



Cure and Commitment

 **Glenmark Pharmaceuticals Limited**

Annual Report for Shareowners 2000-1

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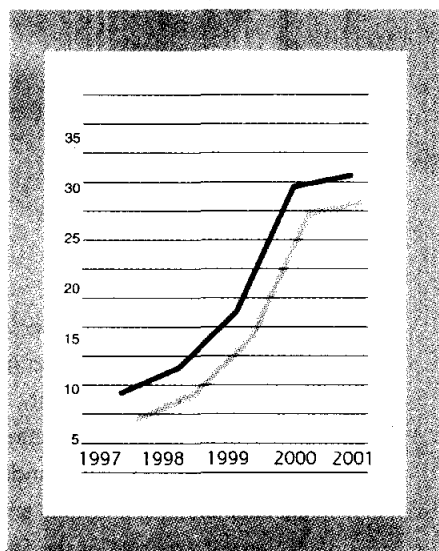
Financial highlights

Profit & Loss Account (Rs in cr)	Mar-97	Mar-98	Mar-99	Mar-00	Mar-01
Turnover from Operations	68.10	80.20	99.16	145.34	192.31
Other Income	0.21	1.24	4.18	15.45*	2.12
PBDIT	9.37	11.69	17.61	30.82	32.03
Interest	0.66	0.56	0.52	1.04	8.32
Depreciation	0.48	0.60	0.66	1.11	5.10
PBT	8.23	10.53	16.43	28.67	18.61
Tax	3.04	3.01	3.66	6.99	1.52
PAT	5.19	7.52	12.77	21.68	17.09

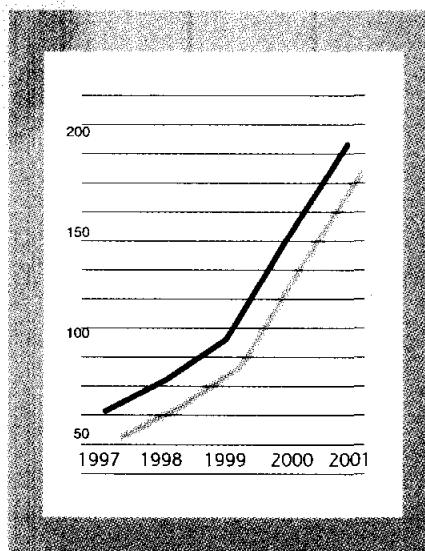
* includes interest from IPO and dividend from wholly owned subsidiary

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PBDIT (Rs cr)

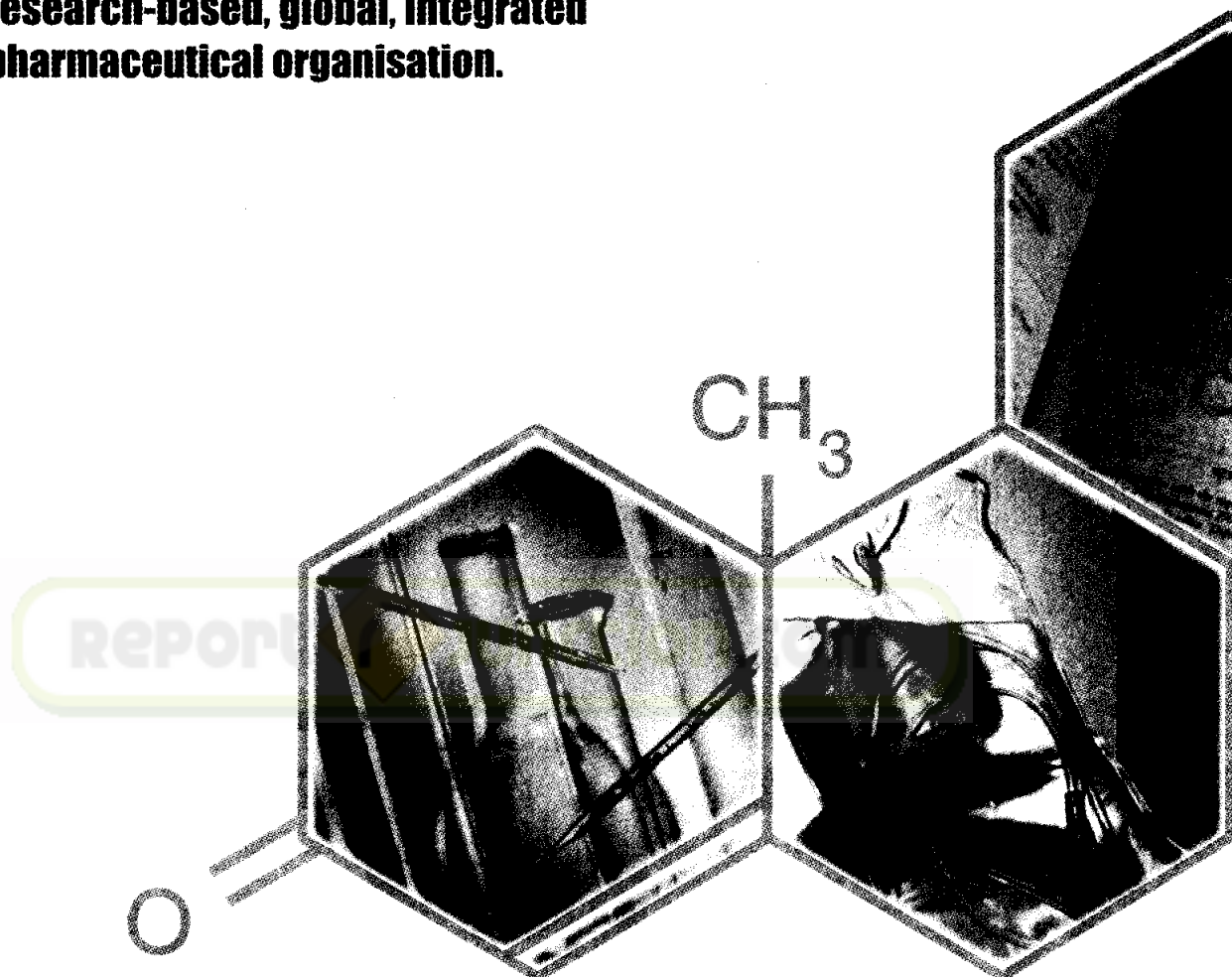


Turnover from operations (Rs cr)



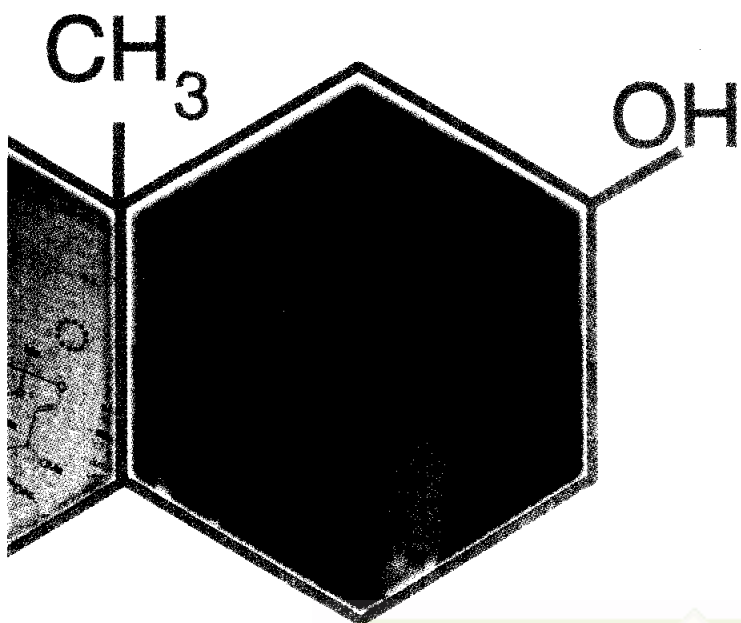
Vision

To transform Glenmark from an Indian branded formulations company to a research-based, global, integrated pharmaceutical organisation.



Glenmark Pharmaceuticals Limited, incorporated in 1977, is engaged in research and development, manufacturing and marketing of branded formulations in India and abroad. Glenmark figures among the 30 largest and one of the fastest growing pharmaceutical companies in India with an annual growth in excess of 33.4 per cent (ORG-RSA May 2001 MAT), compared to the industry

This is Glenmark



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growth of 8.1 per cent only.

Glenmark markets products in 27 countries, with offices and field forces in a number of these geographies.

Glenmark figures among the leaders in the dermatology and respiratory segments in India. The company possesses significant strengths in internal medicine, gynaecology, paediatric and ENT segments.

Glenmark's products enjoy the trust

and respect of the medical and user communities. Three of the company's brands figure among the top 300 brands in India (ORG-RSA May 2001 MAT), namely Ascoril (98th), Candid-B (177th) and Altacef (214th). Glenmark has a prescription market share of 2.3 per cent compared to 13.3 per cent (ORG-Rx Audit April, 2000) of the market leader.

Research and development is the engine of Glenmark's growth. A formulation R&D centre in Sinnar, Nasik, focuses on the development of unique dosage forms. Glenmark's New Drug Discovery Research Center in Navi Mumbai focuses on the discovery of New Chemical Entities (NCE) and pre-clinical research.

Glenmark's research is supported by three manufacturing facilities:

- A WHO-GMP approved manufacturing facility at Nasik that manufactures oral tablets, liquids, capsules, creams, lotions, ointments and powders. This plant is approved by several international regulatory authorities.

- A second WHO-GMP approved manufacturing facility in Goa that produces oral tablets.

- A new state-of-the-art manufacturing facility in Goa built as per USFDA specifications and provides products for exports.

Glenmark reported a turnover of Rs.192.31 crores in 2000-1 (Rs.145.34 crores in 1999-2000) and a profit after tax of Rs.17.09 crores (Rs. 21.67 crores in 1999-2000).

Glenmark floated an IPO in 1999-2000 which was oversubscribed approximately 64 times. The company's shares are listed on the Mumbai Stock Exchange and The National Stock Exchange of India Ltd. The promoters hold a 65 per cent stake in the company's equity.

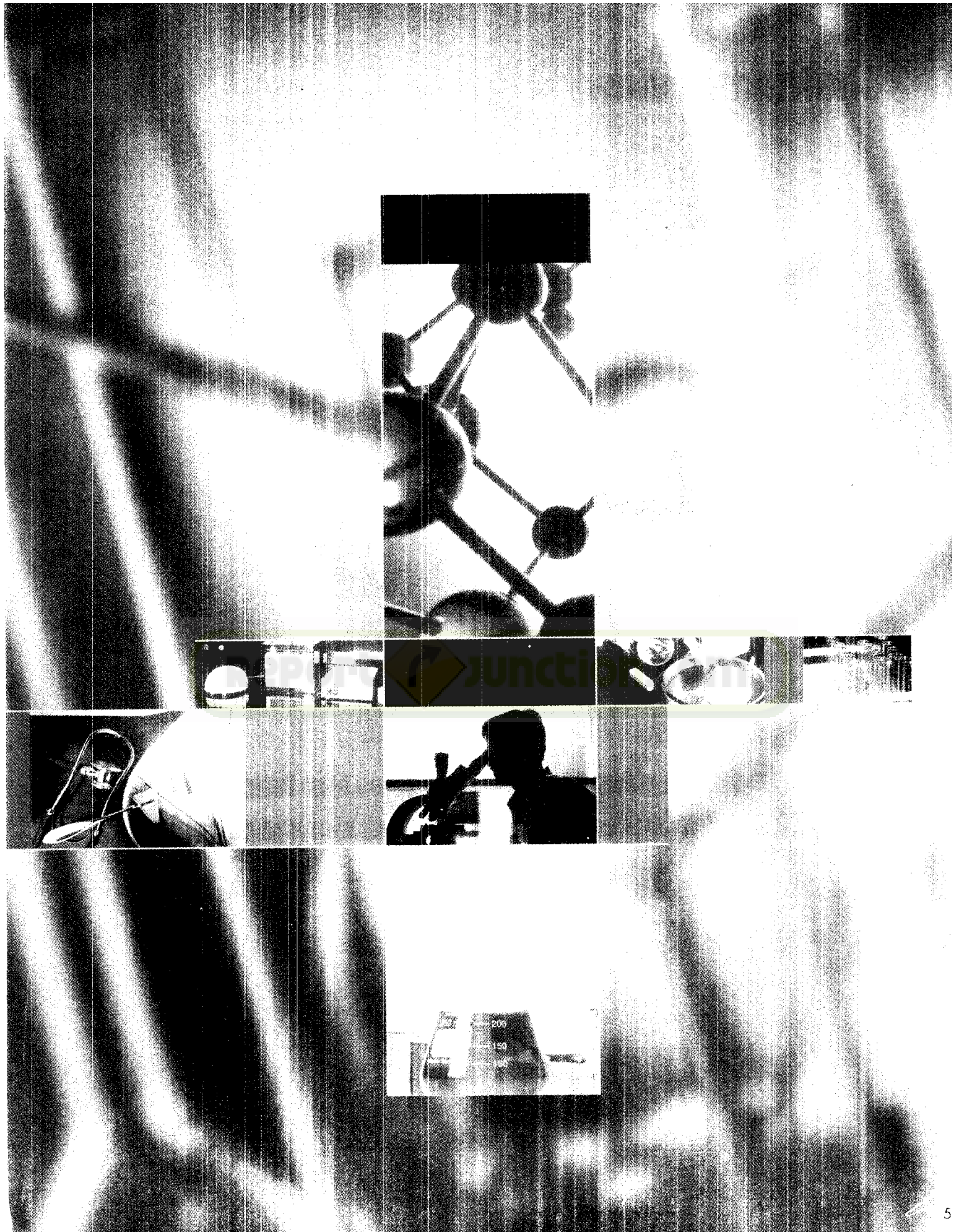


Highlights, 2000-1

- Glenmark is ranked the fastest growing pharmaceutical company from among the top 30 (as per ORG-RSA May 2001 MAT) in India with a sales growth of 33.4 per cent against the industry average of 8.1 per cent. The growth drivers include new product launches, the successful implementation of Gracewell division, the successful marketing of the erstwhile Lyka brands, the launch of Healtheon division and a sustained growth in the company's existing product line.
- The company entered the diabetes segment with the launch of a new marketing division, Healtheon, in October 2000.
- Three brands were acquired from Lyka Labs for a consideration of Rs 34.25 crores.
- Glenmark launched 14 new products. Six products were launched through the main Pharmaceutical division, four through the Gracewell division and four through the Healtheon division.
- Glenmark's three-tier distribution network was changed to an efficient two-tier system.
- The new drug discovery research centre in Vashi, Navi Mumbai, was commissioned in October 2000 at a cost of Rs 21 crores.
- Glenmark discovered GRC 3015, a new novel anti-asthma molecule, belonging to the Phospho Diesterase 4 (PDE4) class of compounds.
- Branded product exports grew by 35 per cent in 2000-1 mainly due to entry into newer markets.
- The Company established a 100 per cent subsidiary, Glenmark Laboratories Limited (GLL), to target the international generic product market.
- A Rs 40 crores generic formulations manufacturing facility, built as per USFDA specifications was commissioned in March 2001 to manufacture soft / hard gel capsules and tablets for the world's regulated markets like US and Europe. This unit was incorporated under a 100 per cent subsidiary, Glenmark Laboratories Limited.
- Glenmark formed an alliance with Biobass-Brazil and Ambalal Sarabhai Enterprises for the marketing of Insulins (Human & Animal) in India.
- The company embarked on shareholder-friendly initiatives: Arthur Andersen was appointed as the auditor, the Board of Directors was broad-based and Corporate Governance initiatives were implemented.
- Glenmark initiated the implementation of SAP through Mahindra Consulting in its sales and distribution, materials, quality and production management, plant maintenance, finance and costing functions.

FUTURE OBJECTIVES

- To sustain a 30 per cent topline growth in 2001-2.
- To establish a strong presence in the diabetes segment through a range of oral anti-diabetic products and insulins.
- To increase the growth rate of the brands acquired from Lyka Labs and increase their contribution.
- To drive growth through aggressive launch of new products in the diabetes, dermatology, internal medicine, gynaecology, paediatric and ENT segments.
- To ensure increased margins from the changeover in the company's distribution structure.
- To discover several new molecules in the areas of asthma, obesity, diabetes and pain/inflammation.
- To complete pre-clinical studies and file an Investigational Drug Application (IND).
- To tap the growing opportunity in the generics market emerging due to the fact that \$ 40 billion worth of products are scheduled to lose their product patent status over the coming decade.
- To supply nutraceuticals to regulated markets like the US and other generic products to un-regulated markets.
- To complete various regulatory approvals for the new Goa plant.
- To broaden the Board of Directors by setting up a shareholders' grievance committee.
- To integrate SAP across all Glenmark locations in the first half of 2001-02.



Chairman's view

India's signing of the GATT implies that following 2005, Indian companies will not be allowed to copy new products patented after 1995.

Over the years, Indian Pharma companies prospered due to many competitive advantages, including the reverse engineering of patented products and their subsequent introduction in the Indian market at low prices.

Since India has signed the GATT treaty, Indian companies will not be permitted to copy products that are patented after 1995. As a result, Indian companies will need to undertake original R&D activity to create new products or produce only those products whose patents have expired.

A number of Indian pharmaceutical companies will need to re-design their strategies to meet the new GATT environment.

We, at Glenmark, have designed a comprehensive strategy to meet the challenges of this emerging environment.

The core objectives, under which our strategy is designed are:

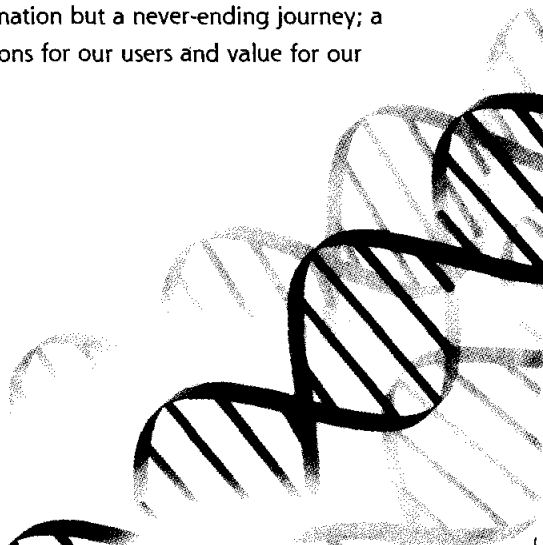
- To emerge as one of the top 20 Indian pharmaceutical companies by March 2004,
- To invest aggressively in research and development,
- To strengthen the business through alliances across various areas,
- To extend our presence to the developed and underdeveloped markets, and graduate from an India-centric company to a broad-based global organisation.

The progress that we have made towards achieving our core objectives has been explained in the later pages – 12 to 23 – of this report under the Management Discussion and Analysis section.

I am optimistic that Glenmark will achieve these objectives. More importantly, we will continuously respond to challenges as they appear and re-orient our priorities in line with an evolving and dynamic pharmaceutical industry environment.

Our strategies are not a mere destination but a never-ending journey; a journey in quest for better medications for our users and value for our owners.

Gracias Saldanha
Chairman



'We are the fastest growing pharmaceutical company'

Were you pleased with Glenmark's performance in 2000-1?

We had a good year when you consider that we made vital changes in our business model and emerged without a significant dent in our bottomline. In retrospect, it was remarkable for a medium-sized Indian pharmaceutical company like Glenmark streamlining the entire change processes in a year without intrinsically upsetting the momentum of the organisation.

What was the most important change made by the company during 2000-1?

The biggest challenge we faced was the change-over in our distribution system. This one-time overhaul was intended to improve our margins and overall efficiencies for the long-term. Such a transition is usually marked by

a significant loss in sales and profit. We not only carried out the changes but were able to grow our top line by 33.4 per cent (ORG-RSA May 2001 MAT) compared to the industry growth of 8.1 per cent. Our bottom line dropped by 35.09 per cent when you consider that we earned a one-time income of Rs 7.8 crores from our IPO proceeds in 1999-2000. At the operating level (PBDIT) our profits grew by 3.93 per cent in 2000-1 over the previous year.

What reasons helped Glenmark report a 33.4 per cent top line growth when the broad pharmaceuticals industry grew at less than 8.1 per cent?

Our strong team of 853 medical representatives and managers helped us penetrate deeper into various therapeutic markets. We launched 14 new drugs (including the acquisition of