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57th ANNUAL REPORT 2003 – 2004

indoco

INDOCO REMEDIES LIMITED

A SURESH G KARE Enterprise

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BOARD OF DIRECTORS —

Suresh G Kare, *Chairman & Mg. Director*
SY Rege
PK Kakodkar
DN Mungale
DM Sukthankar
Dr MR Narvekar
FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar

Company Secretary
Arun P Shenoy

Auditors –
M/s Patkar & Pendse, *Chartered Accountants*
Mumbai

Solicitors –
M/s J Sagar Associates
Mumbai

Bankers –
State Bank of India
The Saraswat Co-operative Bank Limited
Bank of India

AUDIT COMMITTEE —

DN Mungle, *Chairman*
SY Rege
PK Kakodkar

CORE MANAGEMENT TEAM

Sitting —
Suresh G Kare
Chairman & Managing Director

Standing from L to R —
Sundeep V Bambolkar
Director – Finance & Operations

FX Coutinho
Director – Marketing

Aditi Kare Panandikar
Director – Business Development & HRD

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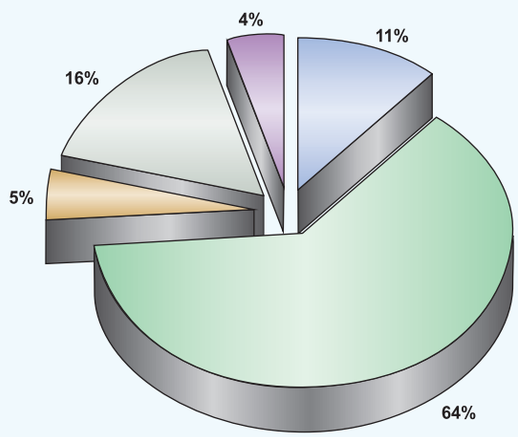
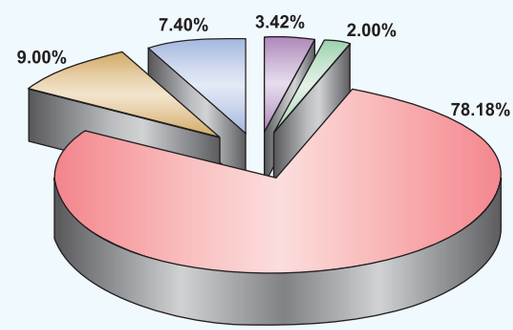
Sources of Funds



Share Capital + Premium
Secured Loan
Profit Earned
Unsecured Loan
Deferred Tax

Sources of Income



Formulation Mfg
Exports
Formulation Trading
Bulk Drugs
Other Income

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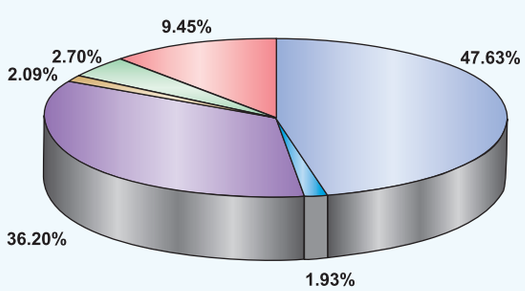
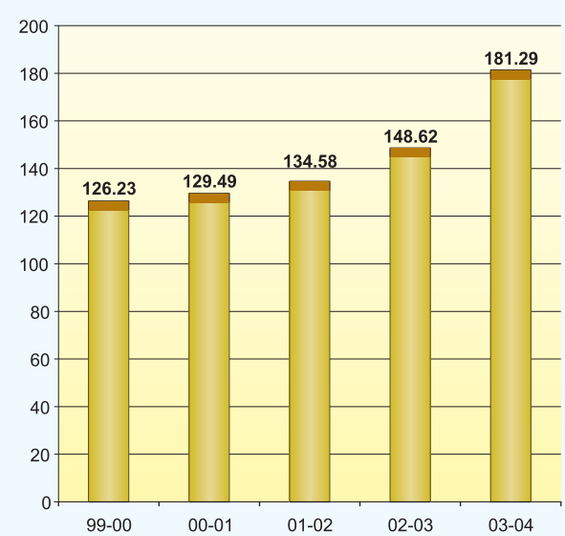
Distribution of Income



Material
Interest
Depreciation
Tax
Expenses
PAT

Total Income (Rs Crores)



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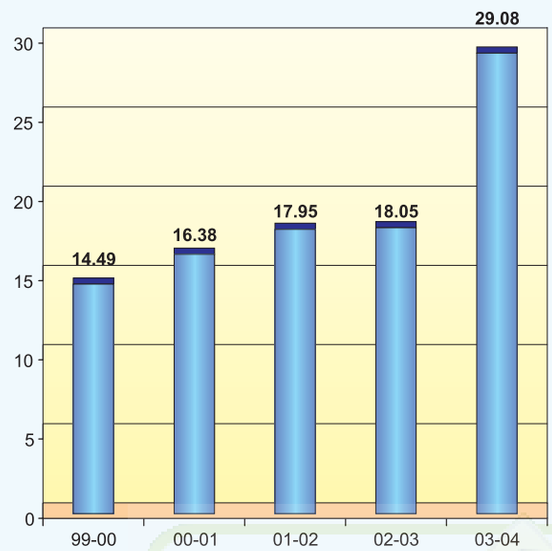
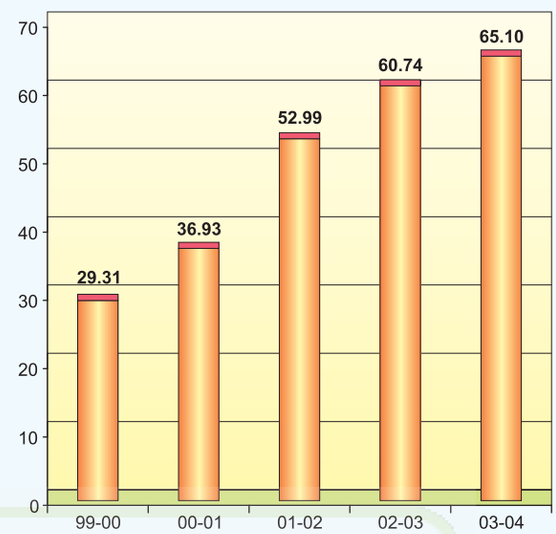
Profit Before Tax (Rs Crores)



Gross Block of Fixed Assets (Rs Crores)
Including Capital WIP



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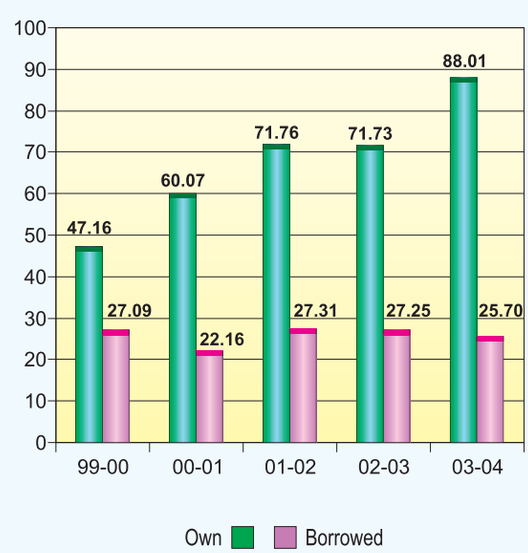
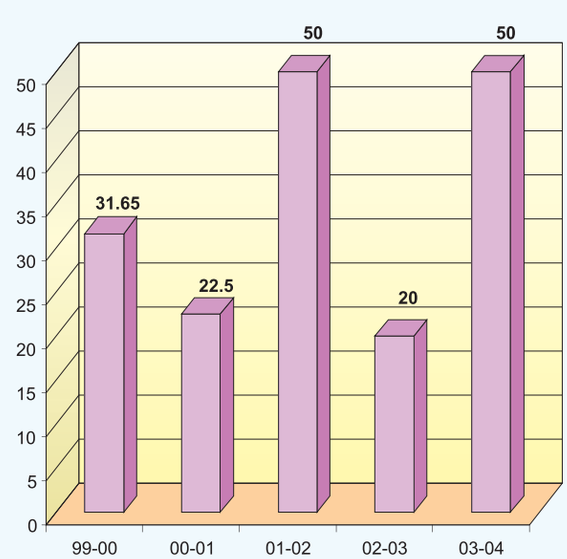
Own & Borrowed Fund (Rs Crores)



Dividend (%)



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Chairman's Statement

The year 2003-04 witnessed a buoyant and sustained growth of the country's economy. A healthy growth in the agriculture sector coupled with high industrial output and sustained growth of the services sector led to a GDP growth of over 8%. During the year under review, your Company's sales turnover rose from Rs. 14,662 lakhs to Rs.17,766 lakhs recording a growth of 21%. This growth was mainly spurred by the rise in sales of domestic formulations by 17%.

Our Cardiac and Anti-Diabetic Speciality Division,"RADIUS" has grown substantially within a short time in its second year after launch. Your Company has also launched a product for Atherosclerosis which is a novel combination and introduced to the medical fraternity for the first time in India. Initial reports on the launch have been very encouraging.

On the export front your Company achieved a growth of 110% over the previous year recording a sales of Rs. 1341 lakhs, of which sales to the regulated markets constituted 40%. Encouraged by the good response in the regulated markets, your Company has initiated steps for the formation of subsidiaries in the UK and South Africa.

As part of your Company's efforts towards backward integration, an Active Pharmaceutical Ingredients (API) Plant is being set up in Maharashtra. This will prove to be a significant initiative considering the developments on the patent regime.

Your Company has a highly motivated team of scientists and pharmacists working at the R&D Centre in Mumbai. During the current year, your Company plans to file Abbreviated New Drug Applications (ANDA's) and Euro Dossiers. This initiative from the R&D and Regulatory teams will substantially boost the exports to regulated markets.

The Company's conducive working environment which provides for excellent growth opportunities has attracted some of the best talents from the pharmaceutical industry. During the year under review, your Company invested 5000 hours on training and development of employees at all levels.

As you are aware, three whole-time directors, Mr FX Coutinho, Mr Sundeep V Bambolkar and Ms Aditi Kare Panandikar have been inducted on the Board of Directors of your Company. This development will facilitate stringent corporate governance within the organisation. I personally congratulate them and wish them a long, fruitful and successful association with the Company.

I acknowledge the dedication and hard work of all Indocoites in helping us cross new frontiers and look forward to their continued support to maintain consistent growth and progress in the future.

SURESH G KARE
Chairman & Managing Director

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Directors' Report

Your Directors have pleasure in presenting the 57th Annual Report on the Business and Operations of the Company together with the Audited Financial Accounts for the year ended June 30, 2004.

Financial Results :

(Rs lakhs)

	Current Year	Previous Year
Sales & Operations	17,766.41	14,662.65
Less : Excise Duty	2,091.99	1,864.94
Net Sales	15,674.42	12,797.71
Other Income	362.60	199.64
Total Income¨	16,037.02	12,997.35
Profit Before Interest, Depreciation and Tax	3,485.79	2,397.96
Interest	281.60	305.98
Gross Profit	3,204.19	2,091.98
Less : Depreciation	295.79	286.67
Profit Before Tax	2,908.40	1,805.31
Less : Provision for Taxation	665.00	210.00
Deferred tax	117.34	191.14
Profit After Tax	2,126.06	1,404.17
- Excess provision for taxation of earlier years written back	–	62.98
- Balance brought forward	862.98	774.47
- Amount credited pursuant to a Scheme of Amalgamation	–	70.36
	2989.04	2311.98

Appropriations :

Interim Dividend	441.00	–
Proposed Dividend	–	176.40
Dividend Tax	56.50	22.60
Transfer to General Reserve	1,500.00	1,250.00
Balance carried forward	991.54	862.98
	2,989.04	2,311.98

Dividend :

The Board of Directors of the Company, at its meeting held on April 27, 2004, declared an Interim Dividend of Rs 5/- (50%) for each equity share of Rs 10/-. The total outflow on account of dividend is Rs 497.50 lakhs (including dividend tax @ 12.5% and surcharge of 2.5% thereon). In view of the Interim Dividend payment, your Directors do not recommend any final dividend for the year.

Operations :

During the year under review, gross turnover and other income of the Company amounted to Rs 18,129 lakhs as compared to Rs 14,862 lakhs in the previous year registering a rise of 21.98%.

The Company's export sales have grown from Rs 638 lakhs to Rs 1,341 lakhs during the current year showing an increase of 110%.

The profit before tax has risen to Rs 2,908 lakhs from Rs 1,805 lakhs showing an increase of 61% mainly on account of overall improvement of sales, successful launch of RADIUS Division that caters to anti-diabetic and cardio-vascular segments, increased capacity utilisation of ophthalmic and injectibles plant at Verna-Goa and higher contribution from export sales.

Developments :

During the year under review, your Company participated in the CPhI exhibition at Frankfurt. The results have been very encouraging and your Company has since entered into contracts for dossier development besides securing large orders from regulated markets. Substantial exports of branded formulations were also effected to various non-regulated markets of Africa, Asia and Latin America.

Some of the export markets that opened out during the year under review are Ivory Coast, Albania, Mozambique, Namibia and Eritrea.

Investments pertaining to getting the sterile facility ready for the US-FDA and UK-MHRA inspections have been completed and the inspections would be triggered during the current year.

In order to improve operational efficiency and enhance the quality of information to aid decision-making, your Company has planned investments in a robust Information Technology (IT) System. Vendor for development of aforesaid IT system has been identified and the contract is expected to be concluded soon.

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Financial Highlights

(Rs lakhs)

	2003-04	2002-03	2001-02	2000-01	1999-00
OPERATING RESULTS					
Sales and Other Income	18129.01	14862.29	13451.88	12948.99	12615.82
Material Cost	8425.62	7080.19	7773.85	7646.06	8292.41
Salaries , Bonus and Staffwelfare	1996.04	1735.48	1049.60	959.30	847.84
Manufacturing, Administrative and Selling Expenses	4221.56	3648.66	2401.59	2143.49	1529.83
Depreciation	295.79	286.67	182.39	161.06	129.17
Interest	281.60	305.98	249.54	401.68	367.44
Profit before tax	2908.40	1805.31	1794.91	1637.40	1449.13
Provision For Taxation/ Deferred Tax	782.34	401.14	165.00	115.00	153.00
Profit Before Tax and Extraordinary Item	2126.06	1404.17	1629.91	1522.40	1296.13
Extraordinary Item	–	–	–	–	172.25
Profit after tax and Extraordinary Item	2126.06	1404.17	1629.91	1522.40	1468.38
Retained Earnings	1628.56	1268.15	1168.65	1291.03	1262.08
Earning Per Share	24.10	15.92	18.48	17.26	24.40
Book Value	99.78	81.32	81.36	68.11	53.47
Debt : Equity Ratio	0.29	0.38	0.38	0.37	0.57
FINANCIAL SUMMARY					
ASSETS EMPLOYED					
Fixed Assets : Gross	6510.49	6074.18	5298.66	3692.63	2930.87
: Net	4792.95	4635.83	4340.11	2916.46	2296.25
Investments	74.53	100.38	1438.13	1438.13	1438.13
Net Current Assets	6998.60	5515.72	4098.29	3868.25	3690.80
Miscellaneous Expenditure (to the extend not written- off)	36.78	60.22	30.90	–	–
Total Assets	**11902.86**	**10312.15**	**9907.43**	**8222.84**	**7425.18**
FINANCED BY					
Share Capital	882.00	882.00	882.00	882.00	882.00
Reserves	7919.10	6290.56	6294.03	5125.38	3834.35
Total Shareholders Funds	8801.10	7172.56	7176.03	6007.38	4716.35
Borrowings	2570.00	2725.17	2731.40	2215.46	2708.83
Deferred Tax	531.76	414.42	–	–	–
Total Fund	**11902.86**	**10312.15**	**9907.43**	**8222.84**	**7425.18**

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Cash Flow Statement for the year ended 30th June, 2004

			Current Year Rs lakhs		Previous Year Rs lakhs
A)	Cash Flow from Operating Activities :				
	Net Profit before tax and extraordinary items		2,908.40		1,805.31
	Adjustments for :				
	a) Depreciation	295.81		286.67	
	b) Profit on Sale of Fixed Assets	(17.53)		(0.07)	
	c) Loss on Sale of Fixed Assets	4.06		1.74	
	d) Loss on Sale of Investments	0.47		(0.15)	
	e) Interest Income	(134.31)		(68.29)	
	f) Dividend received on Investments	(0.02)		(3.95)	
	g) Exchange Gain	(49.70)		(30.07)	
	h) Exchange Loss	16.30		7.43	
	i) Interest Expense	265.30		305.98	
			380.38		499.29
	Operating Profit before Working Capital Change		3,288.78		2,304.60
	Adustments for :				
	a) Trade and Other Receivables	(943.46)		(137.62)	
	b) Inventories	(877.00)		(213.72)	
	c) Trade Payables and Other Liabilities	849.56		324.07	
			(970.90)		(27.27)
	Cash Generated from Operations		2,317.88		2,277.33
	a) Tax paid		(466.12)		(563.66)
	Net Cash generated from Operating Activities .... (A)....		1,851.76		1,713.67
B)	Cash generated from Investing Activities :				
	a) Purchases of Fixed Assets (incl. CWIP)	(525.09)		(428.23)	
	b) Sale of Fixed Assets	85.63		0.80	
	c) Purchases of Investments	(74.15)		(200.00)	
	d) Sale of Investments	99.53		100.15	
	e) Interest Received	92.71		57.31	
	f) Dividend received on Investments	0.02		3.95	
	Net Cash used in Investing Activities		(321.35)		(466.02)
C)	Cash flow from Financing Activities :				
	a) Interest Paid	(264.33)		(313.79)	
	b) Dividend Paid	(696.50)		–	
	c) Exchange Gain	49.70		22.64	
	d) Exchange Loss	(16.30)		–	
	e) Repayment of CC/WCDL Demand Loans	(829.89)		617.34	
	f) Proceeds from Short Term borrowings	563.90		467.30	
	g) Repayment of Short Term borrowings	(467.30)		(300.00)	
	h) Repayment of Term borrowings	–		(866.61)	
	i) Proceeds form Term borrowings	578.13		–	
	Net Cash used in Financing Activities		(1,082.59)		(373.12)
D)	Cash flow on Amalgamation		–		2.79
	Net Increase in Cash or Cash equivalents ... (A + B + C + D)		447.83		877.32
	Cash and Cash equivalents - Closing Balance		1,752.35		1,304.52
	Cash and Cash equivalents - Opening Balance		1,304.52		427.20

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner

Arun P Shenoy
Company Secretary

Mumbai : July 27, 2004

Suresh G Kare - *Chairman & Mg. Director*
DN Mungale
Dr MR Narvekar **FX Coutinho**
PK Kakodkar **Sundeep V Bambolkar**
DM Sukthankar **Aditi Kare Panandikar**
Directors *Whole-time Directors*

Mumbai : July 27, 2004

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Statement Pursuant to Part IV to the Companies Act, 1956

22) Balance Sheet Abstract and Company's General Business Profile :

(I) Registration Details –

Registration No.	5913
State Code	11
Balance Sheet Date	30-06-2004

(II) Capital raised during the year *(Amount in Rs Thousands)* –

Public Issue	–
Rights Issue	–
Bonus Issue	–

(III) Position of Mobilisation and Deployment of Funds *(Amount in Rs Thousands)* –

Total Liabilities	11902.86
Total Assets	11902.86
Sources of Funds –	
Paid-up Capital	882.00
Reserves & Surplus	7919.10
Secured Loans	629.26
Unsecured Loans	1940.74
Deferred Tax Liability	531.76
Application of Funds –	
Net Fixed Assets	4792.95
Investments	74.53
Net Current Assets	6998.60
Miscellaneous Expenditure	36.78
Accumulated Losses	–

(IV) Performance of Company *(Amount in Rs lakhs)* –

Total Income	16037.02
Total Expenditure	13128.62
Profit Before Tax	2908.40
Profit After Tax	2126.06
Earning per share in Rs.	24.10
Interim Dividend @%	50.00

(V) Generic Names of Three Principal Products/Services of the Company *(as per monetary terms)* –

Item Code No (ITC Code)	300490.05
Product Description	CYCLOPAM TABLET
Item Code No (ITC Code)	300440.17
Product Description	TUSPEL PLUS SYRUP
Item Code No (ITC Code)	300390.89
Product Description	FEBREX PLUS SYRUP

As per our Report attached

For **Patkar & Pendse**
Chartered Accountants

BM Pendse
Partner

Arun P Shenoy
Company Secretary

Mumbai : July 27, 2004

Suresh G Kare - *Chairman & Mg. Director*
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Directors *Whole-time Directors*

Mumbai : July 27, 2004

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Notes Forming Part of Accounts for the year ended 30th June, 2004

14) Consumption of Materials :

	Current Year		Previous Year	
	Qty Tonnes	Value Rs lakhs	Qty Tonnes	Value Rs lakhs
(a) Raw Materials – Azithromycin, Cefadroxyl, Gliclazide, Di-sodium Hydrogen Citrate, Ibuprofen, Paracetamol, Ofloxacin, Sugar etc.	942.00	3209.40	796.00	2429.20
(b) Packing Materials – Aluminium Foils, Tubes, Glass Bottles, Cartons, Labels, PVC Films, PP Caps, Plastic Containers, Boxes, Shippers etc.	–	2067.60	–	1733.00
Total		5277.00		4162.20

15) Imported and Indigenous Materials Consumed :

	Value Rs lakhs	Percentage	Value Rs lakhs	Percentage
(a) Raw and Packing Materials –				
(i) Imported	36.00	0.68	9.00	0.22
(ii) Indigenous	5241.00	99.32	4153.20	99.78
Total	5277.00	100.00	4162.20	100.00
(b) Stores and Spares consumed Indigenous –	37.84	100.00	28.85	100.00

	Rs lakhs	Rs lakhs
16) Earnings in Foreign Currency (FOB value)	1262.46	596.00
17) Expenditure in Foreign Currency :		
(a) On Travel and Export Promotion	125.60	102.97
(b) On Interest on Foreign Currency Loan	23.68	13.31
(c) Others	8.92	–
18) Value of Imports CIF Basis		
(a) Trading	225.23	298.22
(b) Raw Materials	37.29	9.09
(c) Capital Goods	109.30	12.27

19) The list of small scale undertakings to whom amount is outstanding for more than 30 days is as follows :

Airmech Engineers, Anand Enterprises, Airtech, Apex Drugs & Intermediate Ltd., Akshay Engineering Works, Amishi Drugs & Chemicals, Apex Electromec Pharma Pvt. Ltd., Artek Systems, Ashco Industries Ltd., Atlanta Vinyl Pvt. Ltd., Auto Electrical & Mechanical Work, Beauty Arts, Chintamani Plastics, Cold Gold Refrigeration, Durga Engineering Works, Enar Chemie Pvt. Ltd., Enarai Techprints Pvt. Ltd., Essae-Teraoka Ltd., Fine Airsys, Florale (I) Pvt. Ltd., Ganesh Enterprises, Greenearth Engineers & Consultants, Harsiddh Industries, Hindustan Phosphates Pvt. Ltd., Hiral Enterprises, Incorp, Inox Air Products Ltd., Jayana Industries, Laxmi Packaging Industries, Mahalaxmi Steels & Hardware, Maini Material Movement P. Ltd., Marck & Care Engineers, Meena Enterprises, Multipac, N. C. Corporation, N. K. Industries, N. K. Textiles, National Electricals, Navnidh Pharma Labs, Neeraj Spotlab, Nimit Kraftpack Industries, Packwell Automation Pvt. Ltd., Para Products Pvt. Ltd., Pearl Organics Ltd., Pharma Spares, Popawala & Co, Power Gun Systems Pvt. Ltd., Prakash Engineering Industries, Press & Pack , Ramnata Sinai Caro & Co., Real Offset, Responsive Industries, Reva Printery, Ronak Flavour & Fragrances, S. S. Engineering Co., S. S. Pharmachem, S. V. Enterprises, Sainath Engineering Enterprises, Salgaonkar Sanchar, Salicylate and Chemicals Pvt. Ltd., Salpra Pharmaceuticals & Chem, Sangat Packaging Industries, Satyam Industries, Sawkar Associates, Shailesh Packaging, Shaltej Enterprises, Shrink Packaging Systems Pvt. Ltd., Shubham Plast, Sudeep Pharma Ltd., Sun & Services, Sunil Chemicals, Sunil Gulati, Thermolab Scientific Equipments Pvt. Ltd., Three-D Containers, Tara Packaging, Unicorn Petroleum Ind Pvt. Ltd., V. P. Mehta & Co, Vardhaman Traders, Vasundhara Rasayans Ltd., Ven-Petro Chem & Pharma P. Ltd., Vilam Exports Pvt. Ltd., Virendra Oil Mills, Vital Flavours & Fragrances, Waaree Instruments Ltd., Water Testing Services.

These outstandings are in the normal course of business.

20) The miscellaneous expenditure to the extent not written off includes Rs. 4.10 lakhs on account of plant certification; Rs. 19.35 lakhs on product registration; Rs. 8.58 lakhs on specific export related expenses and Rs 4.75 lakhs on account of premium on prepayment of Term Loan.

21) Previous year's figures have been regrouped and reclassified wherever necessary to conform with those of the current year.

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