**Financial Review – Period ended June 2010**

***Financial performance:*** *(Rupees in crore)*

| | Quarter Ended | | |
|---|---|---|---|
| | **30/06/2010** | **30/06/2009** | **% change** |
| Domestic | 675.15 | 651.89 | 3.6% |
| Exports - Formulations | 625.72 | 547.16 | 14.4% |
| APIs & others | 140.16 | 140.41 | -0.2% |
| Total Exports | 765.88 | 687.57 | 11.4% |
| % of exports to total sales | 53.1% | 51.3% | |
| Total Sales | 1441.03 | 1339.46 | 7.6% |
| Other operating income | | | |
| Technology knowhow/fees | 15.89 | 25.67 | |
| Others | 36.49 | 23.02 | |
| Total | 52.38 | 48.69 | 7.6% |
| Income from Operations | 1493.41 | 1388.15 | 7.6% |
| **Material Cost** | 670.23 | 606.65 | |
| % to total sales | 46.5% | 45.3% | |
| **Operating margin** | 350.60 | 341.52 | 2.7% |
| % to income from operations | 23.5% | 24.6% | |
| **Profit before tax** | 312.42 | 297.21 | 5.1% |
| % to income from operations | 20.9% | 21.4% | |
| **Profit after tax** | 257.42 | 241.71 | 6.5% |
| % to income from operations | 17.2% | 17.4% | |

During the quarter, the company posted a growth of about 8% in income from operations. While domestic sales grew by about 4%, export sales grew by more than 11%. Exports of formulations grew by more than 14% whereas exports of APIs & others have been almost equal. The lower growth in domestic sales is primarily due to sale of ipill business and lower sales of certain products in the domestic generic business. However, the growth in branded generics for the quarter was about 11%.

Material cost has marginally increased and operating margins has decreased (in percentage terms) on a year-on-year basis due to changes in product mix. However, on a quarter-on-quarter basis, operating margins have improved from about 19% to more than 23%.

The increase in staff cost (Rs. 42 cr) is due to annual increments, increase in manpower – in particular at Indore, SEZ and regrouping of contractual staff at Goa facilities. Interest cost has decreased due to repayment of short-term working capital loans availed by the company. Depreciation has increased by about Rs. 9 cr due to additions to fixed assets mainly on account of commissioning of Indore SEZ factory.

The Company has provided for tax under Minimum Alternate Tax (MAT).