

Annual Report
2007-2008



Indoco Remedies Limited

A Suresh G Kare Enterprise



Indoco Remedies Limited

VISION

- To Improve the quality of life by making available products of highest quality at affordable prices.
- To ensure that quality becomes a habit a commitment that finds expression at every stage from production, testing, marketing to employee relations.
- To be research based globally known company present in all 5 continents of the world.

MISSION

- To continue to be quality driven, research based, focused pharmaceutical company.
- To adapt and assimilate CGMP (Current Good Manufacturing Practices) with strict adherence to environment safety.
- To built on the trust generated by the medical fraternity.
- To share management goals, with employees and also to celebrate corporate successes with them.
- INDOCO is a company nurtured with loving care and guidance. Deeply rooted in Indian traditional values on one hand, the company has surged ahead with professional management and a global vision on the other.

Suresh Kare
Chairman & Managing Director

CORPORATE INFORMATION



Suresh G Kare
Chairman & Mg. Director



FX Coutinho
Director - Marketing



Sundeep V Bambolkar
Director - Finance & Operations



Aditi Kare Panandikar
Director - Business Development & HRD

Board of Directors -

Suresh G Kare, *Chairman & Mg. Director*
DN Mungale
DM Sukthankar
Dr MR Narvekar
DM Gavaskar
FX Coutinho
Sundeep V Bambolkar
Aditi Kare Panandikar
Rajiv P Kakodkar
Sharad P Upasani

Company Secretary -

Jagdish B Salian

Auditors -

M/s Patkar & Pendse,
Chartered Accountants, Mumbai

Registrars & Share Transfer Agents -

Intime Spectrum Registry Ltd,
Mumbai

Bankers -

The Saraswat Co-operative Bank Ltd.
State Bank of India
HDFC Bank Ltd.
Kotak Mahindra bank Ltd.

Registered Office -

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Chairman's Note



Fellow Stakeholders

Against the backdrop of an increasingly globally integrated macro-economic scenario, the Indian economy has shown clear signs of moderation after an unabated upward trend and a 9 percent growth rate over the past three fiscals. While overall industrial production grew by 8.3 per cent during 2007-08, the manufacturing sector grew at the rate of 8.7 per cent. Going forward, although we may see some signs of a slowdown, India is expected to remain the second-fastest growing economy in Asia and sustain a relatively higher rate of economic development.

Even as soaring crude prices has upset the tide in the global economy and triggered a sharp surge in inflation in India and reversed last year's trend of the Indian Rupee appreciating against the US Dollar, the pharmaceutical industry in general and our company in particular has remained relatively insulated.

The Indian pharmaceutical industry continues to be on the high growth trajectory after achieving an average annual growth rate of approximately 14 per cent in the last six years. Estimates now suggest that the industry will grow at a rate which is far higher than the estimated growth rate of the overall economy.

It is also interesting to note that this growth in the pharmaceutical sector has been multidimensional as Indian companies continue to grow organically as well as inorganically. Organic growth can be attributed to the enhanced healthcare facilities and increased spending on healthcare as economic growth has led to rising disposable incomes and demand for better medical facilities. Companies have started investing heavily in Research and Development and the inorganic route is being used to bolster growth. Besides this, it also helps to gain access to marketing channels and distribution networks in different countries and to develop a better understanding of local markets.

India has assumed an important place in the global pharma space after the country shifted from the process to product patent regime and since then has grown successfully. It has its own set of concerns including uncertainty over Government Regulations. Nevertheless, the potential remains huge with specific segments offering lucrative opportunities.

According to McKinsey, the Indian Pharma market is set to grow from USD 6.3 billion in 2005 to USD 20 billion by 2015, with a growth rate of 12.3 per cent. Patent expirities and drying pipelines coupled with general pricing and cost pressures faced by pharmaceutical companies abroad, has translated into a huge opportunity for Indian companies in the Generics space as well as the Contract Manufacturing space.

To align ourselves with the industry in terms of the financial accounting period and to have better comparability, we decided to change our accounting year end to 31st March. Resultantly, our results for FY 2007-08 reflect a nine month period commencing on 1st July,2007 and ending on 31st March,2008.

Given this backdrop, Indoco has registered a good performance with a growth of 16 per cent in Net Sales to Rs.263 crores. The Net Profit for the same period was Rs.30 crores, up 50 per cent compared to the corresponding period last year. This good result can be primarily ascribed to improved production output and rationalization of costs.

This nine month period was also a consolidation phase for our company and has helped us to lay an even stronger foundation for the future growth of the company. Various initiatives reflected in the form of enhanced capacity utilizations, receipt of significant approvals for export markets especially in the ophthalmology segments reflect the potential in our company going forward in both regulated and the semi-regulated markets. On the Domestic front we expect our strong brand portfolio to be our growth driver. CRAMS segment continues to offer good opportunities and we have taken significant measures to strengthen our business prospects there.

Finally, I would like to personally thank every staff member of the company as our progress is a mere reflection of their efforts. I would also like to express my gratitude to all our stakeholders including shareholders, customers, bankers, medical fraternity and vendors for their continued support.

I sign off with the promise that each one of us at Indoco is striving hard to ensure yet another year of significant progress.



Suresh G Kare

Chairman and Managing Director



Financial Highlights

Rs.Lacs

OPERATIONAL REVIEW	2007 - 08	2006 - 07
	(9 Mths)	(12 Mths)
Gross Sales (Before excise duty)	27,189	34,443
EBDITA	5,020	6,536
Depreciation	778	903
Interest	362	509
PBT (After Extra-ordinary items)	3,204	4,661
PAT	3,010	4,204
FINANCIAL STRUCTURE	2007 - 08	2006 - 07
	(9 Mths)	(12 Mths)
Net Fixed Assets	17,345	16,875
Investments	0.30	0.30
Net Current Assets	13,654	11,998
Total Assets	30,999	28,873
Net Worth	25,382	23,249
Borrowings	3,425	3,555
Deferred tax liability	2,192	2,069
Total Liabilities	30,999	28,873
MARGINS & RATIOS	2007 - 08	2006 - 07
	(9 Mths)	(12 Mths)
EBDITA Margins on Net Sales (%)	19.11	20.05
PAT Margins on Net Sales (%)	11.46	12.90
Debt-to-Equity (times)	0.13	0.15
Interest Cover (times)	9.32	9.26
Return on Net worth (%)	11.86	18.08
Return on Capital Employed (%)	9.71	14.56

Business Highlights

Indoco has made reasonable progress across all its three business verticals. On the sales front, domestic sales continues to represent the major portion of the revenue pie, at 77%.

IMS has estimated that the seven "pharmerging" markets of India, China, Brazil, Mexico, South Korea, Turkey and Russia are expected to grow 12 - 13 per cent next year, to USD 85 - 90 billion. In these markets, there is significantly greater access both to generic and innovative medicines as primary healthcare improves and becomes available in rural areas, and as private health insurance becomes more common. The ongoing economic growth in the developing world will shift the focus away from infectious disease towards cardiovascular, diabetes and other chronic illnesses, which fall under the lifestyle category.

Drugs worth approximately USD 20 billion in annual sales will face patent expiry in 2008, similar to levels seen over the past two years. In 2008, more than two-thirds of all prescriptions written in the US are expected to be for generics. The generics market is expected to grow at 14 - 15% in 2008 and reach sales of more than USD 70 billion, which translates into a huge opportunity for the company.

Given this backdrop, a huge opportunity beckons Indian Pharmaceutical players like Indoco.

Indian Business

Indoco's Domestic Formulation business posted a growth of 14% at Rs. 19,594 lacs. This was aided by the company's strong brand establishments.

During the nine month period in FY08, the company's Top-12 brands, which constitute around 60% of its Domestic Formulation Sales, registered a year on year growth of 12%. Aggressive marketing strategies with specialized scientific promotions were implemented. Going ahead, the top brands along with the New Product introductions in the Life-style segment would aid the growth of the Domestic Formulations segment.

Within the therapeutic segments, Indoco has traditionally been strong in the anti-infective space, it has been working towards increasing focus on the faster growing and more lucrative chronic therapy segment to augment revenues from the domestic market.

Antibiotics and Respiratory & Anti-Allergy segment continue to remain the mainstay for the company and it also focuses on volume building existing brands.

febrex plus

Vepan
Cefadroxil

CYCLOPAM

ATM

SENSODENT-K

SENSOFORM

OXIPOD

Dexoren-S

CLOBEN-G
Skin Cream

TUSPEL PLUS

Snapshot of the Performance of the Top Brands

Brand	Jul 2007 – March 2008	Rs.Lacs
		% Growth
Febrex Plus	2421	8.31
Cyclopam	1741	11.12
Sensodent	1326	25.56
Sensoform	719	13.51
Glycheck	648	3.04
Cloben	645	15.68

Performance of few Therapeutic segments

Particulars	Rs.Lacs		
	July 06 March 07	July 07 March 08	Growth %
Anti-infective	3630.53	4265.59	17.49
Respiratory & Anti-Allergy	3821.32	4185.44	9.52
Dental	2306.61	2710.42	17.50
Alimentary Systems	2116.76	2396.71	13.22
Nutrition	1151.84	1205.11	4.62
Anti Diabetic	972.33	1076.24	10.68
Dermatology	974.10	1069.12	9.75
Ophthalmic	946.70	1006.27	6.29
Urinary	467.85	615.13	31.48
Anti - Haemorrhages	218.42	239.38	9.59

The company has created seven divisions to cater to specific therapy areas with emphasis on the chronic therapy, dental and ophthalmic segments. The New Products launched therein during the year include:

- Clamchek -Antibiotic
- Zorite - PPI,
- Sporochek - Antidiarrhoeal



- Aloha-Xt - line extension to the Haematinic Aloha
- Pepchek PPI
- Resichek -Antibiotic
- Favorit -Antibiotic



- Telmichek - Cardiovascular
- Triactam -Antibiotic



- AXL, Amclaid, Acecloren-P, Ofloren-OZ - Non-stomatological
- Kidodent - Dental



- Excel was carved out from Warren to strengthen our association with Ophthalmologists and for focusing on our efforts to achieve higher growth. Excel was initially launched in the four Southern states of the country. As it garnered a good response with a positive impact on the company's sales, it now has a Pan Indian presence. The Excel team currently operates with 130 representatives and 44 managers.



Excel offers a wide range of products to meet the needs of ophthalmologists and these includes:

- Anti – i nfectives
- Antibiotic & Steroid combinations
- Tear substitutes
- Mydriatics & Cycloplegics
- NSAIDs

Within the Ophthalmology Segment, Indoco has ventured into the anti – glaucoma segment with the launch of 5 products in

- BrimocheK
- BrimocheK – T
- LatocheK
- LatocheK – T
- Timolen

All these products are volume contributors with high growth potential as it represents 43% of the total ophthalmology space. Within 2 months of its launch, BrimocheK/ BrimocheK – T & Timolen have contributed to 13.21% of the ophthalmology segment's sales.

Besides anti-glaucoma, Excel has also forayed into the anti-allergic segment with the launch of AlercheK (Olopatadine). This molecule is a well accepted & fast picking up in the market and is a volume contributing product. With the launch of Irimist (HPMC) Excel now has a basket of tear substitutes. The launch of XylocheK (Xylometazoline) nasal drops is another feather in the Excel basket and is specifically preferred by ENTs. These new products hold a lot of promise for the future and they have the potential to take Excel to new heights.

- The progress of this new division has been on track and some of the products from the main division include Cital, Scabex and Triz which are doing very well.



New launches include –

- Speraflox - Levofloxacin
 - Sperogest - Calcium preparation
 - Spera-69 - Micronised Progesterone
 - Speracal - Folic acid & Pyridoxine
 - Speronden – Ondansetron
-
- The oncology division was launched in March 2008 with drugs for colorectal, breast, ovarian and lung cancers. It is expected to introduce other products over a period of next few years. The oncology market is growing at over 26% annually with 25 lakh cancer patients in India and the market is expected to surge to more than Rs 3,000 crore in the next five years from Rs 900 crore at present. Indoco introduced its cancer drugs in Mumbai, Kerala, Andhra-Pradesh and Karnataka and plans to make them available in Gujarat, Tamilnadu, and the rest of Maharashtra shortly. The company intends launching the drugs across India within eight to twelve months.



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