

**INDOCO REMEDIES LIMITED**

**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE QUARTER ENDED 30<sup>TH</sup> SEPT.2007**

➤ **Revenue figures:**

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

(Rs. in Lacs)

Particulars	1 <sup>th</sup> Quarter		Growth %	Annual 2006-07
	July 07 - Sept. 07	July 06 - Sept. 06		
<b>Gross Sales</b>				
<b>Domestic ... (A)</b>	6818	6476	<b>5.28</b>	26502
Formulation Exports :				
- Regulatory	1210	953	<b>26.97</b>	4860
- Semi-Regulatory	431	163	<b>164.42</b>	1439
API's Export :	82	191	<b>(57.07)</b>	703
<b>Total Export ... (B)</b>	1723	1307	<b>31.83</b>	7002
<b>API ... (C)</b>	235	182	<b>29.12</b>	729
<b>Trading /Others ... (D)</b>	-	-	-	210
<b>Total (A+B+C+D)</b>	<b>8776</b>	<b>7964</b>	<b>10.19</b>	<b>34443</b>
Less : Excise Duty	333	699	<b>(52.36)</b>	1844
<b>Net Sales</b>	<b>8443</b>	<b>7265</b>	<b>16.21</b>	<b>32599</b>
Other Income	73	91	<b>(19.78)</b>	483
<b>Total Income</b>	<b>8516</b>	<b>7356</b>	<b>15.77</b>	<b>33082</b>
<b>EBIDTA</b>	1808	1366	<b>32.36</b>	6346
<b>Operating Profit</b>	1429	1016	<b>40.65</b>	4882
<b>PAT</b>	1085	824	<b>31.67</b>	4204

## ***Key Highlights:***

### ➤ ***Revenue Growth :***

The total net sales has grown by 16.21% for the quarter ended September 30, 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 :***

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 :***

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. We have filed one DMF and another three DMF's will be filed by December 2007. The new R&D set up houses state-of-the-art equipments, analytical instruments and latest databases.

The type of research activities in the synthetic chemistry includes inter-alia:

- a) Custom chemical synthesis of molecules & intermediates under various phases of development ( R & D, Preclinical & Clinical)
- b) Contract Research : Process Chemistry Research & Development
- c) Non-Infringing process design & scale up
- d) Analytical Research (Analytical method development / Validation, Impurity Characterization, Impurity isolation, polymorphic studies.)
- e) Intellectual property management.
- f) Contract manufacturing Kg to Multi ton.

API R & D has successfully developed 10 molecules and they are at various stages from technology transfer to commercial production. Another 15 products are under development.

On the formulation front, the R & D Centre is capable of handling formulation developments in various dosage forms, Novel drug delivery systems and Technology platforms. The above efforts are supplemented by the company's regulatory department which has capability to conduct Bio-Equivalence Studies and Clinical trials.

Several formulation development / Dossier development projects have been completed for various European & U.S. Companies.

➤ **ORG Ranking :**

The Company has been ranked by ORG Marg as under: (Sept. 2007)

	Monthly	MAT
Prescription	22	22
Retail Audit	32	33

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

<b>Particulars</b>	<b>July 07 – Sept. 07</b>	<b>July 06 – Sept. 06</b>	<b>Growth %</b>
Anti-infective	1473.72	1457.38	1.12
Respiratory & Anti-Allergy	1332.26	1382.02	(3.60)
Dental	897.45	774.29	15.91
Alimentary Systems	784.30	676.56	15.92
Nutrition	445.88	375.93	18.61
Dermatology	387.02	308.36	25.51
Ophthalmic	346.87	297.61	16.55
AntiDiabetic	309.45	299.89	3.19
Analgesics & Antipyretics	277.31	354.60	(21.80)
Cardiovascular System	227.06	226.98	0.03
Urinary	175.65	154.83	13.45
Anti-Haemorrhagics	79.94	72.86	9.71
Ear	43.37	41.51	4.47
Musculo-Skeletal Disorders	37.86	52.84	(28.35)

➤ ***Domestic Business :***

The domestic formulations business registered a growth of 5.29% during the 1<sup>st</sup> quarter Sept. 2007 over corresponding period of last year. The growth in turnover was mainly due to growth in Anti-Infective, Dental, Alimentary and Life-style 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 July 2007.

***Spera Division :***

Spera is a newly launched division in the West and South zone. The aim is to increase contribution from our existing customers – GPs, Gynaecs, Paeds, CPs. It has brands like Cital, Scabex, Triz and Speraflox (Levofloxacin), Speraxate (Flavoxate), Speronden (Ondansetron) – all in growing markets.

➤ ***International business :***

The Company's revenue from International business has grown by 31.91% for the quarter ended 30.09.07 corresponding to the same quarter of previous year. Indoco was about to make a shipment anticipating approval of the second ANDA for Diclofenac ophthalmic solution, however last minute change in the labeling by the innovator has stalled the approval of ANDAs of all the generic companies and the launch of the product. We expect this to happen in the next quarter. However, we made a good beginning in South Africa by signing the agreement with a new customer for dossier development and subsequent supply of products.

We are also continuing our efforts of leveraging our R&D capabilities and have signed contract with a Spanish company for characterization and synthesis of impurities.

The semi-regulated markets have grown by 164% the quarter ended 30.09.07 corresponding to the same quarter of previous year. The efforts will be on to increase revenues from the rest of the world in the coming quarters.

***Joint Venture***

Indoco Remedies Ltd. has entered into a Joint Venture Partnership with US based company Amneal Pharmaceuticals to launch Ophthalmic products in US. The Joint Venture Partnership is to develop, manufacture, market and distribute Ophthalmic products for the United States market. The initial product pipeline will include at least ten ophthalmic products, several of which have already progressed substantially through the development process.

➤ ***API Business :***

The company's APIs business recorded revenues of Rs. 317 Lacs during the 1<sup>st</sup> quarter September 2007. Our 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. We have filed one DMF's and another three DMF's will be filed by December 2007.

➤ ***Amalgamation :***

The unaudited figures for the quarter ended 30.09.2007 have been prepared on a merged basis consequent upon orders passed by the Hon'ble High Courts amalgamating La Nova Chem (India) Pvt. Ltd., Indoco Healthcare Ltd. and the Pharma Division of SPA Pharmaceuticals Pvt. Ltd. with the company. The audited figures for the year ended 30.06.2007 have been similarly prepared on a merged basis. The figures for the previous quarter ended 30.09.2006 are consolidated to include subsidiary company results.