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58th

ANNUAL REPORT
2004 – 2005



Indoco

INDOCO REMEDIES LIMITED

A **SURESH G KARE** Enterprise

CORE MANAGEMENT TEAM



Suresh G Kare
Chairman & Managing Director



FX Coutinho
Director - Marketing



Sundeep V Bambolkar
Director - Finance & Operations



Aditi Kare Panandikar
Director - Business Development & HRD

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BOARD OF DIRECTORS —

Suresh G Kare, *Chairman & Mg. Director*

SY Rege

PK Kakodkar

DN Mungale

DM Sukthankar

Dr MR Narvekar

DM Gavaskar

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



Chairman's Statement

The year 2004-05 was a historic one for your Company. In January, your Company recorded an important milestone by virtue of its exciting debut on the BSE and NSE. The IPO was oversubscribed by about 61 times. I thank the investors for the trust and confidence imposed in the management.

On the economic front, the agricultural sector continued to perform well thus raising hopes that the Indian economy will continue on a sustainable growth path. This has infused a feel-good factor across various sectors. Given the fact that about two-thirds of the country depends on agriculture, an increase in rural income will facilitate accelerated growth in demand across key industries.

In this environment, Indoco Remedies Limited has had yet another notable year. During the year under review, your Company's sales turnover rose from Rs 17,766 lakhs to Rs 21,578 lakhs recording a growth of 21.46%. In spite of severe down stocking by the Stockists/Chemists during the third quarter of FY 2004-05 due to VAT, domestic sales grew by 15.16%. However, export sales registered a robust growth of 117% over the previous year recording sales of Rs 2,908 lakhs as against Rs 1,341 lakhs during 2003-04. In order to strengthen business in the regulated markets, your Company has formed a 100% subsidiary, Indoco Holdings Netherlands B.V., in the Netherlands and this Company would invest in Indoco UK Ltd, and Indoco SA Pty Ltd, a joint venture company in South Africa.

In 2004-05, your Company launched for the first time in India, Methycal, a unique calcium supplement that is indicated for the prevention and treatment of Osteoporosis and for supplementing calcium in the second and third trimesters of pregnancy. The Company also acquired a brand Karvol Plus in the segment of decongestive inhalant from M/s Solvay Pharma India Limited. The brand fits well in the marketing strategy of the company.

Your Company also availed of ECB loan of US \$ 2.50 million for financing the expansion of tablet facility of Plant 1 at Verna, Goa. The expanded facility, which is built on US-FDA guidelines and also houses a pilot R&D facility, was commissioned during March 2005.

Construction work of the R&D centre at Rabale, Thane and a new plant of Indoco Healthcare Ltd at Baddi in Himachal Pradesh is in progress. The new state-of-the-art plant at Baddi is expected to go on stream in October 2005 and the R&D Centre is expected to be commissioned by March 2006. Land acquisition formality for the API plant in Ambemath near Mumbai is completed and construction will start by October 2005.

As part of its social responsibility, your Company donated a sum of Rs 10 lakhs to the Prime Minister's National Relief Fund for providing relief to tsunami victims.

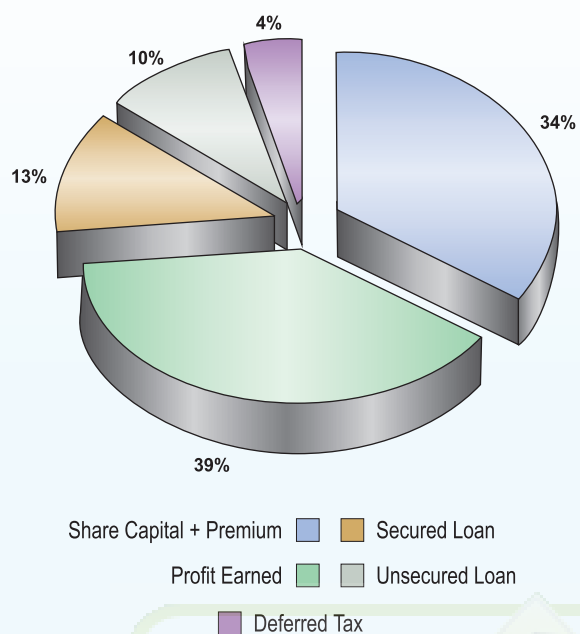
The way forward for IRL is to become a complete solutions company. Given our competitive strengths, our business strategy entails an emphasis on R&D and international business along with strengthening of our domestic marketing. Having presence in Finished Dosage Forms (FDFs), our strategy is to "integrate backward" into the Active Pharmaceutical Ingredients (APIs) business. With our own process R&D and API manufacturing facility in place, our role will then change from a "Contract Manufacturer of FDFs" to one offering a complete solution.

I acknowledge and appreciate the dedicated efforts of all Indocoites thus enabling the company to set higher benchmarks in the years to come.

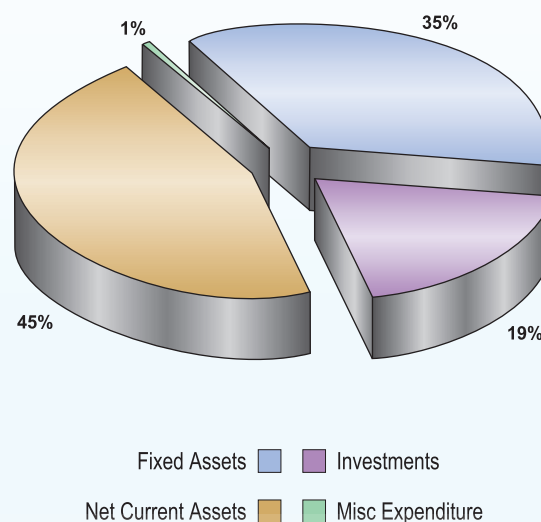
SURESH G KARE

Chairman & Managing Director

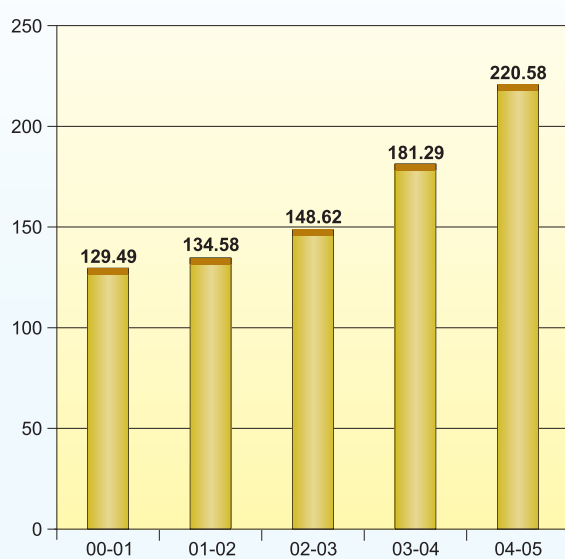
Sources of Funds



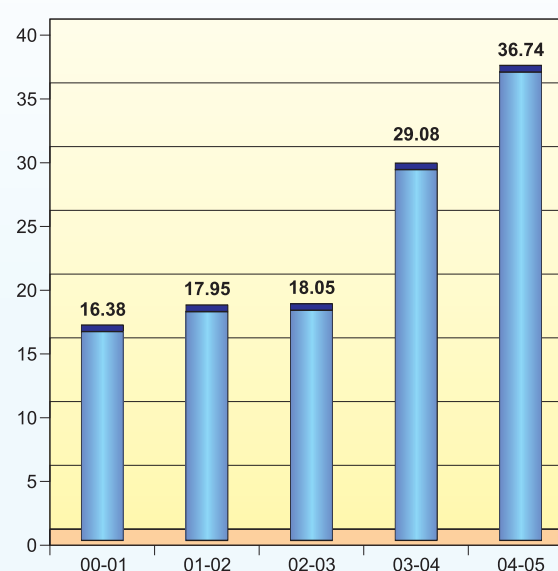
Application of Funds

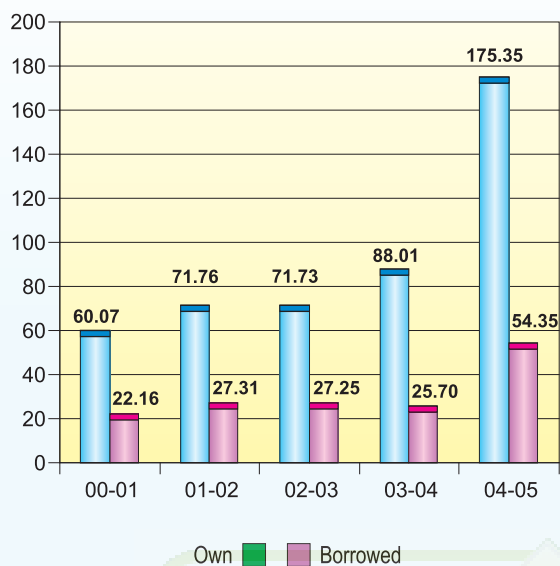
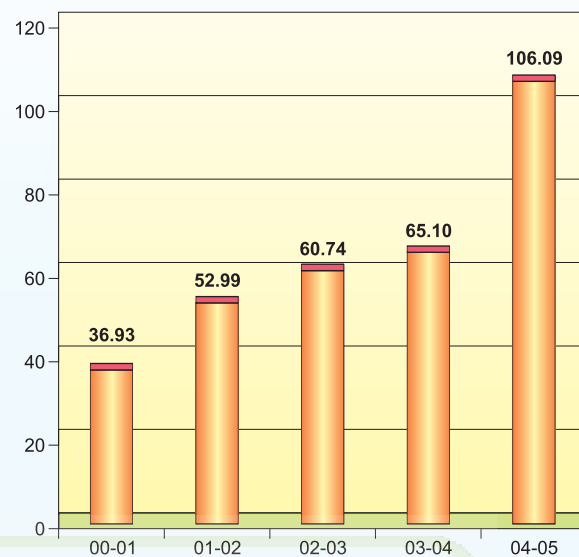
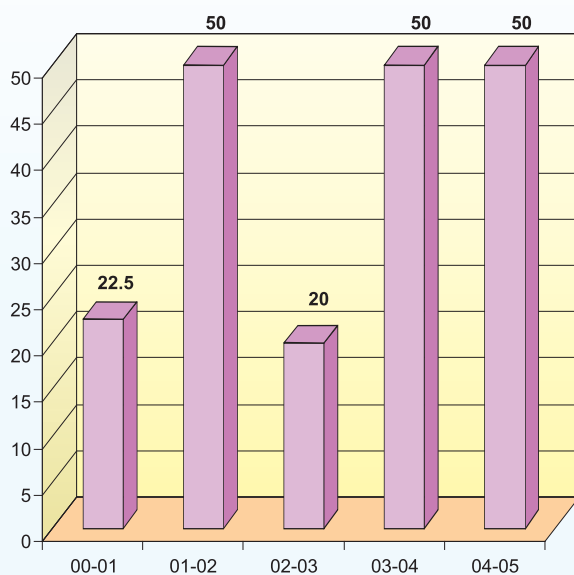
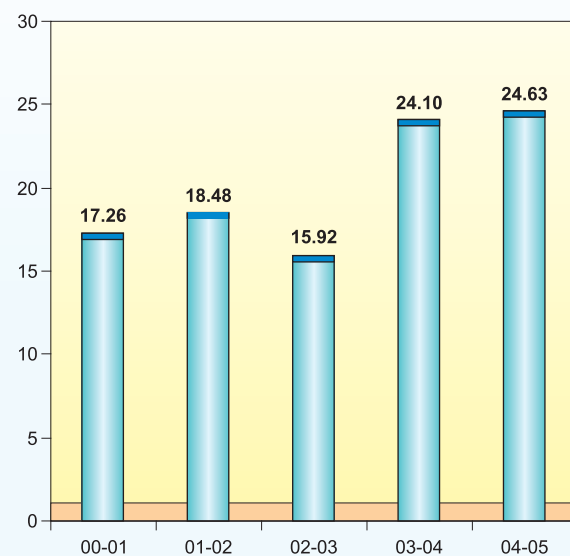


Total Income (Rs Crores)



Profit Before Tax (Rs Crores)



Own & Borrowed Fund (Rs Crores)**Gross Block of Fixed Assets (Rs Crores)**
Including Capital WIP**Dividend (%)****Earnings Per Share (Rs)**



INDOCO REMEDIES LIMITED

INDOCO HOUSE, 166 CST ROAD, KALINA, SANTACRUZ (E), MUMBAI - 400 098.

Notice

Notice is hereby given that the Fifty Eighth Annual General Meeting of INDOCO REMEDIES LIMITED will be held at MIG Cricket Club, MIG Colony, Bandra (East), Mumbai - 400 051 on Thursday, September 29, 2005 at 2.30 pm to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended June 30, 2005 and the Balance Sheet as at that date together with the Report of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended June 30, 2005.
3. To appoint a Director in place of Mr DM Sukthankar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr DN Mungale, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr MR Narvekar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 "Resolved that Mr DM Gavaskar who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 read with Article No. 136 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received Notice from a member signifying his intention to propose Mr DM Gavaskar as a candidate for the office of Director, be and is hereby appointed a Director of the Company liable to retirement by rotation".
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
 "Resolved that pursuant to sub-section (1) of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act"), approval of the Company be and is hereby accorded for relocating the Register of Members, Index of Members, other related books and copies of all annual returns prepared under Section 159 and other applicable provisions of the Act together with the copies of the certificates and documents required to be annexed thereto under Section 161 and other applicable provisions of the Act or any one or more of them, at Intime Spectrum Registry Ltd, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 with effect from January 01, 2005."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 "Resolved that pursuant to the provisions of Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai and National Stock Exchange of India Ltd, approval of the members of the Company be and is hereby accorded for the payment of sitting fees for each meeting of the Board of Directors /Committees, attended by the Non-Executive Directors of the Company, upto a sum not exceeding the ceiling prescribed by the Companies Act, 1956 under Rule 10B of General Rules & Forms, 1956 or as amended by the Central Government from time to time with the authority to the Board to revise the fees within the sanctioned limit."



Notice (contd.)

Notes :

1. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item Nos.7, 8 and 9 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIM. A PROXY NEED NOT BE A MEMBER.

THE PROXY FORM IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Transfer Books of the Company will be closed from 17.09.2005 to 29.09.2005 (both days inclusive).
4. Payment of dividend as recommended by the Directors, if approved at the Meeting, will be made to those members whose names are on the Company's Register of Members on 29.09.2005. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on September 29, 2005 as per details furnished by the Depositories for this purpose. The dividend will be paid on October 03, 2005.
5. Members are requested to intimate immediately change of address, if any, to the Company / Registrar.
6. The Company will be required to transfer dividends which have remained unpaid/unclaimed for a period of 7 years to the Investor Education & Protection Fund established by the Government. The Company will be required to transfer in the year 2005-06, the Final Dividend for the year ended June 30, 1998 which has remained unclaimed/unpaid. Those shareholders who have not encashed their warrants are requested to approach the Company immediately.
7. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the Meeting so that the answers may be made available at the Meeting.
8. Members are advised to avail the nomination facility in respect of the shares held by them singly. Nomination forms can be obtained from the Company.

By order of the Board

ARUN P SHENOY
Company Secretary

Place : Mumbai
Date : July 23, 2005



INDOCO REMEDIES LIMITED

INDOCO HOUSE, 166 CST ROAD, KALINA, SANTACRUZ (E), MUMBAI - 400 098.

Annexure to Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 7

The Board of Directors at the Board meeting held on April 11, 2005 appointed Mr DM Gavaskar as an Additional Director of the Company. Under Section 260 of the Companies Act, 1956, Mr DM Gavaskar holds office as a Director only up to the date of the forthcoming Annual General Meeting.

Mr Gavaskar is 62 years of age and is a Chartered Accountant and Company Secretary. He is a Commerce Graduate from the University of Bombay and he has also completed from UK a course in Strategic Management and another course for Senior Management from Templeton College, Oxford University, and Henley College of Management, respectively. Mr Gavaskar started his career with Johnson and Johnson (India) Ltd and thereafter held different positions with Abbott India Ltd (then Boots India Ltd) including that of Director of Finance & Company Secretary between 1983 and 1985 and Finance Director & Company Secretary between 1985 and 1989. From 1989 until October 2005 Mr Gavaskar was Managing Director & President of Abbott India Ltd (formerly Knoll Pharma). Mr Gavaskar not only had a brilliant academic career but also has to his credit several achievements in terms of improving performance of the business, operations restructuring, cost reduction and containment, outsourcing, efficiency improvement and strategy and business development during his tenure with Abbott India Ltd. Mr Gavaskar also received the President's citation from Abbott Labs USA in 2001 and 2002. Mr Gavaskar is not on the board of any other company and does not hold any shares of our Company.

Notice under Section 257 of the Companies Act, 1956 alongwith deposit of Rs. 500/- has been received from a member signifying his intention to propose Mr DM Gavaskar as a candidate for the office of Director of the Company.

The Board of Directors recommend the passing of the resolution set out in item no. 7 of the accompanying notice.

No Director except Mr DM Gavaskar is concerned or interested in the resolution.

Item No. 8

The Company has appointed Intime Spectrum Registry Ltd as its Registrar and Share Transfer Agents. The approval is sought by a Special Resolution for maintaining the Register and Index of Members, Return of Allotments and Annual Returns and other documents at Intime Spectrum Registry Limited situated at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078 and /or at the Registered Office of the Company with effect from January 01, 2005.

No Director is concerned or interested in the passing of this resolution.

Item No.9 :

The Securities and Exchange Board of India (SEBI) has revised Clause 49 of the Listing Agreement relating to Corporate Governance. One of the requirements therein states that all fees/compensation payable to Non-Executive Directors, including independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in the General Meeting.

At present pursuant to Clause 138 of the Articles of Association, the Company is paying to the Non-Executive Directors, sitting fees of Rs 2500/- for attending each Board meeting and Rs 5000/- for each Audit Committee Meeting.

Approval of the members is sought for payment of sitting fees for each meeting of the Board of Directors/Committees attended by the Non-Executive Directors of the Company upto a sum not exceeding the ceiling prescribed by the Companies Act, 1956 under Rule 10B of General Rules & Forms, 1956 or as amended by the Central Government from time to time with the authority to the Board to revise the fees within the sanctioned limit.

The Directors recommend passing of the above resolution as an ordinary resolution.

All the Directors of the Company, except Mr Suresh G Kare, Mr FX Coutinho, Mr Sundeep V Bambolkar and Ms Aditi Kare Panandikar may be considered as deemed to be interested in passing of this resolution.

By order of the Board

ARUN P SHENOY
Company Secretary

Place : Mumbai

Date : July 23, 2005



INFORMATION AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED

a) **Mr DM Sukthankar**

Mr DM Sukthankar is 73 years of age and holds Masters Degree in Commerce from Bombay University. He was selected for IAS (Indian Administrative Service) in 1956 and served in various capacities in different departments of the Govt. of Maharashtra and the Govt. of India for a period of 35 years, prior to his retirement on 31st August 1990 as Chief Secretary to the Govt. of Maharashtra. During the period from May, 1981 to November, 1984, he also worked as the Municipal Commissioner of Greater Bombay. After his retirement, he is working as chairman or member of various Boards/Committees appointed by the Government of India and Government of Maharashtra. Mr. Sukthankar was appointed on the Board of the Company on September 10, 1994 and he holds 1600 shares of our Company.

He is a Director on the Board of the following companies:

Housing Development Finance Corpn. Ltd, HDFC Developers Ltd, Tata Housing Development Company Ltd, Phoenix Township Ltd, Jeevan Bima Sahayog Asset Management Company Ltd and Standard Chartered Trustee Company Private Ltd.

b) **Mr DN Mungale**

Mr DN Mungale is 52 years of age and holds Bachelor of Commerce & Bachelors degree in law from Bombay University. He is also an Associate Member of The Institute of Chartered Accountants of India. Presently, he is advisor to various corporate groups and companies in India and Europe. He has spent 25 years in the field of investment banking & commercial banking with Bank of America and DSP Merrill Lynch. Mr Mungale was appointed on the Board on May 06, 2000 and he does not hold any shares of our Company.

He is a Director on the Board of the following companies:

Chowgule Steamships Ltd, Camlin Limited, Caprihans India Limited, Mahindra & Mahindra Financial Services Limited, Tamilnadu Petroproducts Limited, Nominee Director of Indo Count Industries Limited on behalf of IDBI, LIC Housing Finance Limited, Inestor Advisors Pvt. Limited, Mentor Technologies Pvt. Limited, Zest Pharmaceuticals Pvt. Ltd, South India Corporation (Agencies) Ltd, and I2IT Private Limited.

c) **Dr MR Narvekar**

Dr MR Narvekar is 75 years of age and has completed his Bachelors Degree in Medicine and Surgery (MBBS) in 1952. In 1955, Dr Narvekar completed his post graduation in Medicines (MD) with a specialisation in Obstetrics & Gynaecology. Dr Narvekar is also a Fellow member of International College of Surgeons. He is a member of Board of Studies of Obstetrics & Gynaecology with the University of Bombay. He is also a member of the Peer Review Committee - Journal of Obstetrics & Gynaecology of India. Dr Narvekar was appointed on the Board of the Company on June 15, 1977 and he holds 28800 shares of our Company.

He is a Director on the Board of Indoco Healthcare Ltd.

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 58th Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended June 30, 2005.

Financial Results :

	(Rs lakhs)	
	Current Year	Previous Year
Sales & Operations	21,577.69	17,766.41
Less : Excise Duty	2,163.16	2,091.99
Net Sales	19,414.53	15,674.42
Other Income	480.66	362.60
Total Income	19,895.19	16,037.02
Profit Before Interest, Depreciation and Tax	4,482.71	3,485.79
Interest	375.01	281.60
Gross Profit	4,107.70	3,204.19
Less : Depreciation	434.11	295.79
Profit Before Tax	3,673.59	2,908.40
Less : Provision for Taxation		
- Current	700.00	665.00
- Deferred	444.57	117.34
- Fringe Benefit	16.00	—
Profit After Tax	2,513.02	2,126.06
- Balance brought forward	991.54	862.98
	3,504.56	2,989.04
Appropriations :		
Interim Dividend	—	441.00
Proposed Dividend	591.09	—
Dividend Tax	82.90	56.50
Transfer to General Reserve	1,500.00	1,500.00
Balance carried forward	1,330.57	991.54
	3,504.56	2,989.04

Dividend :

The Board is pleased to recommend a dividend of Rs 5/- per Equity Share (50%) for the year on the expanded capital. If approved by the Shareholders at the Annual General Meeting, Dividend will absorb Rs 673.99 lakhs inclusive of the Dividend Distribution Tax borne by the Company. The Company had paid an interim dividend of 50% during 2003-04 and had not declared any final dividend for 2003-04.

Initial Public Offer :

In January, 2005, your Company completed its Initial Public Offer (IPO) and listed its shares on the National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE). The IPO was made through a 100 per cent Book Building method and consisted of a fresh issue of 30,01,714 equity shares of Rs 10/- each at an Offer Price of Rs 245/- each.

The IPO received an overwhelming response from the investors. The issue was over-subscribed by about 61 times.

Subsequent to the IPO, the Company's paid up share capital increased from Rs 882.00 lakhs to Rs 1,182.17 lakhs and share premium account increased from Rs 441.00 lakhs to Rs 7,035.27 lakhs (after deduction of issue expenses).

Operations :

Total income for the year ended June 30, 2005 amounted to Rs 22,058 lakhs as compared to Rs 18,129 lakhs for the previous year, registering a growth of 21.67%.

During the year under review domestic sales amounted to Rs 18,670 lakhs against Rs 16,425 lakhs of the previous year registering a growth of 13.67%. The Company's revenue from Exports and International business has grown to Rs 2,908 lakhs as compared to Rs 1,341 lakhs in the previous year showing an increase of 117%.

The Profit Before Tax has risen from Rs 2,908.40 lakhs to Rs 3,673.59 lakhs showing an increase of 26.31% mainly on account of overall improvement of sales and continuing efforts to control costs and improve profitability. The rapid growth in International business also contributed towards the overall profitability of the Company.