

INDOCO REMEDIES LIMITED
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE 2ND QUARTER 31ST DECEMBER 2007

➤ **Revenue figures:**

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

(Rs. in Lacs)

	2 nd Quarter			Half Yearly			2006-07
	Oct. 07 – Dec. 07	Oct. 06 – Dec. 06	% Growth	July – Dec.07	July 06 - Dec. 06	% Growth	
Gross Sales							
Domestic ... (A)	7290	6231	17.00	14107	12707	11.02	26502
Formulation Exports :							
- Regulatory	1549	1245	24.42	2759	2198	25.52	4860
- Semi-Regulatory	371	312	18.91	802	475	68.84	1439
Formul. Exports Total:	1920	1557	23.31	3561	2673	33.22	
API's Export :	61	192	(68.22)	144	382	(62.30)	703
Total Export ... (B)	1981	1749	13.26	3705	3055	21.27	7002
API ... (C)	222	210	5.71	457	392	16.58	729
Trading /Others ... (D)	-	-	-	-	-	-	210
Total (A+B+C+D)	9493	8190	15.91	18269	16154	13.09	34443
Less : Excise Duty	375	248	51.21	708	947	(25.23)	1844
Net Sales	9118	7942	14.81	17561	15207	15.47	32599
Other Income	169	131	29.00	242	222	9.00	483
Total Income	9287	8073	15.04	17803	15429	15.39	33082
EBIDTA	1890	1518	24.51	3710	2884	28.64	6346
Operating Profit	1517	1164	30.33	2959	2180	35.73	4882
PAT	1185	963	23.05	2270	1787	27.02	4204

➤ **Financial Highlights :**

During the quarter ended December 31, 2007, the company registered a growth of 14.81% in Net Sales over same quarter previous year and the same is complemented by increase in “Profit After Tax” by 23.05% over same quarter previous year. The company has earned “Profit After Tax” of Rs.11.85 Crores during the current quarter as compared to Rs. 9.63 Crores during the same quarter previous year. The company’s Baddi Plant has stabilized production output at optimum capacity thus resulting in operating efficiencies. The company has also considerably reduced payout due to Loan Licensing production thus resulting in better profitability and expansion of EBIDTA margins. Company could also control “Other Expenses” in a better manner and the percentage to the net sales has reduced by 1.32%. Company is also managing its working capital very efficiently which is evident from the reduction in the interest cost from Rs.1.34 Crores to Rs.1.05 Crores during the current quarter over the same quarter previous year. Due to all these efforts, company’s EBIDTA has grown by 1.62% and Operating Profit has grown by 1.98% over same quarter previous year. Company has not taken any MAT credit during the quarter and the same will be assessed and taken at the end of the year.

➤ **ORG Ranking:**

The Company’s ranking by ORG is maintained in case of prescriptions and it has improved in case of Retail Audit over a period of 12 months.

	Nov.06	Nov.07
Prescription	23	23
Retail Audit	33	30

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

(Rs. in Lacs)

Particulars	Oct. 07 Dec. 07	Oct. 06 Dec. 06	Growth %	July 07 – Dec. 07	July 06 – Dec. 06	Growth %
Anti-infective	1587.12	1154.88	37.42	3024.71	2612.26	15.79
Respiratory & Anti-Allergy	1631.55	1455.33	12.10	2963.82	2895.59	2.36
Dental	957.66	729.06	31.35	1845.58	1503.35	22.76
Alimentary Systems	754.02	708.15	6.47	1533.64	1384.71	10.76
Nutrition	368.47	379.04	(2.78)	834.17	754.96	10.49
Dermatology	374.12	357.97	4.51	761.13	666.33	14.23
Ophthalmic	377.53	328.45	14.94	719.64	626.06	14.95
Anti Diabetic	366.24	325.61	12.48	689.45	625.50	10.22
Analgesics & Antipyretics	240.00	283.13	(15.23)	514.39	579.48	(11.23)
Cardiovascular System	268.31	237.36	13.04	475.77	464.34	2.46
Urinary	195.71	114.93	70.29	371.36	269.76	37.67
Anti-Haemorrhagics	81.39	67.56	20.46	206.89	140.43	47.33
Ear	45.29	37.81	19.78	88.65	79.32	11.77
Musculo-Skeletal Disorders	43.94	51.86	(15.26)	80.29	104.69	(23.31)

➤ **Formulation Business:**

- Domestic Business:

The domestic formulations business registered a growth of 17.00% during the quarter ended December 2007 over corresponding period last year. The growth in turnover was mainly due to growth in Anti-Infective and dental segments.

Many new products were launched like Sporocek, ABZ, MCBM-69 OD, Diosteo, Atherocek plain, Piptocek, Cloben Range, AXL, Acecloren-P, Telimicheck-H, Upkip.

Spera Division :

Spera division which was launched in the last quarter has done well with consolidation and growth of Cital and good start to new products e:g Speraflox (Levofloxacin).

- International Business:

The Company's revenue from Formulation export business has grown by 33.22% for the half year ended 31.12.07 over corresponding period of last year. The semi-regulated markets have grown by 68.84% for the half year ended 31.12.07 over corresponding period of last year. Costa Rica and Peru were two new markets where business started during the quarter. The company has decided to focus on Latin America as one of the main markets for its branded generics.

This quarter has witnessed an important event when Indoco signed a joint venture partnership with Amneal U.S.A. to develop, manufacture, market and distribute Ophthalmic products for the United States market. We are progressing rapidly to get as many as 3 ophthalmic products ready for filing with USFDA in 2008-2009.

Indoco has also received approval for the second ANDA for Diclofenac ophthalmic solution. We have manufactured the first batch of this product and are set to ship the same to U.S.A.

➤ **API Business:**

The company's API business recorded revenues of Rs. 601 Lacs during the half year ended December 2007. The API business is in nascent stage and the management is confident of its satisfactory performance in future. 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.

➤ **Research & Development :**

Indoco's ultra modern R & D centre is spread over an area of 70,000 sq. feet. The present strength is 100 Scientists including 8 Doctorates. 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 on Kg basis.

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, Novel drug delivery systems and Technology platforms. The above efforts are supplemented by the company's regulatory department which has tie-ups with external CROs to conduct Bio-Equivalence Studies and Clinical trials. Euro- Dossiers for solid oral products are in the process of development at various stages in CTD format.

➤ ***Peep into the Future:***

To meet the requirement from Domestic market, the company has decided to put up additional production facilities for formulations at Baddi, Himachal Pradesh. The commercial production is expected to start during 2009-2010. This will help the company to cater its requirement of international business from the Goa Plant, as well as the existing plant at Baddi.

Companies Goa Plant I & II have been approved by the South African Regulatory Authority – MCC. This will enable the company to commence business in South Africa on approval of its dossiers.

Company also has successfully completed the audit of our Goa Plant I by TGA, Australia. This inspection now allows us to export our products to Australia and New Zealand on approval of dossiers.

Company has completed several formulation development / Dossier development projects for various European companies. The company has also filed application for COS with EDQM for two products and DMFs for two products are submitted to USFDA. By March 2008, we will file application for COS for another three products and DMF for two products will be submitted to USFDA. This will increase our exposure in international market.

➤ ***Credit Rating:***

ICRA has re-affirmed 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. The rating is valid till Nov. 30, 2008.
