

Annual
Report
2005-2006

constantly evolving...



consistently excelling...



A SURESH G KARE Enterprise

Contents

- Notice 1-2
- Directors' Report 3-9
- Report on Corporate Governance 10-19
- Management Discussion and Analysis 20-24
- Auditors' Report 25-27
- Balance Sheet 28
- Profit and Loss Account 29
- Schedules 30-36
- Notes to Accounts 37-43
- Balance Sheet Abstract and Company's General Business Profile 44
- Cash Flow Statement 45-47
- Statement Pursuant to Section 212 of the Companies Act, 1956,
relating to Company's Interest in Subsidiary Companies 48
- Auditors' Report (Consolidated) 49
- Balance Sheet (Consolidated) 50
- Profit and Loss Account (Consolidated) 51
- Schedules (Consolidated) 52-58
- Notes to Accounts (Consolidated) 59-62
- Balance Sheet Abstract and
Company's General Business Profile (Consolidated) 63
- Cash Flow Statement (Consolidated) 64-65
- Financial Highlights 66
- Proxy Form cum Attendance Slip 67

BOARD OF DIRECTORS



Suresh G Kare
Chairman & Mg. Director



FX Coutinho
Director - Marketing



Sundeep V Bambolkar
Director - Finance & Operations



Aditi Kare Panandikar
Director - Business Development & HRD



Suresh G Kare, *Chairman & Mg. Director*

SY Rege
PK Kakodkar
DN Mungale
DM Sukhtankar
Dr MR Narvekar
DM Gavaskar
FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar

Company Secretary -
Anil Kale

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



Chairman's Message

Dear Shareholders,

The Indian economy is celebrating the completion of 15 years of its economic reforms. In the last 2 to 3 years the economy appears to be shifting into a higher orbit of growth trajectory, recording an average GDP growth of around 8% p.a., while the inflationary conditions have moderated to around 5% decelerating significantly from the relatively higher levels in the earlier periods.

It is also noteworthy that the industrial sector has managed to exhibit impressive performance in the recent years, despite significant constraints and challenges posed by the slow development of infrastructure. It has also displayed resilience in its ability to cope with the adverse developments such as oil price increases.

The year 2005-06 saw record investments in infrastructure by Indoco. As committed during the Company's IPO in December'04, all the projects have been completed within a span of eighteen months. The formulations manufacturing facility at Baddi and the R&D Centre at Navi Mumbai were commissioned during the year. On July 4, 2006, Indoco acquired La Nova Chem (I) Pvt Ltd. which owns a US-FDA approvable API manufacturing facility. This acquisition will substantially hasten the company's aspirations of commissioning a US-FDA approvable API manufacturing plant.

During the year, Indoco received its first major US accreditation. The Company's sterile ophthalmic manufacturing facility was approved by the US-FDA in December'05. The two ANDAs filed by the Company's business associate are under review with the US-FDA. The UK-MHRA approved the new tablet manufacturing facility, the pilot plant for tablet manufacturing and also the cream/ointment section in the Goa Plant I. We have also received an approval

from Darmstadt Germany for the tablet section. With these accreditations, Indoco is now well poised to strengthen its presence in Europe.

The total sales in the year 2005-06 at Rs. 269.9 crores were higher by 25% over the earlier year and the Profit After Tax grew by 25.9%. While the exports grew by 49%, it is noteworthy that exports to regulated markets of the West grew by 76%.

During the year, the 5th Marketing Division SURGE which specifically addresses the product needs of the surgeons has begun its operation. All the other Divisions – INDOCO, SPADE, RADIUS and WARREN, have shown impressive performance and contributed substantially to the company's overall growth.

Given our inherent strengths, I am confident that Indoco will continue its sustainable growth path in time to come.

I acknowledge & appreciate the continuing dedicated efforts of all Indocoites, in enabling the company to grow & strengthen further in times to come.



SURESH G KARE
Chairman & Managing Director



INDOCO REMEDIES LIMITED

INDOCO HOUSE, 166 CST ROAD, KALINA, SANTACRUZ (E), MUMBAI - 400 098.

Notice

Notice is hereby given that the Fifty Ninth Annual General Meeting of INDOCO REMEDIES LIMITED will be held at MIG Cricket Club, MIG Colony, Bandra (East), Mumbai - 400 051, on Tuesday, November 7, 2006 at 2:30 pm to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended June 30, 2006 and the Balance Sheet as at that date together with the Report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended June 30, 2006.
3. To appoint a director in place of Mr FX Coutinho, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Sundeep V Bambolkar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs Aditi Kare Panandikar, who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint Auditors until the conclusion of the next succeeding Annual General Meeting, and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"Resolved that in terms of the provisions of Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Association of the Company be and are hereby altered, by replacing the existing Article 189 by the following Article :

Every deed or other instrument, to which the seal of the Company is required to be affixed, shall be signed by any person or persons as may be authorised by the Board for the purpose."

Notes :

1. An Explanatory Statement in accordance with the provisions of Section 173 (2) of the Companies Act, 1956, in respect of business stated at item No.7 of the Notice, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER.

THE PROXY FORM IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Transfer Books of the Company will be closed from 03.11.2006 to 07.11.2006 (both days inclusive).
4. Payment of dividend as recommended by the Directors, if approved at the Meeting, will be made to those members whose names appear on the Company's Register of Members on 07.11.2006. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on November 7, 2006 as per details furnished by the Depositories for this purpose. The dividend will be paid on and from November 8, 2006.



Notice (contd.)

5. Members are requested to intimate change of address, if any, to the Registrars immediately.
6. In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company will be required to transfer dividends which have remained unpaid/unclaimed for a period of 7 years, to the Investor Education & Protection Fund, established by the Government. Accordingly, the Company will be required to transfer in the year 2006-07, the Final Dividend for the year ended June 30, 1999 which has remained unclaimed/unpaid. Those shareholders who have not encashed their warrants are requested to approach the Company immediately.
7. Queries, if any, on the accounts and operations of the Company, may please be sent to the Company seven days in advance of the Meeting so as to enable the Company to provide appropriate response thereto, at the Meeting.
8. Members are advised to avail the nomination facility in respect of the shares held by them singly. Nomination forms can be obtained from the Company.

By order of the Board

ANIL KALE

Company Secretary

Place : Mumbai

Date : August 10, 2006

Annexure to Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 7

The present Article 189 requires that every deed or instrument to which the seal of the Company is required to be affixed, shall unless the same be executed by a duly constituted Attorney, be signed by one of the Directors and Secretary or some person appointed by the Board for the purpose.

For the sake of operational convenience, it is now proposed that such documents to which the seal of the Company is required to be affixed, shall be signed by any person or persons as may be authorised by the Board for the purpose.

Pursuant to the provisions of Section 31 of the Companies Act, 1956, any alteration to the Articles of Association of the Company requires shareholders' consent. Hence, this resolution is being put up for your approval.

None of the Directors is concerned or interested in the passing of this resolution.

By order of the Board

ANIL KALE

Company Secretary

Place : Mumbai

Date : August 10, 2006

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 59th Annual Report together with the Audited Accounts for the financial year ended June 30, 2006.

FINANCIAL PERFORMANCE –

Summary of Financials :

	<i>Rs lakhs</i> <i>CONSOLIDATED</i>		<i>Rs lakhs</i> <i>STAND ALONE</i>	
	<i>Current Year</i>	<i>Previous Year</i>	<i>Current Year</i>	<i>Previous Year</i>
Sales & Operations	26,960	21,578	26,960	21,578
Less : Excise Duty	2,618	2,163	2,618	2,163
Net Sales	24,343	19,415	24,343	19,415
Other Income	725	481	841	481
Total Income	25,068	19,896	25,184	19,896
Profit Before Interest, Depreciation and Tax	5,507	4,474	5,153	4,483
Interest	579	375	574	375
Depreciation	632	434	595	434
Profit Before Tax	4,296	3,665	3,984	3,674
Less : Provision for Taxation				
- Current	249	700	249	700
- Deferred	776	445	776	445
- Fringe Benefit	121	16	120	16
Profit After Tax	3,149	2,504	2,838	2,513
- Balance brought forward	1,322	992	1,331	992
	4,471	3,496	4,169	3,505
Appropriations :				
Proposed Dividend	739	591	739	591
Dividend Tax	104	83	104	83
Transfer to General Reserve	1,500	1,500	1,500	1,500
Balance carried forward	2,128	1,322	1,826	1,331
	4,471	3,496	4,169	3,505



During the year 2005-06, INDOCO registered a 24.9% increase in its consolidated sales revenues over the preceding year. The consolidated profit before tax (PBT) and profit after tax (PAT) registered an increase of 17.2% and 25.8%, respectively, during the same period.

This increase in the overall sales has been contributed both by the formulation sales in the domestic markets, which grew by about 20%, and international sales, which grew by about 48%.

Dividends & Reserves :

Your Directors have recommended a dividend of Rs.6.25 per equity share for the year ended 30th June, 2006 (Previous year Rs.5/- per equity share). If approved by the shareholders at the Annual General Meeting, the dividend will absorb Rs.8.42 cr. (Previous year Rs.6.74 cr.) inclusive of Dividend Distribution Tax of Rs.1.04 cr. (Previous year Rs.0.83 cr.)

The Directors have also recommended transfer of an amount of Rs.15.0 crore to General Reserves.

IPO Funds :

The commitments made on the utilization of the IPO proceeds have been adhered to during the period following the IPO. As on 30th June, 2006, INDOCO has invested the IPO proceeds in setting up a manufacturing facility at Baddi, Himachal Pradesh, a Research & Development Centre at Navi Mumbai, in repaying the funds borrowed for the acquisition of the brand KARVOL PLUS, and for acquiring the additional premises for the Corporate Office in Mumbai.

In continuation of the said commitment, INDOCO has also invested a part of the IPO proceeds for acquiring an API manufacturing facility in early July, 2006.

Credit Rating :

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

OPERATIONS –

Domestic Business :

With the trust & confidence reposed in the medical profession, the products like Neurochek, Methycal, Glychek, MCBM-69, etc., have substantially contributed to the revenues generated by Indoco & Spade divisions.

Warren division focuses mainly on ophthalmic & dental care products. During the year, Warren has introduced an innovative anti-caries toothpaste for kids - KIDODENT, which has been well received by dentists. Warren's entry in to the niche dermatology segment, is also expected to improve Warren's performance.

Radius division caters to the needs of Diabetologists & Cardiologists, which primarily deals with chronic and life-style diseases segments. The diabetic population in India is growing at over 20% every year. The incidence of cardiovascular diseases is also on the rise. This forms a good platform for the acceleration of Radius division's growth.

During the year, a fifth marketing division, SURGE, was launched to specifically address the product needs of General Surgeons & Orthopedicians. SURGE has been launched in 6 states, and is getting an encouraging response.

Consequently, INDOCO's domestic business is expected to grow consistently.

International Business :

International business accounts for about 16% (13% in 04-05) of the total revenues of INDOCO. During the year ended 30th June, 2006, the international formulations business grew by 48%. It is noteworthy that the business in regulated markets accounted for a growth of 76%.



INDOCO's entry into the API business by virtue of its acquisition of La Nova Chem, is also expected to strengthen the international business.

The last year saw INDOCO getting accreditations from international regulatory authorities for its manufacturing facilities. Plant-II at Goa was approved by US-FDA for its sterile ophthalmic manufacturing facility. Plant-I at Goa was approved by UK-MHRA in respect of its capsules & creams/ointments manufacturing facility. Further, there was also a renewal of the UK-MHRA approval in respect of the tablet manufacturing facility of the Plant-I at Goa and also a fresh approval for its newly constructed tablet facility. The approval extends to the "Pilot Facility" in the new tablet area. With the approval of this pilot plant, INDOCO will be in a position to conduct validation batches for Clinical trials / BE studies for products to be registered in Europe. This in turn will give INDOCO a right to supply the products for a period of five years from the date of commercial launch by its customers.

The year also witnessed approval from the German Health Regulatory Authorities, for the tablet manufacturing facility at Plant-I Goa, which has enabled the commencement of exports to Germany.

During the year under review, the business to East European countries has increased many fold. This was made possible by the tremendous efforts in registering a number of products in this region. The international business operations were also extended to various CIS countries.

In terms of getting a foothold in US market, a considerable progress has been made during the year; two ANDA's have already been filed with the US-FDA from the sterile ophthalmic facility. The approval for the first ANDA is expected during the year, which would trigger the exports to US market.

New R&D Centre :

During the year, INDOCO has set up and commissioned its state-of-the-art Research & Development centre at Navi Mumbai, with a built-in Kilo-lab facility. The R&D Centre and the kilo-lab facility, are expected to boost the API synthesis and development efforts, which are primarily directed to cater to requirements of regulated markets. The kilo-lab facility is expected to add to revenues in the short run, apart from aiding the API development efforts.

SUBSIDIARIES –

INDOCO has two fully owned subsidiaries - Indoco Healthcare Ltd. (IHL) and Indoco Holdings Netherlands BV, (IHN). The IHL has a manufacturing facility at Baddi, Himachal Pradesh, financed by INDOCO. Keeping in view the synergy of operations to be derived, INDOCO has planned to merge IHL with the parent company. The Board of Directors of both the companies have approved the Scheme of Merger, and IHL has filed applications at the Hon'ble High Court at Shimla for initiating the merger process.

The subsidiary, Indoco Holding Netherlands BV (IHN) was set-up in The Netherlands, in 2004, with a view to aid the international business operations in that region. However, considering the current marketing situation & other economic factors, it has been decided to close down IHN.

Early in July '06, INDOCO has acquired 100% shares of La Nova Chem (India) Pvt Ltd. This was done primarily to have access to its API manufacturing facility at Patalganga, Raigadh, Maharashtra. This acquisition is pursuant to the efforts of INDOCO to become a complete end-to-end solution provider ethical pharmaceuticals in the international markets.

A statement containing particulars in term of the provisions of sec. 212(1)(e) of the Companies Act 1956, in relation to the subsidiary companies, is annexed to & forms part of this Report.

In compliance of the provisions of Clause 32 of the listing agreement, Audited Consolidated Financial Statements have been annexed to and forms part of this Report.

INDOCO has received an approval from the Government of India, Ministry of Company Affairs, vide their letter no.47/29/2006-CL-III dated 24th May, 2006, exempting INDOCO from attaching the balance sheet and profit & loss



account of its subsidiaries. The said annual accounts of the subsidiary companies and the related detailed information will be made available to any shareholder seeking such information, at any point of time. The annual accounts of the subsidiary companies will also be kept open for inspection by any shareholder, at the registered office of INDOCO. The intending shareholders can write to the Company Secretary of INDOCO, at its registered office, for such information and/or inspection.

CORPORATE GOVERNANCE –

In compilation of the provisions of Clause 49 of the Listing Agreement, the prescribed report on the Corporate Governance, as well as a certificate from the Auditors on the compliance of the conditions of the Corporate Governance, are annexed to and form part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT –

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 :

- (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 year;
- (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 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.

DIRECTORS –

The three directors of your company, viz. **Mr FX Coutinho, Mr Sundeep V Bambolkar & Ms Aditi Kare Panandikar**, retire by rotation at the forthcoming Annual General Meeting, and they are eligible for re-appointment.

In term of the clause 49 IV G(i) of the Listing Agreement, the required particulars of the directors seeking re-appointment, as above, is given herebelow.

Mr FX Coutinho : *Director - Marketing*

Mr FX Coutinho holds Bachelor of Science degree from Bombay University. Mr Coutinho has also completed his Management Studies from University of Bombay. Mr Coutinho joined the Company in the year 1975 and has over 29 years of experience in sales & marketing functions. He is also on the Board of Indoco Healthcare Limited. Further, he is also the member of the Share Transfer Committee of Indoco Remedies Limited.

Mr Sundeep V Bambolkar : *Director - Finance & Operations*

Mr Sundeep V Bambolkar is a Science Graduate and holds a Masters Degree in Business Administration from the University of Bombay. He was also selected to attend the Global Advanced Management Programme jointly conducted by Indian School of Business, Hyderabad and Kellogg School of Business at Chicago in USA. Mr Sundeep V Bambolkar joined INDOCO group in the year 1982 and has over 24 years of experience in the Pharmaceutical industry, across various functions such as Purchase, Operations, Finance & International Business. He is also on the boards of Spa Pharmaceuticals Pvt Ltd, Indoco Global Markets Pvt Ltd, Indoco Healthcare Ltd, Indoco Holdings Netherlands BV and Indoco UK Ltd. Further, he is a member of the Share Transfer Committee as well as Shareholders/Investors Grievance Committee of Indoco Remedies Limited.



Ms Aditi Kare Panandikar : *Director - Business Development & HRD*

Ms Aditi Kare Panandikar is a Graduate in Pharmacy from University of Bombay. She also holds Masters Degree in Management from Ohio State University, USA. She joined the Company in the year 1993 and has over 13 years of experience in the Human Resource & Business Development functions. She is the eldest daughter of Mr Suresh G Kare. She is also on the boards of Shanteri Investment Pvt Ltd, Indoco Global Markets Pvt Ltd, Indoco Healthcare Limited, Indoco Holdings Netherlands BV and Indoco UK Ltd. Further, she is a member of the Shareholders/Investors Grievance Committee and Share Transfer Committee of Indoco Remedies Limited.

AUDITORS –

M/s Patkar & Pendse, Chartered Accountants, hold their office as Auditors till the conclusion of the ensuing Annual General Meeting, and are eligible for re-appointment. M/s Patkar & Pendse have provided INDOCO with a certificate prescribed under the provisions of section 224(1B) of the Companies Act, 1956. They have also conveyed their willingness to accept the office as Auditors, if re-appointed. The Audit Committee of the Board has recommended their re-appointment.

COST AUDIT –

As per the Order of the Government, INDOCO's Cost Records in relation to the formulations manufacturing activity, for the year ended June 30th, 2006, are being audited by Cost Auditor, Mr Prakash A Sevekari, Cost Accountant, who has been appointed by the Board, and whose appointment has been approved by the Government, to conduct the said audit in terms of the provisions of Section 233B of the Companies Act, 1956.

INFORMATION IN TERM OF SECTION 217(1)(e) & SECTION 217(2A) –

Information in terms of the provision of section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended, is contained in Annexure-A to this report and forms part of this Report.

Information in terms of the provision of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is contained in Annexure-B to this report. However, in terms of the provisions of section 219(1)(b) of the Companies Act, 1956, the said annexure has not been forwarded to the shareholders; and shareholders interested in the said information may write to the Company Secretary at the Registered office of the Company.

EMPLOYEES RELATIONS –

The employees relation at all levels at all units continued to be the most cordial during the year.

ACKNOWLEDGEMENT –

Your Directors wish to place on record their appreciation of the employees at all levels for their dedicated efforts. The Directors also wish to place on record a word of sincere appreciation to the bankers & financial institutions, the investors, the vendors, the customers, the medical profession and all other business associates for their continued support.

For and on behalf of the Board of Directors

SURESH G KARE

Chairman & Managing Director

Mumbai : August 10, 2006





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.

1 CONSERVATION OF ENERGY –

(a) Energy conservation measures taken :

- (i) Variable frequency drives have been installed for air handling units with differential pressure logic and control.
- (ii) Use of condenser return from chillers being used as hot water for HVAC application.
- (iii) Smaller air-compressors have been installed for night operations.
- (iv) Refrigerated air-driers are installed in place of desiccant type to avoid air losses.
- (v) Pumping system in HVAC is installed with DP control logic for chilled water and hot water.
- (vi) Power saving tube-lights have been installed in continuous use area.

(b) Additional investments and proposal if any being implemented for reduction of consumption of energy :

- (i) Vapour absorption chillers to be replaced with energy efficient screw chiller.
- (ii) Non-IBR boilers to be replaced with high efficiency IBR boilers with alternate fuel (Dry Bagasse) for steam generation.
- (iii) AHUs to be installed with DX coil for night operations.
- (iv) Variable Frequency Drives to be installed for ventilation units.
- (v) Saving potential in lighting being explored using lighting transformer with logic control.

(c) Impact of the measures at (a) and (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 has helped the company to curtail consumption of furnace oil and electric energy.

(d) Total energy consumption and energy consumption per unit of production as per prescribed Form "A" :

(i) Power and Fuel Consumption

	Current Year	Previous Year
(1) Electricity –		
Purchased Unit (lakhs)	70.89	51.10
Total Amount (Rs lakhs)	549.05	297.51
Rate/Unit (Rs)	7.74	5.82
(2) Furnace Oil –		
Purchased Qty. (kilo litres)	644.00	688.82
Total Amount (Rs lakhs)	127.29	100.54
Rate/Unit (Rs)	19.76	14.60

(ii) Consumption per unit of production

On account of the manufacture of products with varied pack sizes / units of measures, it is not practical to express the consumption of power per unit of production.

2 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 and Development centre focuses on API synthesis, formulation development and analytical method development. R&D work includes development of APIs (through non infringing processes) & a range of dosage forms. R&D carries out generic product development, right from API synthesis & formulation development, including literature survey, development pharmaceuticals, stress studies, process characterization, preparation of CTD dossiers / ANDA, stability studies, etc.

(b) *Benefits derived as a result of the above R&D :*

As a result of development work carried out at the R&D centre, the Company has introduced several new products in the domestic market and has successfully completed site transfer of a number of products for Regulated Markets, viz., UK, Germany, Eastern Europe, etc. A well equipped, self sufficient R&D with Kilo Lab facility for APIs and a Pilot plant facility for Formulations has helped in generating a number of international contracts for developmental work. During the year, we could bag nine such product development contracts from U.S., European and Australian customers for a value of Rs.51 million. Some of these contracts have been executed and a few of them are in the final stages of completion. This activity brings additional revenue and also enhances the intellectual capital of our R&D scientists due to intensive interaction with customers during the execution of these contracts.

(c) *Future Plans :*

The newly set up R&D centre at Rabale, is operating on a full scale and we expect to complete synthesis of four generic molecules in the ensuing year. The Company's focus would be to tap the US & European generics market. We will be generating & compiling our own Euro Dossiers and ANDAs and market the products through a marketing partner. The stress will be on generating more of our own intellectual property by filing process and formulation patents.

(d) *Expenditure on R&D :*

	<i>Current Year (Rs lakhs)</i>	<i>Previous Year (Rs lakhs)</i>
(i) Capital	2,247.03	272.71
(ii) Recurring	222.72	184.31
(iii) Total	2,469.75	457.02
(iv) Total as % of net revenue	10.15%	2.35%

3 FOREIGN EXCHANGE EARNINGS AND OUTGO.(a) *Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and export plans :*

During the year under review, the international formulations business grew by 48%. This growth was driven by business from regulated markets, which grew by 76%

The business to East European countries has increased many fold. This was made possible by the tremendous efforts in registering a large number of products in this region. The international business operations were also extended to various CIS countries.

In terms of getting a foothold in US market, a considerable progress has been made during the year; two ANDA's have already been filed with the US - FDA from the sterile ophthalmic facility. The approval for the first ANDA is expected during 2006-07 which would trigger the exports to US market.

In semi-regulated markets, INDOCO has active business in about 40 countries. Further, dossiers have also been submitted in additional 20 countries, thus increasing INDOCO's presence to 60 countries.

(b) *Total Foreign Exchange used and earned :*

	<i>Current Year (Rs lakhs)</i>	<i>Previous Year (Rs lakhs)</i>
(i) Total Foreign Exchange earned (CIF)	4,319.14	2,908.29
(ii) Total Foreign Exchange used	2,211.26	868.16





Report on Corporate Governance

Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges

Governance Philosophy

Your Company's strong commitment to ethical business practices is a virtue of its Board of Directors, Management and Employees. Over the years, your Company has instilled a Corporate Governance ethic which will go a long way in strengthening stakeholders trust and maximising long-term corporate value. This provides ample opportunities to improve the performance of the Board and renewed scope for public reporting ultimately leading to transparency, accuracy and enhancement of investors' returns. The Company's core values are based on integrity, quality, respect for the law and compliance thereof and a caring spirit towards its people. Your Company strongly believes that people are the best drivers for the growth of the organisation.

Composition of the Board

a) Size and Composition of the Board :

The Company's policy is to have a proper blend of Executive and Independent Directors to maintain the independence of the Board and to separate the board functions of Governance and Management. The Board consists of ten members, four being Executive and Wholetime Directors and six are Independent Directors.

The details in regard to the attendance of Directors at Board Meetings/Shareholders Meetings held during the year as also the number of Directorship/s held by them in other Companies and the position of membership of Committee/s are given below:

Name of Director	Category	No. of Board Meetings attended out of 6 Meetings held	Attendance at the AGM held on September 29, 2005	No. of other Directorships held as at June 30, 2006*	Committee/s position as at June 30, 2006 **	
					Member	Chairman
Mr Suresh G Kare	Executive	6	Yes	2	-	-
Mr PK Kakodkar	Non - Executive	4	Yes	2	1	-
Dr MR Narvekar	Non - Executive	5	Yes	1	-	-
Mr SY Rege	Non - Executive	5	Yes	4	3	1
Mr DM Sukthankar	Non - Executive	6	Yes	5	3	1
Mr DN Mungale	Non - Executive	4	Yes	7	5	3
Mr DM Gavaskar	Non - Executive	6	Yes	2	-	-
Mr FX Coutinho	Executive	6	Yes	1	-	-
Mr Sundeep V Bambolkar	Executive	6	Yes	1	-	-
Ms Aditi Kare Panandikar	Executive	6	Yes	1	-	-

* Excludes Directorships in private/foreign companies and companies incorporated under Section 25 of the Companies Act, 1956.

** Represents Membership/Chairmanship of the Audit Committee and Shareholders'/Investors' Grievance Committee of other companies.

The day-to-day management of the Company is conducted by the Chairman & Managing Director subject to the supervision and control of the Board of Directors and he is currently assisted by three Whole-Time Directors.

b) Details of Board Meetings held during the Financial Year and the number of Directors present :

Serial No.	Dates on which the Board Meeting was held	Total Strength of the Board	No. of Directors Present
1	July 23, 2005	10	9
2	September 29, 2005	10	10
3	October 27, 2005	10	9
4	January 24, 2006	10	9
5	April 27, 2006	10	9
6	May 19, 2006	10	8

c) Details of Remuneration to Board of Directors :

All decisions related to the remuneration of the Directors, both Executive and Non-Executive, are decided by the Board of Directors of the Company. Details of the actual remuneration paid to the Executive and Non-Executive Directors for the period under review are as follows:

Name of Director	Executive/ Non-Executive/ Independent	Remuneration Rs	Commission/ Conveyance Rs	Sitting fees** Rs	Total Rs
Mr Suresh G Kare	Executive	5,546,477	1,500,000	–	7,046,477
Dr MR Narvekar	Non-Executive	–	–	12,500	12,500
Mr PK Kakodkar	Non-Executive	–	–	25,000	25,000
Mr SY Rege	Non-Executive	–	–	27,500	27,500
Mr DM Sukthankar	Non-Executive	–	–	15,000	15,000
Mr DN Mungale	Non-Executive	–	–	25,000	25,000
Mr DM Gavaskar #	Non-Executive	–	12,000	15,000	27,000
Mr FX Coutinho	Executive	2,437,615	–	–	2,437,615
Mr Sundeep V Bambolkar	Executive	1,884,605	–	–	1,884,605
Ms Aditi Kare Panandikar	Executive	1,174,131	–	–	1,174,131
Total		11,042,828	1,512,000	120,000	12,674,828

Notes :

- 1) **The sitting fees includes fees paid for attending meetings of the Audit Committee to Mr PK Kakodkar, Mr SY Rege and Mr DN Mungale for 3 meetings @ Rs 5000/- per meeting.
- 2) # Conveyance includes amount paid to Mr DM Gavaskar for attending meetings of the Board of Directors @ Rs 2000/- per meeting.
- 3) Remuneration includes Basic Salary and perquisites/benefits provided as per the terms of appointment.
- 4) The Executive Directors are appointed for a term of 5 years and their service contract can be terminated with a notice period of three months except Mr Suresh G Kare, in whose case one month's notice is required. No severance fees are payable to the Executive Directors.
- 5) The Company does not have any scheme for grant of stock option to its Directors or Employees.

d) Details of Shares held by Non-Executive Directors :

Name of the Non - Executive Director	No. of Shares held
Dr MR Narvekar	28800
Mr PK Kakodkar	1600
Mr SY Rege	1600
Mr DM Sukthankar	1600



Committees of the Board

Currently the Board has three committees viz:

a) Audit Committee :

The Audit Committee comprises of three members, all of whom are independent directors as given below :

- (1) Mr DN Mungale - *Chairman*
- (2) Mr PK Kakodkar - *Member*
- (3) Mr SY Rege - *Member*

The terms of reference of this Committee are wide covering the matters specified for audit committees under Clause 49 of the Listing Agreements as well as in Section 292A of the Companies Act, 1956 and are broadly as follows :

- (1) Review of Company's financial statements, accounting and financial policies and practices.
- (2) Review of internal control and internal audit system.
- (3) Review of audited financial statements and interaction with statutory auditors.
- (4) Review of investment decisions, risk management and statutory compliance.

The dates on which meetings of the Audit Committee were held and the attendance of the members at the said Meetings are as given below :

Serial No.	Dates on which Audit Committee Meeting was held	Attendance record of the Members		
		Mr DN Mungale	Mr PK Kakodkar	Mr SY Rege
1	July 23, 2005	Attended	Attended	Absent
2	October 27, 2005	Absent	Attended	Attended
3	January 24, 2006	Attended	Absent	Attended
4	April 27, 2006	Attended	Attended	Attended

Mr Suresh G Kare, Chairman & Managing Director and Mr Sundeep V Bambolkar, Director-Finance & Operations are permanent invitees to the Meeting.

The Company Secretary is the Secretary to the Committee.

The Statutory Auditors of the company were present at three meetings during the year.

b) Shareholders' / Investors' Grievance Committee :

The Board has constituted the Shareholders/Investor Grievance Committee, comprising of Mr SY Rege - Chairman, Mr Sundeep V Bambolkar - Member and Ms Aditi Kare Panandikar - Member.

The Committee met on October 27, 2005, January 24, 2006 and April 24, 2006 to review the investor complaints and redress their grievances. The details as to the meeting held and the attendance record of the members are given below :

Name of the Committee Member	No. of Meetings	
	Held during the year	Attended during the year
Mr SY Rege	3	3
Mr Sundeep V Bambolkar	3	3
Ms Aditi Kare Panandikar	3	3

The terms of reference of the Committee include the following:

- Investor complaints and their expeditious redressal
- Investor queries
- Review of shares dematerialised and all other related matters.

Details pertaining to the number of complaints received and resolved and the status thereof during the financial year ended June 30, 2006 is given below;

Sr No.	Shareholders Complaint	Received	Cleared
1	Non-receipt of Share Certificates	2	2
2	Non-receipt of Dividend Warrants	9	9
3	Others/Miscellaneous	7	7
	Total	18	18

Sr No.	Investors Compliant	Received	Cleared
1	Letters from SEBI/Stock Exchanges	67	67
2	Others/Miscellaneous	104	104
	Total	171	171

The Company has resolved all the complaints as at the end of financial year June 30, 2006, to the satisfaction of the shareholders and no complaints are pending for redressal.

The Company has appointed Mr Anil Kale, Company Secretary, as the Compliance Officer & as Investor Relations Officer.

c) Share Transfer Committee :

The Committee was constituted on April 27, 2004 and comprises of Executive Directors:

- (1) Mr FX Coutinho - *Chairman*
- (2) Mr Sundeep V Bambolkar - *Member*
- (3) Ms Aditi Kare Panandikar - *Member*

Mr Anil Kale - Company Secretary acts as the Secretary to the Committee.

Dates on which meetings of the Share Transfer Committee were held and the attendance of the members at the said Meetings are as under :

Serial No.	Dates on which Share Transfer Committee Meeting was held	Attendance record of the Members		
		Mr FX Coutinho	Mr Sundeep V Bambolkar	Ms Aditi Kare Panandikar
1	January 31, 2006	Attended	Attended	Attended
2	February 15, 2006	Absent	Attended	Attended
3	February 28, 2006	Absent	Attended	Attended
4	May 30, 2006	Absent	Attended	Attended

The Share Transfer Committee, has been delegated powers to administer the following;

- 1 To effect transfer of shares
- 2 To effect transmission or deletion of shares
- 3 To issue duplicate share certificates as & when required.



Remuneration Policy

Subject to the approval of the Board and of the Company in General Meeting and such other approvals as may be necessary, the Managing/Wholetime Directors are paid remuneration as per the Agreements entered into between them and the Company. The remuneration structure of the Managing/Wholetime Directors comprises of salary, performance incentive, perquisites and allowances, contributions to Provident Fund, Superannuation Fund and Gratuity.

Shareholders Information

General Body Meetings :

The venue and the time of the last three Annual General Meetings of the Company were as follows:

Year	AGM	Location	Date	Time
2005	AGM	MIG Cricket Club, MIG Colony, Bandra (E), Mumbai - 400 051	September 29, 2005	2.30 pm
2004	AGM	INDOCO HOUSE, 166, CST Road, Kalina, Santacruz (E), Mumbai - 400 098	September 09, 2004	4.00 pm
2003	AGM	INDOCO HOUSE, 166, CST Road, Kalina, Santacruz (E), Mumbai - 400 098	October 28, 2003	4.00 pm

No resolution was passed through Postal Ballot during last year.

Annual General Meeting :

Date and Time - November 07, 2006 at 2.30 pm

Venue - MIG Cricket Club, MIG Colony, Bandra (East), Mumbai 400 051.

Financial Calendar : Financial year : 1 July to 30 June

Book Closure : The dates of book closure are from 03.11.2006 to 07.11.2006 inclusive of both days.

Code of Conduct for Prevention of Insider Trading :

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a "Code of Conduct for Dealing in Securities" at the meeting of the Board of Directors held on April 26, 2004. The Company has subsequently updated the Code as per the requirements of SEBI from time to time.

Code of Conduct for Senior Management :

The Company has adopted a Code of Conduct for Directors and Senior Management, which is also hosted on the web site of the Company. It is the responsibility of all employees and Directors to familiarise themselves with the Code and comply with the same.

The Code includes whistle blower provisions, where the employees of the Company can voice their concerns on violation and potential violation of this Code in a responsible and effective manner.

The Chairman of our Company has given the declaration of due compliance.

Disclosures :

- (1) There are no materially significant related party transactions of the Company with key managerial personnel which have potential conflict with the interest of the Company at large.
- (2) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the period from July 01, 2005 to June 30, 2006 : Nil
- (3) *Secretarial Audit :*

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (I) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.



Means of communication :

The quarterly results of the Company are published in newspapers of repute like The Financial Express, Business Standard, Economic Times, Loksatta, Maharashtra Times, Navshakti and Gomantak. The results are also displayed on the Company's website: www.indoco.com

Since the half - yearly financial results are published in leading newspapers as well as displayed on the website, the same are not sent to the shareholders of the Company.

All data required to be filed electronically as EDIFAR document pursuant to Clause 51 of the Listing Agreement with the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. such as quarterly financial results and shareholding pattern, being regularly filed on the EDIFAR website viz, www.sebiedifar.nic.in in addition to the filing of the same in hard copy with the Stock Exchanges.

Dividend Payment Date : On or after November 08, 2006.

Listing : *The Company Shares are listed on :*

- 1 Bombay Stock Exchange Limited, Floor 25, P. J. Towers, Dalal Street, Mumbai - 400 001.
Stock Code : 532612
- 2 National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051. Stock Code : INDOCO EQ

Stock Price Data : National Stock Exchange of India Limited (NSE)

Months	IRL Share Price			No. of Shares traded during	Turnover Rs lakhs the month
	High Rs	Low Rs	Close Rs		
July '05	341.00	238.00	321.40	418857	1297.90
August '05	362.00	310.05	336.55	246964	818.13
September '05	364.80	301.00	348.70	264034	903.28
October '05	379.00	305.50	318.45	168262	592.93
November '05	350.05	316.10	345.10	123085	418.52
December '05	384.00	335.30	351.85	135951	491.04
January '06	399.00	341.50	349.15	179298	663.89
February '06	394.85	336.00	353.10	146012	531.36
March '06	374.95	326.00	371.00	206731	731.18
April '06	415.00	358.00	398.80	235004	922.64
May '06	409.90	321.70	340.70	134026	507.46
June '06	350.00	220.00	250.65	77511	207.75

Distribution of Shareholding as on June 30, 2006

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders	No. of Shares held	Percentage of Shareholding
1 to 500	13787	96.18	728755	6.17
501 to 1000	229	1.60	170353	1.44
1001 to 2000	116	0.81	169462	1.43
2001 to 3000	45	0.32	116179	0.98
3001 to 4000	20	0.14	72539	0.61
4001 to 5000	12	0.08	56337	0.48
5001 to 10000	46	0.32	339198	2.87
10001 & above	79	0.55	10168891	86.02
TOTAL	14334	100.00	11821714	100.00

Categories of Shareholders as on June 30, 2006

Category Code & Category of Shareholder	No of Shareholders	Total No of shares	No of shares held in dematerialised form	Total shareholding as a % of total no of shares	
				As a % of (A+B)	As a % of (A+B+C)
(A) Shareholding of Promoter and Promoter Group					
(1) Indian					
(a) Individuals/Hindu Undivided Family	35	2689280	2447280	22.74	22.74
(b) Central Government/State Government(s)	–	–	–	–	–
(c) Bodies Corporate	3	4369760	4214120	36.96	36.96
(d) Financial Institutions/Banks	–	–	–	–	–
(e) Any other (specify)	–	–	–	–	–
Sub-Total (A)(1)	38	7059040	6661400	59.71	59.71
(2) Foreign					
(a) Individuals (Non-Resident Individuals/Foreign)	–	–	–	–	–
(b) Bodies Corporate	–	–	–	–	–
(c) Institutions	–	–	–	–	–
(d) Any other (specify)	–	–	–	–	–
Sub total (A)(2)	–	–	–	–	–
Total shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	38	7059040	6661400	59.71	59.71
(B) Public Shareholding					
(1) Institutions					
(a) Mutual Funds/UTI	9	1151166	1151166	9.74	9.74
(b) Financial Institutions/Banks	1	100	100	–	–
(c) Central Govt./State Govt.	–	–	–	–	–
(d) Venture Capital Funds	–	–	–	–	–
(e) Insurance Companies	–	–	–	–	–
(f) Foreign Institutional Investors	6	798412	798412	6.75	6.75
(g) Foreign Venture Capital Investors	–	–	–	–	–
(h) Any other (specify)	–	–	–	–	–
Sub - Total (B)(1)	16	1949678	1949678	16.49	16.49
(2) Non-Institutions					
(a) Bodies Corporate	407	419693	419693	3.55	3.55
(b) Individuals					
(i) Individual shareholders holding nominal Share capital upto Rs. 1.00 lacs	13614	1386051	1131474	11.72	11.72
(ii) Individual shareholders holding nominal Share capital in excess of Rs. 1.00 lacs	34	937848	659518	7.93	7.93
(c) Any other (specify)	225	69404	68979	–	–
Sub-Total (B)(2)	14280	2812996	2279664	23.79	23.79
Total Public shareholding (B) = (B)(1) +(B)(2)	14296	4762674	4229342	40.29	40.29
(C) Shares held by Custodians and against which Depository Receipts have been issued	–	–	–	–	–
Grand Total :(A)+(B)+(C)	14334	11821714	10890742	100	100



ADR/GDR

The Company has not issued any ADR/GDR.

Dematerialisation Information :

The shares of your Company are available in Dematerialised form with National Securities Depository Limited (NSDL) & Central Depository Services (I) Limited (CDSL). The ISIN of the company is INE873D01016.

Dematerialisation of shares :

As on June 30, 2006, 92.12 % of the total shares of the Company have been dematerialised as given below :

Number of Shares	% of total Shares	No. of Shareholders	% of total Shareholders
10890742	92.12%	14192	99%

Shareholder, who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest and avail of the various benefits of dealing in securities in electronic/dematerialised form. For any clarification, assistance or information, please contact the Registrar and Share Transfer Agent of the Company. The shareholders have the option to hold Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (I) Limited (CDSL).

The break-up of shares in physical and demat form as on June 30, 2006 is given below :

No. of Demat/physical form as on June 30, 2006.

	No. of Shares	% of total Shares
Physical Segment	930972	7.88%
Demat Segment		
– NSDL	10691912	90.44%
– CDSL	198830	1.68%
Total	11821714	100%

Registrar & Share Transfer Agent :

Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078.

Contact person : Mr Raghunath Poojary
Mr Kiran Dodia

Phone No. : 25963838

Address for Correspondence :

Shareholders' correspondence should be addressed to the Company's Registrar and Share Transfer Agent at the address mentioned above.

Shareholders may also contact Mr Anil Kale, Company Secretary, at the Registered Office of the Company for any assistance.

Tel : Nos. 2654 1851-55

e-mail id : anilk@indoco.com

Nomination Facility :

Shareholders holding physical shares may send their nominations in prescribed form 2B to the Company. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) for availing the nomination facility.



Unpaid/ Unclaimed Dividends :

In terms of Sections 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for the period of seven years from the date of transfer to the unpaid dividend account to the Investor Education and Protection Fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer to IEPF.

The due dates for transfer to IEPF of dividend remaining unclaimed/unpaid since 1998-99 are given below:

Financial year	Unclaimed dividend amount as on 30.06.06	Due date for transfer to IEPF
1998-99 - Final	38880	23.12.2006
1999-00 - Interim	42960	17.05.2007
1999-00 - Final	26340	08.11.2007
2000-01 - Final	84780	04.12.2008
2001-02 - Interim	100800	19.04.2009
2002-03 - Final	41560	04.12.2010
2003-04 - Interim	121800	07.06.2011
2004-05 - Final	155315	01.11.2012
Total	612435	

Plant Locations :

- 1) L-14, Verna Industrial Estate, Verna - Goa 403 722
- 2) L-32,33,34 Verna Industrial Estate, Verna - Goa 403722
- 3) 18A, Mahal Estate, Mahakali Caves Road, Andheri (E), Mumbai 400 093
- 4) N-101, MIDC, Tarapur, Maharashtra

Registered Office :

Indoco Remedies Limited, Indoco House,
166 CST Road, Kalina, Santacruz (East),
Mumbai 400 098.

Tel : +91- 22-2654 1851- 55

Fax : +91-22 - 56936241





Auditor's Certificate on Corporate Governance To the Members of **Indoco Remedies Limited**

We have examined the compliance of conditions of Corporate Governance by Indoco Remedies Limited , for the year ended 30th June, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As per the records maintained by the Company and the Registrars of the Company, relating to investor grievances, there were no investor grievances remaining unattended/pending for more than 30 days as at June 30, 2006.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Mumbai : August 10, 2006

For **PATKAR & PENDSE**
Chartered Accountants

BM PENDSE
Partner
M. No. 32625





Management Discussion And Analysis

GLOBAL PHARMACEUTICAL OVERVIEW –

As per IMS Health Statistics, the global pharma market has grown by 7% to US \$ 602 billion in 2005. This growth has been featured by the advanced nations like USA & Canada recording a growth of 5.2% & Europe recording 7.1%, whereas the emerging economies like China, Korea, Russia, Turkey & Mexico recorded a double digit growth. During the same period, the Indian pharma market registered a growth of 8.6%. However, the Latin American market has grown very rapidly by 18.5%.

The IMS has also forecast a compounded annual growth of 5% - 8% for the global pharma market during the next 5 years.

The key factors contributing to global pharmaceutical growth are the increasing geriatric population, changing life style, increasing health awareness, rise in purchasing power and new drug delivery systems.

In the next 5 years, drugs having sales of about USD 50 billion, are likely to go off-patent, and the substantial portion of growth in pharma business is expected to be from these off-patent generics.

With the advanced nations feeling the ever-increasing in-house costs pressures, they are expected to increasingly out-source their manufacturing as well as research activities to emerging economies like India. India, with its technologically strong work-force and research & manufacturing facilities of international standards is well placed to take a larger share of this pie in the form of offering of services in the areas of contract research, custom manufacturing, phase-II & phase-III clinical trials, etc. With these global opportunities, as also riding on a strong GDP growth forecast, the Indian Pharma Sector is expected to register higher growth in the years to come.

INDOCO'S INTERNATIONAL BUSINESS –

INDOCO's International business, which made a small beginning, has grown substantially over the years & accounts for about 16% (13% in 04-05) of the total revenues of INDOCO. International business also holds the key to the future growth for INDOCO. With the generics expected to drive the pharma business growth world-wide, INDOCO's international division, with its focus on CRAMS, is expected to show a rapid and sustained growth.

INDOCO's entry into the API business by virtue of its acquisition of La Nova Chem, is also expected to strengthen the international business.

During the year under review, the international formulations business grew by 48%. This growth was driven by business from regulated markets, which grew by 76%.

The business to East European countries has increased many fold. This was made possible by the tremendous efforts in registering a large number of products in this region. The international business operations were also extended to various CIS countries.

In terms of getting a foothold in US market, a considerable progress has been made during the year; two ANDA's have already been filed with the US-FDA from the sterile ophthalmic facility. The approval for the first ANDA is expected during 2006-07 which would trigger the exports to US market.

The semi-regulated markets are targeted in the form of branded generics, backed by promotional inputs. There has been a policy shift in relation to the business in semi-regulated markets; the focus is being taken away from the low margin tender business. The shift from low margin tender business, is expected to boost the overall margins from the business from these markets. In these semi-regulated markets, INDOCO has active business in about 40 countries. Further, dossiers have also been submitted in additional about 20 countries, thus increasing the presence of INDOCO to in-about 60 countries.



GROWTH DRIVERS –

The company has identified 4 key growth drivers for its international business.

1. **Emerging Market Business :**

The company's business in the semi-regulated markets is on the rise leading to enhanced opportunities in new geographies.

2. **US Generic Formulations Business :**

INDOCO is about to commence its US business. The first ANDA, filed by its partner, is awaiting approval from the US-FDA.

3. **Formulations for EU and ROW :**

The company has 5 dossiers in CTD format for European customers. With additional number of dossiers coming in, the Company will slowly shift its role from Contract Manufacturing to a complete solutions provider.

INDOCO would also focus on semi-regulated Latin American market, which is growing at 18.5%.

4. **API and CRAMS for the regulated markets :**

INDOCO's recent acquisition of La Nova Chem (India) Pvt Ltd will provide a boost to the API business because of the US-FDA approvable API facility. INDOCO is actively present in the CRAMS business area and anticipates a good upside from this business.

DOMESTIC BUSINESS –

The domestic business has been the main stay and the cause of INDOCO's historical growth. Domestic business, which consists of ethical specialties, has grown at a compounded annual rate of 21.8% over the past 3 years, which is well above the growth of 9.0% of the pharma market in India during the period.

INDOCO's Domestic Business is presently driven by its five marketing divisions Indoco, Spade, Warren, Radius and Surge. Over the years INDOCO's various marketing divisions have infused confidence among the medical fraternity, resulting in a higher ranking in ORG's prescription audit.

With the trust & confidence reposed by this community of practitioners the products like Neurochek, Methycal, Glychek, MCBM-69, etc., have substantially contributed to the revenues generated by Indoco & Spade divisions.

Warren division focuses mainly on ophthalmic & dental care products. During the year, Warren has introduced an innovative anti-caries toothpaste for kids. - KIDODENT, which has been well received by dentists. Warren's entry in to the niche dermatology segment, is also expected to improve Warren's performance.

Radius focuses on the needs of Diabetologists & Cardiologists, which primarily deals with chronic and life-style disease segments. The diabetic population in India is growing at over 20% every year. The incidence of cardiovascular diseases is also on the rise. This forms a good platform for the acceleration of Radius division's growth.

During the year, a fifth marketing division, SURGE, was launched to specifically address the product needs of General Surgeons & Orthopedicians. SURGE has been launched in 6 states, and is getting an encouraging response.

Consequently, INDOCO's domestic business is expected to grow consistently.

Infrastructural Efforts :

The last year was a year of infrastructural investments for INDOCO. During the year ended 30th June, 2006, INDOCO has commissioned its formulation manufacturing facility at Baddi, Himachal Pradesh. The plant is expected to take a substantial load of manufacturing requirements of formulations for the domestic market. The tax incentives offered by the Government in relation to manufacturing activities, is expected to add handsomely to the bottom line of INDOCO's financials in the future.



During the year, INDOCO has also commissioned its state-of-the-art Research & Development centre at Navi Mumbai, with a built-in Kilo-lab facility. The R&D Centre and the kilo-lab facility, are expected to boost the API synthesis and development efforts, which are primarily directed to cater to requirements of regulated markets. The kilo-lab facility is expected to add to revenues in the short run, apart from aiding the API development efforts.

The acquisition of La Nova Chem marks a milestone in the efforts of INDOCO to become an end-to-end complete solution provider in the ethical pharmaceutical market internationally.

During the year, INDOCO also upgraded its manufacturing facilities for the purposes of making them compliant with international standards of regulatory requirements. The efforts have yielded in the manufacturing facilities getting approvals from US-FDA/UK-MHRA/German Health Authorities. These approvals would have a direct bearing on the international business prospects of INDOCO.

The last year saw INDOCO getting accreditations from international regulatory authorities for its manufacturing facilities. Plant-II at Goa was approved by US-FDA for its sterile ophthalmic manufacturing facility. Plant-I at Goa was approved by UK-MHRA in respect of its capsules & creams/ointments manufacturing facility. Further, there was also a renewal of the UK-MHRA approval in respect of the tablet manufacturing facility of the Plant-I at Goa and also a fresh approval for its newly constructed tablet facility. The approval extends to the "Pilot Facility" in the new tablet area. With the approval of this pilot plant, INDOCO will be in a position to conduct validation batches for Clinical trials / BE studies for products to be registered in Europe. This in turn will give INDOCO a right to supply the products for a period of five years from the date of commercial launch by its customers.

The year also witnessed approval from the German Health Regulatory Authorities, for the tablet manufacturing facility at Plant-I Goa, which has enabled the commencement of exports to Germany.

In the month of July 2006, INDOCO has acquired a company - La Nova Chem (India) Pvt Ltd having an API manufacturing facility at Patalganga, dist. Raigadh, Maharashtra. With the acquisition of this API facility (a US-FDA approvable facility), with the other existing US-FDA/UK-MHRA approved manufacturing facilities at its disposal, with the commissioning of the state-of-the-art Research & Development facility (inclusive of a US-FDA approvable kilo-lab facility), as also with the manning of scientists - experienced & knowledgeable in diverse regulatory requirements, INDOCO is truly poised to be a complete end-to-end solution provider in ethical pharmaceuticals, for the international markets.

FINANCIAL REVIEW OF OPERATIONAL PERFORMANCE –

Sales & Profit :

During the year 2005-06, INDOCO registered a 24.9% increase in its consolidated sales revenues, over the preceding year. The consolidated profit before tax (PBT) and profit after tax (PAT) registered an increase of 17.2% and 25.8%, respectively, during the same period.

This increase in the overall sales has been contributed by the formulation sales in the domestic markets, which grew by about 20%, and exports, which grew by about 48%.

Secured Loans :

The outstanding amount of secured loans reduced during the year from Rs 30.37 crores to Rs 23.45 crores, which was due to net repayment of such loans.

Unsecured Loans :

The outstanding amount of unsecured loan reduced during the year from Rs 19.39 crores to Rs 9.81 crores. This was mainly on account of repayment of outstanding Commercial Papers (Rs 15.00 crores), which was partially offset by availing of short term foreign currency loan (Rs 6.56 crores) from IDBI Bank Ltd.

Deferred Taxes :

The outstanding amount of deferred taxes increased during the year from Rs 9.76 crores to Rs 17.53 crores. This was mainly on account of the commissioning of new R&D facility set-up by the Company at Rabale, Navi Mumbai.



Fixed Assets :

The gross block of the fixed assets has gone up during the year from Rs 102.76 crores to Rs 131.16 crores. This was mainly on account of the investments made in the new R&D facility at Rabale, Navi Mumbai.

Investments :

The outstanding balance of investments has come down during the year from Rs 45.23 crores to Rs 11.49 crores. The funds available from liquidation of the investments were utilised partially for the setting-up the R&D facility at Rabale, Navi Mumbai and partially for lending funds to subsidiary, Indoco Healthcare Limited, to enable investments by the subsidiary in the new manufacturing facility at Baddi.

Loans & Advances :

The outstanding balance of Loans & advances has gone up during the year from Rs 20.62 crores to Rs 40.21 crores. This increase represents mainly the funds lent to the subsidiary, Indoco Healthcare Limited, to enable investment by the subsidiary in the new manufacturing facility at Baddi.

Provision for Tax :

Provision for tax on account of current liability has gone down from Rs 7.00 crores in the previous year to Rs 2.49 crores in this year. At the same time the provision for tax on account of the deferred liability has gone up from Rs 4.44 crores in the previous year to Rs 7.76 crores in this year. This is mainly on account of the timing difference in the book depreciation and tax depreciation applicable to the new R&D facility commissioned during the year.

HUMAN RESOURCES –

INDOCO considers its human resource as the most valuable single head of asset. While recognizing the importance of the human resource, INDOCO devotes a considerable part of its energies in training and development of the employees in various traits, apart from the job-related skills.

INTERNAL CONTROL SYSTEMS –

INDOCO has evolved effective internal controls in its operations. These controls are constantly reviewed & revised with the changing business dynamics. There is also an internal audit carried out with the help of an external agency, which covers areas like c&f operations, expenditure approval mechanism, review of obsolete / non-moving items in stock, etc. The directors consider that the existing internal control systems are adequate for the size and complexity of the present level of operations.

RISKS, CONCERNS AND THREATS

The business and operations of INDOCO are susceptible to risks which are inherent to any pharma business, as well as to those inherent to exports operations. Apart from these, there is always an exposure to general commercial risks which accrue to any commercial organisation. Some of these risks have been addressed below.

Price Control -

Indian Pharma industry is subject to price control by the Government, which is operated through the Drug (Prices Control) Order, 1995 (DPCO) issued under the Essential Commodities Act, 1955. Under the DPCO, the Government has power to fix prices for the formulations which are covered by the Schedule of DPCO. Further, the Government has powers to cover additional formulations under the Schedule of DPCO.

INDOCO complies with the prices fixed by the Government under DPCO. However, any further reduction in these prices by the Government, poses a potential risk of loss of revenue & margins.

The Government is currently in the process of announcing a new drug policy & a corresponding new DPCO. There are apprehensions that the new drug policy would bring substantially large basket of drugs under price control.

**Forex Transactions -**

INDOCO's exposure to forex is increasing year-on-year, alongwith with its growing international business. The currency associated risks are attempted to be hedged by measures like forward and derivative contracts.

Patent Regime Risks -

The onset of the new patent regime in 2005, has threatened the progress of the domestic pharma sector. INDOCO seeks to hedge this through an in-licensing and partnering approach, and by directing its efforts as an end-to-end complete solution provider.

Product Life Cycle Shortening Risks -

To counter the risks associated with the shortening of product life cycles in some of the therapeutic segments, INDOCO has embarked its operations in chronic and lifestyle segments. It has launched its RADIUS division to cater to such products.

FORWARD-LOOKING STATEMENTS –

This annual report contains forward-looking statements which set out anticipated results based on the management's plans and assumptions, to enable investors to comprehend our prospects and take informed investment decisions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipate', 'estimate', 'expect', 'intend', 'plan', 'believe', and words of similar connotation in relation to the discussion on future performance.

We cannot guarantee that these forward-looking statements will materialise, although we believe we have been prudent in making those assumptions. The achievement of results is subject to risks and uncertainties, and even inaccurate assumptions. Should any of the known or unknown risks or uncertainties materialise, or should any of the underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers are requested to bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.





Auditors' Report

To the Members of Indoco Remedies Limited

We have audited the attached Balance Sheet of INDOCO REMEDIES LIMITED as at 30th June, 2006 and also the Profit & 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 misstatement. 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 & 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 & 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 & 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 30th June, 2006 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 30th June, 2006;
 - (ii) in the case of the Profit & 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
M. No. 32625

Mumbai : August 10, 2006





Annexure

To the Auditors' Report

Referred To In Our Report Of Even Date For The Year Ended On 30th June, 2006

1. (a) The Company had maintained proper records showing full particulars including quantitative details and situation of the fixed assets.
 - (b) As explained to us the fixed assets had been physically verified by the management during the year in a phased periodical 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 had not disposed off a substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of inventory :
 - (a) as explained to us, inventories had 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 had 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. (a) The Company had granted an unsecured, loan to its subsidiary, and the maximum amount recoverable during the year was Rs. 2,404.27 lakhs.
 - (b) In our opinion, the terms and conditions of the loan granted was not prima facie prejudicial to the interest of the Company.
 - (c) No repayment of principal amount and interest was made during the year.
 - (d) The Company had not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
4. In our opinion and on the basis of information and explanations given to us, the Company has adequate internal control system 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 and services. During the course of the audit we have not observed any major weakness in internal controls.
5. (a) The particulars of contracts or arrangements referred to in section 301 of the Act had been entered in the register required to be maintained under that section; and
 - (b) Transactions made in pursuance of such contracts or arrangements had been made at prices which are reasonable having regard to the prevailing market prices 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, Service tax, Custom duty, Excise duty, Cess and any 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 30th June, 2006 for a period of more than six months from the date they became payable.

(b) the disputed statutory dues aggregating to Rs.426.52 lakhs 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	1996-97 to 2001-02	ITAT, Mumbai	329.99
		2002-03	CIT (A), Mumbai	81.92
2.	Central Excise Act, 1944	1995-96	CESTAT	0.64
		1997-98	Divisional Dy. Comm., Boisar	3.40
		1997-98	Divisional Dy. Comm., Mumbai	0.79
		1998-99	Divisional Dy. Comm., Boisar	1.64
		2003-04	CESTAT	2.71
		2005-06	Divisional Dy. Comm., Goa	4.54
3.	Sales Tax	2000-01	The Assistant Comm. (Assmt) Ernakulam, Cochin	0.89

10. The Company does not have accumulated losses. The Company had not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company had not defaulted in repayment of dues to a financial institution, bank or debenture holder.
12. The Company had 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 (Auditor's 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. In our opinion according to the information and explanations given to us, the terms & conditions on which the Company has given guarantee for L/C facility granted to subsidiary by bank are not prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans had 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 had been used for long term investment and vice versa.
18. According to the information and explanations given to us, the Company had 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 had not issued debentures.
20. The Company had disclosed the end use of money raised by public issue during the year and the same was verified.
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
M. No. 32625

Mumbai : August 10, 2006

Balance Sheet

As at 30th June, 2006

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
SOURCES OF FUNDS			
1) Shareholders' Funds :			
(a) Share Capital	A	1,182.17	1,182.17
(b) Reserves & Surplus	B	18,348.24	16,352.39
		19,530.41	17,534.56
2) Loan Funds :			
(a) Secured Loans	C	2,344.94	3,036.83
(b) Unsecured Loans	D	981.01	1,938.69
3) Deferred Tax :	E		
(a) Deferred Tax Liability		1,804.01	1,023.29
(b) Deferred Tax Asset		(51.33)	(46.96)
		1,752.68	976.33
TOTAL		24,609.04	23,486.41
APPLICATION OF FUNDS			
4) Fixed Assets :	F		
(a) Gross Block.....		13,115.89	10,275.89
Less : Depreciation.....		2,619.43	2,064.61
Net Block		10,496.46	8,211.28
(b) Capital Work in Progress including Capital Advances		454.99	332.70
		10,951.45	8,543.98
5) Investments	G	1,149.31	4,523.43
6) Current Assets, Loans & Advances :	H		
(a) Inventories		3,282.68	3,010.97
(b) Sundry Debtors		8,340.63	7,406.66
(c) Cash and Bank Balances		2,462.97	2,790.67
(d) Loans & Advances		4,020.56	2,062.40
		18,106.84	15,270.70
7) Less : Current Liabilities and Provisions :	I		
(a) Current Liabilities		4,680.78	4,133.72
(b) Provisions		1,005.78	858.07
		5,686.56	4,991.79
Net Current Assets		12,420.28	10,278.91
8) Miscellaneous Expenditure : (to the extent not written off or adjusted)	J	88.00	140.09
TOTAL		24,609.04	23,486.41

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
M. No. 32625

Mumbai : August 10, 2006

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Profit and Loss Account

For the year ended 30th June, 2006

	<i>Schedule</i>	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
INCOME			
1) Sales & Operations		26,960.31	21,577.69
Less : Excise Duty		2,617.66	2,163.16
Net Sales		24,342.65	19,414.53
2) Other Income	K	840.67	480.66
<i>(Refer Note No. 6 of Schedule 'O')</i>		25,183.32	19,895.19
EXPENDITURE			
3) Materials	L	10,736.30	8,104.48
4) Expenses	M	9,294.02	7,308.00
5) Financial Charges	N	573.69	375.01
		20,604.01	15,787.49
GROSS PROFIT		4,579.31	4,107.70
6) Depreciation		595.28	434.11
PROFIT BEFORE TAX		3,984.03	3,673.59
7) Provision for Tax			
(a) Current		249.00	700.00
(b) Deferred		776.35	444.57
(c) Fringe Benefit		120.34	16.00
PROFIT AFTER TAX		2,838.34	2,513.02
8) Balance brought forward from last year		1,330.57	991.54
PROFIT AVAILABLE FOR APPROPRIATION		4,168.91	3,504.56
9) Appropriations :			
(a) Proposed Dividend		738.86	591.09
(b) Dividend Tax		103.62	82.90
(c) Transfer to General Reserve		1,500.00	1,500.00
(d) Balance carried to Balance Sheet		1,826.43	1,330.57
		4,168.91	3,504.56

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
M. No. 32625

Mumbai : August 10, 2006

Anil Kale
Company Secretary

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



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 : 11,821,714 (Previous year 11,821,714) Equity Shares of Rs 10/- each fully paid up.	<u>1,182.17</u>	<u>1,182.17</u>

Out of the above Equity Shares issued & subscribed :

- 3,500 Equity Shares are allotted as fully paid up to vendors pursuant to a contract without payment being received in cash in the Period 1948-49
- 4,300 Equity Shares are allotted as fully paid up to a Director as consideration for purchase of land and building without payment being received in cash in the Period 1948-49.
- 3,284,260 Equity Shares are 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			
As per last Balance Sheet	7,035.27	441.00	
Add : Addition during the period	-	7,054.03	
Less : Share Issue Expenses Written Off	-	459.76	
	<u>7,035.27</u>	<u>7,054.03</u>	7,035.27
3) Revaluation Reserve			
As per last Balance Sheet	0.09	0.10	
Less : Transfer to Profit and Loss Account	0.01	0.01	
	<u>0.08</u>	<u>0.09</u>	0.09
4) Subsidy - Development Corporation of Konkan	7.50		7.50
5) General Reserve :			
As per last Balance Sheet	7,978.94	6,478.94	
Add : Transfer from Profit and Loss Account	1,500.00	1,500.00	
	<u>9,478.94</u>	<u>7,978.94</u>	7,978.94
6) Profit & Loss Account	<u>1,826.43</u>		<u>1,330.57</u>
TOTAL	<u>18,348.24</u>		<u>16,352.39</u>



Schedules

Forming part of the Balance Sheet

SCHEDULE 'C' : Secured Loans

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Working Capital Demand Loans including Cash Credit facilities from Banks*	28.11	549.12
2) Foreign Currency Term Loan **	114.49	326.40
3) External Commercial Borrowings from ICICI Bank UK Ltd ***	1,100.75	1,088.00
4) Foreign Currency Packing Credit *	497.64	-
5) Overdraft against Fixed Deposits ****	603.95	1,073.31
TOTAL	2,344.94	3,036.83

* 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.

** The Foreign Currency Non-Repatriable Borrowings from State Bank of India was secured by way of First charge on all Movable & Immovable properties of the company located at Verna-Goa (Goa-II) and Second charge on all Movable & Immovable Properties located at Verna-Goa (Goa-I & III).

*** The ECB from ICICI Bank UK Ltd was secured by way of first charge on all Movable, Immovable properties of the company located at Verna Goa I & III

**** Secured against Fixed Deposit Receipts pledged with Banks

SCHEDULE 'D' : Unsecured Loans

1) Foreign Currency Packing Credit	324.91	438.69
2) Short Term Loans - (Foreign Currency Loan) ...	656.10	-
3) Commercial Paper with Bank (Maximum balance during the year Rs Nil Previous Year Rs 1,500.00 lakhs)	-	1,500.00
TOTAL	981.01	1,938.69

SCHEDULE 'E' : Deferred Tax

1) Deferred Tax Liability		
(a) Depreciation	1,774.39	976.14
(b) Deferred Revenue Expenses	29.62	47.15
	1,804.01	1,023.29
Less :		
2) Deferred Tax Assets		
(a) Provision for Leave Encashment	40.85	36.48
(b) Provision for Doubtful Debts	10.48	10.48
	51.33	46.96
TOTAL	1,752.68	976.33

Schedules

Forming part of the Balance Sheet

SCHEDULE 'F' : Fixed Assets

Rs lakhs

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st July 2005	Additions during the year	Deductions/ Sales during the Year	As at 30th June 2006	As at 1st July 2005	For the Year	Deductions/ Sales during the year	As at 30th June 2006	As at 30th June 2006	As at 30th June 2005
Land (Lease Hold)	102.60	116.06	-	218.67	5.41	-	-	5.41	213.26	97.19
Buildings & Premises *	3,516.59	722.61	42.72	4,196.48	667.23	101.01	34.33	733.91	3,462.58	2,849.36
Plant & Machinery **	1,105.10	88.21	-	1,193.30	206.63	57.18	-	263.81	929.49	898.47
Handling Equipments	323.44	13.75	-	337.19	110.41	15.42	-	125.83	211.36	213.03
Pollution Control Equipments	165.37	-	-	165.37	43.92	7.77	-	51.69	113.68	121.45
Laboratory Equipments	322.11	134.22	-	456.33	45.94	22.21	-	68.15	388.18	276.17
R&D Equipments	639.11	1,017.95	-	1,657.07	148.77	60.63	-	209.41	1,447.66	490.34
Plant - Utilities	1,019.79	309.92	-	1,329.71	102.41	59.66	-	162.07	1,167.64	917.38
Electrical Installations	562.29	150.89	6.63	706.55	103.55	31.97	2.39	133.14	573.42	458.74
Furniture & Fixtures and Office & Data Processing Equipments	963.29	164.89	-	1,128.18	443.98	112.50	-	556.48	571.70	519.31
Air-conditioning Unit	602.48	86.11	-	688.59	106.84	29.37	-	136.22	552.37	495.64
Vehicles	16.42	91.26	6.53	101.15	8.39	10.94	3.75	15.58	85.57	8.03
Trade Mark	937.30	-	-	937.30	71.13	86.63	-	157.76	779.55	866.17
Total	10,275.89	2,895.87	55.88	13,115.89	2,064.61	595.29	40.47	2,619.43	10,496.46	8,211.28
Previous year	6,337.60	4,058.29	120.00	10,275.89	1,717.54	434.11	87.05	2,064.61	8211.28	4620.06
Capital Work-in-Progress (Including Capital Advances)									454.99	332.70
Total									10,951.45	8,543.98

* Buildings & Premises at cost 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 lakhsPrevious Year
Rs lakhs

1) Unquoted : (at cost)			
(a) <i>Trade : In Subsidiary Companies</i>			
(i) Shares of Indoco Healthcare Limited (4,900,000 (Previous Year - 4,900,000) Ordinary Shares of Rs 10/- each)	490.00		490.00
(ii) Shares of Indoco Holdings Netherlands BV (45,000 Shares of Euro 1 each)	25.78		25.78
		515.78	515.78
(b) <i>Non-Trade - Government Securities</i>			
(i) 12 Yrs. National Defence Certificates	0.01		0.01
(ii) 7 Yrs. National Savings Certificates	0.18		0.18
		0.19	0.19
(c) <i>Shares of Saraswat Co-op. Bank Ltd.</i> (1,000 Ordinary Shares of Rs 10/- each)		0.10	0.10
2) Quoted			
(a) <i>Current</i>			
Investment in Mutual Funds			
(i) Fixed Maturity Funds	-		1,851.78
(ii) Monthly Income Funds	633.23		506.77
(iii) Liquid Funds	-		1,648.80
(As per statement attached)		633.23	4,007.35
(b) <i>Long Term (at Cost)</i>			
Shares of Citurgia Bio-Chemicals Ltd. (100 Equity Shares of Rs 10/- each) Market Value - Rs 2,000 Previous Year - Rs 2,155		0.01	0.01
TOTAL		1,149.31	4,523.43



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 :		
<i>(As certified by the Management)</i>		
Inventories (At Cost)		
(a) Stock of Consumables	61.65	84.11
(b) Stock in Trade :		
(i) Raw and Packing Materials.....	1,233.01	1,264.71
(ii) Finished Goods	1,845.01	1,469.77
(iii) Work in Progress	143.01	192.38
	3,282.68	3,010.97
Sundry Debtors :		
<i>Unsecured</i>		
(a) Debts outstanding for more than Six months		
Considered Good	549.03	424.46
Considered Doubtful	31.13	31.13
	580.16	455.59
Less : Provision for Doubtful Debts	31.13	31.13
	549.03	424.46
(b) Other Debts :		
Considered Good	7,791.60	6,982.20
	8,340.63	7,406.66
Cash and Bank Balances :		
(a) Cash on hand	8.11	7.73
(b) Balances with Scheduled Banks :		
(i) In Current Accounts	1,002.88	1,020.02
(including Equity Shares Application Money of Rs 13.17 Lakhs, Previous Year Rs 50.92 Lakhs)		
(ii) In Fixed Deposit Accounts	1,349.26	1,743.89
(iii) In Margin Accounts	102.72	19.03
	2,462.97	2,790.67
2) Loans and Advances :		
<i>(Unsecured, Considered Good)</i>		
(a) Loan to Subsidiary Company	2,404.27	623.50
(b) Advances recoverable in cash or in kind or for the value to be received.....	1,174.05	1,145.85
(c) Advance Income Tax (Net)	393.99	-
(d) Balance in Excise Accounts	47.25	93.05
(e) Inter Corporate Deposit	1.00	200.00
	4,020.56	2,062.40
TOTAL	18,106.84	15,270.70



Schedules

Forming part of the Balance Sheet

SCHEDULE 'I' : Current Liabilities and Provisions

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
1) Current Liabilities :		
(a) Sundry Creditors	3,949.83	3,404.39
(b) Unclaimed Dividend *	6.12	4.97
(c) Interest accrued but not due on loans	26.60	19.37
(d) Equity share application money refundable	13.17	50.92
(e) Security Deposit Payable.....	476.04	459.32
(f) Other Liabilities	209.02	194.75
	4,680.78	4,133.72
<i>* Liability towards Investor Education and Protection Fund - Not due</i>		
2) Provisions :		
(a) Provision for Bonus	41.94	44.27
(b) Provision for Income Tax (Net)	-	31.43
(c) Proposed Dividend	738.86	591.09
(d) Dividend Tax	103.62	82.90
(e) Provision for Leave Encashment	121.36	108.38
	1,005.78	858.07
TOTAL	5,686.56	4,991.79

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

Deferred Revenue Expenses :		
As per last Balance Sheet	140.09	36.78
Add : Additions during the year	61.19	212.36
Less : Amortised during the year	(113.28)	(109.05)
TOTAL	88.00	140.09



Schedules

Forming part of the Profit and Loss Account

SCHEDULE 'K' : Other Income

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Dividend Received	68.02	45.19
2) Interest Received *	236.08	161.24
(includes Rs 117.25 lakhs from 100% Subsidiary Company)		
3) Profit on Sale of Assets.....	91.25	20.64
4) Exchange Gain	141.74	65.99
5) Export Incentives	74.60	146.75
6) Sales Tax Refund	0.75	10.07
7) Sundry Balances Written Back	23.08	3.82
8) Profit on Sale of Investments	146.40	3.25
9) Sundry Receipts	58.75	23.71
TOTAL	840.67	480.66

*Refer Note No.6 of Schedule 'O'

SCHEDULE 'L' : Materials

1) Cost of Materials Consumed :			
Opening Stock	1,264.71	849.65	
Add : Purchases	7,695.33	6,804.91	
Less : Closing Stock	1,233.01	1,264.71	
	7,727.03	6,389.85	
2) Purchase of Finished Goods	3,373.51	1,845.24	
3) Excise Duty	238.39	120.22	
4) (Increase)/Decrease in Stock of Finished Goods and WIP :			
(a) Opening Stock	1662.15	1,411.32	
(b) Closing Stock	1,988.02	1,662.15	
	(325.87)	(250.83)	
5) Insurance Claim.....	(276.76)	-	
TOTAL	10,736.30	8,104.48	



Schedules

Forming part of the Profit and Loss Account

SCHEDULE 'M' : Expenses

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Consumable Stores.....	71.51	66.50
2) Job Work Charges.....	674.25	412.38
3) Power and Fuel.....	706.12	417.28
4) Rent, Rates, Taxes.....	99.44	113.28
5) Insurance.....	48.59	41.36
6) Repairs :		
(a) Buildings.....	40.12	28.25
(b) Plant and Machinery.....	129.99	58.31
(c) Others	149.88	88.40
	319.99	174.96
7) Personnel :		
(a) Salaries, Wages and Bonus	2,359.83	1,848.84
(b) Contributions to Provident and Other Funds	259.99	229.10
(c) Staff Welfare Expenses	62.71	56.38
	2,682.53	2,134.32
8) Packing and Delivery Expenses.....	661.84	540.85
9) Research & Development Expenses.....	222.72	184.31
10) Analytical & Laboratory Expenses.....	96.07	83.83
11) Turnover and Additional Tax	40.34	12.19
12) Advertising and Sales Promotion Expenses.....	952.18	835.85
13) Commission and Incentives on Sales.....	604.75	427.98
14) Travelling, Conveyance and Motor Car Expenses	1,290.84	1,190.11
15) Legal and Professional Fees.....	52.58	45.16
16) Directors' Sitting Fees	1.32	1.12
17) Postage, Telephone and Telex Expenses.....	79.37	81.90
18) Printing and Stationery Expenses.....	122.70	108.61
19) Payments to Auditors :		
(a) Audit Fees	1.50	1.50
(b) Tax Audit Fees	0.30	0.30
(c) Other Services	0.03	0.06
	1.83	1.86
20) Loss on Sale of Investments	1.12	1.21
21) Loss on Sale of Assets	2.61	-
22) Miscellaneous Expenditure Written Off*	113.27	109.05
23) Other Expenses	448.05	323.89
TOTAL	9,294.02	7,308.00

* Refer Note No. 20 of Schedule 'O'

SCHEDULE 'N' : Financial Charges

1) Interest on Fixed Loans from Banks	87.80	34.32
2) Interest on Other Facilities from Banks	105.42	64.63
3) Other Financial Charges	221.27	171.76
4) Interest on Other Unsecured Loans.....	159.20	104.30
TOTAL	573.69	375.01

Notes Forming Part of Accounts for the year ended June 30, 2006.

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, Depreciation and Amortisation –

- (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 and office premises in Mumbai and on Straight-Line-Method on all the assets at Goa Factories and R&D Centre at Navi Mumbai.
- (iii) Trademarks are recorded at their acquisition cost and amortised on the straight-line-method over their estimated economic life of ten years.

(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 Investments, Current Assets and Current 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 & 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 accounted 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, Superannuation Funds is 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 valuation.

(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.

(k) Research & Development Expenses –

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



Notes Forming Part of Accounts for the year ended June 30, 2006.

(l) Miscellaneous Expenditure –

Deferred Revenue Expenditure are amortised as under :

- (i) The expenditure incurred on certification and approval of the plants is amortized over 3 years on the basis of estimated benefits derived in each year.
- (ii) The expenditure incurred on registration of products in the International Market is amortized over 4 years on the basis of estimated benefits derived in each year.
- (iii) Specific expenses in connection with developing international business are also amortised over 2 years on the basis of estimated benefits derived in each year.
- (iv) The expenditure incurred on Corporate advertisement campaign is amortised over 3 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.

(n) Impairment of Fixed Assets –

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS-28) on "Impairment of Assets" issued by the Institute of Chartered Accountants of India. An impairment loss is charged to the Profit and Loss Account in the year in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in prior accounting periods is reversed, if there has been a change in the estimate of recoverable amount.

	<i>Current Year Rs Lakhs</i>	<i>Previous Year Rs Lakhs</i>
2) Contingent liabilities not provided for :		
(a) Matters under dispute		
(i) Sales Tax	0.89	8.77
(ii) Excise	13.72	31.51
(iii) Income Tax		
– Where the Company is in appeal (Rs 76.98 lakhs has been paid under protest)	163.88	129.06
– Where the department is in appeal	325.01	274.30
(iv) In respect of claims made against the Company not acknowledged as debts (Labour matters)	20.74	23.14
(b) Bank Guarantees	78.05	140.57
(c) Letters of Credit	391.74	118.74
(d) Estimated amount of contracts remaining to be executed on Capital Account (net of advances)	132.74	811.24
(e) Corporate Guarantee	2,000.00	200.00
3) Remuneration / Perquisites paid / payable to Managing / Whole-time Directors :		
(a) Salary	92.36	80.40
(b) Commission	15.00	15.00
(c) Provident & Super Annuation Fund Contribution	18.46	15.59
(d) Other Perquisites	5.72	14.44
	131.54	125.43

Notes Forming Part of Accounts for the year ended June 30, 2006.

	<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	3,984.02	3,673.59
Add : (i) Loss on Sale of Fixed Assets	2.61	-
(ii) Loss on Sale of Investments	1.12	1.21
(iii) Depreciation	595.28	434.11
(iv) Directors' Sitting Fees	1.32	1.12
(v) Directors' Remuneration	131.54	125.43
	731.87	561.87
	4,715.89	4,235.46
Less : (i) Profit on Sale of Fixed Assets	91.25	20.64
(ii) Depreciation u/s 350	595.28	434.11
(iii) Profit on Sale of Investment	146.40	3.25
	832.93	458.00
Net Profit	3,882.97	3,777.46
(b) Commission Payable to the Managing Director	15.00	15.00
5) Research & Development expenses include salary & wages, chemicals/materials consumed, electricity, travel, repairs, insurance premium and similar such expenses.		
6) Tax deducted at source consists of :		
(i) Rs Nil Lakhs on account of Rent Received (Previous year Rs 0.08 lakhs)		
(ii) Rs 0.02 Lakhs on account of Job work Charges (Previous Year Rs 0.07 lakhs)		
(iii) Rs 52.82 Lakhs on account of Interest received (Previous Year Rs 24.36 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 March 31, 2006 and the provision based on the figures for the remaining 3 months upto June 30, 2006, the ultimate tax liability of which will be determined on the basis of figures for the period April 01, 2006 to March 31, 2007.		
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)	2,838.34	2,513.02
(b) Weighted Average Number of Ordinary Shares for Basic EPS	11,821,714	10,201,611
(c) Effect of Potential Ordinary Shares	-	-
(d) Weighted Average Number of Ordinary Shares for Diluted EPS	11,821,714	10,201,611
(e) Earnings Per Share (Face Value Rs10/- Per Share)		
(i) Basic (a/b)	24.01	24.63
(ii) Diluted (a/d)	24.01	24.63



Notes Forming Part of Accounts for the year ended June 30, 2006.

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 Companies :
- (a) Indoco Healthcare Limited (b) Indoco Holdings Netherlands BV
- (iii) Other Parties :
- (a) AK Services (b) Indoco Capital Markets Limited
- (c) Indoco Global Markets Pvt Ltd
- (iv) Directors and their Relatives :
- Mr Suresh G Kare, Mr SY Rege, Mr PK Kakodkar, Mr DN Mungale, Mr DM Sukthankar, Dr MR Narvekar, Mr DM Gavaskar, Mr Sundeep V Bambolkar, Mr FX Coutinho, Ms Aditi Kare Panandikar, Ms Aruna S Kare, Ms Madhura A Ramani, Dr Anup P Ramani, Dr Shantaram Panandikar, 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 Companies 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	36.87	1.82	50.44	2.97	-	-
Purchase of Goods and Services	436.82	510.24	718.29	-	30.99	32.98
Loans Given	-	-	1,780.77	623.50	-	-
Commission (Expenses)	-	-	-	-	54.08	46.62
Balance at the year end : Credit	7.95	73.42	318.21	-	3.97	92.87
Investment in Shares	-	-	-	441.78	-	-

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

Nature of Transaction	Current Year Rs lakhs	Previous Year Rs lakhs
Remuneration	131.54	125.43
Rendering of Services	17.92	15.41
Directors' Sitting Fees	1.32	1.12
Balance at the year end : Credit	0.26	0.78

Notes Forming Part of Accounts for the year ended June 30, 2006.

11) Capacities and Production* :

	Unit	Current Year		Previous Year	
		Installed Capacity Per annum	Actual Production	Installed Capacity Per annum	Actual Production
Liquid Orals	KL	2,800	2,420.40	2,800	1,676.34
Tablets	Million	2,480	1,603.78	2,480	1,485.62
Sweetner Tablets	Million	1,200	1,141.94	1,200	804.86
Capsules	Million	–	33.39	–	20.05
Injectibles and Eye Preparations	KL	220	168.92	220	151.78
Ointments and Lotions	Tonnes	150	62.64	150	193.66
Toothpaste and Mouth Gel	Tonnes	400	610.48	400	501.54

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

12) Sales and Purchases in respect of each class of Finished Goods :

	Unit	Sales				Purchases			
		Current Year		Previous Year		Current Year		Previous Year	
		Qty	Value Rs lakhs	Qty	Value Rs lakhs	Qty	Value Rs lakhs	Qty	Value Rs lakhs
Liquid Orals	KL	2,633.46	5,600.36	1,988.96	4431.16	322.92	387.85	258.07	152.26
Tablets	Million	1,771.83	13,245.19	1,544.72	10,288.37	153.61	1,568.07	89.94	626.18
Sweetner Tablets	Million	1,141.92	136.41	804.86	104.09	–	–	–	–
Capsules	Million	40.10	691.60	25.69	594.18	4.84	79.42	9.92	98.78
Injectibles & Eye Preparations	KL	199.08	2,480.49	159.15	1,717.30	34.26	245.21	18.27	131.18
Ointments & Lotions	Tonnes	235.76	1,321.57	210.19	1,284.07	168.39	369.15	29.87	177.77
Toothpaste & Mouth Gel	Tonnes	638.61	2,426.99	544.35	2,493.30	70.61	202.74	16.93	149.10
Bulk Drugs & Others	–	–	1,057.61	–	663.10	–	521.07	–	509.97
			26,960.22		21,575.57		3,373.51		1,845.24

13) Stock of Finished Goods :

	Unit	As at 30th June 2006		As at 30th June 2005	
		Qty	Value Rs lakhs	Qty	Value Rs lakhs
Liquid Orals	KL	327.42	470.81	217.56	311.17
Tablets	Million	97.51	780.69	111.95	663.99
Sweetner Tablets	Million	0.02	–	–	–
Capsules	Million	4.58	47.44	6.45	45.44
Injectibles & Eye Preparations	KL	32.18	290.06	28.08	234.93
Ointments & Lotions	Tonnes	39.12	98.32	43.85	112.39
Toothpaste & Mouth Gel	Tonnes	77.40	141.34	34.92	75.33
Bulk Drugs	–	–	16.35	–	26.52
			1,845.01		1,469.77

Notes Forming Part of Accounts for the year ended June 30, 2006.

14) Consumption of Materials :

	Current Year		Previous Year	
	Qty Tonnes	Value Rs lakhs	Qty Tonnes	Value Rs lakhs
(a) Raw Materials – Azithromycin, Cefadroxyl, Gliclazide, Methycobalamine, Metformin Hydro, Ibuprofen, Paracetamol, Ofloxacin, Sugar Ciprofloxacin etc.	2,078.96	4,862.13	1,602.12	3,871.35
(b) Packing Materials – Aluminium Foils, Tubes, Glass Bottles, Cartons, Labels, PVC Films, PP Caps, Plastic Containers, Boxes, Shippers etc.	–	2,864.90	–	2,518.50
Total		7,727.03		6,389.85

15) Imported and Indigenous Materials Consumed :

	Value	Percentage	Value	Percentage
	Rs lakhs		Rs lakhs	
(a) Raw and Packing Materials –				
(i) Imported	714.23	9.24	232.93	3.65
(ii) Indigenous	7,012.80	90.76	6,156.92	96.35
Total	7,727.03	100.00	6,389.85	100.00
(b) Stores and Spares consumed Indigenous	71.51	100.00	66.50	100.00

	Rs lakhs	Rs lakhs
16) Earnings in Foreign Currency (FOB value)	4,180.75	2,748.37

17) Expenditure in Foreign Currency :

(a) On Travel and Export Promotion	133.84	113.97
(b) On Interest on Foreign Currency Loan	91.66	73.04
(c) Others	14.51	3.18

18) Value of Imports CIF Basis

(a) Trading	373.46	31.24
(b) Raw Materials	701.53	210.06
(c) Capital Goods	942.62	335.93

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

Amijal Chemicals, Autocal, Apex Drugs & Intermediate Ltd., Airtech, Beauty Art, Brajesh Packaging Pvt. Ltd., Chintamani Plastics, Chirag Industries, D M Printers, Deep Enterprises (Daman), Enar Chemie Pvt. Ltd., Florale (I) Pvt. Ltd., Glamour Packaging Industries, Heeshi Tubes, Hindustan Phosphates Pvt. Ltd., Kalapi Printing Press, Lanz Labs, Mak Polyplast Pvt. Ltd., Medi Closures, Multipac, Naresh S P, Newtronic Equipment Company, Nimit Craftpack Industries, Navnidh Pharma Labs, PCI Services, Press & Pack Industries, Pressure Tags (India), PBS Electronics, Reva Printery, Ronak Flavour & Fragrances, Supreme Pharmaceuticals, Sharprint Packaging, Star Pack, Satyam Industries, S. S. Enterprises, Salicylate and Chemicals Pvt. Ltd., Salpra Pharmaceuticals & Chem, Sudeep Pharma Ltd., Sunil Chemicals, Tapasya Engineering Works Pvt. Ltd., Three -D



Notes Forming Part of Accounts for the year ended June 30 , 2006.

Containers, Tria Packaging, Unicorn Petroleum Ind Pvt. Ltd., Uday Multiprint, Ven-Petro Chem & Pharma Pvt. Ltd., V P Mehta & Co., Vilam Exports Pvt. Ltd., Vasundhara Rasayans Ltd., Vital Flavours & Fragrances.

These outstandings are in the normal course of business. The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

- 20) Miscellaneous Expenditure to the extent not written off includes Rs 35.15 lakhs on account of plant certification, Rs 31.28 lakhs on product registration, Rs 29.50 lakhs on specific export related expenses and Rs 17.34 lakhs on account of corporate advertisement campaign.
- 21) Previous year's figures have been regrouped and reclassified wherever necessary to conform with those of the current year.





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	30-06-2006
(II) Capital raised during the year (<i>Amount in Rs Lakhs</i>) –	
Public Issue.....	–
Rights Issue.....	–
Bonus Issue.....	–
(III) Position of Mobilisation and Deployment of Funds (<i>Amount in Rs Lakhs</i>) –	
Total Liabilities.....	24,609
Total Assets.....	24,609
<i>Sources of Funds –</i>	
Paid-up Capital.....	1,182
Reserves & Surplus.....	18,348
Secured Loans.....	2,345
Unsecured Loans.....	981
Deferred Tax Liability.....	1,753
<i>Application of Funds –</i>	
Net Fixed Assets	10,951
Investments	1,149
Net Current Assets	12,420
Miscellaneous Expenditure	88
Accumulated Losses	–
(IV) Performance of Company (<i>Amount in Rs Lakhs</i>) –	
Total Income	25,183
Total Expenditure	21,199
Profit Before Tax	3,984
Profit After Tax	2,838
Earnings per share in Rs.	24.01
Dividend %	62.50
(V) Generic Names of Three Principal Products/Services of the Company (<i>as per monetary terms</i>) –	
Item Code No (ITC Code)	30049093
Product Description	FEBREX PLUS SYRUP
Item Code No (ITC Code)	30042070
Product Description	VEPAN TABLETS
Item Code No (ITC Code)	30049039
Product Description.....	CYCLOPAM TABLETS

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner
M. No. 32625

Anil Kale
Company Secretary

Mumbai : August 10, 2006

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Cash Flow Statement for the year ended 30th June, 2006

	<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	3,984.03	3,673.61
Adjustments for :		
a) Depreciation	595.28	434.11
b) Profit on Sale of Fixed Assets	(91.25)	(20.64)
c) Profit on Sale of Investment	(146.40)	(3.25)
d) Loss on Sale of Fixed Assets	2.61	-
e) Loss on Sale of Investments	1.12	1.21
f) Deferred Expenses written off	113.28	109.05
g) Deferred Expenses paid during the year	(61.19)	(212.36)
h) Sundry Balance written back	(23.08)	3.82
i) Interest Income	(236.08)	(161.24)
j) Dividend received on Investments	(68.02)	(45.19)
k) Exchange Gain	(141.74)	(65.99)
l) Exchange Loss	97.29	62.39
m) Interest Expense	476.41	312.62
	518.23	406.89
Operating Profit before Working Capital Change	4,502.25	4,080.50
Adjustments for :		
a) Trade and Other Receivables	(2,892.12)	(3,439.72)
b) Inventories	(271.71)	(690.03)
c) Trade Payables and Other Liabilities	854.40	904.87
	(2,309.43)	(3,224.88)
Cash generated from Operations	2,192.82	855.62
Tax paid	(674.42)	(862.61)
Net Cash generated from / (used in) Operating Activities (A)....	1,518.40	(6.99)
B) Cash Flow from Investing Activities :		
a) Purchases of Fixed Assets (incl. CWIP)	(3,018.13)	(4,218.14)
b) Sale of Fixed Assets	104.06	53.60
c) Purchases of Investments	(5,974.35)	(12,170.68)
d) Sale of Investments	9,493.75	7,723.83
e) Interest Received	236.08	161.24
f) Dividend received on Investments	68.02	45.19
Net Cash generated from / (used in) Investing Activities (B)....	909.43	(8,404.96)



Cash Flow Statement for the year ended 30th June, 2006 (Contd.)

	Current Year Rs lakhs	Previous Year Rs lakhs
C) Cash flow from Financing Activities :		
a) Interest Paid	(476.41)	(312.62)
b) Dividend Paid	(673.99)	-
c) Exchange Gain	141.74	65.99
d) Exchange Loss	(97.29)	(62.39)
e) Public Issue Expenses	-	(459.76)
f) Proceeds from CC/WCDL Demand Loans	-	497.99
g) Repayment of CC/WCDL Demand Loans	(521.01)	-
h) Proceeds from Short Term borrowings	-	457.27
i) Repayment of Short Term borrowings	(460.04)	-
j) Proceeds from Overdraft Facility	-	1,073.31
k) Repayment of Overdraft Facility	(469.36)	-
l) Proceeds of Term borrowings	-	-
m) Repayment of Term borrowings	(199.16)	(251.73)
n) Proceeds of Short Term borrowings	-	-
o) Repayment of Short Term borrowings	-	-
p) Proceeds form Issue of Equity Shares	-	300.17
q) Proceeds form Share Premium on Issue of Equity Shares	-	7,054.03
r) Proceeds form Term borrowings	-	1,088.00
Net Cash generated from / (used in) Financing Activities(C)....	<u>(2,755.52)</u>	<u>9,450.26</u>
Net Increase / (Decrease) in Cash & Cash equivalents ... (A + B + C)	<u>(327.69)</u>	<u>1,038.31</u>
Cash and Cash equivalents - Opening Balance	2,790.66	1,752.35
Cash and Cash equivalents - Closing Balance	2,462.97	2,790.66

As per our Report attached
For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner
M. No. 32625

Mumbai : August 10, 2006

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Auditors' Certificate

On Cash Flow Statement for the year ended 30th June, 2006

To,
The Board of Directors
Indoco Remedies Limited
Indoco House
166 CST Road
Santacruz (E)
Mumbai 400 098.

We have examined the attached Cash Flow Statement of Indoco Remedies Limited for the year ended June 30, 2006. The Statement has been prepared by the Company in accordance with the requirements of listing agreement Clause 32 with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of August 10, 2006 to the members of the Company.

Mumbai : August 10, 2006

For PATKAR & PENDSE
Chartered Accountants

BM PENDSE
Partner
M. No. 32625





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

1	Name of Subsidiary Company	Indoco Healthcare Ltd	Indoco Holdings Netherlands, BV
2	The Financial Year of the Subsidiary Company ended on	30th June 2006	30th June 2006
3	Date from which it became Subsidiary Company	29th April 2004	28th April 2005
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 (b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Company	49,00,000 Equity Shares of the face value of Rs 10/- each fully paid up 100%	45,000 Shares of the face value of Euro 1 each fully paid up 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 (ii) For the previous financial years of the Subsidiary Companies since they became the holding Company's subsidiary (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 (ii) For the previous financial years of the Subsidiary Company since it became the holding Company's subsidiary	Rs 409.10 lakhs Rs 5.70 lakhs NIL NIL	Rs (4.83) lakhs Rs (8.78) lakhs NIL NIL

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner
M. No. 32625

Mumbai : August 10, 2006

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Indoco Remedies Limited

We have examined the attached Consolidated Balance Sheet of Indoco Remedies Limited ("the Company") and its subsidiaries as at 30th June, 2006, and the Consolidated Profit and Loss Account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of Rs 1,119.20 lakhs as at 30th June, 2006. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the Consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 30th June, 2006;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
- (c) in the case of the Consolidated Cash Flow Statement, on the consolidated cash flows of the Company and its subsidiaries for the year then ended.

For PATKAR & PENDSE
Chartered Accountants

BM PENDSE
Partner
M. No. 32625

Mumbai : August 10, 2006



Balance Sheet (Consolidated)

As at 30th June, 2006

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
SOURCES OF FUNDS			
1) Shareholders' Funds :			
(a) Share Capital	A	1,182.17	1,182.17
(b) Reserves & Surplus	B	18,655.88	16,349.30
		19,838.05	17,531.47
2) Loan Funds :			
(a) Secured Loans	C	2,644.94	3,036.83
(b) Unsecured Loans	D	981.01	1,938.69
3) Deferred Tax :	E		
(a) Deferred Tax Liability.....		1,804.01	1,023.29
(b) Deferred Tax Asset		(51.33)	(46.96)
		1,752.68	976.33
TOTAL		25,216.68	23,483.32
APPLICATION OF FUNDS			
4) Fixed Assets :	F		
(a) Gross Block		16,555.75	10,393.57
Less : Accumulated Depreciation		2,656.95	2,065.14
Net Block		13,898.80	8,328.43
(b) Capital Work in Progress		454.99	1,286.05
		14,353.79	9,614.48
5) Investments	G	633.53	4,007.65
6) Current Assets, Loans & Advances :	H		
(a) Inventories		3,560.11	3,010.97
(b) Sundry Debtors		8,340.63	7,406.66
(c) Cash and Bank Balances		2,520.49	2,858.46
(d) Loans & Advances		1,573.30	1,453.93
		15,994.53	14,730.02
7) Less : Current Liabilities and Provisions :	I		
(a) Current Liabilities		4,845.98	4,150.79
(b) Provisions		1,007.19	858.13
		5,853.17	5,008.92
Net Current Assets		10,141.36	9,721.10
8) Miscellaneous Expenditure : (to the extent not written off or adjusted)	J	88.00	140.09
TOTAL		25,216.68	23,483.32

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
M. No. 32625

Mumbai : August 10, 2006

Anil Kale
Company Secretary

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Profit and Loss Account (Consolidated) For the year ended 30th June, 2006

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
INCOME			
1) Sales & Operations		26,960.31	21,577.69
Less : Excise Duty		2,617.66	2,163.16
Net Sales		24,342.65	19,414.53
2) Other Income	K	724.77	480.66
<i>(Refer Note No. 6 of Schedule 'O')</i>		25,067.42	19,895.19
EXPENDITURE			
3) Materials	L	10,155.63	8,104.48
4) Expenses	M	9,404.50	7,316.63
5) Financial Charges	N	579.41	375.16
		20,139.54	15,796.28
GROSS PROFIT		4,927.88	4,098.91
6) Depreciation		632.28	434.11
PROFIT BEFORE TAX		4,295.60	3,664.80
7) Provision for Tax			
(a) Current		249.00	700.00
(b) Deferred		776.35	444.57
(c) Fringe Benefit		121.17	16.00
PROFIT AFTER TAX		3,149.08	2,504.23
8) Balance brought forward from last year		1,321.78	991.54
PROFIT AVAILABLE FOR APPROPRIATION		4,470.86	3,495.77
9) Appropriations :			
(a) Proposed Dividend		738.86	591.09
(b) Dividend Tax		103.62	82.90
(c) Transfer to General Reserve		1,500.00	1,500.00
(d) Balance Carried to Balance Sheet		2,128.38	1,321.78
		4,470.86	3,495.77

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
M. No. 32625

Mumbai : August 10, 2006

Anil Kale
Company Secretary

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Schedules

Forming part of the Balance Sheet (Consolidated)

SCHEDULE 'A' : Share Capital

	Current Year Rs lakhs	Previous Year Rs lakhs
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 : 11,821,714 (Previous year 8,820,000) Equity Shares of Rs 10/- each fully paid up.	<u>1,182.17</u>	<u>1,182.17</u>

Out of the above Equity Shares issued & subscribed :

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

SCHEDULE 'B' : Reserves and Surplus

1) Capital Reserve	0.02	0.02
2) Share Premium		
As per last Balance Sheet	7,035.27	441.00
Add : Addition during the year	-	7,054.03
Less : Share Issue Expenses Written Off	<u>-</u>	<u>459.76</u>
	7,035.27	7,035.27
3) Revaluation Reserve		
As per last Balance Sheet	0.09	0.10
Less : Transfer to Profit and Loss Account	<u>0.01</u>	<u>0.01</u>
	0.08	0.09
4) Subsidy - Development Corporation of Konkan	7.50	7.50
5) General Reserve :		
As per last Balance Sheet	7,984.64	6,484.64
Add : Transfer from Profit and Loss Account	<u>1,500.00</u>	<u>1,500.00</u>
	9,484.64	7,984.64
6) Profit & Loss Account	<u>2,128.38</u>	<u>1,321.78</u>
TOTAL	<u>18,655.89</u>	<u>16,349.30</u>



Schedules

Forming part of the Balance Sheet (Consolidated)

SCHEDULE 'C' : Secured Loans

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Working Capital Demand Loans including Cash Credit facilities from Banks*	28.11	549.12
2) Foreign Currency Term Loan from State Bank of India **	114.49	326.40
3) External Commercial Borrowings from ICICI Bank UK Ltd ***	1,100.75	1,088.00
4) Foreign Currency Packing Credit *	497.64	—
5) Overdraft against Fixed Deposits ****	603.95	1,073.31
6) Term Loan from Bank *****	300.00	—
TOTAL	<u>2,644.94</u>	<u>3,036.83</u>

* 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.

** The Foreign Currency Non-Repatriable Borrowings from State Bank of India was secured by way of First charge on all Movable & Immovable properties of the Company located at Verna-Goa (Goa-II) and Second charge on all Movable & Immovable Properties located at Verna-Goa (Goa-I & III) .

*** The ECB from ICICI Bank UK Ltd was secured by way of first charge on all movable, immovable properties of the Company located at Verna Goa I & III

**** Secured against Fixed Deposit Receipts pledged with Banks

***** The term loan from Yes Bank Ltd is secured by first pari-passu charged on all Movabale and Immovable fixed assets, both present & future and Corporate Guarantee of parent company - Indoco Remedies Ltd.

SCHEDULE 'D' : Unsecured Loans

1) Foreign Currency Packing Credit	324.91	438.69
2) Short Term Loans - (Foreign Currency Loan)	656.10	—
3) Commercial Paper with Banks (Maximum balance during the year Rs Nil Previous Year Rs1,500.00 lakhs)	—	1,500.00
TOTAL	<u>981.01</u>	<u>1,938.69</u>

SCHEDULE 'E' : Deferred Tax

1) Deferred Tax Liability		
(a) Depreciation	1,774.39	976.14
(b) Deferred Revenue Expenses	29.62	47.15
	<u>1,804.01</u>	<u>1,023.29</u>
Less :		
2) Deferred Tax Assets		
(a) Provision for Leave Encashment	40.85	36.48
(b) Provision for Doubtful Debts	10.48	10.48
	<u>51.33</u>	<u>46.96</u>
TOTAL	<u>1,752.68</u>	<u>976.33</u>

Schedules

Forming part of the Balance Sheet (Consolidated)

SCHEDULE 'F' : Fixed Assets

Rs lakhs

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st July 2005	Additions during the year	Deductions/ Sales during the Year	As at 30th June 2006	As at 1st July 2005	For the Year	Deductions/ Sales during the year	As at 30th June 2006	As at 30th June 2006	As at 30th June 2005
Land (Lease Hold)	102.60	116.06	-	218.66	5.41	-	-	5.41	213.25	97.19
Buildings & Premises *	3,628.93	1,794.65	42.72	5,380.86	667.25	110.70	34.33	743.62	4,637.25	2,961.69
Plant & Machinery **	1,105.10	860.81	-	1,965.91	206.62	66.33	-	272.95	1,692.96	898.48
Handling Equipments	323.44	64.37	-	387.81	110.41	16.02	-	126.43	261.38	213.03
Pollution Control Equipments	165.37	10.42	-	175.79	43.92	7.89	-	51.81	123.97	121.44
Laboratory Equipments	322.11	242.52	-	564.63	45.94	23.49	-	69.43	495.19	276.17
R&D Equipments	639.11	1,017.95	-	1,657.06	148.77	60.63	-	209.40	1,447.66	490.34
Plant - Utilities	1,019.79	657.08	-	1,676.87	102.41	63.77	-	166.18	1,510.69	917.38
Electrical Installations	562.29	499.62	6.63	1,055.28	103.55	36.10	2.39	137.26	918.02	458.74
Furniture & Fixtures and Office & Data Processing Equipments	964.19	204.25	-	1,168.44	444.15	113.20	-	557.35	611.09	520.04
Air-conditioning Unit	602.48	659.07	-	1,261.55	106.84	36.16	-	143.00	1,118.55	495.64
Vehicles	20.86	91.26	6.53	105.59	8.74	11.37	3.75	16.36	89.24	12.12
Trade Mark	937.30	-	-	937.30	71.13	86.62	-	157.75	779.55	866.17
Total	10,393.57	6,218.06	55.88	16,555.75	2,065.14	632.28	40.47	2,656.95	13,898.80	8,328.43
Previous year	6,337.61	4,175.96	120.00	10,393.57	1,717.55	434.64	87.05	2,065.14	8,328.43	-
Capital Work-in-Progress (Including Capital Advances)									454.99	1,286.05
Total									14,353.79	9,614.48

* Buildings & Premises at cost includes 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 lakhsPrevious Year
Rs lakhs

1) Unquoted : (at cost)

(a) Non-Trade - Government Securities

- (i) 12 Yrs National Defence Certificates
- (ii) 7 Yrs National Savings Certificates

0.01
0.180.01
0.18

0.19

0.19

(b) Shares of Saraswat Co-op. Bank Ltd.

(1,000 Ordinary Shares of Rs 10/- each)

0.10

0.10

2) Quoted

(a) Current

Investment in Mutual Funds

- (i) Fixed Maturity Funds
- (ii) Monthly Income Funds
- (iii) Liquid Funds

-

633.23

-

1,851.78

506.77

1,648.80

(As per statement attached)

633.23

4,007.35

(b) Long Term (at Cost)

Shares of Citurgia Bio-Chemicals Ltd.

(100 Equity Shares of Rs 10/- each)

Market Value - Rs 2,000

Previous Year - Rs 2,155

0.01

0.01

TOTAL

633.53

4007.65

Schedules

Forming part of the Balance Sheet (Consolidated)

SCHEDULE 'H' : Current Assets, Loans and Advances

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
1) Current Assets :		
<i>(As certified by the Management)</i>		
Inventories (At Cost)		
(a) Stock of Consumables and Printed Materials	61.65	84.11
(b) Stock in Trade :		
(i) Raw and Packing Materials.....	1,445.21	1,264.71
(ii) Finished Goods.....	1,849.48	1,469.77
(iii) Work in Progress.....	203.77	192.38
	<u>3,560.11</u>	<u>3,010.97</u>
Sundry Debtors		
<i>Unsecured</i>		
(a) Debts outstanding for more than Six months		
Considered Good.....	549.03	424.46
Considered Doubtful.....	31.13	31.13
	<u>580.16</u>	<u>455.59</u>
Less : Provision for Doubtful Debts	31.13	31.13
	<u>549.03</u>	<u>424.46</u>
(b) Other Debts :		
Considered Good.....	7,791.60	6,982.20
	<u>8,340.63</u>	<u>7,406.66</u>
Cash and Bank Balances		
(a) Cash on hand.....	10.49	8.07
(b) Balances with Scheduled Banks :		
(i) In Current Accounts.....	1,022.54	1,065.22
(including Equity Shares Application Money		
of Rs 13.17 Lakhs, Previous Year Rs 50.92)		
(ii) In Fixed Deposit Accounts.....	1,349.26	1,746.14
(iii) In Margin Accounts.....	138.20	39.03
	<u>2,520.49</u>	<u>2,858.46</u>
2) Loans and Advances :		
<i>(Unsecured, Considered Good)</i>		
(a) Advances recoverable in cash or in kind		
or for the value to be received	1,130.78	1,160.88
(b) Advance Income Tax (Net)	394.27	-
(c) Balances in Excise Accounts.....	47.25	93.05
(d) Inter Corporate Deposit.....	1.00	200.00
	<u>1,573.30</u>	<u>1,453.93</u>
TOTAL	<u><u>15,994.53</u></u>	<u><u>14,730.02</u></u>



Schedules

Forming part of the Balance Sheet (Consolidated)

SCHEDULE 'I' : Current Liabilities and Provisions

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Current Liabilities :		
(a) Sundry Creditors	4,106.08	3,418.85
(b) Unclaimed Dividend *	6.12	4.97
(c) Interest accrued but not due on loans	26.60	19.37
(d) Equity share application money refundable	13.17	50.92
(e) Security Deposit Payable.....	476.04	459.32
(f) Other Liabilities	217.97	197.36
	4,845.98	4,150.79
<i>* Liability towards Investor Education and Protection Fund - Not due</i>		
2) Provisions :		
(a) Provision for Bonus	43.35	44.27
(b) Provision for Income Tax (Net)	-	31.49
(c) Proposed Dividend	738.86	591.09
(d) Dividend Tax	103.62	82.90
(e) Provision for Leave Encashment	121.36	108.38
	1,007.19	858.13
TOTAL	5,853.17	5,008.92

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

Deferred Revenue Expenses :		
As per last Balance Sheet	140.09	36.78
Add : Additions during the year	61.19	212.36
Less : Amortised during the year	(113.28)	(109.05)
TOTAL	88.00	140.09



Schedules

Forming part of the Profit and Loss Account (Consolidated)

SCHEDULE 'K' : Other Income

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Dividend Received	68.02	45.19
2) Interest Received *	120.13	161.24
3) Profit on Sale of Fixed Assets	91.25	20.64
4) Exchange Gain	141.74	65.99
5) Export Incentives	74.60	146.75
6) Sales Tax Refund	0.75	10.07
7) Sundry Balances Written Back	23.08	3.82
8) Profit on Sale of Investments	146.40	3.25
9) Sundry Receipts	58.80	23.71
TOTAL	724.77	480.66

*Refer Note No.6 of Schedule 'O'

SCHEDULE 'L' : Materials

1) Cost of Materials Consumed :		
Opening Stock	1,264.71	849.65
Add : Purchases	8,103.28	6,804.91
Less : Closing Stock	1,445.21	1,264.71
	7,922.78	6,389.85
2) Purchase of Finished Goods	2,662.34	1,845.24
3) Excise Duty	238.38	120.22
4) (Increase)/Decrease in Stock of Finished Goods and WIP :		
(a) Opening Stock	1,662.15	1,411.32
(b) Closing Stock	(2,053.26)	(1,662.15)
	(391.11)	(250.83)
5) Insurance Claim.....	(276.76)	-
TOTAL	10,155.63	8,104.48

Schedules

Forming part of the Profit and Loss Account (Consolidated)

SCHEDULE 'M' : Expenses

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Consumable Stores.....	89.33	66.50
2) Job Work Charges.....	674.25	412.38
3) Power and Fuel.....	731.57	417.28
4) Rent, Rates, Taxes.....	99.92	113.28
5) Insurance.....	50.20	41.36
6) Repairs :		
(a) Buildings.....	45.25	28.25
(b) Plant and Machinery.....	136.74	58.31
(c) Others	149.97	88.40
	<u>331.96</u>	<u>174.96</u>
7) Personnel :		
(a) Salaries, Wages and Bonus	2,377.20	1,848.84
(b) Contributions to Provident and Other Funds	262.36	229.10
(c) Staff Welfare Expenses	63.32	56.38
	<u>2,702.88</u>	<u>2,134.32</u>
8) Packing and Delivery Expenses.....	662.80	540.85
9) Research & Development Expenses.....	222.72	184.31
10) Analytical Expenses	106.72	83.83
11) Turnover and Additional Tax	40.34	12.19
12) Advertising and Sales Promotion Expenses.....	952.24	835.85
13) Commission and Incentives on Sales.....	604.75	427.98
14) Travelling, Conveyance and Motor Car Expenses	1,304.83	1,190.11
15) Legal and Professional Fees.....	53.12	51.03
16) Directors' Sitting Fees	1.32	1.12
17) Postage, Telephone and Telex Expenses.....	79.91	81.90
18) Printing and Stationery Expenses.....	124.09	108.61
19) Payments to Auditors :		
(a) Audit Fees	1.65	1.50
(b) Tax Audit Fees	0.30	0.30
(c) Other Services	0.03	0.06
	<u>1.98</u>	<u>1.86</u>
20) Loss on Sale of Investments	1.12	1.21
21) Loss on Sale of Assets	2.61	-
22) Miscellaneous Expenditure Written Off*	113.27	109.05
23) Other Expenses	452.57	326.65
TOTAL	<u><u>9,404.50</u></u>	<u><u>7,316.63</u></u>

* Refer Note No. 11 of Schedule 'O'

SCHEDULE 'N' : Financial Charges

1) Interest on Fixed Loans from Banks	92.62	34.32
2) Interest on Other Facilities from Banks	105.42	64.63
3) Other Financial Charges	222.17	171.76
4) Interest on Other Unsecured Loans	159.20	104.45
TOTAL	<u><u>579.41</u></u>	<u><u>375.16</u></u>



Notes Forming Part of the Consolidated Financial Statements for the year ended June 30, 2006.

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. The accounts of the Parent Company and an Indian Subsidiary and Foreign Subsidiary have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, except in case of a Subsidiary located in Netherlands whose accounts have been prepared in accordance with the local laws and the applicable Accounting Standards/generally accepted accounting practices.
- (ii) The Financial Statements of the Subsidiary used in the consolidation are drawn upto the same reporting date as that of the Parent Company, namely June 30, 2006.

(b) Principles of Consolidation –

- (i) The Financial Statements of the Parent Company and its Subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and the unrealised profits/losses.
- (ii) The Financial Statements of the Parent Company and its Subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

(c) Fixed Assets, Depreciation and Amortisation –

- (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 and office premises in Mumbai and on Straight-Line-Method on all the assets at Goa Factories, Baddi and R&D Centre at Navi Mumbai.
- (iii) Trademarks are recorded at their acquisition cost and amortised on the Straight-Line-Method over their estimated economic life of ten years.

(d) Investments –

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

(e) Foreign Subsidiaries –

In case of Foreign Subsidiaries, the local accounts are maintained in local and functional currency. The Financial Statements of such Foreign Subsidiaries, which are integral foreign operations for the Parent Company, have been translated to Indian Rupees on the following basis :

- (i) All income and expenses are translated at the applicable closing rate of exchange prevailing at the end of the financial year.
- (ii) Monetary assets and liabilities are translated at the closing rate on the Balance Sheet date.
- (iii) Non-monetary assets and liabilities are translated at historical rates.

(f) 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.

(g) 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.

(h) Foreign Currency Transactions –

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



Notes Forming Part of the Consolidated Financial Statements for the year ended June 30, 2006.

- (i) Sales –
Sales are accounted inclusive of excise duty but are net of discounts and sales tax.
- (j) 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.
- (k) Employees' Retirement and Other Benefits –
Company's contribution to Provident, Superannuation Funds is accounted on accrual basis and charged to Profit & Loss Account. The Company also provides for unutilised leave benefits and Gratuity to its employees on actuarial valuation.
- (l) 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.
- (m) Research & Development Expenses –
Research & Development costs of revenue nature are charged to Profit & Loss Account when incurred. Expenditure of capital nature is capitalised and depreciation is provided on these assets as per the provisions of the Companies Act, 1956.
- (n) Miscellaneous Expenditure –
Deferred Revenue expenditure are amortised as under:
(i) The expenditure incurred on certification and approval of the plants is amortized over 3 years on the basis of estimated benefits derived in each year.
(ii) The expenditure incurred on registration of products in the International Market is amortized over 4 years on the basis of estimated benefits derived in each year
(iii) Specific expenses in connection with developing international business are also amortised over 2 years on the basis of estimated benefits derived in each year.
(iv) The expenditure incurred on Corporate advertisement campaign is amortised over 3 years on the basis of estimated benefits derived in each year.
- (o) 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.
- (p) Impairment of Fixed Assets –
At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS-28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India. An impairment loss is charged to the Profit and Loss Account in the year in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in prior accounting periods is reversed, if there has been a change in the estimate of recoverable amount.

	<i>Current Year Rs Lakhs</i>	<i>Previous Year Rs Lakhs</i>
2) Contingent liabilities not provided for :		
(a) Matters under dispute		
(i) Sales Tax.....	0.89	8.77
(ii) Excise.....	13.72	31.51
(iii) Income Tax		
– Where the Company is in appeal	163.88	129.06
(Rs 76.98 Lakhs has been paid under protest)		
– Where the department is in appeal	325.01	274.30
(iv) In respect of claims made against the Company not acknowledged as debts (Labour matters)	20.74	23.14

Notes Forming Part of the Consolidated Financial Statements for the year ended June 30, 2006.

	<i>Current Year</i> <i>Rs Lakhs</i>	<i>Previous Year</i> <i>Rs Lakhs</i>
(b) Bank Guarantees.....	117.63	140.57
(c) Letters of Credit	391.74	172.63
(d) Estimated amount of contracts remaining to be executed on Capital Account (net of advances)	137.35	2,048.90
(e) Corporate Guarantee	2,000.00	200.00
3) The consolidated financial statements present the consolidated accounts of Indoco Remedies Limited with the following Subsidiaries:		
<i>Name of Subsidiary</i>	<i>Country of Incorporation</i>	<i>Proportion of Ownership Interest</i>
(a) Indoco Healthcare Limited	India	100%
(b) Indoco Holdings Netherlands BV	Netherlands	100%
The Consolidated accounts thus include the results of the aforesaid subsidiaries and there are no other body corporate/entities, where the Company holds 50% or more of the share capital or where the Company can control the composition of the Board of Directors/governing bodies of such companies/entities, where the holding may be less than 50%.		
4) Remuneration / Perquisites paid / payable to Managing / Whole-time Directors :		
(a) Salary.....	92.36	80.40
(b) Commission.....	15.00	15.00
(c) Provident & Super Annuation Fund Contribution	18.46	15.59
(d) Other Perquisites.....	5.72	14.44
	<u>131.54</u>	<u>125.43</u>
5) Research & Development expenses include salary & wages, chemicals/materials consumed, electricity, travel, repairs, insurance premium and similar such expenses.		
6) Tax deducted at source consists of :		
(i) Rs Nil Lakhs on account of Rent Received (Previous year Rs 0.08 lakhs)		
(ii) Rs 0.02 Lakhs on account of Job work Charges (Previous year Rs 0.07 lakhs)		
(iii) Rs 52.82 Lakhs on account of Interest received(Previous year Rs 23.84 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 March 31, 2006 and the provision based on the figures for the remaining 3 months upto June 30, 2006, the ultimate tax liability of which will be determined on the basis of figures for the period April 01, 2006 to March 31, 2007.		
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)	3,149.08	2,504.23
(b) Weighted Average Number of Ordinary Shares for Basic EPS	11,821,714	10,201,611
(c) Effect of Potential Ordinary Shares	-	-
(d) Weighted Average Number of Ordinary Shares for Diluted EPS	11,821,714	10,201,611
(e) Earnings Per Share (Face Value Rs10/- Per Share)		
(i) Basic (a/b)	26.64	24.55
(ii) Diluted (a/d)	26.64	24.55



Notes Forming Part of the Consolidated Financial Statements for the year ended June 30, 2006.

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) Other Parties :

- (a) AK Services (b) Indoco Capital Markets Limited
(c) Indoco Global Markets Pvt Ltd

(iii) Directors and their Relatives :

Mr Suresh G Kare, Mr SY Rege, Mr PK Kakodkar, Mr DN Mungale, Mr DM Sukthankar, Dr MR Narvekar, Mr DM Gavaskar, Mr Sundeep V Bambolkar, Mr FX Coutinho, Ms Aditi Kare Panandikar, Ms Aruna S Kare, Ms Madhura A Ramani, Dr Anup P Ramani, Dr Shantaram Panandikar, Ms Ivy Coutinho, Ms Neeta S Bambolkar.

B. TRANSACTIONS WITH THE RELATED PARTIES :

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

Nature of Transaction	Shareholders of the Company A (i)		Other Parties A (ii)	
	Current Year Rs lakhs	Previous Year Rs lakhs	Current Year Rs lakhs	Previous Year Rs lakhs
Sale of Goods and Services	36.87	1.82	-	-
Purchase of Goods and Services	436.82	510.24	30.99	32.98
Loans given	-	-	-	-
Commission (Expenses)	-	-	54.08	46.62
Balance as at year end : Credit	7.95	73.42	3.97	92.87
Investment in Shares	-	-	-	-

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

Nature of Transaction	Current Year Rs lakhs	Previous Year Rs lakhs
Remuneration	131.54	125.43
Rendering of Services	17.92	15.41
Directors' Sitting Fees	1.32	1.12
Balance as at year end : Credit	0.26	0.78

11) Miscellaneous Expenditure to the extent not written off includes Rs.35.15 lakhs on account of plant certification, Rs.31.28 lakhs on product registration, Rs.29.50 lakhs on specific export related expenses and Rs.17.35 lakhs on account of corporate advertisement campaign.

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



Consolidated Statement Pursuant to Part IV to the Companies Act, 1956

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

(I) Registration Details –	
Registration No.....	5913
State Code.....	11
Balance Sheet Date	30-06-2006
(II) Capital raised during the year (<i>Amount in Rs Lakhs</i>) –	
Public Issue.....	–
Rights Issue.....	–
Bonus Issue.....	–
(III) Position of Mobilisation and Deployment of Funds (<i>Amount in Rs Lakhs</i>) –	
Total Liabilities.....	25,217
Total Assets.....	25,217
<i>Sources of Funds –</i>	
Paid-up Capital.....	1,182
Reserves & Surplus.....	18,656
Secured Loans.....	2,645
Unsecured Loans.....	981
Deferred Tax Liability.....	1,753
<i>Application of Funds –</i>	
Net Fixed Assets	14,354
Investments	634
Net Current Assets	10,141
Miscellaneous Expenditure	88
Accumulated Losses	–
(IV) Performance of Company (<i>Amount in Rs Lakhs</i>) –	
Total Income	25,067
Total Expenditure	20,772
Profit Before Tax	4,296
Profit After Tax	3,149
Earning per share in Rs.	26.64
Dividend %	62.50
(V) Generic Names of Three Principal Products/Services of the Company (<i>as per monetary terms</i>) –	
Item Code No (ITC Code)	30049093
Product Description	FEBREX PLUS SYRUP
Item Code No (ITC Code)	30042070
Product Description	VEPAN TABLETS
Item Code No (ITC Code)	30049039
Product Description.....	CYCLOPAM TABLETS

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner
M. No. 32625

Mumbai : August 10, 2006

Anil Kale
Company Secretary

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Consolidated Cash Flow Statement for the year ended 30th June, 2006

	<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	4,295.60	3,664.80
Adjustments for :		
a) Depreciation	632.28	434.11
b) Profit on Sale of Fixed Assets	(91.25)	(20.64)
c) Profit on Sale of Investment	(146.40)	(3.25)
d) Loss on Sale of Fixed Assets	2.61	-
e) Loss on Sale of Investments	1.12	1.21
f) Deferred Expenses written off	113.28	109.07
g) Deferred Expenses paid during the year	(61.19)	(212.36)
h) Sundry Balance written back	(23.08)	(3.82)
i) Interest Income	(120.13)	(161.24)
j) Dividend received on Investments	(68.02)	(45.19)
k) Exchange Gain	(141.74)	(65.99)
l) Exchange Loss	97.29	62.39
m) Interest Expense	482.12	312.77
	676.89	407.06
Operating Profit before Working Capital Change	4,972.49	4,071.86
Adjustments for :		
a) Trade and Other Receivables	(1,053.36)	(2,830.43)
b) Inventories	(549.14)	(690.03)
c) Trade Payables and Other Liabilities	1,003.07	918.64
	(599.44)	(2,601.82)
Cash generated from Operations	4,373.05	1,470.04
Tax paid	(674.42)	(862.60)
Net Cash generated from / (used in) Operating Activities (A)....	3,698.64	607.44
B) Cash Flow from Investing Activities :		
a) Purchases of Fixed Assets (incl. CWIP)	(5,387.00)	(5,215.21)
b) Sale of Fixed Assets	104.06	53.59
c) Purchases of Investments	(5,974.35)	(11,729.13)
d) Sale of Investments	9,493.75	7,724.05
e) Interest Received	120.13	161.24
f) Dividend received on Investments	68.02	45.19
Net Cash generated from / (used in) Investing Activities (B)	(1,575.39)	(8,960.27)



Consolidated Cash Flow Statement for the year ended 30th June, 2006 (Contd.)

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
C) Cash flow from Financing Activities :		
a) Dividend Paid	(673.98)	–
b) Interest Paid	(482.12)	(312.77)
c) Exchange Gain	141.74	65.99
d) Exchange Loss	(97.29)	(62.39)
e) Public Issue Expenses	–	(459.76)
f) Proceeds from CC/WCDL Demand Loans	–	498.00
g) Repayment of CC/WCDL Demand Loans	(521.01)	–
h) Proceeds from Short Term borrowings	–	457.27
i) Repayment of Short Term borrowings	(460.03)	–
j) Proceeds from Overdraft Facility	–	1,073.31
k) Repayment of Overdraft Facility	(469.36)	–
l) Proceeds from Term borrowings	–	–
m) Repayment of Term borrowings	(199.16)	(251.73)
n) Proceeds form Issue of Equity Shares	–	300.17
o) Proceeds form Share Premium on Issue of Equity Shares	–	7,054.03
p) Proceeds form Term borrowings	<u>300.00</u>	<u>1,088.00</u>
Net Cash generated from / (used in) Financing Activities(C)....	(2,461.21)	9,450.12
Net Increase / (Decrease) in Cash & Cash equivalents ... (A + B + C)	<u>(337.97)</u>	<u>1,097.29</u>
Cash and Cash equivalents - Opening Balance	2,858.46	1,757.35
Cash and Cash equivalents - Closing Balance	2,520.49	2,858.46

As per our Report attached
For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner
M. No. 32625

Mumbai : August 10, 2006

Anil Kale
Company Secretary

Suresh G Kare
Chairman & Mg. Director

FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Whole Time Directors

Mumbai : August 10, 2006



Financial Highlights

(Rs lakhs)

	2005-06*	2004-05	2003-04	2002-03	2001-02
OPERATING RESULTS					
Sales and Other Income	27,685.08	22,058.35	18,129.01	14,862.29	13,451.88
Material Cost	12,773.29	10,267.64	8,425.62	7,080.19	7,773.85
Salaries , Bonus and Staff-welfare	2,702.88	2,134.32	1,996.04	1,735.48	1,049.60
Manufacturing, Administrative and Selling Expenses	6,701.62	5,173.68	4,221.56	3,648.66	2,401.59
Depreciation	632.28	434.11	295.79	286.67	182.39
Financial Charges	579.41	375.01	281.60	305.98	249.54
Profit before tax	4,295.60	3,673.59	2,908.40	1,805.31	1,794.91
Provision For Taxation/ Deferred Tax	1,146.52	1,160.57	782.34	401.14	165.00
Profit after tax	3,149.09	2,513.02	2,126.06	1,404.17	1,629.91
Retained Earnings	2,306.61	1,839.03	1,628.56	1,268.15	1,168.65
Earnings Per Share	26.64	24.63	24.10	15.92	18.48
Book Value	167.81	148.32	99.78	81.32	81.36
Debt : Equity Ratio	0.18	0.31	0.29	0.38	0.38
FINANCIAL SUMMARY					
ASSETS EMPLOYED					
Fixed Assets : Gross	16,555.75	10,608.59	6,510.49	6,074.18	5,298.66
: Net	14,353.79	8,543.98	4,792.95	4,635.83	4,340.11
Investments	633.53	4523.43	74.53	100.38	1,438.13
Net Current Assets	10,141.37	10,278.91	6,998.60	5,515.72	4,098.29
Miscellaneous Expenditure (to the extent not written- off)	88.00	140.09	36.78	60.22	30.90
Total Assets	25,216.68	23,486.41	11,902.86	10,312.15	9,907.43
FINANCED BY					
Share Capital	1,182.17	1,182.17	882.00	882.00	882.00
Reserves	18,655.88	16,352.39	7,919.10	6,290.56	6,294.03
Total Shareholders' Funds	19,838.05	17,534.56	8,801.10	7,172.56	7,176.03
Borrowings	3,625.95	4,975.52	2,570.00	2,725.17	2,731.40
Deferred Tax	1,752.68	976.33	531.76	414.42	–
Total Fund	25,216.68	23,486.42	11,902.86	10,312.15	9,907.43

* Consolidated Results

