

INDOCO REMEDIES LIMITED
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE 1ST QUARTER JUNE 2010

➤ **Revenue figures:**

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

(Rs. in Lacs)

	1 st Quarter				
	April 2010 – June 2010	% to Net Sales	April 2009 – June 2009	% to Net Sales	% Growth
Net Sales :					
Domestic – Formulation	7258	65.16	6780	68.94	7.05
- API	296	2.66	238	2.42	24.37
Total Domestic ... (A)	7554	67.82	7018	71.36	7.64
Formulation Exports :					
- Regulatory	2503	22.47	2247	22.85	11.39
- Semi-Regulatory	780	7.00	449	4.57	73.72
Formul. Exports Total:	3283	29.48	2696	27.42	21.77
API's Export :	301	2.70	120	1.22	150.83
Total Export ... (B)	3584	32.18	2816	28.64	27.27
Total Net Sales (A+B)	11138	100.00	9834	100.00	13.26
Other Operating Income	149		229		(34.93)
Total Income	11287		10063		12.16
EBIDTA	2100	18.85	2342	23.82	(10.33)
Operating Profit	1713	15.38	1968	20.01	(12.96)
Profit After Tax	1482	13.31	1688	17.16	(12.20)

➤ ***Financial Highlights :***

During the 1st quarter ended June 30, 2010, the company's net sales have grown by 13.26% to Rs. 111.38 Crores from Rs. 98.34 Crores, over same quarter previous year. The overall increase in turnover was due to increase in export business by 27.27% and domestic business by 7.64% over the same quarter previous year.

The material consumption to net sales is 43.69% compared to 40.98% during same quarter last year. The staff cost is 13.25% compared to 13.16% during same quarter last year. Research expenses are at 1.72% as compared to 2.52%. Other expenses are 25.55% of net sales compared to 24.39% during same quarter last year.

There has been a substantial savings of Rs. 0.28 crores on the interest paid for the quarter under review compared to same quarter last year since the same has reduced from Rs. 0.93 crores to Rs. 0.65 crores. The Earnings Before Interest, Depreciation, Tax & Amortization (EBIDTA) works out to 16.90% compared to 20.81% during same quarter last year. Finally the Profit After Tax recorded for the quarter at Rs. 14.82 crores is 13.31% of net sales compared to Rs. 16.88 crores i.e. 17.16% during same quarter last year.

Interestingly, we would like to compare the results for the quarter under review with those of quarter ending March 2010.

The material consumption to net sales is 43.69% compared to 47.19%. The Staff Cost is 13.25% compared to 13.70%. The Research Expenses stands at 1.72% compared to 2.73%. Other Expenditure is at 25.55% of net sales compared to 26.42%. Interest paid to banks at Rs. 0.65 crores is lower compared to Rs. 0.72 crores. Consequently the Earnings Before Interest, Depreciation, Tax & Amortization (EBIDTA) is 16.90% of net sales compared to 11.37% and the Profit After Tax (PAT) at Rs. 14.82 crores is 13.31% of net sales compared to Rs. 8.23 crores i.e. 7.56% of net sales.

➤ **Credit Rating :**

Company's Commercial Paper Programme is rated as A1+ by ICRA. Similarly the working capital facilities are rated as A1+ and company's long term borrowings are rated as LA+. A1+ rating indicates highest credit quality rating & LA+ rating indicates adequate credit quality rating.

➤ **Finished Dosages:**

- **Domestic Business:**

The domestic formulations business showed a growth of 7.05% during the 1st quarter ended June, 2010 over corresponding period last year. The performance of main Therapeutic Segment is as under :

(Rs. in Lacs)

Particulars	April 2010 – June 2010	April 2009 – June 2009	% Growth
Anti-infective	1259.47	1205.06	4.51
Stomatologicals	1191.76	961.34	23.96
Gastro Intestinal	1185.28	1137.84	4.16
Respiratory	1075.57	1026.44	4.78
Gynaec	525.50	465.16	12.97
Ophthal / Otologicals	426.33	360.48	18.26
Vitamins / Minerals / Nutrients	374.19	314.72	18.89
Pain / Analgesic	373.69	335.16	11.49
Diabetic & Cardiac	534.34	652.60	(18.12)
Dermatology	345.49	329.43	4.87

Products like Cyclopam, Vepan, Oxipod, Clamchek, MCBM-69, Tuspel PX, Losamax, Methycal, Aloha-XT, Fevorit, Cital, Carmicide, Spera-69, Triz, Sensodent-KF, Sensodent-K, Sensoform Amclaid, Kidodent, Irivisc, Mofloren, Macuchek, Alerchek, Dexoren-S, Homide have shown a positive trend in this quarter.

During the quarter, Viscid-OD, AXL-CV were launched in the domestic market. The market size of these products is Rs. 114 crores and Rs. 500 crores respectively.

ORG Ranking:

The Company has been ranked by ORG Marg as under:

	May 2010	May 2009
Secondary Sales Audit (S.S.A.)		
Monthly	34	31
MAT	31	32
	May 2010	May 2009
Prescription Audit		
Monthly	25	26
MAT	22	25

The company has done well in generating a larger no. of prescriptions which is vital for the sustainable growth. The number of prescriptions generated in May 09 was 46.5 million which has substantially increased to 49.38 million in May 10.

- International Business :

The International Business has started the financial year 2010-11 by registering a growth of 21.77% in the quarter under review. The international formulation business during the same quarter last year was Rs. 26.96 Crores as compared to Rs. 32.83 Crores in the current quarter under review.

Regulated Markets:

The export to regulated markets at the end of the 1st quarter is Rs. 25.03 Crores in the quarter under review.

Indoco will manufacture validation batches for an ophthalmic product for Zumanta, a US based company. The deal gives Indoco a platform to utilize its development strengths, even in the Dermatology segment as the US partner has shown willingness to take care of Clinical and Regulatory requirements.

Indoco and Aspen took major steps in coming close to signing off manufacturing contracts for a number of products, in the Liquid Orals and Oral Solid range to cater Aspen's requirement in the Latin American and Sub-Saharan African Markets. This deal will give a major boost to the contract manufacturing business of Indoco from its facilities in Goa.

The Company participated in the EuroPLX conference at Berlin, Germany to promote the licensing-out / sale of dossiers to customers in Europe. The results of these meetings will be seen in the next few quarters.

Our Goa I Plant received the FWC (Fair Working Conditions) approval. FWC is an organization that formally accredits best employment practices worldwide. This organization recognizes the working hours, individual earnings and overtime payments, occupational health and safety procedures with respect to employees in that plant. The Company's facility can now start using FWC approved logo, even on products other than those sponsored by our customer, Galpharm / Perrigo. This approval facilitates the easy acceptance of our products in UK retail pharmacy chains.

Our Goa Plant I successfully faced the renewal-audit / inspection by the Therapeutic Goods Administration (TGA), Australia and await the formal approval. This approval will stand in good stead, should the ASPEN/SIGMA discussions fructify, paying the way for a number of products likely to be shifted to our facility.

Emerging Markets:

The exports to the emerging markets in the 1st quarter ending June 2010 is Rs. 7.80 Crore as compared to Rs. 4.49 Crore in the same period last year, with an impressive growth of 73.72%. The regions which have primarily contributed to this growth are Africa and Latin America.

During the quarter, the company has registered 9 products across various markets. The company has identified Nigeria as the market for commercialization by the end of this financial year. To consolidate our base in Francophone Africa and Latin America, we are entering the markets in Ivory Coast and Senegal, with focus on both trade and tender business.

The new territory of Cameroon is also set to be tapped for registration of first set of 9 products across various therapeutic categories and the products will be promoted through an exclusive field force. The distribution arrangements in Latin American markets, Columbia and Panama, are progressing well. Indoco's strength in the sterile products will be exploited to the fullest in these markets.

➤ **API Business :**

The company's API business recorded revenues of Rs. 5.97 Crores during the 1st quarter ended June 30, 2010 as compared to Rs. 3.58 Crores for the same period previous year.

All facilities **Kilo Plant-Rabale** (As per cGMP standards) **Multi-Ton Plant-Patalganga** (As per cGMP Standards), Mid Volume Plant – Patalganga (As per cGMP Standards) and **API & Intermediate Plant** – Rabale (As per Local GMP Standards) are regularly manufacturing various APIs to optimum capacity. New Mid-Volume facility started manufacturing of Ophthalmic APIs Dorzolamide HCL & Betaxolol HCL. Validation batches pertaining to four new molecules having patent expiry between 2013 & 2018 will be taken up in the next few months.

➤ **Research & Development :**

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

Project Status	No of Projects
Under development	14
Lab Validation completed and ready for Scale Up, Plant Validation	4
Under Scale Up and Plant Validation	2
Plant Validation Completed	3
Contract Research Projects	1
Total No. Of Projects	24

Analytical Method Development: (APIs)

Project Status	No of Projects
Development Concluded	4
Under Development	6
Analytical method validation	2
Stability Sample	7 (ongoing)
Cleaning method validation	3
DMF and COS filing related studies	2
Isolation and characterization of impurity standards	6
Working standards of impurities, intermediates and finished products	6
Analytical Method Transfer	3
Novel Polymorphism Study	-

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

Project Status	No of Projects
Under development	6
Lab Validation completed and ready for Scale Up, Plant Validation	6
Under Scale Up and Plant Validation	2
Plant Validation completed	-
Plant Validation for projects under progress after cost reduction	2
Plant validation for projects completed after cost reduction	2
Contract Research Projects	1
Total No. of Projects **	19

** New pipeline projects are also being evaluated from synthetic, marketing and medicinal perspective.

Analytical Method Development: (Finished Dosages)

Project Status	No of Projects
Development concluded	6
Under Development	6
Analytical method validation	4
Cleaning method validation	4
Stability Samples	9 (on going)
DMF and COS filing related studies	2
Isolation and characterization of impurity standards	10
Working standards of impurities, intermediates and finished products	18
Analytical Method Transfer	9
Novel Polymorphism Study	-

➤ **Clinical Research Services :**

The Bio equivalence study for an anti-psychotic formulation has been cleared thus paving the way for dossier filing in Australia and South Africa. The plan to file this dossier in EU & US are being advanced in view of successful passing of bio-equivalence studies with Australian reference product. The bio-equivalence study for a cholesterol lowering formulation is in progress and the results will be known in the next quarter.

➤ **Regulatory Affairs:**

Following is the status of regulatory submission / approval received in the quarter of April 2010 to June 2010.

APIs :

1. Received CEP from EDQM for Glimepiride.
2. Dorzolamide US DMF submitted to FDA.
3. Submitted Gliclazide Ph. Eur COS application to EDQM.

DMF/COS Filing Status till date:

Project Status	No of Projects
US DMF	7
Canada	1
Cyprus	1
US DMF under progress	1
EU DMF under progress	4
COS approval received	5

Finished Dosages:

We have filed ANDAs for 3 formulations with USFDA during the quarter. In addition, we have submitted a number of dossiers of our own in emerging markets and through our customers in regulated markets.

Dossier Filing Status till date:

Project Status	No of Projects
US ANDA	3
EU CTD	20
Emerging Market	961
US ANDA under progress	3
EU CTD under progress	8
Emerging Market under progress	20

➤ *Intellectual Property Rights (IPR)*

APIs

Patents filed till date	No of Patents
India	12
PCT application	6

Finished Dosages

Patents filed till date	No of Patents
India	13
PCT application	-
