 and the equivalent amount is included in the cost of material .

➤ ***IPO & Proceeds :***

In January, 2005, the Company completed its Initial Public Offer (IPO) and listed its shares on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE).

The Details of Issue Proceeds and its utilization are as under:

		(Rs. In Lacs)
IPO Proceeds		7354.20
Less : Issue Expenses		459.76
Net		6894.44
Amount spent		
i) Plant at Baddi	1840.50	
ii) Plant at Ambernath	143.60	
iii) R&D Centre	285.10	
iv) Acquisition of Brand	937.30	
v) Corporate Office	585.70	3792.20
		3102.24
Balance invested in		
i) In Current Account	6.80	
ii) Fixed Deposit Receipts	50.00	
iii) Mutual Funds	2795.44	
iv) Inter Corporate Deposits	250.00	3102.24

➤ ***Research & Development:***

- i) The Company has started full fledged construction of its R&D Centre at Rabale , New Mumbai on the area of Plot admeasuring 4375 sq. mtr. and has already spent Rs.285.10 Lacs upto September 30, 2005.The Commercialisation of R& D centre is planned by March, 2006.

In the meantime, API non-infringing process development has started. The Company has temporarily hired a premises at New Mumbai with an investment of Rs 160 lacs in instruments to carry out the Research.

➤ **ORG Ranking:**

The Company has been ranked by ORG Marg as under : (August 2005)

Prescription Audit – Monthly-20
Retail Audit – Monthly-33

➤ **Therapeutic Segment Revenues & Their Performance:**

(Rs.In Lacs)

Particulars	September 2005	September 2004	Growth %
Anti-infective	874	765	14.25
Respiratory Systems	1243	830	49.76
Alimentary Systems	584	480	21.67
Dental	619	545	13.58
Analgesics & Antipyretics	208	138	50.72
Skin	315	270	16.67
Eye	263	210	25.24
Cardiovascular System	278	268	3.73
Antidiabetic	266	211	26.07
Nutrition	200	184	8.70
Urinary	114	97	17.53

➤ **Review of Operations for the first Quarter of Financial Year 2005-06:**

During the first quarter of financial year 2005-06, the company's total income increased to Rs.6324.80 Lacs against Rs.4839.37 Lacs during the first quarter of the previous year, recording a growth of 30.69%.

➤ ***Domestic Business:***

The domestic formulation business registered at Rs.5135.30 Lacs against Rs.4170.73 Lacs, the first quarter of the previous year, recording a growth of 23.13%. The growth in turnover was boosted by acquisition of Karvol Plus and robust growth in Analgesic and Antipyretic segment.

➤ ***International business:***

The Company's revenue from Exports and International business has grown to Rs.667.71 Lacs as compared to Rs.526.58 Lacs in the first quarter of the previous year showing an increase of 26.80 %.

➤ ***API Business:***

Revenues from the API business have increased to Rs.126.71 Lacs against Rs.89.02 Lacs for the first quarter of the previous year, recording a growth of 42.34%. The current period sale is totally own production on loan licence basis.

➤ ***Financial Charges:***

During the quarter, the financial charges have increased to Rs.117.63 Lacs compared to Rs.62.32 Lacs for the first quarter of previous year. The rise is mainly on account of borrowing by way of ECB for setting-up of the USFDA plant at Goa and fall in the rupee at the end of the quarter. As against that the Company has earned an interest of Rs. 58.38 Lacs on its investments.

➤ ***Profit Before Tax (PBT):***

Profit before tax for the first quarter has increased to Rs.914.67 Lacs against Rs.695.03 Lacs for the first quarter of the previous year. Showing a growth of 31.60 %.

➤ ***Tax provision:***

The Current Tax has not increased in proportion to the rise in profit due to substantial tax benefit available to the company on Research & Development (Capital and Revenue) spending.

The Deferred Tax is mainly on account of Difference of depreciation as per Company's Act and Income Tax Act and spending on R& D.

The Fringe Benefit Tax is increased due to tax paid on the samples for the period April 2005 to September 2005.

➤ **Summary of Profit & Loss:**

	September 30,2005	September 30,2004
	Rs. Lacs	Rs. Lacs
INCOME		
Sales & Operations	5929.72	4785.64
Less: Excise Duty	639.49	517.24
Net Sales	5290.23	4268.40
Other Income	395.08	53.73
	5685.31	4322.13
EXPENDITURE		
Materials	2254.86	1793.88
Expenses	2262.23	1697.37
Financial Charges	117.63	62.32
	4634.72	3553.57
PBDT	1050.59	768.56
Depreciation	135.92	73.53
PROFIT BEFORE TAX	914.67	695.03
Provision for Tax		
(a) Current	150.92	125.00
(b) Deferred	79.68	23.27
(c) Fringe Benefit	41.72	-
PROFIT AFTER TAX	642.35	546.76

➤ **Financial Ratios:**

	Sep, 2005	Sep, 2004
Material Cost %	42.62	42.03
EBIDTA %	19.90	18.20
PBT / Net Sales %	17.29	16.28
PAT/ Net Sales %	12.14	12.81
EPS (Rs.)	5.43	6.20
DSO Days	116	97
Inventory Days	47	41