

Glenmark

Pharmaceuticals Limited

Annual Report
for Shareowners
2001-02



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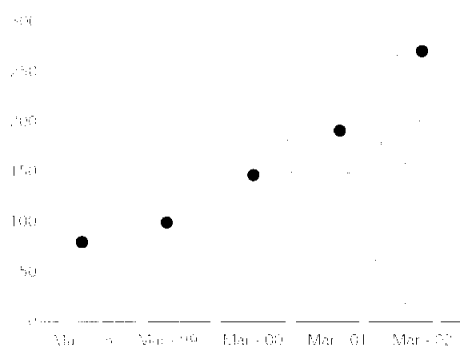
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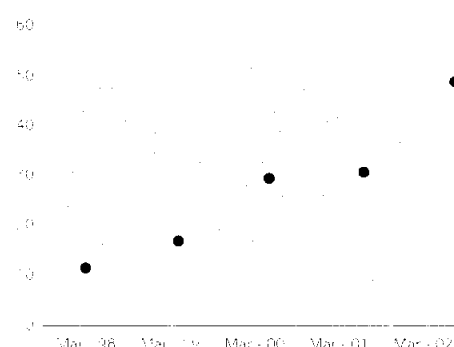
CONSOLIDATED FINANCIAL HIGHLIGHTS

Parameter (Rs in crores)	Mar-98	Mar-99	Mar-00	Mar-01	Mar-02
Turnover from Operations	80.20	99.16	145.34	190.78	285.96
Other Income	1.24	4.18	15.45*	3.65	4.02
PBDIT	11.69	17.61	30.82	32.03	51.31
Interest	0.56	0.52	1.04	8.32	13.23
Depreciation	0.60	0.66	1.11	5.10	9.00
PBT	10.53	16.43	28.67	18.61	29.08
Tax - Current	3.01	3.66	6.99	1.52	2.36
Tax - Deferred	-	-	-	-	3.44
PAT	7.52	12.77	21.68	17.09	23.28

* Includes interest from IPO and dividend from wholly-owned subsidiary



Turnover from Operations (Rs in crores)



PBDIT (Rs in crores)



VISI

**To emerge as an
integrated
research-based
global
pharmaceutical
company.**

THIS IS GLENMARK PHARMACEUTICALS LIMITED

GLENMARK PHARMACEUTICALS LIMITED (GLENMARK) WITH HEADQUARTERS IN MUMBAI, INDIA, WAS INCORPORATED IN 1977. THE COMPANY IS ENGAGED IN RESEARCH AND DEVELOPMENT, MANUFACTURE & MARKETING OF	PHARMACEUTICAL PRODUCTS. FOR PAST SEVERAL YEARS, THE COMPANY HAS RETAINED ITS POSITION AMONG THE LEADERS IN THE DERMATOLOGY, INTERNAL MEDICINE, GYNAECOLOGY, PAEDIATRIC AND	ENT THERAPEUTIC SEGMENTS IN INDIA. IN 2001-02, THE COMPANY HAS INITIATED THE MANUFACTURE OF SPECIALISED BULK DRUGS.
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GROWING PRESENCE

Over the last three years, Glenmark has strengthened its reputation as a reliable producer of remedies within the Indian pharmaceutical industry. The company has emerged as one of the fastest growing companies within its industry for the third consecutive year. The company's growth was 22.2 per cent as per ORG-RSA March 2002 (MAT) in the face of an industry growth of 10.6 per cent. The company's prescription share stood at 2.3 per cent as per ORG-Rx Audit, March 2002 (MAT). The company's industry rank improved from 29 in 2000-01 as per ORG-RSA March 2001 (MAT) to 26 in 2001-02 as per ORG-RSA March 2002 (MAT). Glenmark's 'Candid' range of products emerged as the leading brand franchise in India.

BRANDS

Glenmark's formulation brands are among the most popular in the country. Three of the company's brands - Ascoril (110th), Candid-B (165th) and Altacef (268th) - figure among the top-300 brands in India as per ORG-RSA March 2002 (MAT).

RESEARCH & DEVELOPMENT

Glenmark is among the few Indian pharmaceutical companies to have taken the initiative to invest proactively in basic research. Glenmark employs over 100 scientists at its R&D centre at Mhape, Navi Mumbai, and 30 scientists at its formulation R&D centre in Sinnar. At the former centre, the company focusses on the discovery of New Chemical Entities

(NCE) and pre-clinical research. At Sinnar, the company focusses on the development of unique dosage forms.

MANUFACTURING

Glenmark has the following manufacturing facilities:

- A WHO-GMP approved formulation manufacturing facility at Nasik that produces oral tablets, liquids, capsules, creams, lotions, ointments and powders.
- A USFDA-compliant state-of-the-art formulation manufacturing facility at Goa that manufactures generics and caters to the export markets.
- A plant commissioned at Kurkumbh, Pune, in July 2001 for the manufacture of specialised Bulk Drugs.

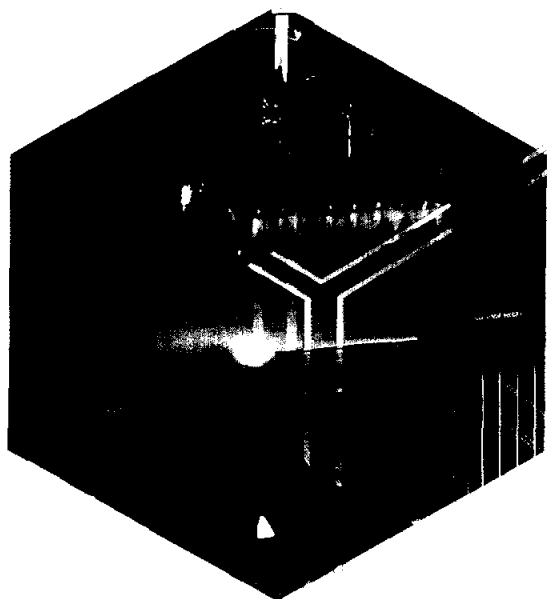
CONSOLIDATED PERFORMANCE

Glenmark reported a turnover of Rs 285.96 crores in 2001-02 (Rs 190.78 crores in 2000-01) and a profit after tax of Rs 23.28 crores (Rs 17.09 crores in 2000-01) - a growth of 49.89 per cent and 36.22 per cent respectively.

The company's shares are listed on the Mumbai and National Stock Exchanges. The market capitalisation of the company was placed at Rs 244.84 crores as on 31st March 2002.

MARKETING

By March 2002, Glenmark's field force comprised 886 sales representatives.



HIGHLIGHTS 2001-02

- Glenmark reported a 49.89 per cent growth in its topline, which was amongst the fastest in the top-30 pharmaceutical companies in the industry.
- Glenmark launched **11 new products** in 2001-02, four of which were launched for the first time in India.
- The Healthon division reported sales of Rs 12.80 crores in the first year of launch. It garnered a share of two per cent of the Indian diabetes market as per ORG-RSA March 2002 (MAT).
- The acquired brands from Lyka, posted a turnover of Rs 24.3 crores, an attractive growth of 59 per cent over the previous year and accounted for 9.16 per cent of the company's turnover.
- Restructuring the company's logistic network **strengthened margins**. The quantum of EBIDTA as a proportion of the company's total income increased from 16.47 per cent in 2000-01 to 17.69 per cent in 2001-02.
- Two molecules - GRC 3015 and GRC 1087 - invented by the company entered the advanced pre-clinical stage of development.
- Glenmark received an Innovator Award of US\$75,000 from Innocentive-Eli Lilly Inc. Company for discovering an innovative process of making 7 Formyl Indole.
- Glenmark Laboratories Limited (GLL), the company's wholly-owned subsidiary, which caters to the generic market, reported a gross revenue of Rs 32 crores.
- The company's export initiatives (GLL & Branded Export) accounted for 18.20 per cent of the turnover (7.85 per cent in 2000-01). The turnover from exports at Rs 52 crores represented **a growth of 247 per cent** over the previous year.
- The company broadened its Board of Directors with three employees and a nominee Director from CDC Financial Services (Mauritius) Ltd. The Chairman will now function as an independent non-Executive Chairman. The Joint Managing Director was appointed as the Managing Director and CEO.
- Glenmark initiated the formation of an independent Scientific Advisory Board to focus separately on discovery R&D.
- The company implemented SAP R/3 4.6B version across its organisation.

OBJECTIVES 2002-03

- To establish a strong presence in the diabetic segment.
 - To maximise the contribution of the acquired brands to the company's turnover.
 - To accelerate growth through the aggressive launch of new products in the focussed segments.
 - To strengthen margins through cost management and increased productivity.
 - To discover new molecules in the asthma, obesity and diabetes segments.
 - To work and obtain regulatory approvals for the Goa plant.
 - To further **strengthen the corporate governance process.**
- To complete pre-clinical studies and take GRC 3015 & 1087 into Phase I clinicals.
 - To maintain a healthy topline growth.
 - To strengthen Glenmark's international presence and capitalise on the generic opportunity in the developed markets.
 - To enhance Glenmark's presence in the Active Pharmaceutical Ingredient (API) arena in the domestic and international markets.



EAGLE VISION



'Glenmark will create considerable value through innovation for its shareholders in time to come.'

Glenn Saldanha, Managing Director and Chief Executive Officer, reviews the company's performance in 2001-02

The overview provided by the Chairman in last year's Annual Report, spelt out Glenmark's initiatives to emerge as one of the top 20 Indian pharmaceutical companies by March 2004 and grow into a successful pharmaceutical company in a new GATT environment.

I must repeat those initiatives here:

- To invest aggressively in pioneering Research and Development.
- To strengthen alliances with other companies across relevant therapeutic areas.
- To enlarge the company's presence in developed and underdeveloped markets, evolving it to a broad-based global organisation.

These initiatives were strengthened in 2001-02 and Glenmark is gradually emerging as a leading research-based, global formulation and bulk drugs company, well on its way to achieving its goal. As a firm and indicative step in that direction, Glenmark reported a 49.89 per cent increase in its turnover in 2001-02. As per ORG-RSA March 2002 (MAT), the company strengthened its position from 29th to 26th in the Indian Pharmaceutical industry.

A. GROWTH DRIVERS

During 2001-02, the primary growth drivers were:

1. Domestic market

• New launches

The company introduced 11 new products during the financial year under review. These new products accounted for nine per cent of the company's turnover in 2001-02 and are expected to contribute significantly in the years to come.

Many products were developed at the R&D facility at Sinnar. Glenmark launched these products for the first time in India and garnered a significant market share in a short time.

• A new division

The Healtheon division for diabetes was successfully established, and within the first year, Healtheon recorded sales of Rs 12.80 crores and a market share of two per cent in diabetes. Several successful brands such as Rosicon (Rosiglitazone), Glucar (Acarbose) and Glimulin (Glimiperide) were established during 2001-02. The alliance with Biobras, Brazil, for insulin, further assisted Healtheon to make its presence felt in the diabetes segment. The strong base that Healtheon established in diabetes during 2001-02 is expected to ensure greater heights during 2002-03.

• Branding success

The acquired brands performed better than anticipated with a growth of 59 per cent because of strong acceptance by customers. Glenmark hopes to recover its investment in a shorter period of time than anticipated.

The company is broadening its product range with the successful entry into new therapeutic segments such as gastro-intestinal and critical care.

2. International Market

• Branded generic business

Glenmark currently exports to 27 countries. The company has a dedicated field force to promote Glenmark's products to doctors and create a strong brand equity. This is a sustainable business as net realisations are significantly better than in India.

- **Generic generic business**

Glenmark currently distributes generic generics to markets in Africa, Asia and Latin America through Glenmark Laboratories Ltd. (GLL), a 100 per cent owned subsidiary. Additionally, Glenmark supplies Neutraceuticals under a neutral label to developed markets.

3. Active Pharma Ingredient (API) Business

Glenmark successfully entered the API market in the fourth quarter of 2001-02.

B. MARGIN DRIVERS

- **Distribution change-over**

Glenmark initiated a change in its distribution network in India during 2000-01 by moving from a three-tier distribution system to a two-tier structure. This change was primarily effected to improve operating margins. The actual impact of the change became visible in the year 2001-02.

- **Backward integration into APIs**

During 2001-02, Glenmark commercialised eight APIs which were used for captive consumption. This was primarily done to strengthen Glenmark's ability to launch new products and develop skills in process chemistry even though the margin improvement from this initiative was relatively small. Going forward, the API initiative will help to significantly strengthen margins.

- **Better realisations in the branded export business**

By expanding the branded export business, Glenmark has been able to improve its margins as the export contribution has increased.

- **Lower material costs**

During 2001-02, the prices of key APIs which went into Glenmark's key products such as Altacef and Mumfer declined significantly leading to better margins.

Glenn Saldanha

Managing Director & Chief Executive Officer

ENHANCING SHAREHOLDER VALUE

Enterprise value

Enterprise value - or leveraged market capitalisation - represents the total value of the firm. It is derived by adding the market value to the debt and minorities held minus the cash equivalent at the end of the year. EV is used by analysts and other valuation experts to calculate the EV / EBIDTA (Earnings Before Interest Tax Depreciation and Amortisation). The EV / EBIDTA multiple overcame the accounting differences across countries and provided a 'clearer' valuation argument. This multiple, an alternative to the P/E valuation, is used to determine the industry/sector benchmark and measures a company's EV / EBIDTA multiple against it. When this is higher than the industry, the company's share is assumed to be trading at a premium or vice versa.

Parameter (Rs in crores)	Mar-01	Mar-02
Equity	10.09	10.13
Market price	119.55	241.70
Market capitalisation	120.63	244.84
Total debt	72.14	77.11
Cash	7.17	4.53
Enterprise value	185.60	317.42
EBIDTA	32.03	50.21
EV/EBIDTA	5.79	6.32
Sales	190.78	260.75
EV/Sales	0.97	1.22
Capital employed	194.74	199.54
EV/Capital employed	0.95	1.59

Total Shareholder return

Total shareholders' return reflects the gain delivered to the shareholders.

Direct gains are in the form of dividends received while

indirect gains are in the form of capital appreciation registered by the company's stock during the financial year under review.

Glenmark did well on both counts – the company has proposed Rs 6.06 crores as dividend to shareholders during 2001-02, a 50 per cent improvement over the previous financial year. Besides, the company's stock appreciated 102 per cent during the course of the year.

As a result, Glenmark reported an increase of 108 per cent in its Total Shareholder Return in 2001-02 over the previous year.

Parameter (Rs in crores)	Mar-01	Mar-02
Closing market capitalisation	120.63	244.84
Less: Opening market capitalisation	250.74	120.63
Add dividend	4.04	6.06
Gain/ (loss)	(-)126.07	130.27
Gain/(loss)/opening market capitalisation %	(-)50.00	108.00

Market value-added

MVA indicates the value that the market places on the company. A simple addition of the current value of debt and the value of equity derives this. From this figure, is deducted the Economic Book Value (share capital plus free reserves plus debt).

Glenmark reported a Market value-added of Rs 122.41crores in 2001.

Parameters (Rs in crores)	Mar-01	Mar-02
Market Capitalisation	120.63	244.84
Total debt	72.14	77.11
TOTAL	192.77	321.95
Less: Economic book value	194.74	199.54
Market value-added	(-) 1.97	122.41