

Glenmark Pharmaceuticals Limited



Annual Report
2004 - 2005





Our Vision

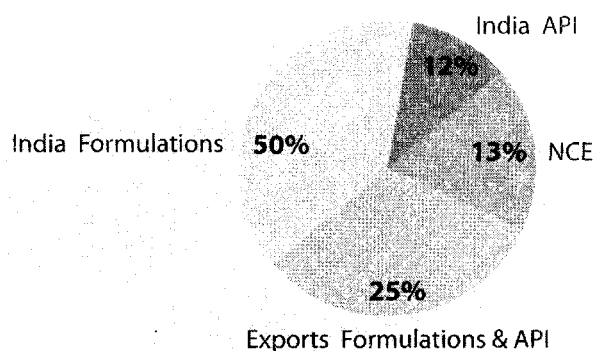
To emerge as a leading
integrated research-based global
pharmaceutical company

Consolidated Financial Highlights

Year	Mar-02		Mar-03		Mar-04		Mar-05	
	Rs./Mn.	USD/Mn.	Rs./Mn.	USD/Mn.	Rs./Mn.	USD/Mn.	Rs./Mn.	USD/Mn.
Turnover	2,859.56	59.06	3,703.35	77.97	3,806.61	87.37	6,120.53	139.87
Other Income	40.18	0.83	30.57	0.64	34.66	0.80	52.29	1.19
PBIDT	513.09	10.60	659.34	13.88	725.73	16.66	1,609.80	36.79
Interest	132.26	2.73	123.43	2.60	100.57	2.31	172.63	3.95
Depreciation	89.97	1.86	106.57	2.24	110.93	2.55	164.23	3.75
PBT	290.86	6.01	429.34	9.04	514.23	11.80	1,272.94	29.09
Tax	58.02	1.20	103.83	2.19	100.89	2.31	201.53	4.61
PAT	232.84	4.81	325.51	6.85	413.34	9.49	1,071.41	24.48

Note: Rs. to USD conversion is at the rate existing at the end of the respective financial years.

Turnover 2004-05



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The Financial Statements

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Global. Research-focused. Integrated.



Objective

To position the Company
for growth and value
creation in the global
pharmaceutical industry

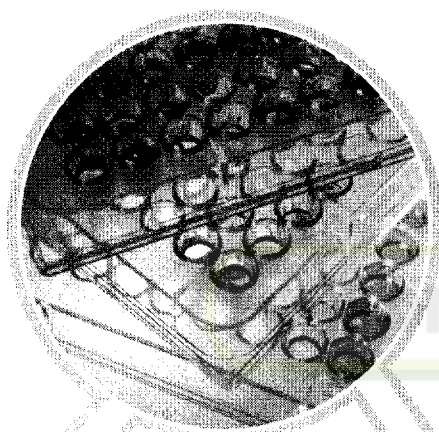
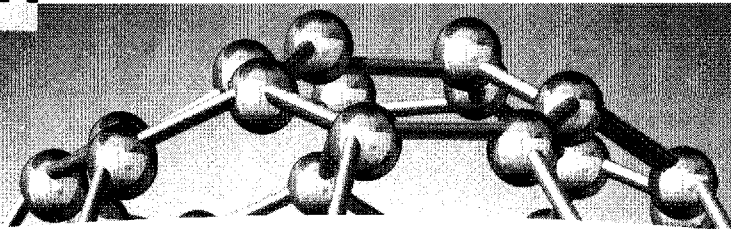
Tenure

The long-term and
post-GATT [post-
2005] scenario

Driver

A global market strategy, a
strong research focus and
an integrated business
model for risk-mitigating
delivery

Global



The pharmaceutical industry is undergoing a significant change:

- Even as the world becomes a global village, companies are increasingly adopting an international outlook and approach.
- With recognition of product patents having become a reality, India has to explore avenues for growth outside the domestic setup.
- Companies have realised that it is through product innovation that they have an opportunity to be long-term players in a global context.

Sustainable growth is possible only through globalisation as the sizeable international markets are developing at a rapid pace. This is primarily due to the large number of generic molecules that are going off patent within the next few years. It is estimated that the US alone

accounts for half the global pharmaceutical market, while Europe and Japan together make up almost 40 percent. The emerging Asian, African and Latin American markets, too, present very bright prospects and are worth several billion dollars.

Indian companies stand to gain greatly due to their distinguishing benefits of low manufacturing and labour costs. Furthermore, not only Indian corporations, but global players also can profit from these advantages. Apart from exploring options like contract research and manufacturing with Indian organisations, they can also consider potential partners in joint IPR development.

In recent years, a few leading Indian companies have also demonstrated the ability and willingness to undertake development of novel drugs, also called NCE research. As pipelines of many global majors have run dry and cost of discovering new drugs has gone up, these developments, if successful, can help Indian companies evolve to the next level through partnerships with global majors to develop original drugs.

Glenmark's Initiatives

Glenmark, over the years, has built a global business strategy to capitalise on these emerging opportunities through the initiatives outlined below:

- Approaching the regulated markets by establishing a presence in the USA and the UK. While efforts are on to establish the sales and marketing front-end by in-licensing and acquiring products in the USA; the UK has been identified as an entry point into the European Union.
- Strengthening its brand portfolio across markets in Asia, Africa, CIS/Russia and more, recently, Latin America through its wholly-owned subsidiary in Brazil.
- Continuing to build front-end and customer-facing distribution systems in territories where it intends to market products under its own brand name.
- Out-licensing NCE compounds discovered by the Company's research team for development and commercialisation in the developed markets. The deals struck for the Company's lead molecule for asthma/COPD for the North American and Japanese markets are cases in point.

Glenmark's global-focused business model has been directed to fulfil a number of corporate objectives, among them being increasing revenue and enhancing profitability. As it increases its international presence, Glenmark's dependence on its revenues from an increasingly competitive Indian industry will reduce, thereby mitigating risk for its shareholders and stabilising cash flows.


*Growing competition
characterises the
constantly evolving
international
pharmaceutical industry*



Research-focused



In the post-GATT era, the growing importance of research is reflected at two levels. To begin with, there is the need to create new revenue inflows through innovation and new product development in the generics segment. Furthermore, this should be complemented by developing commercially-viable, proprietary products so that organisations can enjoy their competitive benefits for a longer period of time.



Responding proactively to these imperatives, Glenmark had drawn out a dynamic three-pronged R&D initiative that covers the following:

New chemical entity [NCE] research:

The Company is focused on selecting targets with a strong possibility of success and having a high commercial potential. It has targeted development of new molecules in the asthma, diabetes and obesity therapeutic segments. This approach has yielded exciting results with one of the drug candidates successfully completing Phase I of clinical trials and a few others expected to move into the clinical trial stage in FY 2006.

Formulations and new drug delivery systems [NDDS]:

In addition to creating new formulations, the Company is also

enhancing the value of its existing formulation therapies by developing patentable drug delivery systems that would help create strong differentiated products. These research teams are housed across its two research facilities at Sinnar and Mahape. This work has led to a patented controlled-release technology through which Glenmark is planning to commercialise several products in the future.

Strong process chemistry research:

The third initiative of reverse engineering bulk drugs is a recent, but significant contributor to the R&D vision. The Company filed patents on thirty nine processes in FY 2005. In addition, the process research teams also contribute to the NCE activity by developing and scaling up APIs for novel drugs discovered by Glenmark.

These R&D initiatives have already commenced in generating returns and are expected to continue to translate into a more valuable product basket, stronger revenues, enhanced margins and higher profits.



*A committed research and
development focus has
emerged as a differentiator for
success in the pharmaceutical
industry today*

