

INDOCO REMEDIES LIMITED

SYNOPSIS OF MANAGEMENT DISCUSSION & ANALYSIS

➤ **Revenue figures:**

The table below gives the break-up of revenues (Gross of excise duty):

(Rs. in Lacs)

Particulars	4 th Quarter		Annual		Growth %
	Apr. 07- Jun. 07	Apr. 06- Jun. 06	2006-07	2005-06	
Gross Sales					
Domestic ... (A)	8103	6849	26502	21665	22.33
Formulation Exports :					
- Regulatory	1412	1408	4860	3083	57.64
- Semi-Regulatory	502	472	1439	1236	16.42
API's Export :	173	-	703	-	0
Total Export ... (B)	2087	1880	7002	4319	62.12
API ... (C)	204	144	729	583	25.04
Trading /Others ... (D)	214	-	210	393	(46.56)
Total (A+B+C+D)	10608	8873	34443	26960	27.76
Less : Excise Duty	576	843	1844	2618	(29.56)
Net Sales	10032	8030	32599	24342	33.92
Other Income	225	209	483	725	(33.38)
Total Income	10257	8239	33082	25067	31.97
EBIDTA	2680	2292	6346	4896	29.61
Operating Profit	2252	1958	4882	3794	28.69
PAT	2207	1585	4204	3149	33.50

Key Highlights:

➤ ***Revenue Growth :***

The total net sales has grown by 33.92% for the year ended June 30, 2007. The growth in turnover is due to sustained growth both in domestic and international business mainly to regulated markets of U.K. & Germany.

➤ ***Credit Rating :***

During the year, ICRA has accorded an A1+ rating to Indoco's Commercial Paper Program (short term debt) of Rs. 2500 Lacs. The rating A1+ is the highest accorded by ICRA for a Short Term Debt Program. This reflects the sound financial health of INDOCO.

➤ ***Research & Development :***

Indoco's ultra modern R & D centre is spread over an area of 70,000 sq. feet. The new R&D set up houses state-of the-art equipments, analytical instruments and latest databases.

The type of research activities in the synthetic chemistry includes inter-alia:

- a) Custom chemical synthesis of molecules & intermediates under various phases of development (R & D, Preclinical & Clinical)
- b) Contract Research : Process Chemistry Research & Development
- c) Non-Infringing process design & scale up
- d) Analytical Research (Analytical method development / Validation, Impurity Characterization, Impurity isolation, polymorphic studies.)
- e) Intellectual property management.
- f) Contract manufacturing Kg to Multi ton.

API R & D has successfully developed 10 molecules and they are at various stages from technology transfer to commercial production. Another 15 products are under development.

On the formulation front, the R & D Centre is capable of handling formulation developments in various dosage forms, New drug delivery systems and Technology platforms. The above efforts are supplemented by the company's regulatory department which has capability to conduct Bio-Equivalence Studies and Clinical trials.

Several formulation development / Dossier development projects have been completed for various European & U.S. Companies.

➤ **ORG Ranking :**

The Company has been ranked by ORG Marg as under: (June 2007)

	Monthly	MAT
Prescription	22	22
Retail Audit	31	32

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

Particulars	July 06 – June 07	July 05 – June 06	Growth %
Anti-infective	5200.53	3627.41	43.37
Respiratory & Anti-Allergy	5064.74	4454.08	13.71
Dental	3451.65	2963.94	16.46
Alimentary Systems	3413.07	2763.88	23.49
Nutrition	1688.72	1192.76	41.58
Dermatology	1425.85	1357.73	5.02
AntiDiabetic	1416.89	1190.86	18.98
Ophthalmic	1366.45	1149.86	18.84
Analgesics & Antipyretics	1069.42	848.58	26.02
Cardiovascular System	1042.82	930.51	12.07
Urinary	662.57	529.64	25.10
Anti-Haemorrhagics	320.94	331.01	(3.04)
Musculo-Skeletal Disorders	195.23	190.61	2.42
Ear	183.00	134.49	36.07

➤ ***Domestic Business :***

The domestic formulations business registered a growth of 22.33% during the year ended June 2007 over corresponding period last year. The growth in turnover was mainly due to growth in Anti-Infective, Respiratory & Anti-Allergy, Dental, Alimentary and Nutrition segments.

Warren Excel Division :

The company has recently launched a new division `Warren Excel' in domestic market. The division will focus in the area of Ophthalmic. It has started its operation in Southern India with 35 Medical Representatives. The division would be gradually expanded to Pan-India presence by July 2007.

Spera Division :

Spera is a newly launched division in the West and South zone. The aim is to increase contribution from our existing customers – GPs, Gynaecs, Paeds, CPs. It has brands like Cital, Scabex, Triz and Speraflox (Levofloxacin), Speraxate (Flavoxate), Speronden (Ondansetron) – all in growing markets.

➤ ***International business :***

The Company's revenue from International business has grown by 62.12% for the year ended 30.06.07. Indoco is steadily consolidating its presence in the Regulated markets and has achieved a growth of 57.64% in these markets for the year ended 30.06.07. During the last year, Indoco's manufacturing facilities received the approval from ANVISA – Brazil and TGA – Australia. We had a successful inspection by MCC – South Africa and are awaiting approval from them.

Indoco entered in the U.S. market with its first shipment of Ciprofloxacin Ophthalmic Solution. We also got our own dossier licensed / registered in Australia and some of the European countries, viz., Spain & Bulgaria.

The semi-regulated markets have grown by 16.42% during the year ended 30.06.07. Due to the shift from the low margin tender business and focus on trade, the overall margins have improved. Dossiers submitted in over 10 countries in the year and approval of the Waluj facility by the Ukrainian Health Authority is expected to boost business. Indoco's widening international presence can be attributed to its credibility steadily earned over the years.

➤ ***API Business :***

The company's APIs business has grown to Rs. 1432 Lacs during the year ended June 2007 as compared to Rs. 583 Lacs for the comparative period last year. Our all three facilities **Kilo Plant-Rabale** (As per cGMP, EDQM, USFDA standards) **Multi-Ton Plant**-Patalganga (As per cGMP, EDQM, USFDA standards) and **API & Intermediate Plant** – Rabale (As per Local GMP Standards) started production to optimum capacity.

Kilo Plant & Multi-Ton plant is being prepared for regulatory inspections like USFDA & EDQM so that products could be exported to US & European market. At present our products are exported to more than 25 countries. We have filed 2 DMF's and another 10 DMF's are under preparation.

➤ ***Amalgamation :***

By an Order passed by the Hon'ble High Court of Mumbai on 28th September, 2007 La Nova Chem (India) Pvt. Ltd., which became a wholly owned subsidiary of Indoco with effect from 5th July, 2006 has been amalgamated with Indoco from that date under a Composite Scheme of Amalgamation and Demerger. The Hon'ble High Court of Mumbai has also approved the demerger of Pharmaceutical Division of SPA Pharmaceuticals Ltd. to be merged with Indoco with effect from 1st April 2007 under the said Scheme.

By an Order passed on 10th October, 2007, the Hon'ble High Court of Himachal Pradesh has approved the merger of Indoco Healthcare Ltd., a wholly owned subsidiary of Indoco with itself from the Appointed Day i.e. 1st July, 2005.

The audited figures presented above for the year ended 30th June 2007 for Indoco, therefore reflect a merged accounts consequent upon the Orders passed by the Hon'ble High Courts. The figures for the previous year ended 30th June 2006 are consolidated to include subsidiary company results.