

Annual Report 2010 - 2011



Constantly Evolving...
Consistently Excelling



ANNUAL REPORT



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. Sundeep V. Bambolkar, *Whole time Director*
Ms. Aditi Kare Panandikar, *Whole time Director*
Dr. M.R. Narvekar
Mr. D.M. Sukthankar
Mr. D.N. Mungale
Mr. D.M. Gavaskar
Mr. Rajiv P. Kakodkar
Mr. Sharad P. Upasani
Mr. F. X. Coutinho, *Whole time Director (part of the year)*

Company Secretary:

Mr. Jagdish B. Salian

Auditors:

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

Bankers:

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

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

Chairman's Note

Dear Stakeholders,

I am glad to report yet another year of gratifying performance by your Company. The strategic restructuring implemented in the recent past has delivered more than satisfactory results. We have further improved on revenue streams and streamlined operations besides optimizing resources and increasing productivity across the organisation. This has also demonstrated the robustness of our business model. Analysts have predicted that the Global Pharma market is expected to grow between 5-7% for the year to approximately US \$ 880 billion. During the next five years, it is expected that the pharmaceutical industry will witness major imbalance between new product introductions and patent expiries. The trend in the emerging markets has however been encouraging. It is expected that the emerging markets will continue their rapid expansion in the next four to five years. The growth potential is on account of rising income levels and higher healthcare spend due to increasing awareness. IMS Health has predicted that major developed markets will grow between 4-6% through 2014 and the pharma emerging markets will grow between 14-17% through 2014.

At Indoco, the performance of International business has been very encouraging with a growth rate of 32% at ₹ 1565 million compared to ₹ 1188 million last year. The formulation exports achieved a growth of 30% at ₹ 1416 million compared to ₹ 1090 million last year. The performance of emerging markets was excellent with a growth of 60% at ₹ 305 million from ₹ 191 million last year. Our tie-ups with international players such as Watson Pharmaceuticals, Inc. (3rd largest generic company in USA) and Aspen Pharmacare Limited (a global pharmaceutical company based in South Africa) are growing stronger and during the year, Indoco saw major extensions to their product portfolio through these tie-ups. Indoco will further aim at strengthening its presence in other geographies in regulated as well as emerging markets.

On the domestic business front, the formulation business achieved a growth of 14% at ₹ 3073 million compared to ₹ 2707 million last year. We believe that the future outlook for Indian domestic pharma business during the next decade looks highly optimistic. The growth will mainly be driven by a growing middle class population, increasing income levels, rapid urbanization, demand for quality healthcare services and changing lifestyle, among other factors. We shall also focus our attention on marketing our products in high

potential territories such as tier-III towns and rural areas, strategise product introduction in newer segments expanding at double-digit growth rates and finally, speedup the launch of new products in various therapies.

During the last fiscal year, the economy grew at 8.6% as against 8.8% which was predicted by the Economic Survey Report (ESR). This fiscal year the ESR has predicted that the Indian economy will grow by 9%. The main concerns in the ESR report are deceleration in the industrial output, rising inflation and oil prices which pose a threat to both the domestic as well as the global economy. The report has mentioned that maintaining growth with control on food inflation would be one of the main challenges going forward.

The Earnings before Interest, Depreciation, and Tax & Amortization (EBIDTA) as on 31st March 2011 is 17% of net sales. The Profit before Tax (PBT) for the year at ₹ 566 million as against ₹ 431 million last year shows a growth of 31% and the Profit after Tax (PAT) at ₹ 511 million as against ₹ 421 million last year shows a growth of 21%.

I am proud to inform that our API division had initiated a project proposal for a pilot plant facility with The Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Govt. of India. DSIR has sanctioned partial funding of ₹ 110 million under the prestigious scheme named "Technology Development and Demonstration Program (TDDP)". Indoco plans to develop commercially viable API processes pertaining to certain niche molecules going off patent in the next 5 to 7 years. This scheme will also support duty free import of analytical instrumentation. The project is expected to produce commercial APIs by March 2016.

We are at the threshold of a new decade and find ourselves amidst exciting prospects for the Pharma Industry. We shall continue to improve our performance on the Domestic as well as the International front and endeavour to take Indoco to newer heights. We re-affirm our assurance to all our shareholders of adhering to our core values which are in line with Indoco's vision and mission.

As part of corporate social responsibility, Indoco has always been on the forefront in meeting its obligations towards the betterment of society.

I would like to express my gratitude to all our stakeholders including shareholders, customers, bankers, vendors and the medical fraternity for their unstinted support. I thank all Indocoites for their contribution towards building a great organization.



Suresh G Kare

Chairman and Managing Director

Indian Business



Indoco is a strong ethical and prescription driven company. There are various marketing divisions covering groups of doctor specialties and top therapeutic segments of the Pharma market. Indoco generates more than 50 million prescriptions annually from 124300 doctors. The doctor specialties include General Practitioners and Consultant Physicians, besides Gynecologists, Orthopaedicians, Dentists, Ophthalmologists, Pediatricians and ENT specialists. The product portfolio has a balance of acute and chronic though slightly tilted towards acute therapy areas. Acute therapy helps garner seasonal uplifts and chronic therapy which is being actively developed will be a major growth driver in the future.



The marketing divisions have a mix of some of the top and fast growing therapy areas with each concentrating on 2 to 3 therapy areas majorly.



febrex plus

CYCLOPAM

Vepan

ATM

OXIPOD

SENSODENT-K

cital

SENSOFORM

CLOBEN-G

TUSPEL PLUS





This is the oldest and the most contributing division accounting for 47% of the total domestic sales. The division focuses on therapies like Anti-Infective, Gastro-intestinal, Respiratory, Anti-Diabetic, Vitamin / Nutrients / Minerals and Dermatology. It caters to General Practitioners, Consulting Physicians, ENT specialists, Gynecologists and Pediatricians.

Indoco also has a special **Task Force** for promotion of its lifestyle products to Consulting Physicians, Cardiologists and Diabetologists.

SPADE

Spade division, which contributes 21% of the total domestic sales, ranks next to Indoco main division. This division has a strong presence in Anti-Cold, Anti-Infective, Hematinics and Calcium Supplements. The division's main focus is on General Practitioners, Pediatricians, Consulting Physicians, Chest Physicians, Gynecologists and ENT specialists.



This division was launched in the year 2007 and is continuously showing a sizeable growth through development of its total product range. It has consistently retained its leadership position in Urinary Alkalizer segment and is very close to the leaders in other segments like Anti-Flatulent and Scabicides.

warren

Warren is the third largest division and has been consistently ranked No. 1 in the oral care segment in the Indian Pharma Market. It is continuously increasing its market share through innovative products and aggressive marketing strategies. With a huge growth in dentist population as well as rapid increase in prescriptions from dental surgeons, this division will continue to be one of the major contributing divisions for Indoco.

Indian Business

Xtend

excel

Eterna

Xtend

This division was launched in April 2010. As the name suggests, Xtend has been launched to extend Indoco's reach to extra urban markets. The division caters to therapies like Anti-Infectives, Analgesics, Antipyretics, Cough Syrups and Anti-Ulcerants which are routinely prescribed in extra urban markets.

excel

The division is making rapid strides in the super specialty Ophthalmology segment and making its presence felt through improved performance during the last two years. It has presence in Anti-Oxidants, Tear Substitutes & newer Anti-Infective markets. In addition to Ophthalmologists, it covers ENT Specialists and General Practitioners.

Eterna

This division was launched in July 2010 in half the country with the strategic intent to capture business from Specialty doctors and have a strong foothold in chronic segment. The key doctor specialties covered are Orthopaedicians, Consulting Physicians and Gastroenterologists.

Some of the brands of the company occupy leadership positions (among top 5) in their respective markets due to the loyalty of doctors towards Indoco and its brands, reflecting Indoco's strength in generating sustainable prescription business.



Brand	Therapeutic Areas	Rank	MKT Share %
HOMIDE	Ophthalmic	1	91.7
CYCLOPAM	Anti-Spasmodic	1	54.3
CITAL	Urinary Alkaliser	1	30.8
SENSODENT-K	Desensitising Toothpaste	1	7.3
SENSOFORM	Desensitising Toothpaste	1	5.3
SCABEX	Scabies Skin Cream	2	23.8
CLOBEN-G	Antifungal Skin Cream	2	11.9
CARMICIDE	Anti-Flatulent	2	17.0
ATM	Anti-Infective	2	9.3
VEPAN	Anti-Infective	3	16.2
FEBREX PLUS	Anti-Cold	3	9.2
KARVOL PLUS	Nasal Decongestant	4	6.3
NOSIC	Anti-Emetic	4	4.7
HEMSYL	Gynaec	5	10.3
GLYCHEK-M	Anti-Diabetic	5	6.9
TUSPEL PX	Cough Syrup	5	4.1
OXIPOD	Anti-Infective	5	3.6

International Business

International Business remains a focus area of our business strategy and the Company has deployed adequate resources to achieve the targeted growth. Thanks to the consistent efforts to service the customers across the Globe, Indoco today has achieved a reputation of being a reliable manufacturer and research related service provider (CRAMS). Bearing in mind the growth rate registered in the Emerging Markets and the future potential therein, we have laid a special emphasis on these markets. The results have been encouraging and quick with the sales in the Emerging Markets registering a growth of 60% and overall growth of International Business of 32% in the financial year.



Indoco's presence in the global arena now spans over 40 Countries across the Continents. Regulatory requirements from these markets are becoming stringent thereby increasing the cost and timelines for registration of products. This trend is more obvious in some of the Emerging Markets. These markets are trying to amend their regulatory requirements to match those of the Regulated Markets, involving plant inspections and bio-equivalence studies. The Company's facilities have therefore witnessed a spate of inspections and audits by Regulatory Authorities from various countries. Indoco also had to undertake a number of clinical and bio-equivalence studies to comply with the complex regulatory requirements. Though these developments have a potential to stagger our new product launches, we have geared ourselves well to augment our product portfolio in a short span of time in the lesser Regulated Markets. Thus, while exerting pressure on Emerging Markets, we also continued to keep our focus on Regulated Markets.

Regulated Markets : During the year 2010-2011, the Regulated Markets generated revenue of ₹ 1111 million registering a growth of 24%. Indoco and Aspen extended the relationship by signing off a number of additional deals during the year. Under the New Product Development agreement, Indoco will develop a range of products for Aspen, for a wider territory. Aspen's assignments for new product developments are growing which shows confidence in the relationship. The contract manufacturing deal covers a number of products, in the Liquid Orals and Oral Solid range to cater to Aspen's requirement in the Latin American and Sub-Saharan African Markets.

Having successfully completed the obligations under the earlier AOK tender for Metformin, Indoco has now teamed up with the winner of the new AOK tender in Germany and shall continue to supply Metformin tablets to cater to over 35% of the market share. The winner this time has won 7 territories as against 5 territories won by Axcount in the last tender. We, therefore, anticipate that there will be substantial growth in our sales in Germany, in view of expansion of territory.