

**INDOCO REMEDIES LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE HALF YEAR  
ENDED DECEMBER 31, 2006**

➤ **Revenue figures: (Consolidated)**

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

(Rs. in Lacs)

Particulars	July to December			Year
	2006-07	2005-06	Growth %	Ending 2005-06
<b>Sales</b>				
Domestic	12705	10593	<b>19.94</b>	<b>21665</b>
Export :				
Reg.	2198	1000	<b>119.80</b>	<b>3084</b>
Semi-Reg.	475	449	<b>5.79</b>	<b>1235</b>
Total Export	2673	1449	<b>84.47</b>	<b>4319</b>
API	776	309	<b>151.13</b>	<b>583</b>
Trading /Others	0	382	<b>0.00</b>	<b>393</b>
<b>Total</b>	<b>16154</b>	<b>12733</b>	<b>26.87</b>	<b>26960</b>
Other Income	222	293	<b>(24.23)</b>	<b>725</b>
<b>Total Income</b>	<b>16376</b>	<b>13026</b>	<b>25.72</b>	<b>27685</b>
EBIDTA	<b>2807</b>	<b>2275</b>	<b>23.38</b>	<b>4896</b>
PBT	<b>2151</b>	<b>1978</b>	<b>8.75</b>	<b>4296</b>
PAT	<b>1787</b>	<b>1422</b>	<b>25.67</b>	<b>3149</b>

➤ **Financial Ratio's:**

RATIO'S	July to December		Year
			Ending
	2006-07	2005-06	2005-06
Material Cost %	44.01	41.61	41.72
EBIDTA %	18.46	19.77	20.11
PBT %	14.15	17.19	17.65
PAT %	11.75	12.36	12.94
EPS (Rs.)	15.12	12.03	26.64

## ***Key Highlights:***

### ➤ ***Revenue Growth :***

The total income has grown by 25.72% for the half year ended December 31, 2006. 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 Programme (short term debt) of Rs. 2500 Lacs. The rating A1+ is the highest accorded by ICRA for a Short Term Debt Programme. This reflects the sound financial health of INDOCO.

### ➤ ***Research & Development :***

The R&D centre at Rabale has been fully operational during the quarter. The present strength is 55 Scientists including 10 Doctorates. The centre is working towards the development of non-infringing, eco-friendly process development for APIs (Active Pharmaceutical Ingredients) and is expected to file 2 DMFs by June 07 and additional 2 DMFs by December 07.

The company has also initiated the process of shifting its R & D facility for formulations presently located at Andheri to Rabale to achieve better synergy between the two R & D teams.

### ➤ ***ORG Ranking :***

The Company has been ranked by ORG Marg as under: (December 2006)

	Monthly	MAT
SSA	33	32
Prescription Audit	23	24

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

<b>Particulars</b>	<b>July 06 – Dec. 06</b>	<b>July 05 – Dec. 05</b>	<b>Growth</b>
Respiratory & Anti-Allergy	2964.71	2614.42	13.40
Anti-infective	2614.23	1773.75	47.38
Dental	1536.11	1455.36	5.55
Alimentary Systems	1384.70	1205.37	14.88
Dermatology	693.34	674.68	2.77
Cardiovascular System	628.78	606.70	3.64
Ophthalmic	626.93	558.81	12.19
AntiDiabetic	625.62	553.83	12.96
Nutrition	560.20	385.83	45.19
Analgesics & Antipyretics	453.47	350.87	29.24
Urinary	269.77	206.92	30.37
Musculo-Skeletal Disorders	268.26	136.29	96.83
Ear	79.38	69.69	13.91

➤ ***Domestic Business :***

The domestic formulations business registered a growth of 20% during the half year ended December 2006. The growth in turnover was mainly due to growth in Respiratory & Anti-Allergy, Anti-Infective and Alimentary segments.

***Surge Division :***

The newly launched division 'Surge' has consolidated its operations in southern & western India. The division is expected to have an all India presence by March 2007. The division has been getting an encouraging response and has achieved sales of Rs. 176.84 Lacs for the half year ending December 2006.

➤ ***International business :***

The Company's revenue from International business has grown by 84.47% for the period ended. This can mainly be attributed to the sustained contract manufacturing operations to U.K and Germany. Reg. markets contributed 82.22% as against 69.04% for comparative period last year.

The sterile ophthalmic manufacturing facility at Goa has been approved by US-FDA. The other plant at Goa, manufacturing tablets, capsules, creams & ointments has been approved by UK-MHRA & German Health Regulatory Authorities.

During the quarter the company has received formal approval from US-FDA for the first ANDA for its ophthalmic formulation.

➤ ***API Business :***

The company's APIs business has grown to Rs. 776 Lacs during the half year ending December 2006 as compared to Rs. 309 Lacs for the comparative period last year. The production of APIs was carried out by the company as its own production on Loan License basis and at its newly acquired subsidiary La Nova Chem (India) Pvt. Ltd. Patalganga plant.

The Patalganga facility has started commercial production w.e.f. 1<sup>st</sup> August 2006. It has successfully dispatched initial batches of Metformin and Aluprilol in both domestic and international market.

➤ ***Subsidiary :***

Indoco Healthcare Limited being the 100% subsidiary company has a facility to manufacture pharmaceutical formulations at Baddi, Himachal Pradesh. The commercial production has started on 1<sup>st</sup> April 2006. During the quarter the capacity utilization has reached to 80% on single shift basis.

Indoco Healthcare Limited is expected to be merged with Indoco Remedies Limited and the necessary application for the same is pending with Shimla High Court.

➤ ***Demerger pharmaceutical units from SPA Pharmaceutical Pvt. Ltd. :***

SPA Pharmaceutical Pvt. Ltd. is one of the group companies of Indoco Remedies Ltd. Its pharmaceutical unit manufacturing formulations at Waluj, Aurangabad and API manufacturing unit at Rabale shall be demerged from SPA into Indoco Remedies Ltd. The shares swap ration has been worked out as 4:3 i.e. for every 4 shares held in SPA Pharmaceutical Pvt. Ltd. 3 shares of Indoco Remedies Ltd. shall be allotted to the shareholders of SPA Pharmaceutical Pvt. Ltd. The benefit of demerger for Indoco Remedies Ltd. would be addition in its manufacturing base of one formulation and one API manufacturing facility which are of international standards. This will facilitate increased exports to the semi regulated markets.