

**INDOCO REMEDIES LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS  
ENDED MARCH 31, 2007**

➤ **Revenue figures: (Consolidated)**

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

(Rs. in Lacs)

Particulars	July to March			Year
	2006-07	2005-06	Growth %	Ending 2005-06
<b>Sales</b>				
Domestic	18399	14817	24.17	21665
Export :				
Reg.	3448	1672	106.22	3084
Semi-Reg.	937	765	22.48	1235
Total Export	4385	2437	79.93	4319
API	1051	440	138.86	583
Trading /Others	0	393	0.00	393
<b>Total</b>	<b>23835</b>	<b>18087</b>	<b>31.78</b>	<b>26960</b>
Other Income	258	516	(50.00)	725
<b>Total Income</b>	<b>24093</b>	<b>18603</b>	<b>29.51</b>	<b>27685</b>
EBIDTA	3955	2768	42.88	5119
PBT	2500	2208	13.22	4296
PAT	1997	1564	27.69	3149

➤ **Financial Ratio's:**

RATIO'S	July to March		Year
	2006-07	2005-06	Ending 2005-06
Material Cost %	44.44	41.83	41.72
EBIDTA %	17.52	16.97	21.03
PBT %	11.08	13.54	17.65
PAT %	8.85	9.59	12.94
EPS (Rs.)	16.89	13.23	26.64

## ***Key Highlights:***

### ➤ ***Revenue Growth :***

The total sales have grown by 31.78% for the nine months ended March 31, 2007. The growth in turnover is due to sustained growth both in domestic and international business mainly to regulated markets of U.K., Germany and Eastern Europe.

### ➤ ***Credit Rating :***

During the year, ICRA has accorded 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.

### ➤ ***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: (March 2007)

	Monthly	MAT
Prescription	23	24
Retail Audit	33	31

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

<b>Particulars</b>	<b>July 06 – Mar. 07</b>	<b>July 05 – Mar. 06</b>	<b>Growth %</b>
Respiratory & Anti-Allergy	3821.25	3287.76	16.23
Anti-infective	3631.70	2465.06	47.33
Dental	2306.62	2023.67	13.98
Alimentary Systems	2116.80	1684.75	25.65
Nutrition	1135.66	727.49	56.11
Dermatology	974.14	953.14	2.20
AntiDiabetic	972.42	819.04	18.73
Ophthalmic	946.85	809.51	16.97
Analgesics & Antipyretics	789.74	573.36	37.74
Cardiovascular System	726.97	644.08	12.87
Urinary	467.86	381.61	22.60
Anti-Haemorrhagics	233.63	223.32	4.62
Musculo-Skeletal Disorders	144.90	126.62	14.43
Ear	130.46	97.40	33.94

➤ **Domestic Business :**

The domestic formulations business registered a growth of 24.17% during the nine months ended March 2007 over corresponding period last year. The growth in turnover was mainly due to growth in Respiratory & Anti-Allergy, Anti-Infective and Alimentary segments.

**Warren Excel Division :**

The Company has recently launched a new division `Warren Excel' in domestic market. The division will focus in the area of Ophthalmic. It has started its operation in Southern India with 35 Medical Representatives. The division would be gradually expanded to Pan-India presence by September 2007.

➤ ***International business :***

The Company's revenue from International business has grown by 79.93% for the nine months ended 31.03.07 as compared to corresponding period. This can mainly be attributed to the sustained contract manufacturing operations to U.K, Germany and Eastern Europe. Reg. markets contributed 78.64% as against 68.61% for comparative period last year.

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

The first consignment of Ciprofloxacin Hydrochloride eye drops was dispatched to the US in the month of March 2007. The Goa manufacturing facilities have been recently inspected by the Health Authorities of Brazil & South Africa. The approval is expected shortly.

The Waluj facility of the supporting manufacturer SPA has received recognition from Ukraine Health authority. This will help to boost exports to CIS countries.

➤ ***API Business :***

The Company's APIs business has grown to Rs. 1051 Lacs during the nine months ending March 2007 as compared to Rs. 440 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. This facility is being prepared for the USFDA inspection so that its capacity can be harnessed for the exports to US.

➤ ***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 touched to 80% on single shift basis. The commercial production of liquid manufacturing facility at Baddi has started from 01.04.07. The capacity of liquid line is 18 million bottles per annum.

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