

INDOCO REMEDIES LIMITED
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE 1ST QUARTER 30TH JUNE 2008

➤ **Revenue figures:**

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

(Rs. in Lacs)

	1 st Quarter				
	April 2008 – June 2008	% to Net Sales	April 2007 – June 2007	% to Net Sales	% Growth
Net Sales :					
Domestic – Formulation	8216	75.04	7560	75.36	8.67
- API	309	2.82	170	1.69	81.76
Total Domestic ... (A)	8525	77.86	7730	77.05	10.28
Formulation Exports :					
- Regulatory	1954	17.85	1412	14.07	38.38
- Semi-Regulatory	361	3.30	502	5.00	(28.08)
Formul. Exports Total:	2315	21.15	1914	19.07	20.95
API's Export :	109	0.99	174	1.73	(37.35)
Total Export ... (B)	2424	22.14	2088	20.81	16.09
Trading /Others ... (C)	-	-	214	2.14	-
Total Net Sales (A+B+C)	10949	100.00	10032	100.00	9.14
Other Income	86		76		13.15
Total Income	11035		10108		9.17
EBIDTA	3040	27.77	2831	28.22	7.38
Operating Profit	2611	23.85	2400	23.92	8.79
PAT	2460	22.46	2207	21.99	11.46

➤ ***Financial Highlights :***

During the 1st quarter ended June 30, 2008, the company registered a growth of 9.14% in Net Sales over same quarter previous year and the same is complemented by increase in “Profit After Tax” by 11.46% over same quarter previous year. The company has earned “Profit After Tax” of Rs. 24.60 Crores during the current quarter as compared to Rs.22.07 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 controlled the expenses which has resulted in maintaining the profitability and EBIDTA margins.

➤ ***ORG Ranking :***

The Company has been ranked by ORG Marg as under:

May 2008

Prescription (Monthly)	24
Retail Audit (MAT)	33

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

(Rs. in Lacs)

Particulars	April 2008 – June 2008	% to Sales	April 2007 – June 2007	% to Sales	Growth %
Anti-infective	1779.04	21.39	1570.06	19.38	13.31
Respiratory & Anti-Allergy	1344.93	16.17	1243.46	15.35	8.16
Dental	1223.27	14.71	1145.04	14.13	6.83
Alimentary Systems	1162.37	13.98	1296.25	16.00	(10.33)
Nutrition	523.74	6.30	536.88	6.63	(2.45)
Dermatology	474.98	5.71	451.69	5.57	5.16
AntiDiabetic	438.93	5.28	444.33	5.48	(1.22)
Ophthalmic / ENT	438.14	5.27	472.28	5.83	(7.23)
Urinary	251.77	3.03	194.71	2.40	29.31
Cardiovascular System	245.14	2.95	315.86	3.90	(22.39)
Analgesics & Antipyretics	235.97	2.84	279.69	3.45	(15.63)
Anti-Haemorrhagics	112.62	1.35	102.46	1.26	9.92
Musculo-Skeletal Disorders	52.96	0.64	50.16	0.62	5.58
Gynaecology	24.94	0.30	-	-	-
Oncology	7.53	0.09	-	-	-
TOTAL	8316.33	100.00	8102.88	100.00	2.63

➤ **Formulation Business**

- Domestic Business :

The domestic formulations business registered a growth of 8.67% during the 1st quarter ended June 2008 over corresponding period of last year. The growth in turnover was due to consolidation and growth of existing products in different marketing divisions. Products that have contributed to growth are Vepan, Febrex Plus, Oxipod, Cyclopam, Sensodent-K/KF, Sensoform, ATM, Kidodent, Lignox, Karvol Plus, Tuspel Plus, Cital, Scabex, Methycal, Kefchek, Ceftichek, Calaid, Bactogard.

The under mentioned new products were launched :

Indoco	-	Megachek, Losamax, Sporocek, Clamchek,
Spera	-	Sperogest, Speraflox
Spade	-	Resichek

➤ ***International business :***

Regulated Market :

The company's revenue from Formulation Export in Regulated markets has grown by 38.38% for the 1st quarter ended 30th June 2008 over corresponding period of last year.

During this quarter, our own dossier for Metformin tablets received an approval from TGA, Australia and our first shipment for this product has already taken place. In New Zealand, we won a tender for Paracetamol tablets, which was earlier awarded to GSK. This tender allows us to supply the entire requirement of Paracetamol tablets for New Zealand through Medsafe for the next 3 years.

We have received five new projects from our customer in Germany. The dispatches of these products will commence in the 3rd quarter of the financial year and will keep giving continuous revenues thereafter.

We have signed a new contract with a customer in South Africa for product & dossier development. The contract covers 2 products, which has a market size of approx. USD 11 million. This takes our tally of products for South Africa to 8.

Semi-Regulated Market :

The semi-regulated markets had a sizeable revenues coming from tender business during the same quarter last year and hence could not register growth during the current quarter. Our Waluj Plant was inspected by Botswana successfully and we expect to receive the approval shortly.

➤ ***API Business :***

The company's API business recorded revenues of Rs. 418 Lacs during the 1st quarter ended June 2008. 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.

The APIs manufactured by the company are also used for captive consumption in the various formulations thus adding to the cost efficiency in the formulation business.

➤ **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 R & D (API) consists of

1. Synthetic Chemistry:

➤ **Generics:**

- Filing of in-house DMF, COS, for Regulated markets.
- Development of non-infringing process for patent filing and creation of intellectual wealth.
- Scale up and process optimization for new and existing processes.

➤ **Custom Synthesis/ Contract Research**

- Developing processes for Intermediates/ finished products as per the customers requirement.

➤ **Development of New Polymorphs**

➤ **Synthesis And Development Of Impurities And Their Standards**

2. Analytical Chemistry:

- a. Analytical method development
- b. Validation,
- c. Impurity Characterization and Impurity isolation,
- d. Polymorphic studies

3. IPR Studies:

- Literature update, ROS selection.
- Filing and maintaining of Patents
- Evaluation of Patent infringement/ Non-infringement analysis.

The project status of various R &D (API) projects is summarized below:

Project Status	No of Projects
Under development	8
Scaled up and under validation	1
Ready for scale up with Lab validation completed	6
Contract Research Projects	5
Contract Research Manufacturing	2
Under Scale up and plant Validation	2
Novel Polymorphism Study	2
Scaled up and Plant Validated	4

Projects under pipeline: 3

IPR Status

Patents filed	No of Patents
India	4
PCT application	1 (2 under process for PCT filing)

R & D (Formulation)

On the formulation front, the R & D Centre is capable of handling formulation 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 CTOs to conduct Bio-Equivalence Studies and Clinical trials. The department is in the development of various dosage forms which include solid orals, topicals, injections and ophthalmic preparations..

Indoco is also working on new drug delivery system projects including mix micellar solutions, sustained release dosage forms and microemulsions.

The aims of the research centre is to develop and scale up the formulations to the commercial batch sizes.

The centre has capabilities to develop any type of dosage form, work on non-infringing routes and file Para IV applications.

Apart from the in-house development work, Indoco is involved in contract research where Indoco's research centre develops the products for other organizations for both domestic and international business markets and prepare the dossiers for submissions to the various regulatory agencies all over the world (USA, Europe, South Africa, Australia, Brazil and other semi regulated countries).

During this quarter i.e. April 2008 to June 2008, the following are the salient features of projects undertaken by Indoco.

Products under development for US and Europe Generic market

1. Solid Orals - 6
2. Ophthalmic - 11
3. Semisolids - 4

Products already developed and ready for exhibit batches

1. Solid Orals - 3
2. Ophthalmic - 4

Projects for which bioequivalence studies are in progress. – 3

Domestic Projects

1. Liquid Orals - 1
2. Dental products - 3
3. Ophthalmic - 4

Indoco has also entered into agreement with various parties for development and manufacturing various products at our end, details of which are as under :

Contract Research Projects

1. Solid Orals - 8
2. Injectable - 2
3. Ophthalmic - 11

Contract Research Manufacturing (Site Transfer Projects)

1. Solid Orals - 21
2. Ophthalmics - 3

➤ ***Peep into the Future:***

To meet the requirement of 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.

Company's 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 has completed several formulation / Dossier projects for various European companies. The company has filed application for COS with EDQM for two products and DMFs for two products are submitted to USFDA.

Indoco is also poised to develop some patentable NDDS formulation under Para IV or 505(b)2 applications.

Currently a team of about 40 scientists is engaged in the activities related to the analyzing, formulating and documenting the research work.

In conclusion, Indoco can take from concept to commercialization any project in a vertically integrated manner, in a limited span of time encompassing the international requirements in a scientific yet speedy and economical way by intelligent maneuvering.

To increase production capacity & accommodate more products, the company has planned expansion of facilities at Patalganga plant and has acquired an adjacent plot for the same.

➤ ***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.
