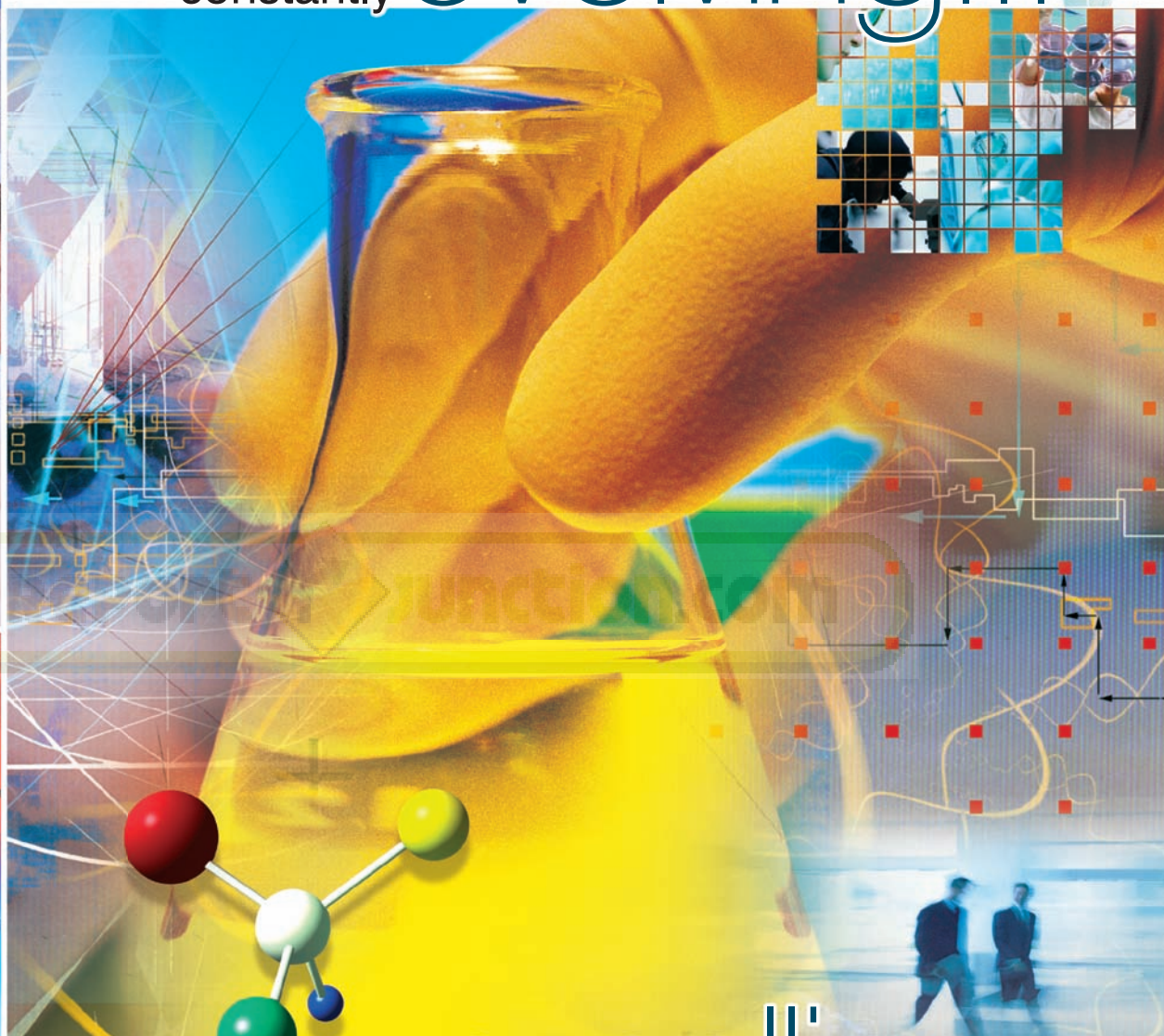


Annual  
Report  
2005-2006

constantly evolving...



consistently excelling...



A SURESH G KARE Enterprise

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## BOARD OF DIRECTORS



**Suresh G Kare**  
*Chairman & Mg. Director*



**FX Coutinho**  
*Director – Marketing*



**Sundeep V Bambolkar**  
*Director – Finance & Operations*



**Aditi Kare Panandikar**  
*Director – Business Development & HRD*



**Suresh G Kare, Chairman & Mg. Director**

**SY Rege**

**PK Kakodkar**

**DN Mungale**

**DM Sukhtankar**

**Dr MR Narvekar**

**DM Gavaskar**

**FX Coutinho**

**Sundeep V Bambolkar**

**Aditi Kare Panandikar**

*Company Secretary –*

**Anil Kale**

*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 Message

Dear Shareholders,

The Indian economy is celebrating the completion of 15 years of its economic reforms. In the last 2 to 3 years the economy appears to be shifting into a higher orbit of growth trajectory, recording an average GDP growth of around 8% p.a., while the inflationary conditions have moderated to around 5% decelerating significantly from the relatively higher levels in the earlier periods.

It is also noteworthy that the industrial sector has managed to exhibit impressive performance in the recent years, despite significant constraints and challenges posed by the slow development of infrastructure. It has also displayed resilience in its ability to cope with the adverse developments such as oil price increases.

The year 2005-06 saw record investments in infrastructure by Indoco. As committed during the Company's IPO in December'04, all the projects have been completed within a span of eighteen months. The formulations manufacturing facility at Baddi and the R&D Centre at Navi Mumbai were commissioned during the year. On July 4, 2006, Indoco acquired La Nova Chem (I) Pvt Ltd. which owns a US-FDA approvable API manufacturing facility. This acquisition will substantially hasten the company's aspirations of commissioning a US-FDA approvable API manufacturing plant.

During the year, Indoco received its first major US accreditation. The Company's sterile ophthalmic manufacturing facility was approved by the US-FDA in December'05. The two ANDAs filed by the Company's business associate are under review with the US-FDA. The UK-MHRA approved the new tablet manufacturing facility, the pilot plant for tablet manufacturing and also the cream/ointment section in the Goa Plant I. We have also received an approval

from Darmstadt Germany for the tablet section. With these accreditations, Indoco is now well poised to strengthen its presence in Europe.

The total sales in the year 2005-06 at Rs. 269.9 crores were higher by 25% over the earlier year and the Profit After Tax grew by 25.9%. While the exports grew by 49%, it is noteworthy that exports to regulated markets of the West grew by 76%.

During the year, the 5<sup>th</sup> Marketing Division SURGE which specifically addresses the product needs of the surgeons has begun its operation. All the other Divisions – INDOCO, SPADE, RADIUS and WARREN, have shown impressive performance and contributed substantially to the company's overall growth.

Given our inherent strengths, I am confident that Indoco will continue its sustainable growth path in time to come.

I acknowledge & appreciate the continuing dedicated efforts of all Indocoites, in enabling the company to grow & strengthen further in times to come.



**SURESH G KARE**

Chairman & Managing Director

## INDOCO REMEDIES LIMITED

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

### Notice

Notice is hereby given that the Fifty Ninth Annual General Meeting of INDOCO REMEDIES LIMITED will be held at MIG Cricket Club, MIG Colony, Bandra (East), Mumbai - 400 051, on Tuesday, November 7, 2006 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, 2006 and the Balance Sheet as at that date together with the Report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended June 30, 2006.
3. To appoint a director in place of Mr FX Coutinho, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Sundeep V Bambolkar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs Aditi Kare Panandikar, who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint Auditors until the conclusion of the next succeeding 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 a Special Resolution:

"Resolved that in terms of the provisions of Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Association of the Company be and are hereby altered, by replacing the existing Article 189 by the following Article :

Every deed or other instrument, to which the seal of the Company is required to be affixed, shall be signed by any person or persons as may be authorised by the Board for the purpose."

#### **Notes :**

1. An Explanatory Statement in accordance with the provisions of Section 173 (2) of the Companies Act, 1956, in respect of business stated at item No.7 of the Notice, 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 HIMSELF/HERSELF. THE 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 03.11.2006 to 07.11.2006 (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 appear on the Company's Register of Members on 07.11.2006. 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 November 7, 2006 as per details furnished by the Depositories for this purpose. The dividend will be paid on and from November 8, 2006.

**Notice** (contd.)

5. Members are requested to intimate change of address, if any, to the Registrars immediately.
6. In accordance with the provisions of Section 205A of the Companies Act, 1956, 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. Accordingly, the Company will be required to transfer in the year 2006-07, the Final Dividend for the year ended June 30, 1999 which has remained unclaimed/unpaid. Those shareholders who have not encashed their warrants are requested to approach the Company immediately.
7. Queries, if any, on the accounts and operations of the Company, may please be sent to the Company seven days in advance of the Meeting so as to enable the Company to provide appropriate response thereto, 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

**ANIL KALE**

Company Secretary

Place : Mumbai

Date : August 10, 2006

**Annexure to Notice****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.****Item No. 7**

The present Article 189 requires that every deed or instrument to which the seal of the Company is required to be affixed, shall unless the same be executed by a duly constituted Attorney, be signed by one of the Directors and Secretary or some person appointed by the Board for the purpose.

For the sake of operational convenience, it is now proposed that such documents to which the seal of the Company is required to be affixed, shall be signed by any person or persons as may be authorised by the Board for the purpose.

Pursuant to the provisions of Section 31 of the Companies Act, 1956, any alteration to the Articles of Association of the Company requires shareholders' consent. Hence, this resolution is being put up for your approval.

None of the Directors is concerned or interested in the passing of this resolution.

By order of the Board

**ANIL KALE**

Company Secretary

Place : Mumbai

Date : August 10, 2006

## Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 59th Annual Report together with the Audited Accounts for the financial year ended June 30, 2006.

### FINANCIAL PERFORMANCE –

#### Summary of Financials :

	Rs lakhs CONSOLIDATED		Rs lakhs STAND ALONE	
	Current Year	Previous Year	Current Year	Previous Year
Sales & Operations	26,960	21,578	26,960	21,578
Less : Excise Duty	2,618	2,163	2,618	2,163
Net Sales	24,343	19,415	24,343	19,415
Other Income	725	481	841	481
Total Income	25,068	19,896	25,184	19,896
Profit Before Interest, Depreciation and Tax	5,507	4,474	5,153	4,483
Interest	579	375	574	375
Depreciation	632	434	595	434
Profit Before Tax	4,296	3,665	3,984	3,674
Less : Provision for Taxation				
- Current	249	700	249	700
- Deferred	776	445	776	445
- Fringe Benefit	121	16	120	16
Profit After Tax	3,149	2,504	2,838	2,513
- Balance brought forward	1,322	992	1,331	992
	4,471	3,496	4,169	3,505
<b>Appropriations :</b>				
Proposed Dividend	739	591	739	591
Dividend Tax	104	83	104	83
Transfer to General Reserve	1,500	1,500	1,500	1,500
Balance carried forward	2,128	1,322	1,826	1,331
	4,471	3,496	4,169	3,505

During the year 2005-06, INDOCO registered a 24.9% increase in its consolidated sales revenues over the preceding year. The consolidated profit before tax (PBT) and profit after tax (PAT) registered an increase of 17.2% and 25.8%, respectively, during the same period.

This increase in the overall sales has been contributed both by the formulation sales in the domestic markets, which grew by about 20%, and international sales, which grew by about 48%.

#### **Dividends & Reserves :**

Your Directors have recommended a dividend of Rs.6.25 per equity share for the year ended 30th June, 2006 (Previous year Rs.5/- per equity share). If approved by the shareholders at the Annual General Meeting, the dividend will absorb Rs.8.42 cr. (Previous year Rs.6.74 cr.) inclusive of Dividend Distribution Tax of Rs.1.04 cr. (Previous year Rs.0.83 cr.)

The Directors have also recommended transfer of an amount of Rs.15.0 crore to General Reserves.

#### **IPO Funds :**

The commitments made on the utilization of the IPO proceeds have been adhered to during the period following the IPO. As on 30th June, 2006, INDOCO has invested the IPO proceeds in setting up a manufacturing facility at Baddi, Himachal Pradesh, a Research & Development Centre at Navi Mumbai, in repaying the funds borrowed for the acquisition of the brand KARVOL PLUS, and for acquiring the additional premises for the Corporate Office in Mumbai.

In continuation of the said commitment, INDOCO has also invested a part of the IPO proceeds for acquiring an API manufacturing facility in early July, 2006.

#### **Credit Rating :**

During the year under review, ICRA Ltd. reaffirmed its rating of A1+ for the Company's Rs.15 crore Commercial Paper / short term debt programme, indicating highest safety and most comfortable prospects of timely debt repayment.

### **OPERATIONS –**

#### **Domestic Business :**

With the trust & confidence reposed in the medical profession, the products like Neurochek, Methycal, Glychek, MCBM-69, etc., have substantially contributed to the revenues generated by Indoco & Spade divisions.

Warren division focuses mainly on ophthalmic & dental care products. During the year, Warren has introduced an innovative anti-caries toothpaste for kids - KIDODENT, which has been well received by dentists. Warren's entry in to the niche dermatology segment, is also expected to improve Warren's performance.

Radius division caters to the needs of Diabetologists & Cardiologists, which primarily deals with chronic and life-style diseases segments. The diabetic population in India is growing at over 20% every year. The incidence of cardiovascular diseases is also on the rise. This forms a good platform for the acceleration of Radius division's growth.

During the year, a fifth marketing division, SURGE, was launched to specifically address the product needs of General Surgeons & Orthopedicians. SURGE has been launched in 6 states, and is getting an encouraging response.

Consequently, INDOCO's domestic business is expected to grow consistently.

#### **International Business :**

International business accounts for about 16% (13% in 04-05) of the total revenues of INDOCO. During the year ended 30th June, 2006, the international formulations business grew by 48%. It is noteworthy that the business in regulated markets accounted for a growth of 76%.



INDOCO's entry into the API business by virtue of its acquisition of La Nova Chem, is also expected to strengthen the international business.

The last year saw INDOCO getting accreditations from international regulatory authorities for its manufacturing facilities. Plant-II at Goa was approved by US-FDA for its sterile ophthalmic manufacturing facility. 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 and also a fresh approval for its newly constructed tablet facility. The approval extends to the "Pilot Facility" in the new tablet area. With the approval of this pilot plant, INDOCO will be in a position to conduct validation batches for Clinical trials / BE studies for products to be registered in Europe. This in turn will give INDOCO a right to supply the products for a period of five years from the date of commercial launch by its customers.

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.

During the year under review, the business to East European countries has increased many fold. This was made possible by the tremendous efforts in registering a number of products in this region. The international business operations were also extended to various CIS countries.

In terms of getting a foothold in US market, a considerable progress has been made during the year; two ANDA's have already been filed with the US-FDA from the sterile ophthalmic facility. The approval for the first ANDA is expected during the year, which would trigger the exports to US market.

#### **New R&D Centre :**

During the year, INDOCO has set up and commissioned its state-of-the-art Research & Development centre at Navi Mumbai, with a built-in Kilo-lab facility. The R&D Centre and the kilo-lab facility, are expected to boost the API synthesis and development efforts, which are primarily directed to cater to requirements of regulated markets. The kilo-lab facility is expected to add to revenues in the short run, apart from aiding the API development efforts.

#### **SUBSIDIARIES –**

INDOCO has two fully owned subsidiaries - Indoco Healthcare Ltd. (IHL) and Indoco Holdings Netherlands BV, (IHN). The IHL has a manufacturing facility at Baddi, Himachal Pradesh, financed by INDOCO. Keeping in view the synergy of operations to be derived, INDOCO has planned to merge IHL with the parent company. The Board of Directors of both the companies have approved the Scheme of Merger, and IHL has filed applications at the Hon'ble High Court at Shimla for initiating the merger process.

The subsidiary, Indoco Holding Netherlands BV (IHN) was set-up in The Netherlands, in 2004, with a view to aid the international business operations in that region. However, considering the current marketing situation & other economic factors, it has been decided to close down IHN.

Early in July '06, INDOCO has acquired 100% shares of La Nova Chem (India) Pvt Ltd. This was done primarily to have access to its API manufacturing facility at Patalganga, Raigadh, Maharashtra. This acquisition is pursuant to the efforts of INDOCO to become a complete end-to-end solution provider ethical pharmaceuticals in the international markets.

A statement containing particulars in term of the provisions of sec. 212(1)(e) of the Companies Act 1956, in relation to the subsidiary companies, is annexed to & forms part of this Report.

In compliance of the provisions of Clause 32 of the listing agreement, Audited Consolidated Financial Statements have been annexed to and forms part of this Report.

INDOCO has received an approval from the Government of India, Ministry of Company Affairs, vide their letter no.47/29/2006-CL-III dated 24th May, 2006, exempting INDOCO from attaching the balance sheet and profit & loss



account of its subsidiaries. The said annual accounts of the subsidiary companies and the related detailed information will be made available to any shareholder seeking such information, at any point of time. The annual accounts of the subsidiary companies will also be kept open for inspection by any shareholder, at the registered office of INDOCO. The intending shareholders can write to the Company Secretary of INDOCO, at its registered office, for such information and/or inspection.

## CORPORATE GOVERNANCE –

In compilation of the provisions of Clause 49 of the Listing Agreement, the prescribed report on the Corporate Governance, as well as a certificate from the Auditors on the compliance of the conditions of the Corporate Governance, are annexed to and form part of the Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT –

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 :

- (i) that in the preparation of annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that year;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a 'going concern' basis.

## DIRECTORS –

The three directors of your company, viz. **Mr FX Coutinho, Mr Sundeep V Bambolkar & Ms Aditi Kare Panandikar**, retire by rotation at the forthcoming Annual General Meeting, and they are eligible for re-appointment.

In term of the clause 49 IV G(i) of the Listing Agreement, the required particulars of the directors seeking re-appointment, as above, is given herebelow.

### **Mr FX Coutinho** : *Director - Marketing*

Mr FX Coutinho holds Bachelor of Science degree from Bombay University. Mr Coutinho has also completed his Management Studies from University of Bombay. Mr Coutinho joined the Company in the year 1975 and has over 29 years of experience in sales & marketing functions. He is also on the Board of Indoco Healthcare Limited. Further, he is also the member of the Share Transfer Committee of Indoco Remedies Limited.

### **Mr Sundeep V Bambolkar** : *Director - Finance & Operations*

Mr Sundeep V Bambolkar is a Science Graduate and holds a Masters Degree in Business Administration from the University of Bombay. He was also selected to attend the Global Advanced Management Programme jointly conducted by Indian School of Business, Hyderabad and Kellogg School of Business at Chicago in USA. Mr Sundeep V Bambolkar joined INDOCO group in the year 1982 and has over 24 years of experience in the Pharmaceutical industry, across various functions such as Purchase, Operations, Finance & International Business. He is also on the boards of Spa Pharmaceuticals Pvt Ltd, Indoco Global Markets Pvt Ltd, Indoco Healthcare Ltd, Indoco Holdings Netherlands BV and Indoco UK Ltd. Further, he is a member of the Share Transfer Committee as well as Shareholders/Investors Grievance Committee of Indoco Remedies Limited.

**Ms Aditi Kare Panandikar : Director - Business Development & HRD**

Ms Aditi Kare Panandikar is a Graduate in Pharmacy from University of Bombay. She also holds Masters Degree in Management from Ohio State University, USA. She joined the Company in the year 1993 and has over 13 years of experience in the Human Resource & Business Development functions. She is the eldest daughter of Mr Suresh G Kare. She is also on the boards of Shanteri Investment Pvt Ltd, Indoco Global Markets Pvt Ltd, Indoco Healthcare Limited, Indoco Holdings Netherlands BV and Indoco UK Ltd. Further, she is a member of the Shareholders/Investors Grievance Committee and Share Transfer Committee of Indoco Remedies Limited.

**AUDITORS –**

M/s Patkar & Pendse, Chartered Accountants, hold their office as Auditors till the conclusion of the ensuing Annual General Meeting, and are eligible for re-appointment. M/s Patkar & Pendse have provided INDOCO with a certificate prescribed under the provisions of section 224(1B) of the Companies Act, 1956. They have also conveyed their willingness to accept the office as Auditors, if re-appointed. The Audit Committee of the Board has recommended their re-appointment.

**COST AUDIT –**

As per the Order of the Government, INDOCO's Cost Records in relation to the formulations manufacturing activity, for the year ended June 30th, 2006, are being audited by Cost Auditor, Mr Prakash A Sevekari, Cost Accountant, who has been appointed by the Board, and whose appointment has been approved by the Government, to conduct the said audit in terms of the provisions of Section 233B of the Companies Act, 1956.

**INFORMATION IN TERM OF SECTION 217(1)(e) & SECTION 217(2A) –**

Information in terms of the provision of section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended, is contained in Annexure-A to this report and forms part of this Report.

Information in terms of the provision of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is contained in Annexure-B to this report. However, in terms of the provisions of section 219(1)(b) of the Companies Act, 1956, the said annexure has not been forwarded to the shareholders; and shareholders interested in the said information may write to the Company Secretary at the Registered office of the Company.

**EMPLOYEES RELATIONS –**

The employees relation at all levels at all units continued to be the most cordial during the year.

**ACKNOWLEDGEMENT –**

Your Directors wish to place on record their appreciation of the employees at all levels for their dedicated efforts. The Directors also wish to place on record a word of sincere appreciation to the bankers & financial institutions, the investors, the vendors, the customers, the medical profession and all other business associates for their continued support.

For and on behalf of the Board of Directors

**SURESH G KARE**

*Chairman & Managing Director*

Mumbai : August 10, 2006

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