

**INDOCO REMEDIES LIMITED**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE 3<sup>RD</sup> QUARTER 31<sup>ST</sup> MARCH 2008**

➤ **Revenue figures:**

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

(Rs. in Lacs)

	3 <sup>rd</sup> Quarter			Nine Monthly			2006-07
	Jan. 08 – Mar. 08	Jan. 07 – Mar. 07	% Grwth	July 07 – Mar. 08	July 06 – Mar. 07	% Grwth	
<b>Net Sales :</b>							
Domestic - Formulation	6124	5387	13.68	19594	17210	13.85	24775
- API	271	89	204.49	656	419	56.56	612
<b>Total Domestic ... ( A )</b>	<b>6395</b>	<b>5476</b>	<b>16.78</b>	<b>20250</b>	<b>17629</b>	<b>14.87</b>	<b>25387</b>
Formulation Exports :							
- Regulatory	1747	1230	42.03	4539	3464	31.03	4860
- Semi-Regulatory	434	427	1.63	1203	866	38.91	1439
Formul. Exports Total:	2181	1657	31.62	5742	4330	32.61	6299
API's Export :	132	226	(41.59)	276	608	(54.60)	703
<b>Total Export ... ( B )</b>	<b>2313</b>	<b>1883</b>	<b>22.84</b>	<b>6018</b>	<b>4938</b>	<b>21.87</b>	<b>7002</b>
<b>Trading /Others ... ( C )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210</b>
<b>Total ... ( A + B + C )</b>	<b>8708</b>	<b>7359</b>	<b>18.33</b>	<b>26268</b>	<b>22567</b>	<b>16.40</b>	<b>32599</b>
Other Income	72	101	(28.71)	251	217	15.67	293
<b>Total Income</b>	<b>8780</b>	<b>7460</b>	<b>17.69</b>	<b>26519</b>	<b>22784</b>	<b>16.39</b>	<b>32892</b>
<b>EBIDTA</b>	1240	717	72.94	5022	3707	35.47	6536
<b>Operating Profit</b>	828	385	115.06	3858	2671	44.44	5071
<b>PAT</b>	732	210	248.57	3001	1997	50.28	4204

➤ ***Financial Highlights :***

During the quarter ended March 31, 2008, the company registered a growth of 18.33% in Net Sales over same quarter previous year and the same is complemented by increase in “Profit After Tax” by 248.57% over same quarter previous year. The company has earned “Profit After Tax” of Rs. 7.32 Crores during the current quarter as compared to Rs. 2.10 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.

Due to the control on marketing, distribution and other expenses, the EBIDTA margins have undergone an expansion of 450 bps and the operating margins have also expanded by 428 bps, over the same quarter in the previous year.

➤ ***ORG Ranking :***

The Company has been ranked by ORG Marg as under:

	Feb. 2007	Feb. 2008
Prescription (Monthly)	23	26
Retail Audit (MAT)	24	23

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

<b>Particulars</b>	<b>Jan. 08 Mar. 08</b>	<b>Jan. 07 Mar. 07</b>	<b>Growth %</b>	<b>July 07 – Mar. 08</b>	<b>July 06 – Mar. 07</b>	<b>Growth %</b>
Anti-infective	1240.89	1018.27	21.86	4265.59	3630.53	17.49
Respiratory & Anti-Allergy	1221.62	925.73	31.96	4185.44	3821.32	9.52
Dental	864.84	803.27	7.66	2710.42	2306.61	17.50
Alimentary Systems	863.07	732.05	17.89	2396.71	2116.76	13.22
Nutrition	370.94	396.88	(6.53)	1205.11	1151.84	4.62
AntiDiabetic	386.79	346.83	11.52	1076.24	972.33	10.68
Dermatology	307.99	307.77	0.07	1069.12	974.10	9.75
Ophthalmic	286.63	320.65	(10.60)	1006.27	946.70	6.29
Analgesics & Antipyretics	201.16	211.37	(4.83)	715.55	790.85	(9.52)
Cardiovascular System	185.97	262.59	(29.17)	661.75	726.93	(8.96)
Urinary	245.99	198.09	24.18	615.13	467.85	31.48
Anti-Haemorrhagics	32.49	77.99	(58.34)	239.38	218.42	9.59
Ear	40.20	51.07	(21.28)	128.85	130.39	(1.18)
Musculo-Skeletal Disorders	33.04	39.68	(16.73)	113.32	144.37	(21.50)
Oncology	1.76	-	-	1.76	-	-

➤ **Formulation Business**

**- Domestic Business :**

The domestic formulations business registered a growth of 13.85% during the nine month ended March 2008 over corresponding period of last year. The growth in turnover was mainly due to growth of products like Vepan, Febrex Plus, Oxipod, Cyclopam, Sensodent-K/KF, Sensoform, Karvol Plus, Tuspel, Cital, Methycal.

The under mentioned new products were launched :

Indoco	-	Clamchek, Diosteo, Zorite
Surge/Radius	-	Triactam
Spera	-	Spera-69, Sperogest, Speracal
Warren Excel	-	Irimist, Timolen, Brimochek/T.

➤ ***International business :***

The company's revenue from Formulation Export Business has grown by 32.60% for the nine months ended 31<sup>st</sup> March 2008 over corresponding period of last year. The semi-regulated markets have grown by 38.91% for the nine months ended 31<sup>st</sup> March 2008 over corresponding period of last year.

During this quarter, we have successfully completed validation batches for paracetamol tablets and Enrofloxacin tablets in Baddi facility and our plant in Baddi was inspected by Ministry of Health, Slovenia. This paves the way for commencement of exports to Europe in the near future, from the Baddi Plant.

Ministry of Health, Uganda inspected our Goa Plant I in the month of January 2008 and has approved the entire plant. We also received confirmation about our Goa Plant I approval from TGA, Australia. Validation batches for Carprofen Injection were successfully completed in Goa Plant II.

We have registered new products in countries like Peru, Ethiopia, Uganda & Tanzania.

Consequent to receipt of approval of the second ANDA for Doclofenac Ophthalmic solution, we shipped our 1<sup>st</sup> consignment of Diclofenac Ophthalmic solution to USA in March'08.

➤ ***API Business :***

The company's API business recorded revenues of Rs. 932 Lacs during the nine month ended March 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 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 projects is summarized below:

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

**Projects under pipeline : 3**

#### **IPR Status**

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

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 research centre develops the products for other organizations for both domestic and international 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).

In the year 2007-2008, Indoco has developed and made the exhibit batches as follows for US and Europe generic market.

- |    |                        |   |    |
|----|------------------------|---|----|
| 1. | For Solid Orals        | - | 5  |
| 2. | For Injectable         | - | 1  |
| 3. | For Ophthalmic         | - | 1  |
| 4. | Site variation filings | - | 10 |

By the end of year 2008 the following no. of filings are expected

- |    |                        |   |        |
|----|------------------------|---|--------|
| 1. | For Solid Orals        | - | 5      |
| 2. | For Ophthalmic         | - | 7 to 8 |
| 3. | Site variation filings | - | 10     |

➤ ***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 and Australian Reg. Authority. This will enable the company to commence business in South Africa and Australia on approval of its dossiers.

Company has completed several formulation development / Dossier development 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. By May 2008, we will file application for COS for two products and DMF for one product will be submitted to USFDA. This will increase our exposure in international market.

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.

➤ ***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.