

ANNUAL REPORT 2002 - 2003

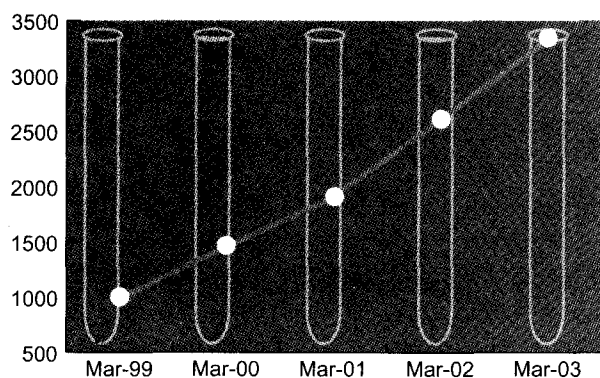
e
glenmark
PHARMACEUTICALS LTD.

CONTENTS

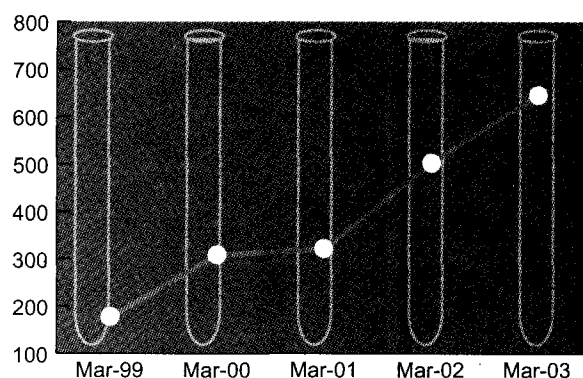
Financial Highlights	1
Corporate Description	2
About Glenmark	3
Vision	4
Highlights, 2002-03	5
Objectives, 2003-04	5
Interview with Managing Director and CEO	6
Enhancing Shareholder Value	10
Strategic Business Units	12
SBU1-Domestic	13
SBU2-Research & Development	18
SBU3-API	21
SBU4-International	22
Management Discussion & Analysis	24-27
Risk Management and Concerns	28
Five year Balance Sheet	29
Five year Profit & Loss Account	30
Ratios	31-34
Value-Added Statement	35
Profile of Directors	36
Directors' Report	37-39
Annexures to Directors' Report	40-43
Corporate Governance	44-51
Auditors' Certificate Regarding Compliance of Conditions of Corporate Governance	52
Auditors' Report	53
Annexure to Auditors' Report	54-55
Balance Sheet	56
Profit & Loss Account	57
Schedules to Balance Sheet	58-63
Schedules to Profit and Loss Account	64-65
Notes to the Financial Statements	66-73
Balance Sheet Abstract	74
Statement of Cash Flow	75
Statement under Section 212	76
Subsidiary Accounts	77-82
Consolidated Accounts	83-96

FINANCIAL HIGHLIGHTS

Parameter (Rs. in million)	Mar-99	Mar-00	Mar-01	Mar -02	Mar-03
Turnover from Operations	991.60	1453.40	1907.80	2607.50	3336.40
Other Income	41.40	154.50	36.50	60.70	42.80
PBDIT	176.10	308.20	320.30	502.10	645.40
Interest	5.20	10.40	83.20	129.10	106.90
Depreciation	6.60	11.10	51.00	88.20	103.30
PBT	164.30	286.70	186.10	284.80	435.20
Tax	36.60	69.90	15.20	57.00	103.30
PAT	127.70	216.80	170.70	227.80	331.90



Turnover from Operations (Rs. in million)



PBDIT (Rs. in million)

CORPORATE DESCRIPTION

GLENMARK IS AN
INTEGRATED,
RESEARCH-BASED,
GLOBAL PHARMACEUTICAL
COMPANY.



ABOUT GLENMARK

Glenmark Pharmaceuticals Limited has been in research and development, manufacture and marketing of pharmaceutical products since its incorporation in 1977. The Company has notched up a prime position in dermatology, internal medicine, gynaecology, paediatric and ENT therapeutic segments in India. Besides, the Company ventured into manufacturing of specialised bulk drugs in 2001-2002 and precisely a year after, it went on to acquire a bulk drugs plant, which conforms to international standards, from GlaxoSmithKline Pharmaceuticals Ltd. with the objective to enter the regulated markets.

Manufacturing

Glenmark initiated sound marketing strategies aptly supported by a strong manufacturing foundation ensuring continuous supply of high-quality formulations. Now, the Company's manufacturing facilities are on par with world standards. Here's a snapshot.

- A WHO-GMP approved formulation-manufacturing facility at Nasik that produces oral tablets, liquids, capsules, creams, lotions, ointments and powders which is also approved by various international regulatory authorities.
- A leasehold plant at Kurkumbh, Pune for the manufacture of specialised Bulk Drugs.
- A plant at Ankleshwar acquired from GlaxoSmithKline for the manufacture of Bulk Drugs for the regulated markets.

Domestic Market- formulations

Over the years, Glenmark has strengthened its reputation as a reliable producer of remedies and emerged as one of the fastest growing companies amongst the top 25 Indian pharma companies for the fourth consecutive year. Compared to the industry growth of 5.72%, the Company recorded 14.73% growth as per ORG-RSA March 2003 (MAT). This pushed up the Company's rank from 26 in 2001-02 as per ORG-RSA March 2002 (MAT) to 24 in 2002-03 as per ORG-RSA March 2003 (MAT). The Company has over 900 field staff as on March 2003.

The Company's key brands maintained their leadership in the respective therapeutic segments. Three of the Company's brands – Ascoril (104th), Candid-B (153th) and Altacef (268th) – figure among the top-300 brands in India as per ORG-RSA March 2003 (MAT). Above all, Company's 'Candid' product range emerged as the leading brand franchise in India.

Research

More than 100 scientists are engaged at the R&D centre in discovering NCEs to formulations and API. R&D for the regulated and unregulated markets. The Company has two R&D centres, one in Mumbai, the Company's headquarters, for basic research, and the other at Sinnar for NDDS.

Global

Glenmark has made its presence felt in over 40 different countries across Africa, Asia and Russia, and its 120 strong field force exclusively promote Company's products to doctors to create a strong brand equity in these market. Presently, the Company is planning to enter the regulated markets.

Company performance

Glenmark reported a turnover of Rs. 3,336 million in 2002-03 (Rs. 2,607 million in 2001-02) and a profit after tax of Rs. 332 million (Rs. 228 million in 2001-02), a growth of 28% and 46% respectively. The Company's shares are listed on the Mumbai and National Stock Exchanges. The market capitalisation of the Company was Rs. 2,150 million as on 31st March, 2003.



VISION

Report  junction.com

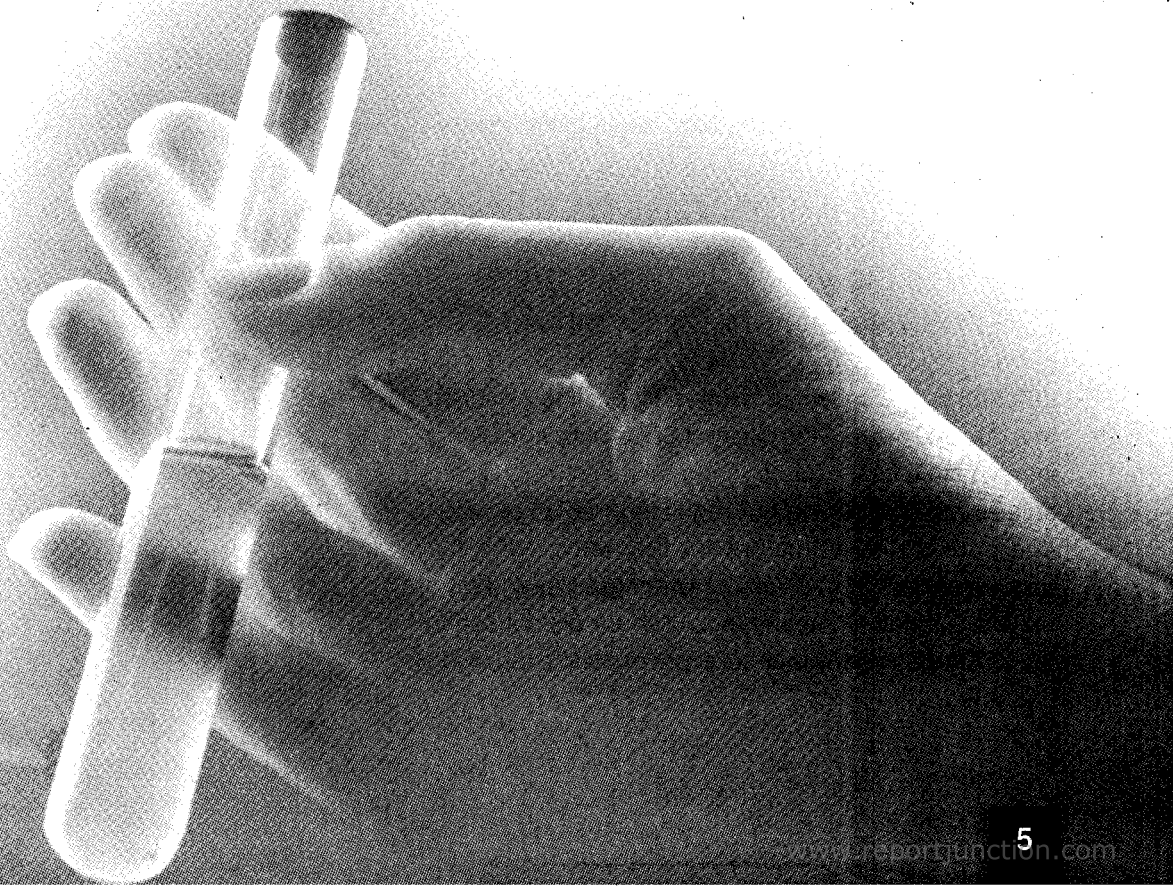
TO EMERGE AS A
LEADING
INTEGRATED
RESEARCH-BASED
GLOBAL
PHARMACEUTICAL
COMPANY.

HIGHLIGHTS, 2002-03

- Reported a 28% growth in its top-line, which was amongst the fastest in the top-25 pharmaceutical companies in the industry.
- Launched 18 new products in 2002-03, four of which were launched for the first time in India.
- Entered the pain segment with the launch of Valdecosib, which was rated amongst the most successful product launched in 2002-03.
- Set up a US subsidiary which has signed a JV agreement with Lannett Company Inc. USA, for distributing its products in the US.
- Acquired GSK's manufacturing facility at Ankleshwar for the manufacture of API to the regulated markets.
- Received USD 10 million investment from CDC Capital Partners.
- Branded generic exports to the unregulated markets grew by 40% to Rs. 300 million.
- EBIDTA as a proportion to the Company's total income jumped from 18.82% in 2001-02 to 19.11% in 2002-03.

OBJECTIVES, 2003-04

- To establish a strong international presence and emerge as an integrated research-focused global pharmaceutical player.
- To ensure a 10-15% growth in the Indian pharma industry.
- To complete pre-clinical studies and take our asthma molecule into Phase I clinical trials.
- To pursue various other NCE lead candidates and develop them to the clinical stage.
- To enhance Glenmark's presence in the Active Pharmaceutical Ingredient (API) arena in the regulated markets by filing 5 DMFs.
- To file 1-2 ANDAs during fiscal 2004.
- To maintain a growth of 30% in the unregulated markets.



'GLENMARK MOVED CLOSER TO ITS VISION OF USING THE INDIA ADVANTAGE TO GAIN GLOBAL DOMINANCE.'

10 minutes with Glenn Saldanha, Managing Director and CEO

What is your vision for Glenmark?

Our vision is to make Glenmark a research based integrated global pharmaceutical Company. We would need to build capabilities throughout the value chain i.e. right from discovering NCE to marketing value added products to the customers. We are strategically building distribution network in various regulated and unregulated markets, so that we can leverage and use this distribution to market our proprietary products coming through our research pipeline.

How was the year 2002-03 as a whole for Glenmark?

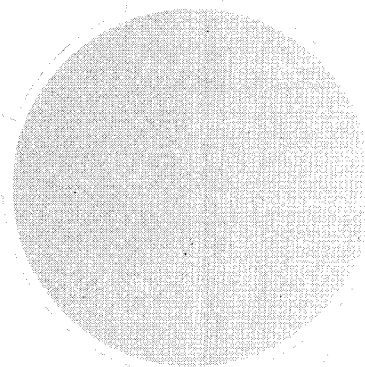
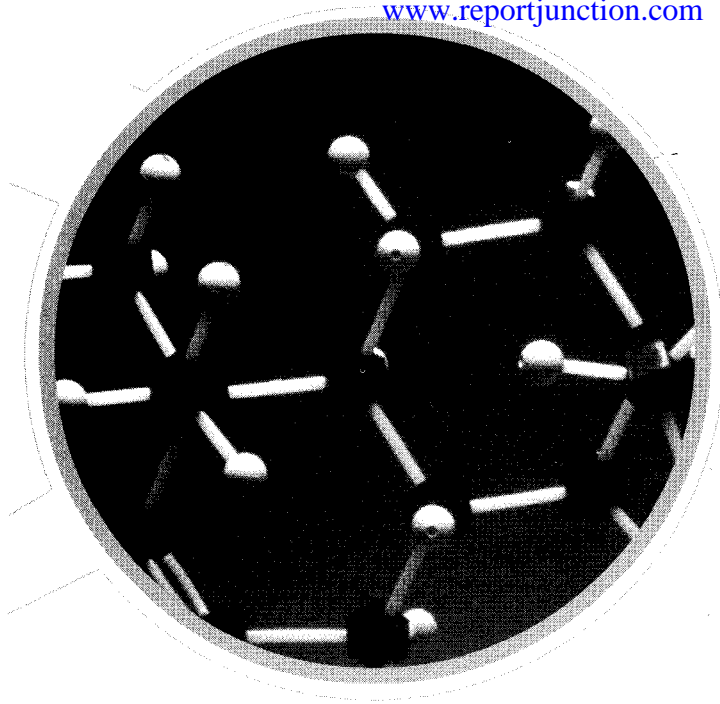
2002-03 saw the Company not only posting excellent revenue and profit by the different SBUs but also building infrastructure for the future. The year marked significant strides into broadening our regulated market strategy and creating infrastructure for the same. With the acquisition of GSK's API manufacturing facility and tying up with Lannett Company Inc., USA for distribution in the US, the Company is all set to penetrate the regulated markets.

How did your domestic business fare last year?

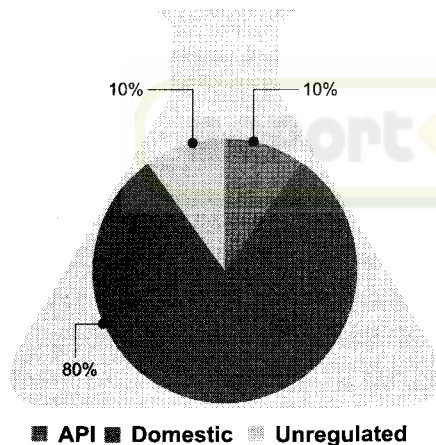
Last year the domestic formulation business grew at 22%, inspite of the overall Indian pharmaceutical market which grew by just 5.7%. The highlight of the domestic business was the launch of Valdecixib, a second-generation COX2 inhibitor in the pain segment, making Glenmark the first to launch this molecule in India under the brand names of Valus and Vorth. Glenmark's Valdecixib was ranked amongst the most successful products in India. Today almost 10% of Glenmark's domestic sales comes from Valdecixib alone.

How do you see the contribution of the different business segments changing?

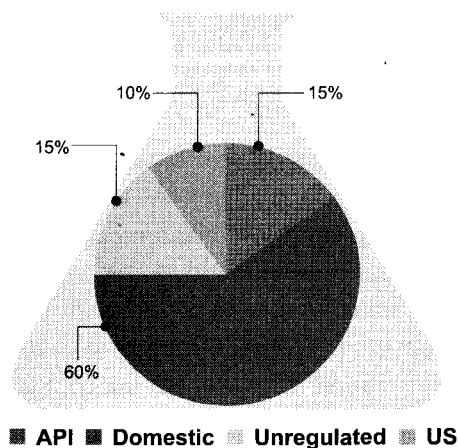
While over 80% of Glenmark's current revenues come from the domestic segment, it is estimated that over the next 2-3 years the contribution will undergo a significant change. By 2006, Glenmark's reliance on domestic business will be reduced to less than 60%.



For 2002-03



Estimated 2006



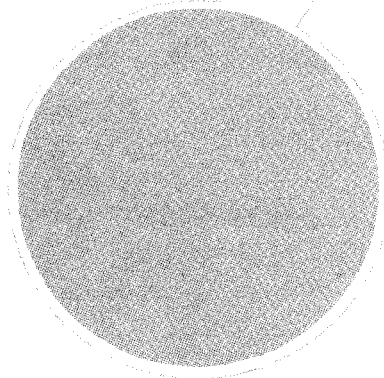
What are your views about your Drug Discovery efforts?

Three years ago, we embarked on discovery of NCEs, and today, with more than 100 scientists working on various projects, we have two molecules in late pre-clinical trials – GRC 3015 and GRC 1087. These compounds hold immense promise. We expect GRC 3015 to get into Phase 1 early next year, and GRC 1087 in the middle of next year.

|||||

What is your vision for the API business?

Owing to India's immense chemistry skills, process reverse engineering has been part of its strength. These ingrained skills are likely to make India, which incidentally also happens to be amongst the lowest cost producer of APIs, the largest growing base for APIs the world over. Today, India has the most number of USFDA approved facilities outside the US. Sensing this growing demand, Glenmark entered APIs space one and a half years ago. We started by leasing a facility at Kurkumbh and hired a team of 15-20 scientists to work on process reverse engineering. After a successful entry without hiccups, we have trained our sights on regulated markets



for the last one year. To sharpen our manufacturing capabilities, we acquired GSK's manufacturing facility at Ankleshwar which conforms to international standards as a sourcing base for the regulated markets. We expect to file 4-5 DMFs from this facility during the current year.

Do you see the slowing down in the domestic pharmaceutical business continuing?

Recently, the Indian domestic pharmaceutical business is experiencing lower growth due to pricing pressure and competition. However, the consumption of medication continues to show healthy growth at 5.7% apparently because of price-cut. I feel this trend is likely to continue over the next few years. At Glenmark, we have taken various steps to ensure that we grow well above the industry growth rate.

When do you see the US business yielding revenues?

For the Indian companies having strong R&D, one of the biggest opportunities is the growing generics business in the US. We believe that the US generics

market will fuel our growth. Patent expiries, rising healthcare costs and a shift in public opinion towards cheaper drugs in the US, makes it the most attractive generics market in the world with an expected CAGR of 21% up to 2005. Glenmark has a strong R&D and product pipeline to leverage this \$26-billion opportunity. With this end in view, the Company has set up a 100% subsidiary in USA and partnered with Lannett Company Inc to distribute its products in the US generic market. Over the next 18 months, Glenmark would file 3 ANDAs in the US market and another 10 ANDAs over the next 3 years. We expect the US business to generate revenues from April, 2005.

Why were your receivables so high in 2002-03?

During the last quarter of fiscal 2002-03, the Government of India decided to implement VAT across India. There was lack of clarity on VAT implementation across the trade channels resulting in lower off take and higher receivable levels. After the government deferred the introduction of VAT, our receivables have reduced over the last three months. This year as our contribution from exports and API is increasing where the receivable