

Annual Report
2008-2009



Constantly *Evolving*
Consistently *Excelling*



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 build on the trust generated by the medical fraternity.
- To share management goals, with employees and also to celebrate corporate successes with them.

Suresh G. Kare
Chairman & Managing Director

Corporate Information

Board of Directors :

Directors :

- Mr. Suresh G. Kare - Chairman & Managing Director
- Mr. F.X. Coutinho - Director Marketing
- Mr. Sundeeep V. Bambolkar - Director Finance & Operations
- Ms. Aditi Kare Panandikar - Director - HR & Business Development
- Dr. M.R. Narvekar
- Mr. D.M. Sukthankar
- Mr. D.N. Mungale
- Mr. D.M. Gavaskar
- Mr. Rajiv P. Kakodkar
- Mr. Sharad P. Upasani

Company Secretary :

- Mr. Jagdish B. Salian

Auditors :

- Patkar & Pendse, Chartered Accountants
9 Chartered House CHS,
Marine Lines, Mumbai - 400 002

Bankers :

- Saraswat Co-op. Bank Ltd.
- State Bank of India
- HDFC Bank Ltd.
- Citi Bank NA
- Standard Chartered Bank
- Kotak Mahindra Bank
- IDBI Bank Ltd

Registered Office :

Indoco House, 166, CST Road, Kalina, Santacruz (E), Mumbai - 400 098

Registrar & Share Transfer Agent :

Link Intime India Pvt. Ltd. (Formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078

Company Identification Number :

CIN : L85190MH1947PLC005913



Chairman's Note

Dear Shareholders,

The past year was an extremely turbulent one for the world economy. The year witnessed one of the worst global financial crisis. The sequence of crisis began with the sub-prime mortgage transactions in the US which led to serious difficulties in a host of financial institutions. The economies of almost all the countries in the world were seriously affected. The general consumer demand in both the US and other developed economies dropped. As a consequence, emerging economies saw export markets contract. The financial credit literally dried up thereby considerably lowering the economic activity. The year also witnessed the crude oil prices soar to \$150 per barrel and then drop down to less than \$40 per barrel. Expert reports emanating from knowledgeable sources suggest that the recessionary trend might prevail until at least the end of 2009 and the recovery might commence in the first quarter of 2010.

The developments in the international financial markets have had an impact on the pace of economic activity the worldover, and India was no exception. Owing to the impact of global financial crisis, Indian GDP growth rate fell to 6.7 per cent during 2008-09, after posting 9 per cent in three consecutive earlier years. One notable positive feature of the Indian economy is that inspite of the crisis the banking system remained strong as compared to many other countries. The Indian Banking system is better prepared to deal with crisis today, than at any time before.

The Economic Survey Report (ESR) for 2008-09 is optimistic about the future. The ESR estimates strong recovery through the second half of 2009-10. The possibility of 7.50 per cent GDP growth in 2009-10 is much higher than the 6.25 per cent projected earlier. The ESR projection is also shared by the World Bank which too expects India to hit 8 per cent growth in 2009-10. To achieve this growth rate, there are some underlying assumptions that the US economy must bottom out by the fourth quarter of 2009, the monsoon in India must be reasonable and private consumption must surge. Besides, the government spending on infrastructure projects needs dramatic acceleration. The mood going into 2009-10 is one of slightly heightened optimism.

As far as the Pharma sector is concerned the Economic Survey has recommended that the government should control prices of essential drugs that have limited number of manufacturers and decontrol all other medicines. To quote the Survey Report – "Drug price control should be limited to essential drugs in which there are less than five producers.



Suresh G. Kare
Chairman & Managing Director



Head Office, Mumbai

All other drugs should be decontrolled". Since the Economic Survey recommendations are based on reality, it is hoped that the Government heeds the Survey Report and notifies a policy that is in the best interest of all concerned.

This would definitely trigger substantial investment in world class manufacturing facilities in specifically high-tech areas such as vaccines and injectables, besides encouraging innovation and increased spend on R & D in the Indian Pharmaceutical Industry. The Industry could then consolidate its status as a force to reckon with on the Global pharma scenario.

On the export front, INDOCO achieved yet another significant milestone crossing Rs.100 crores for the year. During the year Indoco was awarded the prestigious AOK Tender for Metformin Tablets through its agents in Germany. The total value of USD 10 million would accrue against supplies for 2 years. Our Baddi facility has been approved by the UK-MHRA. This will definitely boost the supply chain for regulated markets. The International Business now contributes over 26% of our total revenue. With the initiatives planned on new geographies and the resounding opportunities from our existing customers mainly in Europe, we are confident of the International Business contributing over 40% of the revenue in the next 2 to 3 years.

The domestic sales during the year registered a degrowth because of the tight credit control policy implemented by the company. It has significantly reduced the company's outstandings thereby improving the liquidity position and reducing the working capital debt by half.

At Indoco, we put in our best efforts to develop our Human Resource. My sincere thanks to all Indocoites for their unstinted support and co-operation during one of the most challenging times. I would also like to express my gratitude to our customers, bankers, vendors and above all our shareholders for reposing their faith in us.



Suresh G. Kare
Chairman & Managing Director



Plant II, Verna Goa.

Indian Business

The major brands contributing to domestic formulation business were Febrex Plus, Cyclopam, Sensodent, Sensoform, Karvol Plus, Cloben-G, OxiPod etc. The top 10 brands contributed 61% of total turnover.

Some of Indoco's brands are ranked among top 5 in their respective categories:

BRANDS	THERAPEUTIC CATEGORY	RANK	MARKET SHARE (%)
Febrex Plus	Anti-Cold	2	10.09
Cyclopam	Antispasmodics	1	52.41
Vepan	Anti-infectives	1	17.62
Sensodent-K	Dental	1	7.10
ATM	Anti-infectives	5	4.3
Cloben-G	Topical Anti-Fungal, Anti infective	2	12.88
Cital	Urinary Alkaliser	1	18.28
Karvol Plus	Respiratory	4	7.54
Carmicide	Antiflatulent	2	17.45
Scabex	Anti-Scabies	3	18.78
Renolen	Saline	1	40.69
Homide	Mydriatic & Cycloplegic	1	92.24
Dexoren-S	Ophthal Anti-biotic with steroid	3	10.92
Lignox-ADR	Anaesthetic Injectable	2	27.08
Tobaren-D	Ophthal Anti-biotic with steroid	4	11.59

The acute therapy segments such as Anti-infectives, Respiratory and Alimentary System, were the major contributors to domestic business. To strengthen the chronic therapy segments, brands such as Megachek and Prichek-GMP were launched.

Among the new products Clamchek, Megachek, Aloha-XT and Methycal have recorded encouraging sales.

Indoco has six marketing divisions each of which focuses on different specialities:

Indoco the main division focuses on General Practitioners, Consulting Physicians, Gynaecologists and Paediatricians with products for Antibiotics, Respiratory, Antispasmodics, Antidiabetics etc.

Spade the second largest division focuses on General Practitioners Consulting Physicians, Gynaecologists and Paediatricians and has drugs for Anti-cold, Antibiotics, Haematinic.

Warren caters to dentists and General Practitioners with dental care products and antibiotics. Recently, Warren launched some innovative products like Sensoform HK for dentine hypersensitivity and Kidodent Mouthwash for cavity prevention in kids.

febrex plus

Vepan
Cefadroxil

CYCLOPAM

ATM

SENSODENT-K

SENSOFORM

OXIPOD

Dexoren-S

CLOBEN-G
Skin Cream

TUSPEL PLUS

Clamchek

→ indoco

→ SPADE

→ warren

Warren Excel an offshoot of Warren division caters to Ophthalmologists and has a whole range of ophthal products and some ENT products.



warren **excel**

Spera was carved out of the main division, "Indoco" to focus on brands like Cital, Scabex, Triz, Carmicide. These brands have picked up very well.

Spera is present in the South and West India and focuses on General Practitioners, Consulting Physicians, Gynaecologists Paediatricians. Some new brands of Spera Sperflox, Sperogest that have performed well and have crossed Rupees one crore mark in sales.



 **SPERA**

Surge-Radius the speciality care division catering to Diabetologists, Cardiologists, General Surgeons & Orthopaedics has chronic as well as acute therapy products for these specialities.



 **SURGE-Radius**

To address the doctors growing need for better and more effective treatment of patients, Indoco has launched some new products during the year -

Brand	Category	Division
Cef-Vepan	Anti-infective	Indoco
Favorit	Anti-infective	Spade
Duocek	Anti-infective	Spade
Aloha-XT	Haematinic	Spade
Sensoform-HK	Dental	Warren
Kidodent Mouth Wash	Dental	Warren
Irimist	Ophthal (Tear substitute)	Warren Excel
Alerchek	Ophthal (Ocular anti-allergic)	Warren Excel

In prescription drugs Indoco is ranked 23rd among the pharma Companies. As per ORG (March 2009), Indoco is ranked even higher in some specialities - General Practitioners MBBS (15th), Non-MBBS (21st), Gynaecologists (18th), Paediatricians (16th), Ophthalmologists (8th) and Dentists (12th).

Thus, Indoco has a good presence in the market in terms of prescriptions generated by various doctor specialities.

International Business (Formulations)

For the year ended 31st March 2009, the company's revenue from Formulation Exports grew by 24% at Rs. 94.81 crore as compared to Rs. 76.53 crore for the last year. This was driven by both, the regulated markets which registered a 27.5% growth and the semi-regulated markets which registered a 12.7% growth.

In Regulated Markets, the company has spread its wings in Europe from the established markets of UK & Germany to Spain, Hungary, Slovenia and Bulgaria. Besides, the adjoining market of Turkey has also been accessed. The focus now is on licensing / selling of Indoco's own intellectual property (dossiers), coupled with a 5 year supply agreement to ensure a steady business. The markets of South Africa, Australia and New Zealand are progressing well.

In the Emerging markets (Semi-Regulated), the company is leveraging its pipeline of dossiers, which were originally made for Regulated Markets. This enables us to offer latest products in the Emerging Markets, resulting in early registrations / product launches and improved margins.

The company successfully faced the inspection of its Baddi facility from MHRA UK and intend to use this plant extensively for meeting the demands of the Regulated markets. Currently only the tablet area is offered for approval and the other sections will be offered later.

Indoco is almost ready with its 1st ANDA and intends to file the same in its own name in the early part of the next financial year. Indoco has filed four ANDAs earlier through its partners and two of them are already commercialised.

The Ophthalmic projects are progressing well and we expect to have a sizeable product basket in the Ophthalmic segment in the next year, for both U.S. as well as European market.

Report

Initiatives taken to increase exports & development of new export markets.

Concentrated efforts in developing the Regulated Markets is showing promising results with the increased base and respectable percentage growth. Within Europe, the new territories of Spain, Hungary and Bulgaria have been added. Turkey appears to be a promising market for licensing of dossiers and efforts are on to explore the same. A number of dossiers have been submitted to MCC-South Africa and on receipt of registrations, we will participate in the tender business, in collaboration with the local partner.

During the year, the company participated with its own stall at CPhI, Brazil to expand the territories and explore new business opportunities in Latin America.



Contract Research & Development : API

Indoco is pursuing opportunities with innovator & big generic companies in USA, Europe & Japan for supply of important intermediates for their products in various phases of launch (Pre-clinical, Phase –I/II/III).

The company has developed capabilities to support outsourcing needs of MNCs under collaborative research business model by acting as FTE or Fee for service provider partner.

API Business

The company has restructured its API manufacturing operations to expand manufacturing capacity to include more products & prepare for regulatory inspections like USFDA & EDQM in the near future. A separate production block at Patalganga site is now in operation to manufacture ophthalmic range APIs & Intermediates. This will add value, as backward integration in terms of own APIs to our ANDA & eCTD program.

Indoco presently holds 6 USDMF & 3 COS certifications for APIs developed by R & D and many products are under various stages of development & regulatory approval. These approvals have helped the company to begin sale of APIs in US & EUROPE markets & expand customer base in more than 25 countries in Rest Of the World (ROW) markets.



API Plant, Patalganga

Contract Research & Manufacturing Services

Contract research and contract manufacturing services (CRAMS) have emerged as a significant opportunity area for the Indian pharmaceutical industry, and India has the potential to emerge as a significant player in this sphere, says a KPMG report titled 'India Pharma Inc A continuing success story' released at the CII Pharma Summit 2007.

Within the CRAMS space, contract manufacturing offers the biggest opportunity. At present, its global market size is estimated at \$20 billion, and is expected to grow to \$31 billion by 2010. The global opportunity in contract research in 2006 was pegged at \$14 billion. This is expected to grow to \$24 billion by 2010.

Some of the leading Indian players have done extremely well in the CRAMS sphere. Reliable estimates are not available for the size of the Indian CRAMS industry, which is at a nascent stage. But according to the report, the contract research industry in India is expected to grow at a compounded annual growth rate of 30-35 per cent between 2006 and 2011.

With a number of blockbuster drugs getting off patent in the coming years and increasing R&D costs coupled with low R&D productivity, major pharmaceutical companies worldwide are finding it difficult to maintain their bottom lines. They have taken recourse to outsourcing part of their research and manufacturing activities to lower cost countries, thereby saving costs and time, in the process. This has led to the evolution of Contract Research and Manufacturing Services (CRAMS) as a fast emerging business opportunity for Indian companies.

The critical success factors of Indian companies engaged in CRAMS include smooth supply chain management, proper research design and low cost. Indoco has successfully met the customer expectations on all these accounts and have successfully executed a number of contracts for dossier development (research services). Most of the customers have come back to us with repeat requests for development of dossiers going off patent.

Indoco, with its inherent competitive advantages for products and extraordinary technical skills, stands as one of the most preferred outsourcing partner for a range of activities in the CRAMS space.



R & D Center, Navi Mumbai