

INDOCO REMEDIES LIMITED

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR
ENDED JUNE, 2006**

➤ **Revenue figures: (Consolidated)**

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

(Rs. in Lacs)

	YTD		Half Year				Quarter		
	June 06	June 05		June 06	June 05		June 06	June 05	
INCOME									
SALES & OPR	26960.31	21577.69		14226.91	11960.30		8873.19	8492.29	
OTHER INCOME	724.77	480.66		431.33	335.13		209.01	184.17	
	27685.08	22058.35	25.5%	14658.24	12295.43	19.2%	9082.20	8676.46	4.7%
EXPENDITURE									
MATERIALS	10155.63	8104.48		5368.66	4681.16		3331.32	3310.52	
EXPENSES	9404.50	7316.63		4895.28	3939.98		2453.56	2082.42	
FINANCIAL CHARGES	579.41	375.16		328.86	210.92		159.43	124.02	
TOTAL	20139.55	15796.28	27.5%	10592.80	8832.06	19.9%	5944.31	5516.96	7.7%
EBIDTA	4895.79	4102.46	19.3%	2660.32	2284.44	16.5%	2331.99	2319.25	0.5%
PBT	4295.58	3664.80	17.2%	2317.90	2105.42	10.1%	2087.39	2186.03	(4.5%)
PAT	3149.07	2504.23	25.8%	1727.39	1252.74	37.9%	1585.42	1926.79	(17.7%)

➤ **Financial Ratios:**

RATIOS	April to June		July to June	
	2005-06	2004-05	2005-06	2004-05
Material Cost %	41.49	43.18	41.72	41.74
EBIDTA %	29.04	30.25	20.11	21.13
PBT %	26.00	28.51	17.65	18.88
PAT %	19.74	25.13	12.94	12.90
EPS (Rs.)	13.41	16.30	26.64	24.55

Key Highlights :

➤ **Revenue Growth :**

The total income has grown by 25.50% for the year ending June 30, 2006. The growth in turnover is due to sustained growth both in domestic and international business.

The other income has increased over the preceding year, mainly on account of higher earnings of dividend on investments, export incentives, exchange gain and profit on sale of investments.

➤ **Credit Rating**

During the year, ICRA has accorded an A1+ rating to the Commercial Paper (short term debt) programme of INDOCO. The rating A1+ is the highest Rating accorded by ICRA for a Short Term Debt Programme. This reflects the sound financial health of INDOCO.

➤ **Research & Development:**

During the year, INDOCO has also set up and commissioned its state-of-the-art Research & Development Centre at Navi Mumbai, with a built-in Kilo-lab facility. The purpose of the R&D centre is to develop non-infringing eco-friendly Active Pharmaceutical Ingredients (APIs) process developments. 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.

➤ **ORG Ranking:**

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

	Monthly	MAT
Prescription Audit -	24	24
Retail Audit -	34	32

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

Particulars	July 05 – June 06	July 04 – June 05	Growth (%)
Respiratory & Anti-Allergy	4301.14	3526.93	21.95
Anti-infective	3625.84	2845.60	27.42
Dental	2824.82	2461.77	14.75
Alimentary Systems	2619.42	2364.08	10.80

Dermatology	1357.73	1153.12	17.74
Cardiovascular System	1600.32	1379.59	16.00
Anti-Diabetic	1190.86	901.11	32.15
Ophthalmic	1299.50	1202.21	9.69
Nutrition	917.16	736.69	24.50
Analgesics & Antipyretics	701.08	514.38	36.29
Urinary	529.64	455.51	16.27
Musculo-Skeletal Disorders	360.29	272.96	32.00

➤ ***Domestic Business:***

The domestic formulation business registered growth of 19.76% during the year. The growth in the domestic business is driven by pickup of momentum in the sales of lifestyle segment products, which is further supported by existing established volume builders like Febrex Plus and Vepan.

Surge Division:

The newly launched division Surge has started operations in Kerala, Maharashtra, Andhra Pradesh, Tamilnadu and Karnataka. It was launched to specifically address the product needs of general surgeons & orthopedicians. SURGE has begun its operations with the initial kit of formulations like AMCLAID & BACTOGARD (anti-infective) CALAID (an anti-osteoporotic), Doloroff (an anti-inflammatory & analgesic), METHY GARD (a vitamin B12 combination) and RAZOGARD (a newer generation anti-ulcerant). The division has been getting quite an encouraging response and has achieved sales of Rs.98.14 Lacs till June end.

➤ ***International business:***

The Company's revenue from International business has grown by 48.36 % during the year. It is noteworthy that 71.4% of the international business during the last year was achieved through Regulated Markets of UK and Europe, as compared to 61.8% during the preceding year.

The German Regulatory Authorities have also approved the Solid dosage manufacturing plant for exports to Germany. This has led to the commencement of business to Germany.

➤ ***API Business:***

Further, the company's APIs business has grown to Rs.583 Lacs during the year as compared to Rs.82 Lacs of the previous year. The production of APIs was carried out by the company as its own production on Loan Licence basis.

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) and the commissioning of the state-of-the-art Research & Development Centre (inclusive of a US-FDA approvable kilo-lab facility), INDOCO is truly poised to be a complete end-to-end solution provider in ethical pharmaceuticals, for the international markets.

➤ ***Subsidiary :***

It is proposed to merge Indoco Healthcare Ltd. (IHL), the 100% subsidiary of the Company, with the Company. The Board of Directors of the Company as well as that of IHL, at their respective meetings held on 19/5/06, have approved a scheme for such merger. IHL has already filed an application/ petition for the merger, with the Hon'ble High Court, Simla.

➤ ***Regulatory Approvals of Plants :***

The Goa Plant I at Verna is approved by UK-MHRA, Darmstadt Germany, RSSL (BRC Global standards) and WHO and the Goa Plant II is approved by US-FDA & National Drug Authority-Uganda for the regulated & semi-regulated international markets.