



57th

ANNUAL REPORT
2003 – 2004



INDOCO REMEDIES LIMITED

A **SURESH G KARE** Enterprise

BOARD OF DIRECTORS —

Suresh G Kare, *Chairman & Mg. Director*

SY Rege

PK Kakodkar

DN Mungale

DM Sukthankar

Dr MR Narvekar

FX Coutinho

Sundeep V Bambolkar

Aditi Kare Panandikar

Company Secretary

Arun P Shenoy

Auditors –

M/s Patkar & Pendse, *Chartered Accountants*
Mumbai

Solicitors –

M/s J Sagar Associates
Mumbai

Bankers –

State Bank of India

The Saraswat Co-operative Bank Limited

Bank of India

AUDIT COMMITTEE —

DN Mungle, *Chairman*

SY Rege

PK Kakodkar

CORE MANAGEMENT TEAM



Sitting —

Suresh G Kare

Chairman & Managing Director

Standing from L to R —

Sundeep V Bambolkar

Director – Finance & Operations

FX Coutinho

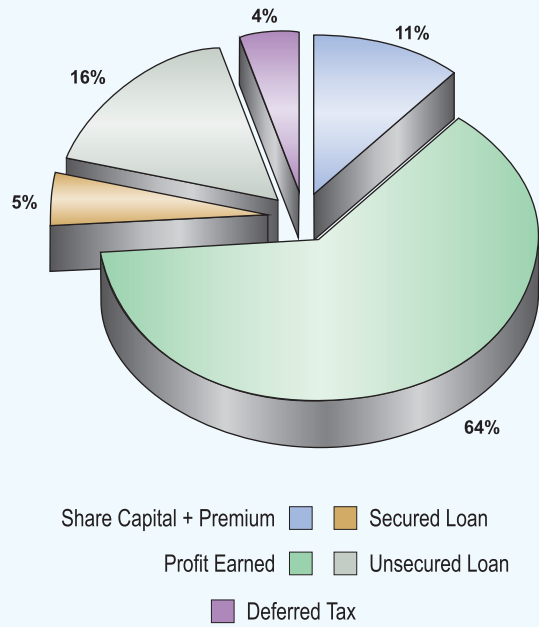
Director – Marketing

Aditi Kare Panandikar

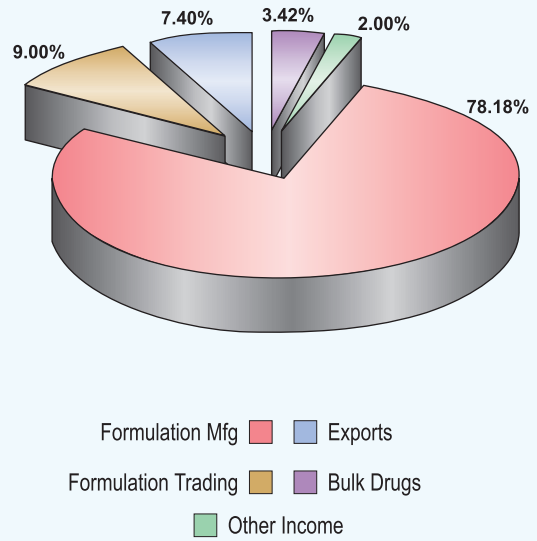
Director – Business Development & HRD

c
m
y
k

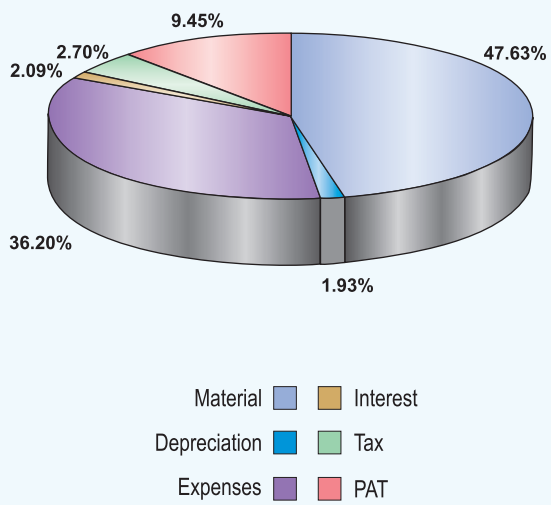
Sources of Funds



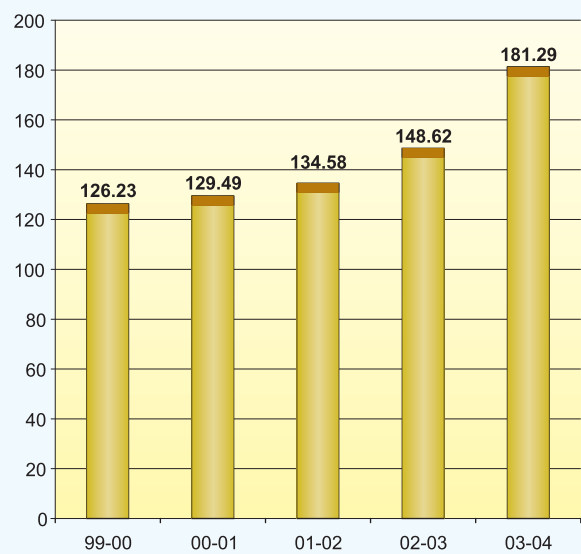
Sources of Income



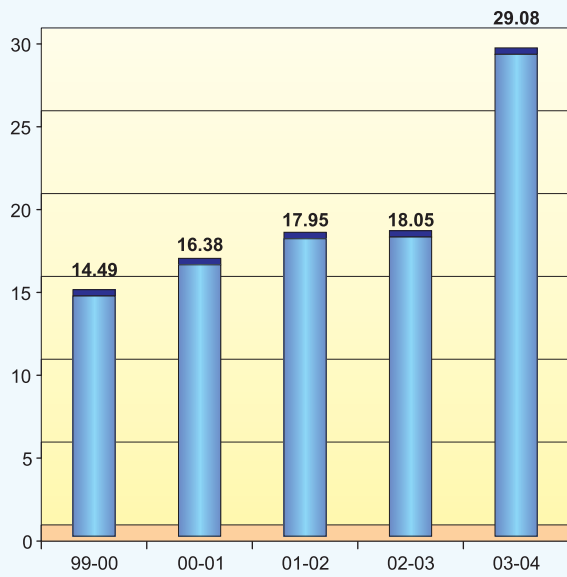
Distribution of Income



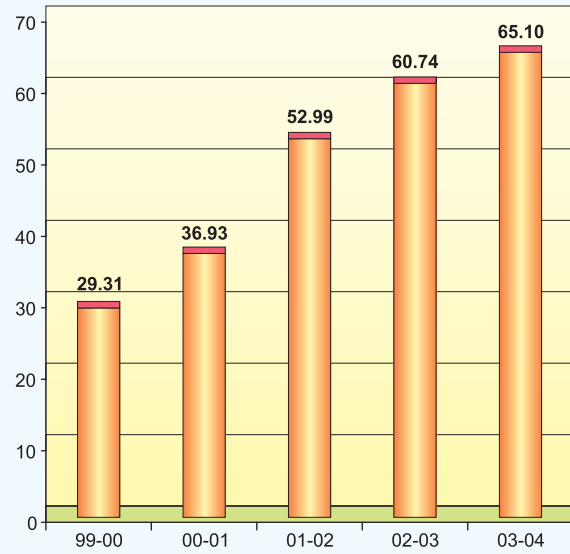
Total Income (Rs Crores)



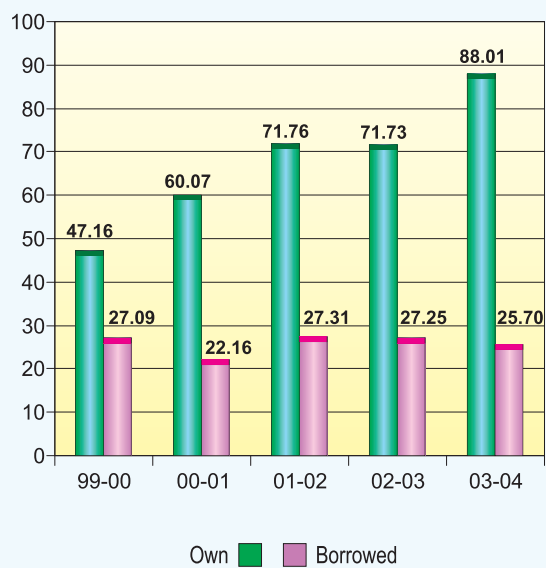
Profit Before Tax (Rs Crores)



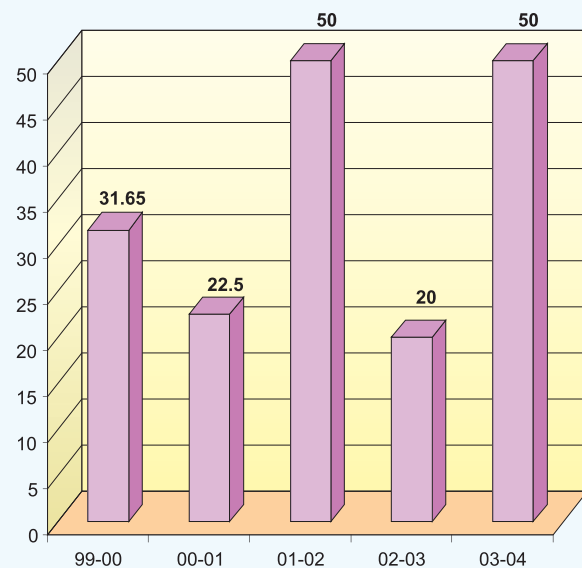
Gross Block of Fixed Assets (Rs Crores)
Including Capital WIP



Own & Borrowed Fund (Rs Crores)



Dividend (%)





Chairman's Statement

The year 2003-04 witnessed a buoyant and sustained growth of the country's economy. A healthy growth in the agriculture sector coupled with high industrial output and sustained growth of the services sector led to a GDP growth of over 8%. During the year under review, your Company's sales turnover rose from Rs. 14,662 lakhs to Rs. 17,766 lakhs recording a growth of 21%. This growth was mainly spurred by the rise in sales of domestic formulations by 17%.

Our Cardiac and Anti-Diabetic Speciality Division, "RADIUS" has grown substantially within a short time in its second year after launch. Your Company has also launched a product for Atherosclerosis which is a novel combination and introduced to the medical fraternity for the first time in India. Initial reports on the launch have been very encouraging.

On the export front your Company achieved a growth of 110% over the previous year recording a sales of Rs. 1341 lakhs, of which sales to the regulated markets constituted 40%. Encouraged by the good response in the regulated markets, your Company has initiated steps for the formation of subsidiaries in the UK and South Africa.

As part of your Company's efforts towards backward integration, an Active Pharmaceutical Ingredients (API) Plant is being set up in Maharashtra. This will prove to be a significant initiative considering the developments on the patent regime.

Your Company has a highly motivated team of scientists and pharmacists working at the R&D Centre in Mumbai. During the current year, your Company plans to file Abbreviated New Drug Applications (ANDA's) and Euro Dossiers. This initiative from the R&D and Regulatory teams will substantially boost the exports to regulated markets.

The Company's conducive working environment which provides for excellent growth opportunities has attracted some of the best talents from the pharmaceutical industry. During the year under review, your Company invested 5000 hours on training and development of employees at all levels.

As you are aware, three whole-time directors, Mr FX Coutinho, Mr Sundeep V Bambolkar and Ms Aditi Kare Panandikar have been inducted on the Board of Directors of your Company. This development will facilitate stringent corporate governance within the organisation. I personally congratulate them and wish them a long, fruitful and successful association with the Company.

I acknowledge the dedication and hard work of all Indocoites in helping us cross new frontiers and look forward to their continued support to maintain consistent growth and progress in the future.

SURESH G KARE

Chairman & Managing Director

Directors' Report

Your Directors have pleasure in presenting the 57th Annual Report on the Business and Operations of the Company together with the Audited Financial Accounts for the year ended June 30, 2004.

Financial Results :

	<i>(Rs lakhs)</i>	
	<i>Current Year</i>	<i>Previous Year</i>
Sales & Operations	17,766.41	14,662.65
Less : Excise Duty	2,091.99	1,864.94
Net Sales	15,674.42	12,797.71
Other Income	362.60	199.64
Total Income**	16,037.02	12,997.35
Profit Before Interest, Depreciation and Tax	3,485.79	2,397.96
Interest	281.60	305.98
Gross Profit	3,204.19	2,091.98
Less : Depreciation	295.79	286.67
Profit Before Tax	2,908.40	1,805.31
Less : Provision for Taxation	665.00	210.00
Deferred tax	117.34	191.14
Profit After Tax	2,126.06	1,404.17
- Excess provision for taxation of earlier years written back	-	62.98
- Balance brought forward	862.98	774.47
- Amount credited pursuant to a Scheme of Amalgamation	-	70.36
	2,989.04	2,311.98
Appropriations :		
Interim Dividend	441.00	-
Proposed Dividend	-	176.40
Dividend Tax	56.50	22.60
Transfer to General Reserve	1,500.00	1,250.00
Balance carried forward	991.54	862.98
	2,989.04	2,311.98

Dividend :

The Board of Directors of the Company, at its meeting held on April 27, 2004, declared an Interim Dividend of Rs 5/- (50%) for each equity share of Rs 10/-. The total outflow on account of dividend is Rs 497.50 lakhs (including dividend tax @ 12.5% and surcharge of 2.5% thereon). In view of the Interim Dividend payment, your Directors do not recommend any final dividend for the year.

Operations :

During the year under review, gross turnover and other income of the Company amounted to Rs 18,129 lakhs as compared to Rs 14,862 lakhs in the previous year registering a rise of 21.98%.

The Company's export sales have grown from Rs 638 lakhs to Rs 1,341 lakhs during the current year showing an increase of 110%.

The profit before tax has risen to Rs 2,908 lakhs from Rs 1,805 lakhs showing an increase of 61% mainly on account of overall improvement of sales, successful launch of RADIUS Division that caters to anti-diabetic and cardio-vascular segments, increased capacity utilisation of ophthalmic and injectibles plant at Verna-Goa and higher contribution from export sales.

Developments :

During the year under review, your Company participated in the CPhI exhibition at Frankfurt. The results have been very encouraging and your Company has since entered into contracts for dossier development besides securing large orders from regulated markets. Substantial exports of branded formulations were also effected to various non-regulated markets of Africa, Asia and Latin America.

Some of the export markets that opened out during the year under review are Ivory Coast, Albania, Mozambique, Namibia and Eritrea.

Investments pertaining to getting the sterile facility ready for the US-FDA and UK-MHRA inspections have been completed and the inspections would be triggered during the current year.

In order to improve operational efficiency and enhance the quality of information to aid decision-making, your Company has planned investments in a robust Information Technology (IT) System. Vendor for development of aforesaid IT system has been identified and the contract is expected to be concluded soon.

Financial Highlights

(Rs lakhs)

	2003-04	2002-03	2001-02	2000-01	1999-00
OPERATING RESULTS					
Sales and Other Income	18129.01	14862.29	13451.88	12948.99	12615.82
Material Cost	8425.62	7080.19	7773.85	7646.06	8292.41
Salaries , Bonus and Staffwelfare	1996.04	1735.48	1049.60	959.30	847.84
Manufacturing, Administrative and Selling Expenses	4221.56	3648.66	2401.59	2143.49	1529.83
Depreciation	295.79	286.67	182.39	161.06	129.17
Interest	281.60	305.98	249.54	401.68	367.44
Profit before tax	2908.40	1805.31	1794.91	1637.40	1449.13
Provision For Taxation/ Deferred Tax	782.34	401.14	165.00	115.00	153.00
Profit Before Tax and Extraordinary Item	2126.06	1404.17	1629.91	1522.40	1296.13
Extraordinary Item	—	—	—	—	172.25
Profit after tax and Extraordinary Item	2126.06	1404.17	1629.91	1522.40	1468.38
Retained Earnings	1628.56	1268.15	1168.65	1291.03	1262.08
Earning Per Share	24.10	15.92	18.48	17.26	24.40
Book Value	99.78	81.32	81.36	68.11	53.47
Debt : Equity Ratio	0.29	0.38	0.38	0.37	0.57
FINANCIAL SUMMARY					
ASSETS EMPLOYED					
Fixed Assets : Gross	6510.49	6074.18	5298.66	3692.63	2930.87
: Net	4792.95	4635.83	4340.11	2916.46	2296.25
Investments	74.53	100.38	1438.13	1438.13	1438.13
Net Current Assets	6998.60	5515.72	4098.29	3868.25	3690.80
Miscellaneous Expenditure (to the extend not written- off)	36.78	60.22	30.90	—	—
Total Assets	11902.86	10312.15	9907.43	8222.84	7425.18
FINANCED BY					
Share Capital	882.00	882.00	882.00	882.00	882.00
Reserves	7919.10	6290.56	6294.03	5125.38	3834.35
Total Shareholders Funds	8801.10	7172.56	7176.03	6007.38	4716.35
Borrowings	2570.00	2725.17	2731.40	2215.46	2708.83
Deferred Tax	531.76	414.42	—	—	—
Total Fund	11902.86	10312.15	9907.43	8222.84	7425.18

Cash Flow Statement for the year ended 30th June, 2004

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
A) Cash Flow from Operating Activities :		
Net Profit before tax and extraordinary items	2,908.40	1,805.31
Adjustments for :		
a) Depreciation	295.81	286.67
b) Profit on Sale of Fixed Assets	(17.53)	(0.07)
c) Loss on Sale of Fixed Assets	4.06	1.74
d) Loss on Sale of Investments	0.47	(0.15)
e) Interest Income	(134.31)	(68.29)
f) Dividend received on Investments	(0.02)	(3.95)
g) Exchange Gain	(49.70)	(30.07)
h) Exchange Loss	16.30	7.43
i) Interest Expense	265.30	305.98
	380.38	499.29
Operating Profit before Working Capital Change	3,288.78	2,304.60
Adjustments for :		
a) Trade and Other Receivables	(943.46)	(137.62)
b) Inventories	(877.00)	(213.72)
c) Trade Payables and Other Liabilities	849.56	324.07
	(970.90)	(27.27)
Cash Generated from Operations	2,317.88	2,277.33
a) Tax paid	(466.12)	(563.66)
Net Cash generated from Operating Activities (A)....	1,851.76	1,713.67
B) Cash generated from Investing Activities :		
a) Purchases of Fixed Assets (incl. CWIP)	(525.09)	(428.23)
b) Sale of Fixed Assets	85.63	0.80
c) Purchases of Investments	(74.15)	(200.00)
d) Sale of Investments	99.53	100.15
e) Interest Received	92.71	57.31
f) Dividend received on Investments	0.02	3.95
Net Cash used in Investing Activities	(321.35)	(466.02)
C) Cash flow from Financing Activities :		
a) Interest Paid	(264.33)	(313.79)
b) Dividend Paid	(696.50)	-
c) Exchange Gain	49.70	22.64
d) Exchange Loss	(16.30)	-
e) Repayment of CC/WCDL Demand Loans	(829.89)	617.34
f) Proceeds from Short Term borrowings	563.90	467.30
g) Repayment of Short Term borrowings	(467.30)	(300.00)
h) Repayment of Term borrowings	-	(866.61)
i) Proceeds form Term borrowings	578.13	-
Net Cash used in Financing Activities	(1,082.59)	(373.12)
D) Cash flow on Amalgamation	-	2.79
Net Increase in Cash or Cash equivalents ... (A + B + C + D)	447.83	877.32
Cash and Cash equivalents - Closing Balance	1,752.35	1,304.52
Cash and Cash equivalents - Opening Balance	1,304.52	427.20

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner

Mumbai : July 27, 2004

Arun P Shenoy
Company Secretary

Suresh G Kare - *Chairman & Mg. Director*
DN Mungale

Dr MR Narvekar **FX Coutinho**
PK Kakodkar **Sundeep V Bambolkar**
DM Sukthankar **Aditi Kare Panandikar**
Directors *Whole-time Directors*

Mumbai : July 27, 2004

Statement Pursuant to Part IV to the Companies Act, 1956

22) Balance Sheet Abstract and Company's General Business Profile :

(I) Registration Details –	
Registration No.....	5913
State Code.....	11
Balance Sheet Date	30-06-2004
(II) Capital raised during the year (<i>Amount in Rs Thousands</i>) –	
Public Issue.....	–
Rights Issue.....	–
Bonus Issue.....	–
(III) Position of Mobilisation and Deployment of Funds (<i>Amount in Rs Thousands</i>) –	
Total Liabilities.....	11902.86
Total Assets.....	11902.86
<i>Sources of Funds –</i>	
Paid-up Capital.....	882.00
Reserves & Surplus.....	7919.10
Secured Loans.....	629.26
Unsecured Loans.....	1940.74
Deferred Tax Liability.....	531.76
<i>Application of Funds –</i>	
Net Fixed Assets	4792.95
Investments	74.53
Net Current Assets	6998.60
Miscellaneous Expenditure	36.78
Accumulated Losses	–
(IV) Performance of Company (<i>Amount in Rs lakhs</i>) –	
Total Income	16037.02
Total Expenditure	13128.62
Profit Before Tax	2908.40
Profit After Tax.....	2126.06
Earning per share in Rs.	24.10
Interim Dividend @%.....	50.00
(V) Generic Names of Three Principal Products/Services of the Company (<i>as per monetary terms</i>) –	
Item Code No (ITC Code)	300490.05
Product Description	CYCLOPAM TABLET
Item Code No (ITC Code)	300440.17
Product Description	TUSPEL PLUS SYRUP
Item Code No (ITC Code)	300390.89
Product Description.....	FEBREX PLUS SYRUP

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner

Arun P Shenoy
Company Secretary

Mumbai : July 27, 2004

Suresh G Kare - *Chairman & Mg. Director*
DN Mungale

Dr MR Narvekar **FX Coutinho**
PK Kakodkar **Sundeep V Bambolkar**
DM Sukthankar **Aditi Kare Panandikar**
Directors *Whole-time Directors*

Mumbai : July 27, 2004

Notes Forming Part of Accounts for the year ended 30th June, 2004

14) Consumption of Materials :

	Current Year		Previous Year	
	Qty Tonnes	Value Rs lakhs	Qty Tonnes	Value Rs lakhs
(a) Raw Materials – Azithromycin, Cefadroxyl, Gliclazide, Di-sodium Hydrogen Citrate, Ibuprofen, Paracetamol, Ofloxacin, Sugar etc.	942.00	3209.40	796.00	2429.20
(b) Packing Materials – Aluminium Foils, Tubes, Glass Bottles, Cartons, Labels, PVC Films, PP Caps, Plastic Containers, Boxes, Shippers etc.	–	2067.60	–	1733.00
Total		5277.00		4162.20

15) Imported and Indigenous Materials Consumed :

	Value Rs lakhs	Percentage	Value Rs lakhs	Percentage
	(a) Raw and Packing Materials –			
(i) Imported	36.00	0.68	9.00	0.22
(ii) Indigenous	5241.00	99.32	4153.20	99.78
Total	5277.00	100.00	4162.20	100.00
(b) Stores and Spares consumed Indigenous –	37.84	100.00	28.85	100.00

	Rs lakhs	Rs lakhs
16) Earnings in Foreign Currency (FOB value)	1262.46	596.00
17) Expenditure in Foreign Currency :		
(a) On Travel and Export Promotion	125.60	102.97
(b) On Interest on Foreign Currency Loan	23.68	13.31
(c) Others	8.92	–
18) Value of Imports CIF Basis		
(a) Trading	225.23	298.22
(b) Raw Materials	37.29	9.09
(c) Capital Goods	109.30	12.27

19) The list of small scale undertakings to whom amount is outstanding for more than 30 days is as follows :

Airmech Engineers, Anand Enterprises, Airtech, Apex Drugs & Intermediate Ltd., Akshay Engineering Works, Amishi Drugs & Chemicals, Apex Electromec Pharma Pvt. Ltd., Artek Systems, Ashco Industries Ltd., Atlanta Vinyl Pvt. Ltd., Auto Electrical & Mechanical Work, Beauty Arts, Chintamani Plastics, Cold Gold Refrigeration, Durga Engineering Works, Enar Chemie Pvt. Ltd., Enarai Techprints Pvt. Ltd., Essae-Teraoka Ltd., Fine Airsys, Florale (I) Pvt. Ltd., Ganesh Enterprises, Greener Earth Engineers & Consultants, Harsiddh Industries, Hindustan Phosphates Pvt. Ltd., Hirai Enterprises, Incorp, Inox Air Products Ltd., Jayana Industries, Laxmi Packaging Industries, Mahalaxmi Steels & Hardware, Maini Material Movement P. Ltd., Marck & Care Engineers, Meena Enterprises, Multipac, N. C. Corporation, N. K. Industries, N. K. Textiles, National Electricals, Navnidh Pharma Labs, Neeraj Spotlab, Nimit Kraftpack Industries, Packwell Automation Pvt. Ltd., Para Products Pvt. Ltd., Pearl Organics Ltd., Pharma Spares, Popawala & Co, Power Gun Systems Pvt. Ltd., Prakash Engineering Industries, Press & Pack, Ramnata Sinai Caro & Co., Real Offset, Responsive Industries, Reva Printery, Ronak Flavour & Fragrances, S. S. Engineering Co., S. S. Pharmachem, S. V. Enterprises, Sainath Engineering Enterprises, Salgaonkar Sanchar, Salicylate and Chemicals Pvt. Ltd., Salpra Pharmaceuticals & Chem, Sangat Packaging Industries, Satyam Industries, Sawkar Associates, Shailesh Packaging, Shaltej Enterprises, Shrink Packaging Systems Pvt. Ltd., Shubham Plast, Sudeep Pharma Ltd., Sun & Services, Sunil Chemicals, Sunil Gulati, Thermolab Scientific Equipments Pvt. Ltd., Three-D Containers, Tara Packaging, Unicorn Petroleum Ind Pvt. Ltd., V. P. Mehta & Co, Vardhaman Traders, Vasundhara Rasayans Ltd., Ven-Petro Chem & Pharma P. Ltd., Vilam Exports Pvt. Ltd., Virendra Oil Mills, Vital Flavours & Fragrances, Waaree Instruments Ltd., Water Testing Services.

These outstandings are in the normal course of business.

20) The miscellaneous expenditure to the extent not written off includes Rs. 4.10 lakhs on account of plant certification; Rs. 19.35 lakhs on product registration; Rs. 8.58 lakhs on specific export related expenses and Rs 4.75 lakhs on account of premium on prepayment of Term Loan.

21) Previous year's figures have been regrouped and reclassified wherever necessary to conform with those of the current year.

Notes Forming Part of Accounts for the year ended 30th June, 2004

		Current Year		Previous Year	
		Installed Capacity Per annum	Actual Production	Installed Capacity Per annum	Actual Production
11) Capacities and Production* :	Unit				
Liquid Orals	KL	2800	1969.27	2800	1602.49
Tablets	Million	1700	642.03	1700	599.19
Sweetner Tablets	Million	1200	1251.22	1200	155.64
Capsules	Million	–	1.48	–	1.48
Injectibles and Eye Preparations	KL	220	123.99	220	127.00
Ointments and Lotions	Tonnes	150	172.78	150	207.60
Toothpaste and Mouth Gel	Tonnes	400	629.19	400	572.85

* Actual production includes goods manufactured at third party manufacturing facilities on loan licence basis.

		Sales				Purchases			
		Current Year		Previous Year		Current Year		Previous Year	
Unit	Qty	Value Rs lakhs	Qty	Value Rs lakhs	Qty	Value Rs lakhs	Qty	Value Rs lakhs	
12) Sales and Purchases in respect of each class of Finished Goods :	KL	1897.30	4115.41	1739.85	3767.77	89.18	82.80	108.62	158.62
Liquid Orals	KL	1897.30	4115.41	1739.85	3767.77	89.18	82.80	108.62	158.62
Tablets	Million	637.00	7959.22	630.00	6051.84	38.80	367.61	38.02	398.25
Sweetner Tablets	Million	1295.62	148.78	112.26	27.15	–	–	–	–
Capsules	Million	10.34	249.19	10.67	215.65	9.47	106.46	9.83	65.48
Injectibles & Eye Preparations	KL	126.58	1453.95	118.74	1197.74	7.40	95.72	0.01	1.72
Ointments & Lotions	Tonnes	211.04	1182.03	197.30	944.87	45.36	208.15	0.29	2.91
Toothpaste & Mouth Gel	Tonnes	588.91	2032.37	569.59	2002.11	–	–	–	–
Bulk Drugs & Others	–	–	619.84	–	445.86	–	598.25	–	452.53
			17760.79		14652.99		1458.99		1079.51

		As at 30th June 2004		As at 30th June 2003	
		Qty	Value Rs lakhs	Qty	Value Rs lakhs
13) Stock of Finished Goods :	Unit				
Liquid Orals	KL	272.11	302.52	110.96	128.97
Tablets	Million	81.11	590.54	37.28	262.90
Sweetner Tablets	Million	–	–	44.40	3.99
Capsules	Million	2.17	23.16	1.56	18.74
Injectibles & Eye Preparations	KL	17.18	205.66	12.37	136.50
Ointments & Lotions	Tonnes	30.51	77.91	23.41	78.67
Toothpaste & Mouth Gel	Tonnes	60.80	101.27	20.52	35.92
Bulk Drugs	–	–	10.64	–	–
			1311.70		665.69

Notes Forming Part of Accounts for the year ended 30th June, 2004

10) Related Party Disclosure as required by Accounting Standard 18 issued by the Institute of Chartered Accountants of India

A. RELATIONSHIPS :

- (i) Shareholders of the Company :
- (a) Spa Pharmaceuticals Private Limited (b) Shanteri Investments Private Limited
- (ii) Subsidiary Company :
- Indoco Pharmaceuticals Ltd
- (iii) Other Parties :
- (a) AK Services (b) Indoco Capital Markets Limited
- (iv) Directors and their Relatives :
- Mr SG Kare, Mr SY Rege, Mr PK Kakodkar, Mr DN Mungale, Mr DM Sukhthankar, Dr MR Narvekar, Mr UK Naik, Mr FX Coutinho, Mr Sundeep V Bambolkar, Ms Aditi Kare Panandikar, Ms Aruna Kare, Ms Madhura A Ramani, Dr Anup P Ramani, Ms Ivy Coutinho, Ms Neeta S Bambolkar.

B. TRANSACTIONS WITH THE RELATED PARTIES :

- (i) Details relating to parties referred to in items A(i), A(ii) and A(iii) above -

Nature of Transaction	Shareholders of the Company A (i)		Subsidiary Company A (ii)		Other Parties A (iii)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
Sale of Goods and Services	1.20	2.77	-	-	-	-
Purchase of Goods and Services	577.30	211.03	-	-	38.06	163.03
Loans Repaid	-	257.00	-	-	-	-
Commission (Expenses)	-	-	-	-	64.23	103.53
Balance as at year end :Credit	65.01	14.09	-	-	14.07	58.40
Investment in Shares	-	-	74.00	-	-	-

- (ii) Details relating to persons referred to in item A(iv) above -

Nature of Transaction	Current Year Rs lakhs	Previous Year Rs lakhs
Remuneration	97.61	74.21
Rendering of Services	19.26	19.36
Directors' Sitting Fees	0.50	1.01

Notes Forming Part of Accounts for the year ended 30th June, 2004

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
4) Computation of Net Profit under Section 349 of the Companies Act, 1956 :		
(a) Profit before Tax as per Profit and Loss Account	2908.40	1805.31
Add : (i) Loss on Sale of Fixed Assets	4.06	1.74
(ii) Loss on Sale of Investments	0.47	–
(iii) Depreciation	295.79	286.67
(iv) Provision for doubtful Debts....	–	2.53
(v) Directors' Sitting Fees	0.50	1.01
(vi) Directors' Remuneration	89.70	62.97
	390.52	354.92
	3298.92	2160.23
Less : (i) Profit on Sale of Fixed Assets	17.53	0.08
(ii) Depreciation u/s 350	295.79	286.67
(iii) Profit on Sale of Investment	–	0.15
	313.32	286.90
Net Profit	2985.60	1873.33
(b) Commission Payable to the Managing Director	15.00	15.00
5) Research and Development expense includes salary and wages, chemicals/materials consumed, electricity, travel, repairs, insurance premium and similar such expenses.		
6) (i) Sales include job work income of Rs.5.62 lakhs (Previous Year Rs.9.66 lakhs)		
(ii) Tax deducted at source consists of :		
(a) Rs. 0.98 lakhs on account of Rent Received (Previous year Rs.0.92 lakhs)		
(b) Rs. 0.12 lakhs on account of Job work Charges (Previous Year Rs.0.02 lakhs)		
(c) Rs. 16.95 lakhs on account of Interest received (Previous Year Rs.5.45 lakhs)		
7) Tax Provisions :		
The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the 9 months ended 31st March 2004 and the provision based on the figures for the remaining 3 months upto 30th June, 2004 the ultimate tax liability of which will be determined on the basis of figures for the period 1st April 2004 to 31st March, 2005.		
8) The Company's exclusive business is manufacturing and selling of pharmaceutical products comprising of bulk drugs and formulations and therefore it is the only reportable segment as per Accounting Standard 17 on segment reporting issued by the Institute of Chartered Accountants of India. Although the Company caters to the needs of export markets, the export turnover is not significant in the context of total turnover. As such there is no reportable geographical segment.		
9) Earnings Per Share (EPS) :	<i>Current Year</i>	<i>Previous Year</i>
(a) Profit After Tax (Rs lakhs)	2126.06	1404.17
(b) Weighted Average Number of Ordinary Shares for Basic EPS	8820000	8820000
(c) Effect of Potential Ordinary Shares	–	–
(d) Weighted Average Number of Ordinary Shares for Diluted EPS	8820000	8820000
(e) Earnings Per Share (Face Value Rs.10/- Per Share)		
(i) Basic (a/b)	24.10	15.92
(ii) Diluted (a/d)	24.10	15.92

Notes Forming Part of Accounts for the year ended 30th June, 2004

(k) Research & Development Expenses –

Research & Development cost of revenue nature are charged to Profit and Loss Account when incurred. Expenditure of capital nature are capitalised and depreciation is provided on these assets as per the provisions of Companies Act, 1956.

(l) Miscellaneous Expenditure –

- i) The expenditure incurred on certification and approvals of the plants is amortized over 3 years on the basis of estimated benefits derived in each year.
- ii) The expenditure incurred on certification and the registration of products in the International Market is amortized over 4 years on the basis of estimated benefits derived in each year
- iii) Premium on prepayment of loan is charged to the profit and loss account, over the balance tenure of the loan.
- iv) Specific expenses in connection with developing international business are amortised over 2 years on the basis of estimated benefits derived in each year.

(m) Taxes on Income –

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised subject to the consideration of prudence on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

	<i>Current Year</i> <i>Rs Lakhs</i>	<i>Previous Year</i> <i>Rs Lakhs</i>
2) Contingent liability not provided for :		
(a) Matters under dispute		
(i) Sales Tax	8.29	7.59
(ii) Excise	93.00	67.67
(iii) Income Tax	390.34	17.15
<i>(against the above referred matters an actual amount of Rs. 376.52 lakhs has been paid but the matters are under appeal)</i>		
(iv) In respect of claims made against Company not acknowledged as debts (Labour matters)	23.14	–
(b) Bank Guarantees	54.99	57.33
(c) Letters of Credit	28.69	45.35
(d) Estimated amount of contracts remaining to be executed on Capital Account (net of advances)	552.88	–
3) Remuneration / Perquisites paid / payable to Managing / Whole-time Directors :		
(a) Salary	56.60	36.00
(b) Commission	15.00	15.00
(c) Provident & Super Annuation Fund Contribution	11.75	8.75
(d) Other Perquisites	6.35	3.22
	<u>89.70</u>	<u>62.97</u>

Notes Forming Part of Accounts for the year ended 30th June, 2004

SCHEDULE O :

1) Significant Accounting Policies :

(a) Basis of preparation of financial statements –

- (i) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles as adopted consistently by the Company and the provisions of the Companies Act, 1956.
- (ii) Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.

(b) Fixed Assets and Depreciation –

- (i) Fixed Assets are stated at cost net of cenvat. Pre-operative expenses including trial -run expenses are capitalised. Interest on borrowings till commencement of commercial production attributable to fixed assets are capitalised.
- (ii) Depreciation on Fixed Assets is provided on the written down value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act 1956 on all assets except residential premises, corporate office in Mumbai and assets at Goa factories (I and II) which are depreciated on the Straight Line Method.

(c) Investments –

Long Term Investments are stated at cost less provision, if any, for permanent diminution in the value of such investment.

(d) Inventories –

- (i) Raw Materials and Packing Materials are valued at cost.
- (ii) Goods-in-Process are valued at cost including related overheads.
- (iii) Finished Goods are valued at cost or market value whichever is lower.

(e) Basis of Accounting –

The Company generally follows mercantile system of accounting and all income and expenditure items having a material bearing on the financial statements are recognised on accrual basis.

(f) Foreign Currency Transactions –

The transactions in Foreign Exchange relating to Current Assets/ Liabilities are accounted at exchange rate prevailing on the date of the transaction. Exchange fluctuations on settlement are charged to Profit and Loss Account. Year end balances are translated at closing rates and gains and losses thereon are charged to Profit and Loss Account. Exchange differences on settlement of transactions on fixed assets are included in cost of the Assets.

In respect of the transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the Contract, except in case of liabilities incurred for acquiring fixed assets.

(g) Sales –

Sales are recorded inclusive of excise duty but are net of discounts and sales tax.

(h) Excise Duty –

Excise Duty is accounted for as and when paid on the clearance of the Goods from bonded premises. Provision is made at year end for excise duty in respect of finished products lying in the bonded premises.

(i) Employees' Retirement and Other Benefits –

Company's contribution to Provident Fund, Superannuation are accounted on accrual basis and charged to Profit and Loss Account. The Company also provides for unutilised leave benefits and Gratuity to its employees on actuarial basis.

(j) Borrowing Cost –

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets prior to commencement of commercial production are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

Schedules

Forming part of the Profit and Loss Account

SCHEDULE M : Expenses

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Consumable Stores.....	37.84	28.85
2) Job Work Charges.....	365.22	195.69
3) Power and Fuel.....	257.35	236.64
4) Rent, Rates, Taxes.....	88.17	64.84
5) Insurance.....	31.26	28.76
6) Repairs :		
(a) Buildings.....	45.77	78.46
(b) Plant and Machinery.....	110.93	114.97
	156.70	193.43
7) Personnel :		
(a) Salaries, Wages and Bonus.....	1,742.48	1,478.56
(b) Contributions to Provident and Other Funds	213.97	212.85
(c) Staff Welfare Expenses	39.59	44.07
	1,996.04	1,735.48
8) Packing and Delivery Expenses.....	418.38	299.70
9) R and D and Analytical Expenses.....	157.09	160.37
10) Turnover and Additional Tax	8.94	7.99
11) Advertising and Sales Promotion Expenses.....	736.09	776.59
12) Commission and Incentives on Sales.....	418.04	378.83
13) Travelling, Conveyance and Motor Car Expenses	1,021.42	821.66
14) Legal and Professional Fees.....	34.76	35.89
15) Directors' Sitting Fees	0.50	1.01
16) Postage, Telephone and Telex Expenses.....	72.01	60.32
17) Printing and Stationery Expenses.....	73.79	75.14
18) Payments to Auditors :		
(a) Audit Fees	0.58	0.54
(b) Tax Audit Fees	0.27	0.26
(c) Other Services	0.01	-
	0.86	0.80
19) Loss on Sale of Investments	0.47	-
20) Loss on Sale of Assets	4.06	1.74
21) Miscellaneous Expenditure Written Off*.....	74.99	56.32
22) Provision for Doubtful Debts	-	2.53
23) Other Expenses	263.62	221.56
TOTAL	6,217.60	5,384.14

* Refer Note No. 20 of Schedule 'O'

SCHEDULE N : Interest

1) Interest on Fixed Loans from Banks	23.68	45.35
2) Interest on Other Facilities from Banks	34.82	47.10
3) Other Financial Charges	127.23	82.40
4) Interest on Other Unsecured Loans/ICDs	95.87	131.13
TOTAL	281.60	305.98

Schedules

Forming part of the Profit and Loss Account

SCHEDULE K : Other Income

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Dividend Received	0.02	3.95
2) Interest Received *	134.31	68.29
3) Profit on Sale of Fixed Assets	17.53	0.08
4) Exchange Gain	49.70	30.07
5) Export Incentives	76.67	39.73
6) Sales Tax Refund	36.84	33.99
7) Sundry Balances Written Back	3.49	0.34
8) Profit on Sale of Investments	-	0.15
9) Sundry Receipts *	44.04	23.04
TOTAL	362.60	199.64

*Refer Note No.6 of Schedule 'O'

SCHEDULE L : Materials

1) Cost of Materials Consumed :		
(a) Opening Stock	571.02	574.67
(b) Add : Purchases	5,555.63	4,158.55
(c) Less : Closing Stock	849.65	571.02
	5,277.00	4,162.20
2) Purchase of Finished Goods	1,458.99	1,079.51
3) Excise Duty	190.93	157.39
4) (Increase)/Decrease in Stock of Finished Goods and WIP :		
(a) Opening Stock	818.03	634.18
(b) Closing Stock	1,411.32	818.03
	(593.29)	(183.85)
TOTAL	6,333.63	5,215.25

Schedules

Forming part of the Balance Sheet

SCHEDULE I : Current Liabilities and Provisions

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Current Liabilities :		
(a) Sundry Creditors	2,717.46	1,922.19
(b) Unclaimed Dividend *	5.30	4.32
(c) Interest accrued but not due on loans	11.29	10.32
(d) Other Liabilities	205.54	164.30
	2,939.59	2,101.13
* Liability towards Investor Education and Protection Fund - Not due		
2) Provisions :		
(a) Provision for Bonus	41.24	58.43
(b) Proposed Dividend	-	176.40
(c) Dividend Tax	-	22.60
(d) Provision for Provident and Other Funds	12.40	11.27
(e) Provision for Leave Encashment	106.98	78.84
	160.62	347.54
TOTAL	3,100.21	2,448.67

SCHEDULE J : Miscellaneous Expenditure (to the extent not written off or adjusted)

Deferred Revenue Expenses :		
As per last Balance Sheet	60.22	30.90
Add : Additions during the year	51.55	85.64
Less : Amortised during the year	74.99	56.32
TOTAL	36.78	60.22

Schedules

Forming part of the Balance Sheet

SCHEDULE H : Current Assets, Loans and Advances

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Current Assets :		
Inventories		
(a) Stock of Consumables and Printed Materials	59.97	54.89
(b) Stock in Trade :		
<i>(As certified by the Managing Director)</i>		
(i) Raw and Packing Materials.....	849.65	571.02
(ii) Finished Goods	1,311.70	665.69
(iii) Work in Progress	99.62	152.34
	2,320.94	1,443.94
Sundry Debtors		
<i>Unsecured</i>		
(a) Debts outstanding for more than Six months		
Considered Good	374.65	258.68
Considered Doubtful	31.13	31.13
	405.78	289.81
Less : Provision for Doubtful Debts	31.13	31.13
	374.65	258.68
(b) Other Debts :		
Considered Good	4,500.18	4,176.91
	4,874.83	4,435.59
Cash and Bank Balances		
(a) Cash on hand	5.47	8.81
(b) Balances with Scheduled Banks :		
(i) In Current Accounts	620.21	526.25
(ii) In Fixed Deposit Accounts	1,117.33	765.20
(iii) In Margin Accounts	9.34	4.26
	1,752.35	1,304.52
2) Loans and Advances :		
<i>(Unsecured, Considered Good)</i>		
(a) Advances recoverable in cash or in kind		
or for value to be received	1,070.31	450.44
(b) Advance Income Tax (Net)	64.06	262.98
(c) Balance in Excise Accounts	16.32	66.92
	1,150.69	780.34
TOTAL	10,098.81	7,964.39

Schedules

Forming part of the Balance Sheet

SCHEDULE F : Fixed Assets

Rs lakhs

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st July 2003	Additions during the year	Deductions/ Sales during the Year	As at 30th June 2004	As at 1st July 2003	For the Year	Deductions/ Sales during the during	As at 30th June 2004	As at 30th June 2004	As at 30th June 2003
Land (Lease Hold)	102.60	-	-	102.60	3.88	1.02	-	4.90	97.70	98.72
Buildings & Premises**	2,594.07	3.69	81.90	2,515.86	531.80	76.60	13.03	595.37	1,920.49	2,062.27
Plant & Machinery***	610.48	38.87	4.63	644.72	134.69	33.60	1.61	166.68	478.04	475.79
Handling Equipments	254.65	5.19	-	259.84	85.08	12.31	-	97.39	162.45	169.57
Pollution Control Equipments	143.95	-	-	143.95	29.95	6.88	-	36.83	107.12	114.00
Laboratory Equipments	148.28	31.01	0.41	178.88	24.89	8.36	0.20	33.05	145.83	123.39
R&D Equipments	313.28	54.39	-	367.67	85.89	26.76	-	112.65	255.02	227.39
Plant-Utilities	336.84	174.74	-	511.58	37.17	26.47	-	63.64	447.94	299.67
Electrical Installations	317.39	37.76	-	355.15	64.79	17.28	-	82.07	273.08	252.60
Furniture, Fixtures, Office & Data Processing Equipments	716.97	45.84	-	762.81	373.18	62.56	-	435.74	327.07	343.79
Air-Conditioning Unit	482.22	-	-	482.22	59.31	23.08	-	82.39	399.83	422.91
Vehicles	11.82	2.33	1.83	12.32	7.73	0.89	1.79	6.83	5.49	4.09
Total	6,032.55	393.82	88.77	6,337.60	1,438.36	295.81	16.63	1,717.54	4,620.06	4,594.19
Previous year	5,632.90	416.59	16.95	6,032.55	1,156.35	286.69	4.68	1,438.36		
Capital Work-in-Progress (Including Capital Advances)									172.89	41.64
Total									4,792.95	4,635.83

* Includes additions on account of amalgamation.

** Buildings & Premises includes Rs.250/- in respect of 5 unquoted shares of Rs.50/- each of Navneelam Premises Co-operative Society Limited, Rs.250/- in respect of 5 unquoted shares of Rs.50/- each of Gokul Nandanvan Co-operative Housing Society Limited and Rs.250/- in respect of unquoted shares of Rs.50/- each of Apna Ghar Unit No-54 Co-operative Housing Society Limited.

*** Depreciation on Plant and Machinery to the extent revalued is debited to Revaluation Reserve Account.

SCHEDULE G : Investments

Current Year
Rs lakhs

Previous Year
Rs lakhs

1) Unquoted : (at cost)

(a) Trade : In Subsidiary Company		
Shares of Indoco Pharmaceuticals Limited (740,000 ordinary shares of Rs. 10 each)	74.00	-
(b) Non-Trade - Government Securities		
(i) 12 Yrs. National Defence Certificates	0.01	0.01
(ii) 7 Yrs. National Savings Certificates	0.41	0.26
(c) Shares of Saraswat Co-op. Bank Ltd. (1,000 Ordinary Shares of Rs. 10 each)	0.10	0.10

2) Quoted

(a) Current		
(i) ICICI Flexible Income Plan	-	50.00
(ii) Franklin Templeton Fund	-	50.00
(b) Long Term (at Cost)		
Shares of Citurgia Bio-Chemicals Ltd. (100 Equity Shares of Rs. 10 each)	0.01	0.01
Market Value - Rs. 2,455		
Previous Year - Rs. 1,155		
TOTAL	74.53	100.38

Schedules

Forming part of the Balance Sheet

SCHEDULE C : Secured Loans

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Working Capital Loans including Cash Credit and Packing Credit from Banks*	51.13	570.62
2) Term Loans **	578.13	-
3) Overdraft against Fixed Deposits	-	310.41
TOTAL	629.26	881.03

* Working Capital facilities from banks are secured by hypothecation of Stocks and Book Debts, both present and future and further secured by Equitable Mortgage by Deposit of Title Deeds of Immovable Properties at Andheri- Mumbai, Verna-Goa (Goa -I & II) and Corporate Office, in addition to personal guarantee from the Managing Director.

** Foreign Currency Loan from State Bank of India, is secured by way of First charge on all Movable and Immovable Properties located at Verna-Goa (Goa -II) and Second charge on Immovable Properties located at Verna-Goa (Goa - I), in addition to personal guarantee from the Managing Director.

SCHEDULE D : Unsecured Loans

1) Security Deposits	440.74	376.84
2) Commercial Paper placed with Bank (Maximum balance during the year Rs. 1,500.00 lakhs Previous Year Rs.1,000.00 lakhs)	1,500.00	1,000.00
3) Short Term Loan - Banks	-	467.30
TOTAL	1,940.74	1,844.14

SCHEDULE E : Deferred Tax

1) Deferred Tax Liability		
a) Depreciation	568.84	460.79
b) Deferred Revenue Expenses	13.46	21.60
	582.30	482.39
Less :		
2) Deferred Tax Assets		
a) Provision for Leave Encashment	39.15	28.28
b) Stock Valuation	-	28.52
c) Provision for Doubtful Debts	11.39	11.17
	50.54	67.97
TOTAL	531.76	414.42

Schedules

Forming part of the Balance Sheet

SCHEDULE A : Share Capital

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Authorised : 18,000,000 Equity Shares of Rs. 10 each	<u>1,800.00</u>	<u>1,800.00</u>
2) Issued, Subscribed and Paid up : 8,820,000 Shares of Rs. 10 each fully paid up	<u>882.00</u>	<u>882.00</u>

Out of the 8,820,000 Equity Shares issued and subscribed :

- (a) 3,500 Equity Shares are allotted as fully paid up to vendors pursuant to a contract without payment being received in cash in the year 1948-49.
- (b) 4,300 Equity Shares were allotted as fully paid up to a Director as consideration for purchase of land and building without payment being received in cash in the year 1948-49.
- (c) 3,284,260 Equity Shares were issued as Bonus Shares by capitalising an equivalent amount from the Revaluation and General Reserves.

SCHEDULE B : Reserves and Surplus

1) Capital Reserve	0.02	0.02
2) Share Premium	441.00	441.00
3) Revaluation Reserve		
As per last Balance Sheet	0.12	-
Add : Addition on Amalgamation	-	0.14
Less : Transfer to Profit and Loss Account	0.02	0.02
	<u>0.10</u>	<u>0.12</u>
4) Subsidy - Development Corporation of Konkan		
As per last Balance Sheet	7.50	-
Add : Addition on Amalgamation	-	7.50
	<u>7.50</u>	<u>7.50</u>
5) General Reserve :		
As per last Balance Sheet	4,978.94	5,078.54
Add : Balance of General Reserve Trf on Amalgamation	-	442.21
Add : Transfer from Profit and Loss Account	1,500.00	1,250.00
Add : Balance of Amalgamation Reserve		
Trf on Amalgamation	-	4.00
Less : Cancellation of Investment in Subsidiary	-	1,427.75
Less : Tax paid for earlier years	-	135.00
Less : Deferred Tax Liability of earlier years	-	233.06
	<u>6,478.94</u>	<u>4,978.94</u>
6) Profit & Loss Account	991.54	862.98
TOTAL	<u>7,919.10</u>	<u>6,290.56</u>

Profit and Loss Account

For the year ended 30th June, 2004

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
INCOME			
1) Sales & Operations		17,766.41	14,662.65
(Refer Note No. 6 of Schedule 'O')			
Less : Excise Duty		2,091.99	1,864.94
Net Sales		15,674.42	12,797.71
2) Other Income	K	362.60	199.64
(Refer Note No. 6 of Schedule 'O')		16,037.02	12,997.35
EXPENDITURE			
3) Materials	L	6,333.63	5,215.25
4) Expenses	M	6,217.60	5,384.14
5) Interest	N	281.60	305.98
		12,832.83	10,905.37
GROSS PROFIT			
		3,204.19	2,091.98
6) Depreciation		295.79	286.67
PROFIT BEFORE TAX			
		2,908.40	1,805.31
7) Provision for Tax			
(a) Current		665.00	210.00
(b) Deferred Tax		117.34	191.14
PROFIT AFTER TAX			
		2,126.06	1,404.17
8) Excess / (Short) Provision for Taxation		–	62.98
9) Balance brought forward from last year		862.98	774.47
10) Balance in Profit and Loss Account credited pursuant to a scheme of Amalgamation		–	70.36
PROFIT AVAILABLE FOR APPROPRIATION			
		2,989.04	2,311.98
11) Appropriations :			
(a) Interim Dividend		441.00	–
(b) Proposed Dividend		–	176.40
(c) Dividend Tax.....		56.50	22.60
(d) Transfer to General Reserve		1,500.00	1,250.00
(e) Balance carried to Balance Sheet		991.54	862.98
		2,989.04	2,311.98

Schedules "K" to "N" and Notes to Accounts in Schedule "O" form an integral part of the Profit and Loss Account.

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner

Mumbai : July 27, 2004

Arun P Shenoy
Company Secretary

Suresh G Kare - Chairman & Mg. Director
DN Mungale

Dr MR Narvekar
PK Kakodkar
DM Sukthankar
Directors

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole-time Directors

Mumbai : July 27, 2004

Balance Sheet

As at 30th June, 2004

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
SOURCES OF FUNDS			
1) Shareholders' Funds :			
(a) Share Capital	A	882.00	882.00
(b) Reserves & Surplus	B	7,919.10	6,290.56
		8,801.10	7,172.56
2) Loan Funds :			
(a) Secured Loans	C	629.26	881.03
(b) Unsecured Loans	D	1,940.74	1,844.14
3) Deferred Tax :			
(a) Deferred Tax Liability	E	582.30	482.39
(b) Deferred Tax Asset		(50.54)	(67.97)
		531.76	414.42
TOTAL		11,902.86	10,312.15
APPLICATION OF FUNDS			
4) Fixed Assets :	F		
(a) Gross Block		6,337.60	6,032.55
Less : Depreciation		1,717.54	1,438.36
Net Block		4,620.06	4,594.19
(b) Capital Work in Progress		172.89	41.64
		4,792.95	4,635.83
5) Investments	G	74.53	100.38
6) Current Assets, Loans & Advances :	H		
(a) Inventories		2,320.94	1,443.94
(b) Sundry Debtors		4,874.83	4,435.59
(c) Cash and Bank Balances		1,752.35	1,304.52
(d) Loans & Advances		1,150.69	780.34
		10,098.81	7,964.39
7) Less : Current Liabilities and Provisions :	I		
(a) Current Liabilities		2,939.59	2,101.13
(b) Provisions		160.62	347.54
		3,100.21	2,448.67
Net Current Assets		6,998.60	5,515.72
8) Miscellaneous Expenditure : (to the extent not written off or adjusted)	J	36.78	60.22
TOTAL		11,902.86	10,312.15

Schedules "A" to "J" and Notes to Accounts in Schedule "O" form an integral part of the Balance Sheet.

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner

Mumbai : July 27, 2004

Arun P Shenoy
Company Secretary

Suresh G Kare - Chairman & Mg. Director
DN Mungale

Dr MR Narvekar **FX Coutinho**
PK Kakodkar **Sundeep V Bambolkar**
DM Sukthankar **Aditi Kare Panandikar**
Directors Whole-time Directors

Mumbai : July 27, 2004

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holder.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us and the records examined by us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment and vice-versa.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued debentures.
20. The Company has not raised any money through public issues during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For PATKAR & PENDSE
Chartered Accountants
BM PENDSE
Partner

Mumbai : July 27, 2004

2. In respect of inventory :
 - (a) as explained to us, inventories have been physically verified by the management at the end of the year.
 - (b) in our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) the Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to book records.
3. The Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and on the basis of information and explanations given to us, the Company has adequate internal control procedures commensurate with its size and the nature of its business for the purchase of finished goods, spares, plant and machinery, equipment and other assets and for the sale of goods. During the course of the audit we have not observed any major weakness in internal controls.
5. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to the market prices prevailing at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the

maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

9. In respect of statutory dues :
 - (a) according to the records of the Company, undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax and other statutory dues have been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at June 30, 2004 for a period of more than six months from the date they became payable.
 - (b) the disputed statutory dues aggregating to Rs.115.11 lakhs that have not been deposited on account of matters pending before appropriate authorities are as under :

Sr. No.	Particulars	Financial Years to which matter pertains	Forum where dispute is pending	Amount (Rs lakhs)
1.	Income Tax Act. 1961	1994-95	Appellate Authority - Tribunal Level	6.49
		1996-97	- Do -	11.09
2.	Central Excise Act, 1944	1994-95	CESTAT, Mumbai	37.21
		1995-96	- Do -	2.63
		1996-97	- Do -	4.06
		1996-97	Divisional Dy. Comm. Mumbai	0.77
		1997-98	CESTAT, Mumbai	4.56
		1998-99	CESTAT, Mumbai	0.86
		2002-03	CESTAT, Mumbai	37.95
3.	Sales Tax	2003-04	Asst Comm of Central Excise, Boisar - I Division	2.70
		1991-92	Dy Comm of Sales Tax (Appeals), Mumbai	5.21
		2000-01	Dy Comm of Sales Tax (Appeals), Kolkata	1.58

10. The Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

Auditors' Report

To the Members of Indoco Remedies Limited

We have audited the attached Balance Sheet of INDOCO REMEDIES LIMITED as at June 30, 2004 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above we report that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
 - (c) The Balance Sheet , Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the Directors and taken on record by the

Board of Directors, we report that none of the Directors is disqualified as on June 30, 2004 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- (f) In our opinion and to the best of our information and according to the explanations given to us and read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view, in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2004;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date

and

 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For PATKAR & PENDSE
Chartered Accountants

BM PENDSE
Partner

Mumbai : July 27, 2004

Annexure

To the Auditors' Report

(Referred to in our report of even date for the year ended on June 30, 2004)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, the Company has not disposed off a substantial part of fixed assets during the year and the going concern status of the Company is not affected.



Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Company

1	Name of Subsidiary Company	Indoco Pharmaceuticals Ltd (IPL)
2	The Financial Year of the Subsidiary Company ended on	June 30, 2004
3	Date from which it became Subsidiary Company	April 29, 2004
4	(a) Number of shares held by Indoco Remedies Ltd. and its nominees in Subsidiary at the end of Financial year of the Subsidiary Company.	7,40,000 Equity Shares of the face value of Rs 10/- each fully paid up
	(b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Company	100%
5	The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the holding Company.	
	(a) Not dealt with in the holding Company's accounts :	
	i) For the financial year of the Subsidiary referred to in (1) above	Rs (0.42) lakhs
	ii) For the previous financial years of the Subsidiary Company's since it became the holding Company's subsidiary.	Rs 6.36 lakhs
	(b) Dealt with in holding Company's accounts :	
	i) To the extent of profit after tax for the financial year of the subsidiary referred to in (1) above	NIL
	ii) For the previous financial years of the Subsidiary Company since it became the holding Company's subsidiary.	NIL

Mumbai : July 27, 2004

Arun P Shenoy
Company Secretary

Suresh G Kare - *Chairman & Mg. Director*
DN Mungale
Dr MR Narvekar **FX Coutinho**
PK Kakodkar **Sundeep V Bambolkar**
DM Sukthankar **Aditi Kare Panandikar**
Directors *Whole Time Directors*

Mumbai : July 27, 2004



d) Expenditure on R&D :	<i>Current Year</i> <i>(Rs lakhs)</i>	<i>Previous Year</i> <i>(Rs lakhs)</i>
i) Capital	54.38	6.72
ii) Recurring	111.46	98.51
iii) Total	165.84	105.23
iv) Total as % of Turnover	1.06	0.82

C FOREIGN EXCHANGE EARNINGS AND OUTGO.

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and export plans :

During the year the Company focussed on exports to regulated markets. As a result, we got approval from UK-MHRA for manufacturing two additional products in our Goa Plant-I

It gives us pleasure in informing you that Company signed the first contract with European Company for development of Euro Dossier. The first milestone payment against this contract has already been received and the project is progressing well.

We are soon expected to file first Dossier in CTD format in Europe. Drug Master File (DMF's) for two of our API's are also slated to be filed with European regulatory authorities.

Company's participation in CPhI exhibition held in Germany (Oct 2003) and Arab Health Exhibition held in Dubai (Jan 2004) strengthened our contacts and networking in international markets.

2. Total Foreign Exchange used and earned :

	<i>Current Year</i> <i>(Rs lakhs)</i>	<i>Previous Year</i> <i>(Rs lakhs)</i>
a) Total Foreign Exchange earned (CIF)	1341.38	638.17
b) Total Foreign Exchange used	560.86	472.64

Annexure "B" To the Directors' Report

Statement under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, for the year ended June 30, 2004.

<i>Name of the Employee</i>	Suresh G Kare
<i>Designation</i>	Chairman & Managing Director
<i>Gross Remuneration In Rupees</i>	75,86,477/-
<i>Qualification & Experience</i>	B.Sc. (41 yrs.)
<i>Age</i>	65 yrs.
<i>Date of Employment</i>	26.12.1963
<i>Particulars of previous Employment</i>	First Employment

Notes :

- Gross remuneration includes salary and monetary value of perquisites as per the provisions of the Income-Tax Act, 1961 and the Company's contribution to Provident & Other Funds.
- The nature of employment is contractual.
- Mr Suresh G Kare, Chairman & Managing Director is a relative of Ms Aditi Kare Panandikar, Director-Business Development & HRD.



Annexure "A"

To the Directors' Report

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A CONSERVATION OF ENERGY :

- a) Energy Conservation Measures Taken :
1. Variable Frequency Drives (VFDs) are installed for critical production equipment.
 2. Energy monitors / demand controllers are installed on power control panels for efficient monitoring and controlling of maximum demand.
 3. Cooling towers are fitted with temperature controllers to cut off the cooling fans.
 4. Controllers are installed for air handling units to schedule on / off operations.
 5. 100% usage of treated effluent for gardening.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
1. Solar based systems for generation of electrical power for lighting purpose.
 2. Variable Frequency Drives for air handling units coupled with pressure sensors.
 3. Water recovery and treatment system for recovery of water used for washing.
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- The implementation of the above energy conservation measures have helped the Company to curtail consumption of furnace oil, electrical energy and water.

Total energy consumption and energy consumption per unit of production as per prescribed Form "A".

1. Power and Fuel Consumption

	Current Year	Previous Year
a) Electricity –		
Purchased		
Unit (lakhs)	31.42	32.06
Total Amount		
(Rs. lakhs)	152.76	147.75
Rate/Unit	4.86	4.61

b) Furnace Oil		
Purchased Qty.		
(kilo litres)	595.90	587.00
Total Amount		
(Rs. lakhs)	81.25	86.08
Rate/Unit	13.71	14.73

2. Consumption per unit of production

Since the Company manufactures large number of formulations with the product mix changing significantly, there are no specific standards.

B TECHNOLOGY ABSORPTION :

Efforts made in technology absorption, adaptation and innovation as per prescribed "Form B"

RESEARCH & DEVELOPMENT

- a) Specific areas in which R & D was carried out by the Company :
- Research & Development Centre, located at Mumbai, conducts Research & Development work on various dosage forms, viz; conventional, coated, delayed release, sustained release, dispersible and chewable tablets, semi-solid dosage forms, liquid orals, injectibles and ophthalmics. R&D Department also works on existing formulations for process improvements. Major emphasis of the R&D Department is on development of New Drug Delivery Systems (NDDS) like gastroretentive dosage forms.
- b) Benefits derived as a result of the above R&D :
- As a result of well equipped R & D, the Company has been able to take up projects for international markets. The Company has entered European market and will be able to enter US market as a result of R&D activities. The Company has also been able to enhance its presence in the domestic market by introducing several new products.
- c) Future plans :
- Research will be carried out in the field of New Drug Delivery System (NDDS) with emphasis on newer technologies. R&D will be undertaking more and more projects for European and US markets so as to strengthen the Company's presence internationally.



- of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a 'going concern' basis.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo :

The information required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are set out in Annexure 'A' and forms part of this Report.

Depository System :

As the members are aware, your Company's shares can be held in electronic form and in this regard the Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialisation of the Company's shares with either of the Depositories as aforesaid.

Cost Audit :

As per the Government's directive, the Company's Cost Records for the year ended June 30, 2004 are being audited by Cost Auditor, PA Sevekari who is appointed by the Board to conduct Cost Audit pursuant to provisions of Section 233B of the Companies Act, 1956.

Employees' Particulars :

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees, is given in Annexure 'B' to the Directors' Report.

Auditors :

The Auditors, M/s Patkar & Pendse, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed. The Company has received a letter from M/s Patkar & Pendse pursuant to Section 224(1B) of the Companies Act, 1956, regarding their eligibility for re-appointment.

Acknowledgements :

Your Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work, commitment and the faith reposed in the Company by the medical fraternity, customers and business associates.

Your Directors would also like to place on record the support extended to the Company by the Bankers, Government and other Regulatory Agencies.

For and on behalf of the Board of Directors

SURESH G KARE

Chairman & Managing Director

Mumbai : July 27, 2004



During the year under review, ICRA Ltd. reaffirmed its rating of A1+ for the Company's Rs 15 crores commercial paper/short term debt programme, indicating highest safety and most comfortable prospects of timely debt repayment.

Expansion :

To strengthen its focus on regulated markets, the Company will be undertaking a series of expansions during the current year.

A state-of-the art Tablets manufacturing facility is being set up at Verna-Goa. This facility will comply with the US-FDA GMP standards. The estimated investment in this facility is about Rs. 14 crores.

As part of its initiative in developing the Active Pharmaceutical Ingredients (API) Product pipeline, the Company is planning to set up an API manufacturing facility at Mahad, Maharashtra at an estimated investment of Rs 30 crores.

During the year under review, your Company has acquired Indoco Pharmaceuticals Ltd. (formerly known as Spade Pharamceuticals Pvt. Ltd.). Indoco Pharmaceuticals Ltd. will be setting up a Tablet, Ointment and Toothpaste manufacturing facility at Baddi, Himachal Pradesh. The total estimated investment in this facility is about Rs 23 crores.

In order to facilitate the registration of product licences in UK, your Company has initiated the formation of a Company in UK. Your Company has also identified the southern African region to be a major contributor to its exports. Consequently, a subsidiary Company formation has been initiated in South Africa.

Outlook :

In order to meet the challenges of globalization and new product patent regime post 2005, the Company has lined up certifications from UK-MHRA and US-FDA and other regulated market authorities. Your Company has also embarked upon filing of Euro dossiers with UK-MHRA and ANDAs with USFDA. This step will act as a major growth-engine in times to come. The Company's major thrust will be towards exports to the regulated markets.

With the successful launch of new speciality division "RADIUS" the Company has made foray into new generation life-style anti-diabetic and cardiological segment thereby reducing its dependence on older molecules. The Company expects substantial growth in this segment in the near future.

Subsidiary Company :

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of Directors relating to the Company's subsidiary, Indoco Pharmaceuticals Ltd., and Auditors Report are annexed to this Report.

A statement of holding company's interest in the subsidiary Company is part of this Annual Report.

The Registrar of Companies, Maharashtra has confirmed the availability of a new name for Indoco Pharmaceuticals Limited which is Indoco Healthcare Limited.

Directors :

In accordance with the provisions of Articles of Association of the Company, Mr PK Kakodkar and Mr SY Rege retire by rotation as Directors of the Company and being eligible, offer themselves for re-appointment.

Mr FX Coutinho, Mr Sundeep V Bambolkar and Ms Aditi Kare Panandikar were appointed as Additional Directors of the Company by the Board of Directors at their meeting held on March 27, 2004. At the same Board Meeting they were also appointed Whole-time Directors w.e.f. April 1, 2004 for a period of five years. As per the provisions of Section 260 of the Companies Act, Mr Coutinho, Mr Bambolkar and Ms Panandikar will hold office only upto the forthcoming AGM and a resolution seeking their re-appointment as Directors has been included in the Agenda of the AGM.

Directors' Responsibility Statement :

Pursuant to the provisions contained in Section 217 (2AA) of Companies Act, 1956, your Directors confirm as under :

- (i) that in the preparation of Annual Accounts the applicable Accounting Standards have been followed and no material departures have been made from the same;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets

ALL INDIA NETWORK



- Corporate Office**
 1. Indoco House
Mumbai (Maharashtra)
- Research & Development**
 2. Mumbai (Maharashtra)
- ▲ Plants**
 3. Mumbai (Maharashtra)
 4. Tarapur (Maharashtra)
 5. Aurangabad (Maharashtra)
 6. Verna (Goa)

- ◆ Sales Offices and Depots**
 7. Ahmedabad (Gujarat)
 8. Bangalore (Karnataka)
 9. Bhiwandi (Maharashtra)
 10. Bhuvaneshwar (Orissa)
 11. Chandigarh (Punjab)
 12. Chennai (Tamilnadu)
 13. Cochin (Kerala)
 14. Cuttack (Orissa)
 15. Delhi
 16. Guwahati (Assam)
 17. Hyderabad (AP)
 18. Indore (MP)
 19. Jaipur (Rajasthan)
 20. Kolkata (W Bengal)
 21. Lucknow (UP)
 22. Margao (Goa)
 23. Patna (Bihar)
 24. Palakkad (Kerala)
 25. Pune (Maharashtra)
 26. Raipur (Chhattisgarh)
 27. Ranchi (Jharkhand)
 28. Roorkee (Uttaranchal)
 29. Vijaywada (AP)