

**INDOCO REMEDIES LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER  
ENDED SEPTEMBER 30, 2006**

➤ **Revenue figures: (Consolidated)**

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

(Rs. in Lacs)

Particulars	July to September			Year
	2006-07	2005-06	Growth %	Ending 2005-06
<b>Sales</b>				
Domestic	6476	5135	26.11	21665
Export :				
Reg.	953	469	103.20	3084
Less-Reg.	163	199	(18.09)	1235
Total Export	1116	668	67.12	4319
API	372	127	192.91	583
Trading /Others	0	0	0.00	393
<b>Total</b>	<b>7964</b>	<b>5930</b>	<b>34.30</b>	<b>26960</b>
Other Income	91	115	(20.87)	725
<b>Total Income</b>	<b>8055</b>	<b>6045</b>	<b>33.25</b>	<b>27685</b>
EBIDTA	1394	1081	28.95	4896
PBT	1011	915	10.49	4296
PAT	824	642	28.35	3150

➤ **Financial Ratio's:**

RATIO'S	July to September		Year
			Ending
	2006-07	2005-06	2005-06
Material Cost %	42.48	37.33	41.72
EBIDTA %	19.19	20.43	20.11
PBT %	13.92	17.29	17.65
PAT %	11.34	12.14	12.94
EPS (Rs.)	6.97	5.43	26.64

**Key Highlights :**

➤ **Revenue Growth :**

The total revenues have grown by 34.30% for the quarter ended September 30, 2006. The growth in turnover is due to sustained growth both in domestic and international business mainly in regulated markets.

➤ **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:**

The R&D centre at Rabale has been fully operational during the quarter. The present strength is 35 Scientists including 10 Doctorates. The centre is working towards development of non-infringing eco-friendly Active Pharmaceutical Ingredients (API) process development.

➤ **ORG Ranking:**

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

	Monthly	MAT
Prescription Audit -	22	24
Retail Audit -	32	32

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

<b>Particulars</b>	<b>July 06 – Sept 06</b>	<b>July 05 – Sept 05</b>	<b>Growth</b>
Respiratory & Anti-Allergy	1477.85	1239.75	19.21
Anti-infective	1400.26	875.45	59.95
Dental	824.97	690.33	19.50
Alimentary Systems	643.46	584.10	10.16
Cardiovascular System	313.28	278.12	12.64
Dermatology	320.36	315.11	1.67
AntiDiabetic	299.89	265.67	12.88
Ophthalmic	297.59	266.54	11.65
Analgesics & Antipyretics	277.81	207.67	33.77
Nutrition	279.64	199.84	39.93
Urinary	154.84	114.21	35.57
Musculo-Skeletal Disorders	144.17	65.80	119.10
Ear	41.57	32.52	27.83

➤ ***Domestic Business :***

During the quarter ended 30.09.06, the domestic formulation business registered growth of 26.11%. The growth in turnover was mainly due to growth in Respiratory & Anti-Allergy, Anti-Infective, Dental and Analgesic & Anti-pyretic segments.

***Surge Division:***

The newly launched division Surge has expanded its operation to Orrisa and Mumbai in addition to the existing territories of Kerala, Maharashtra, Andhra Pradesh, Tamilnadu and Karnataka. The division has been getting quite an encouraging response and has achieved sales of Rs. 88.79 Lacs for the quarter ended September 2006.

➤ ***International business:***

The Company's revenue from International business has grown by 67.12% during the quarter ended Sep'06. This can mainly be attributed to the sustained contract manufacturing operations to U.K and Germany. Out of the total international business, regulatory market contributed 85.38% as against 69.61% for the previous quarter.

The last year saw INDOCO achieving approvals from international regulatory authorities for its manufacturing facilities. The Plant-II at Goa was approved by US-FDA for its sterile ophthalmic manufacturing facility. The Plant-I at Goa was approved by UK-MHRA in respect of its capsules & creams/ointments manufacturing facility. Further, there was also a renewal of the UK-MHRA approval in respect of the tablet manufacturing facility of the Plant-I at Goa.

The year also witnessed approval from the German Health Regulatory Authorities, for the tablet manufacturing facility at Plant-I Goa, which has enabled the commencement of exports to Germany.

➤ ***API Business:***

The company's API's business has grown to Rs. 372 Lacs during the quarter as compared to Rs. 127 Lacs of the previous quarter. The production of API's is being carried out by the company 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 facility (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. The La Nova facility has since been commissioned in Aug'06.

The Kilo-lab for manufacturing high value API's will be commissioned in Nov'06. It is expected to start commercial production by Dec'06. The company has identified the products to be manufactured at Kilo-lab and necessary marketing efforts with international customers have been initiated.

➤ ***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 in 1<sup>st</sup> April 2006. During the quarter the capacity utilization has reached to 80% on single shift basis.

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