

CONSTANTLY EVOLVING • CONSISTENTLY EXCELLING •

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 a research based globally known company present in all 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 celebrate corporate successes with them.

CORPORATE INFORMATION

Board of Directors:

Mr. Suresh G. Kare, *Chairman & Managing Director*

Mr. F.X. Coutinho, *Director - Marketing*

Mr. Sundeep V. Bambolkar, *Director - Finance & Operations*

Ms. Aditi Kare Panandikar, *Director - Business Development & HR*

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 Ltd.

IDBI Bank Ltd

Registered Office:

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

Tel. No. : + 91 22 26541851

Fax No. : + 91 22 26523067

Website : www.indoco.com

Registrar & Share Transfer Agent:

Link Intime India Pvt. Ltd

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (W),

Mumbai – 400 078

Company Identification Number:

CIN : L85190MH1947PLC005913



CHAIRMAN'S NOTE

Dear Shareholder,

As I review the year gone by, we find ourselves in the midst of another financial crisis now engulfing the Euro zone. This has erupted just when things seemed to be settling down and a financial recovery seemed imminent. Economists & opinion leaders have cautioned that the recovery may be uneven, conditions for sustained growth may remain weak and the global imbalances may widen again. Until there is a complete recovery in the economic situation, the immediate challenge for policy makers will be to continue the fiscal stimulus.

It is envisaged, that a strong growth will be observed in developing countries, especially in Asia and the output growth in these countries will reach 5.3 per cent this year from 1.9 per cent last year. As far as the advanced countries are concerned, growth is predicted to remain stunted. The US economy is expected to grow by 2.1 per cent and both the European Union and Japan are expected to grow at a much slower rate. With this pace of recovery, the major developed economies are not expected to provide a strong impulse to global growth in the near-term outlook. The Indian Economy will therefore face one of the most challenging times in its endeavor towards higher growth.

Economic Survey Report (ESR) has predicted the Indian economy to grow at 8.25 - 8.5 per cent in the year 2010-11 and at 9.00 per cent in the year 2011-12. The GDP growth projected will largely be led by the manufacturing sector which is likely to grow at 8.9 per cent. An educated and young middle class population with high aspirations will drive the consumption boom within India. This will infuse substantial investments particularly in the industrial sector. India would thus bounce back to become one of the world's fastest growing economies in the next five years. Though the ESR has projected an optimistic picture for growth, price inflation remains a major cause of concern. The need of the hour for regulators is therefore to take strong measures to check the rising inflation to make the growth inclusive for all sections of the society.

The Indian Pharmaceutical Industry has already been placed among the top four emerging markets according to the

research report published by IMS Health Inc. The spending on healthcare by an average Indian household is expected to grow from 7 per cent in 2005 to 13 per cent in 2025. As a highly organized sector, the domestic India pharma market is likely to reach US\$ 20 billion by 2015. Indian domestic pharmaceutical market has grown at a CAGR of about 13 per cent in the last five years. Around 67 million Indians are expected to reach the age of 67 years by 2011-12. Statistics provide enough evidence about the geriatric population spending large amount on healthcare. This is one of the parameters on which Pharma Analysts have based their projections about substantial growth in the domestic pharmaceutical market.

As Indoco looks into the future, there is a sense of contentment that all the strategic restructuring carried out during the year gone by has brought the desired results. Indoco achieved total revenues of Rs. 4023.6 million and PAT of Rs. 420.9 million as against total revenues of Rs. 3552.6 million and PAT of Rs. 314.4 million last year. I am happy that Indoco has emerged successful amidst the economic slowdown last year. On the domestic business front, we have launched two new divisions, Xtend to focus on the extra urban population and Eterna to target Consulting Physicians. As far as international markets are concerned, alliances with Watson Pharmaceuticals, Inc. (3rd largest generic company in USA) and Aspen Pharmacare Limited (South Africa's largest pharmaceutical company) have placed Indoco on a firm footing to launch an aggressive

growth agenda in the international business. This has strengthened Indoco's credentials further as a reliable service provider for development and manufacturing of APIs and Finished Dosage Forms.

Finally, I take this opportunity to express my gratitude to all our stakeholders including shareholders, customers, bankers, medical fraternity and vendors for their continued support. I thank all Indocoites for their untiring efforts and whole hearted co-operation.

As always, Indoco team will endeavor to continue to progress in building a healthier world.



Suresh G Kare

Chairman and Managing Director

INDIAN BUSINESS

With the base that Indoco has created over the past six decades, it has come a long way in the domestic market. Indoco's profound knowledge and understanding of Indian pharmaceutical landscape has catapulted the Company into a reputed branded generic player. Indoco is now ranked 31 and has registered a growth rate of 24 per cent as per IMS sales audit. The rank in the prescription audit is relatively higher at 23 which shows that Indoco is a strong ethical and prescription driven company.

The company has a product basket of branded generics and value added generics across its five marketing divisions, each of which is growing with a healthy double digit growth rate. These marketing divisions are focusing on different specialties:



Indoco division is a lead division contributing 48 per cent to the total domestic sales. This division caters to General Physicians, Consulting Physicians, Gynaecologists, Pediatricians and ENTs. At the therapy level, Indoco is present in key therapeutic areas like Anti-infectives, Gastro-intestinal, Respiratory, Derma, Anti-diabetics & Vitamins / Minerals / Nutrients.



Spade is the 2nd largest division of the Company, contributing 20 per cent to the total domestic sales. This division caters to General Practitioners, Pediatricians, Consulting Physicians and Gynecologists.



Warren is the 3rd largest division which commands number one position in the dental care category and maintains the leadership position by catering to Dentists, GPs and ENTs.



Spera is relatively a new marketing division, yet contributing to 10 per cent of the total domestic sales revenues in a short span. Among Specialties, the GP (MBBS) & Non MBBS segments contribute a major prescription share of this division at 50 per cent followed by Pediatricians and Gynecologists.



Excel division had been carved out of Warren as a strategic move to focus on Ophthalmologists. This move is paying dividends as Excel has registered an 18 per cent growth during the year.

In addition to the existing 5 divisions, the Company launched two new divisions, viz. **Xtend** to target extra-urban towns and **Eterna** to focus on niche doctor specialities.

With a progressive success in generating prescriptions, Indoco has established some of its brands, which occupy a leadership position in their respective therapeutic segment. Indoco's top brands and the ranking in their respective operating markets along with percentage market share:

Brand	Operating Market	Mkt %	Rank
Febrex Plus	Cold Prep.	9.9	2
Cyclopam	Dicyclomine & Comb.	53.5	1
Vepan	Cefadroxil	17.4	2
ATM	Azithromycin Oral	4.8	2
Sensodent-K	Stomatologicals	6.9	1
Oxipod	Cefpodoxime	4.1	5
Cital	Urinary Alkalisers	29.4	1
Sensoform	Stomatologicals	5.4	4
Cloben-G	Beclo. + Neo. + Clotri. Comb.	12.8	2
Karvol Plus	Nasal Decongest. Top	7.3	4
Glychek-M	Gliclazide + Metformin	6.8	4
Carmicide	Antiflatulent + Oth. Drugs	18.7	2
Scabex	Lindane + Cetrimide	20.4	2
Renolen	Saline	29.3	1
Homide	Homatropine	92.8	1
Dexoren-S	Chloram. + Dexameth. Comb.	12.2	2
Lignox+Adrenaline	Anaesthetics Injectables	22.1	2
Tobaren-D	Tobramyc. + Dexameth. Comb	12.3	3

febrex plus

CYCLOPAM

Vepan
Cefadroxil

ATM

SENSODENT-K
(Potassium Nitrate 5%w/w)

OXIPOD

cital
LIQUID

SENSOFORM
(Strontium Chloride 10% w/w)

CLOBEN-G
Skin Cream

TUSPEL PLUS

As seen above, many of Indoco's brands are ranked among the top five in their therapeutic segments. With regard to doctor specialties, the Company has retained its prescription base with General Practitioners and also progressed with Consulting Physicians, Pediatricians, Gynecologists, Dentists and Ophthalmologists.

INTERNATIONAL BUSINESS

(Finished Dosages)

Having crossed the milestone of Rs. 100 crore last year, the international business displayed consistency in performance by registering 18.5 per cent growth. During the year, the Company's revenue from formulation exports grew by 15.0 per cent at Rs. 109.04 crore as compared to Rs. 94.81 crore during last year. The performance in Regulated markets contributed significantly in achieving good results.

The various initiatives taken up during the year were significant from the point of view of firming up a road map for future growth and Indoco's progress in the next horizon in the value chain. Indoco de-risked its business to the extent possible by adding new customers and foraying into new territories by forging alliances. The addition of new customers and alliances would use Indoco's infrastructure and skills to the optimum extent and will ensure consistent growth in years to come.

The Company had two major announcements of business tie-ups from different territories. The first deal was signed with the third largest generic company in USA, viz., Watson Pharmaceuticals, Inc., to develop and manufacture a number of sterile products on a profit-sharing basis. The second deal was signed with South Africa's largest pharmaceutical company, ASPEN Pharmacare Limited. The deal encompasses a number of solid dosages and ophthalmic products, extending to 30 countries from emerging markets. The prime geographies covered under the agreement include, Brazil, Venezuela, Mexico, Russia, South Africa and Australia. Indoco will offer these products for registration and supply the same from their USFDA and EU approved manufacturing facilities. ASPEN will market and distribute these products in territories, wherever regulatory approvals are obtained.

The deals have further strengthened Indoco's image in the international markets and have the potential for significant export business in the medium term. To augment the capacity requirements, arising out of the growth in existing business as also from the new contracts, the Company commenced construction of a new facility for solid dosages at Goa. The existing facilities are fairly occupied and have successfully faced a number of inspections from Regulatory Authorities of different countries.

During the year, the Company took a major initiative of filing ANDAs with US-FDA in its own name for some products. In Europe, Indoco's dossiers have been successfully registered by a number of customers and the sales contracts have come into operation.

Indoco has now gained an expertise in quickly adding its manufacturing site on the customers' Marketing Authorizations by manufacturing the validation batches and providing necessary data.

Indoco garners substantial business in CRAMS space from countries like USA, UK, Germany, South Africa, Australia and New Zealand.

In Emerging markets, the Company has bagged a sizeable tender business in Kenya, Costa Rica, Uganda and Sudan and has penetrated well in the trade business from other markets, which is well reflected in the growth in secondary sales, especially in Africa and South East Asia.

Indoco's consistent performance in the international formulations business was noted by PHARMACEUTICALS EXPORT PROMOTION COUNCIL and Indoco was selected for the EXPORT PERFORMANCE AWARD. The award was presented by Honorable Union Minister for Commerce and Industry, Government of India. The award has boosted Indoco's confidence further and has proved that Indoco is charting the right path.



US Generics

Indoco has been pursuing its US initiatives and already has a couple of products in the market for the last two to three years. Indoco is awaiting ANDA approval for a couple of more products, which can be commercialized in the next financial year. The Company has a two-pronged strategy for US market of working with partners on a set of products and at the same time submit ANDAs in its own name for some niche products. This has worked well and during the year, Indoco inked a deal with Watson Pharmaceuticals, Inc. to develop and manufacture a number of sterile products. The current market size of these products is US\$ 679 million. Indoco will work together with Watson to explore the option of adding new products to this initial arrangement.



To augment the future growth needs in this vital market, the Company is working on development of some patentable New Drug Delivery Systems (NDDS) formulations under Para IV and 505(b)2 applications for its own filings.

Progress in Europe

In Regulated Markets, the Company spread its wings in Europe from the established markets such as UK & Germany to Spain, Hungary, Slovenia, Bulgaria, Latvia, Poland, Turkey, Denmark and Czech Republic, etc. The focus is now on licensing / selling of Indoco's own intellectual property (dossiers). The filings in South Africa, Australia, and New Zealand are progressing well.

During the year, the Company in partnership with generic companies successfully submitted its own dossiers in the Regulated Markets for 10 different products and received approvals for a few of them. The Company can now take pride in supplying its products against its own dossiers in these markets. These achievements have raised the customer confidence as is evident from the number of out-licensing deals signed.

Debut in South Africa

South Africa is emerging as an important market for the company from the future growth perspective. Indoco has a couple of renowned generic companies as partners in South Africa for products and dossier developments. The contracts currently cover over a dozen products and this number will go up thanks to the continuous addition to the list.