Financial Review – Period ended September 2010 *(Rupees in crore)*

	Quarter Ended			Half Year Ended		
	30/09/2010	**30/09/2009**	**% change**	**30/09/2010**	**30/09/2009**	**% change**
Domestic	756.41	631.44	19.8%	1431.56	1283.33	11.6%
Exports - Formulations	663.91	581.91	14.1%	1289.63	1129.07	14.2%
APIs & others	168.27	170.56	-1.3%	308.43	310.97	-0.8%
Total Exports	832.18	752.47	10.6%	1598.06	1440.04	11.0%
% of exports to total sales	52.4%	54.4%		52.7%	52.9%	
Total Sales	1588.59	1383.91	14.8%	3029.62	2723.37	11.2%
Other operating income						
Technology knowhow/fees	11.97	50.81		27.85	76.48	
Others	23.50	20.89		60.00	43.90	
Total	35.47	71.70	-50.5%	87.85	120.38	-27.0%
Income from Operations	1624.06	1455.61	11.6%	3117.47	2843.75	9.6%
Material Cost	748.70	639.57		1418.93	1246.22	
% to total sales	47.1%	46.2%		46.8%	45.8%	
Operating margin	366.56	380.84	-3.7%	717.16	722.36	-0.7%
% to income from operations	22.6%	26.2%		23.0%	25.4%	
Profit before tax	319.01	337.49	-5.5%	631.43	634.70	-0.5%
% to income from operations	19.6%	23.2%		20.3%	22.3%	
Profit after tax	263.01	275.74	-4.6%	520.43	517.45	0.6%
% to income from operations	16.2%	18.9%		16.7%	18.2%	

During the quarter, the company posted a growth of about 12% in income from operations. However, operating margins and profits are lower by about 4% and 5% respectively primarily on account of the following:

a. Increased factory overheads at Indore SEZ - Although production has commenced for general markets at Indore SEZ factory, the plant can be fully optimized after completion of approvals for regulated markets such as MHRA UK, TGA Australia, etc. in due course of time
b. Appreciation of the Indian rupee by 4-5% on a year-on-year basis has adversely affected export turnover as well as realizations.

Domestic sales grew by about 20% and export sales grew by about 11%. Inspite of a rupee appreciation of 4-5%, exports of formulations grew by more than 14% while exports of APIs & others have declined by about 1%. Technical knowhow/fees for the quarter has decreased by about Rs. 40 cr on account of a one-time fees received in second quarter of 2009-10 resulting in a high base on a year-on-year basis.

Material cost has increased marginally by about 1%. The increase in staff cost (Rs. 51 cr) is due to increase in manpower particularly at Indore SEZ, regrouping of contractual staff at Goa facilities and annual increments. Interest cost has decreased due to repayment of short-term working capital loans availed by the company. Depreciation has increased by about Rs. 16 cr due to additions to fixed assets mainly on account of commissioning of Indore SEZ factory. Other expenditure has increased mainly due to increase in selling expenses and factory expenditure, in particular at Indore SEZ, such as repairs & maintenance, power & fuel, stores & spares, etc.