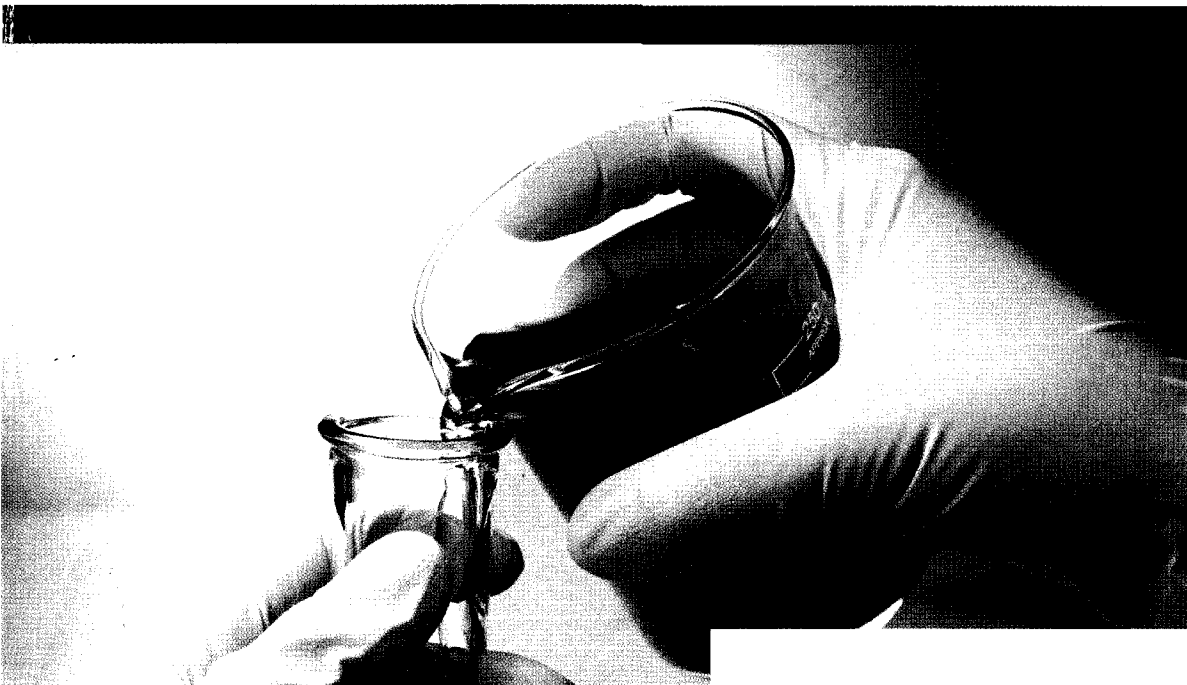
Glenmark Pharmaceuticals Limited



Annual Report 2005 - 06

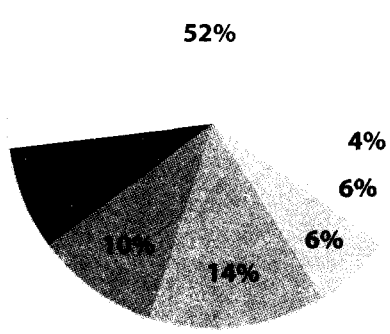
Our Vision

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

Consolidated Financial Highlights

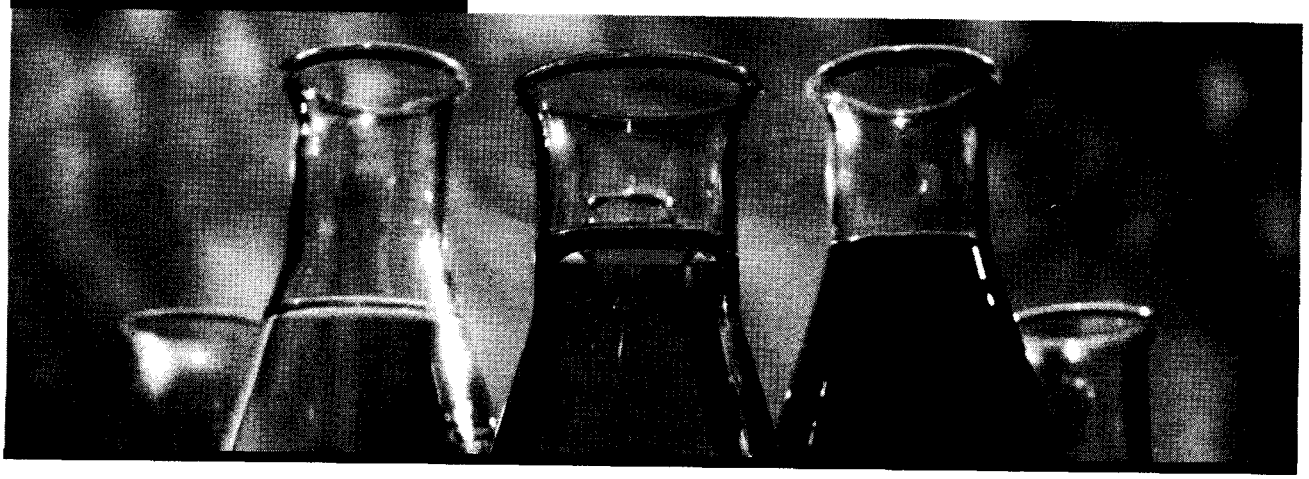
Year	Mar-02		Mar-03		Mar-04		Mar-05		Mar-06	
	Rs. Mn.	USD Mn.	Rs. Mn.	USD Mn.	Rs. Mn.	USD Mn.	Rs. Mn.	USD Mn.	Rs. Mn.	USD Mn.
Turnover	2859.56	59.06	3703.35	77.97	3806.61	87.37	6120.53	139.87	7575.89	171.09
Other Income	40.18	0.83	30.57	0.64	34.66	0.80	52.29	1.19	128.20	2.90
PBIDT	513.09	10.60	659.34	13.88	725.73	16.66	1609.80	36.79	1500.26	33.88
Interest	132.26	2.73	123.43	2.60	100.57	2.31	172.63	3.95	147.20	3.32
Depreciation	89.97	1.86	106.57	2.24	110.93	2.55	164.23	3.75	232.34	5.25
PBT	290.86	6.01	429.34	9.04	514.23	11.80	1272.94	29.09	1120.72	25.31
Tax	58.02	1.20	103.83	2.19	100.89	2.31	201.53	4.61	240.96	5.44
PAT	232.84	4.81	325.51	6.85	413.34	9.49	1071.41	24.48	879.76	19.87

Turnover 2005-06



- Formulations - India
- Formulations - USA
- Formulations - Latin America
- Formulations - Rest of the World
- API - India & Co-marketing
- API- Exports
- NCE (Out-Licensing revenues)

Contents



Global

Research Focused

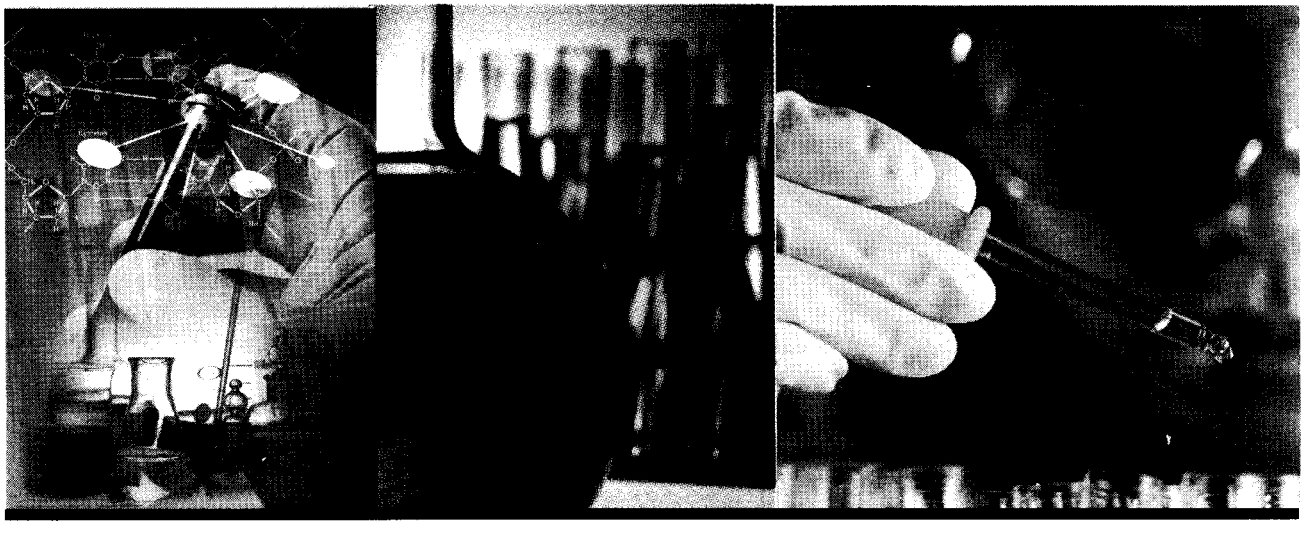
Glenmark firmly believes that original drug discovery research is imperative for companies to succeed in the post-GATT era. The Company's cutting-edge research efforts in the asthma, diabetes, obesity and inflammation therapeutic segments have yielded several breakthroughs that could redefine the standard of therapy for specific indications. In a span of six years, Glenmark has developed a pipeline of six molecules; two of which are in clinical development and four are set to enter the clinics. The Company has also initiated research on biopharmaceuticals at its research facility in Switzerland.

In addition to new drug discovery, Glenmark also supports its formulations and bulk drug activities through research. The Company's research teams across its R&D centres are focused on developing formulations for launch as generics and branded generics across the globe. Glenmark's process research scientists develop low cost processes for products in advance of patent expiry and also contribute to the drug discovery efforts by developing and scaling up active pharmaceutical ingredients (APIs) for its novel drug candidates.

Glenmark is present in over eighty countries across the globe, with some of its subsidiaries and representative offices in USA, UK, Switzerland, Brazil, South Africa, Nigeria, Russia, Philippines and Malaysia. The Company's focus is to build a marketing presence in these geographies over the next five to seven years thus laying a foundation for selling its own novel products once they are ready to be marketed. In addition, Glenmark markets its APIs in over fifty countries across the globe, sources its inputs from global suppliers and also recruits the best talent globally to localise its skills to the several markets in which it operates.

Integrated

Glenmark is a truly integrated pharmaceutical company having in-house capabilities to develop and manufacture formulations, API and new drug discovery research. The Company's business model involves a fundamental risk management initiative, which has translated into a lower cost structure and a direct control over an increasing number of links in the value chain. Additionally, this approach has also created a revenue source from each of these links, namely, potential licensing opportunities for new drugs, a growing presence as a bulk supplier and formulations player in various markets.



Highlights 2005-06

Glenmark posted consolidated revenues of Rs. 7575.89 million (USD 171.09 million[1]) and a profit after tax (PAT) of Rs. 879.76 million (USD 19.87 million) for FY 2006, reflecting a growth by 23.78 per cent and a decline of 17.89 per cent over the previous fiscal, respectively. The decline was on account of a decrease in the licensing revenues from Rs. 886.06 million (USD 20.00 million[2]) in FY 2005 to Rs. 265.68 million (USD 6.00 million) in the fiscal year under review.

Research and Development

- Glenmark's lead molecules, Oglemilast (for asthma/COPD) and GRC 8200 (for Type II diabetes), progressed into Phase II clinical trials. The Company concluded a deal with Teijin Pharma to develop and market Oglemilast in Japan.

- The Company developed four more compounds targeting pain management/inflammation and obesity, all currently in pre-clinical trials; these compounds are expected to enter Phase I in FY 2007.

- Glenmark made significant strides in the area of biopharmaceuticals at its Swiss facility.

Formulations

- Glenmark reorganised its India formulations business into eight new divisions at the beginning of the year.

- The business launched forty new generic drugs and captured a first-mover's advantage in nine first generics.

- Glenmark's US subsidiary, Glenmark Pharmaceuticals, Inc. (GPI) completed its first year of commercial operations. The company also filed eleven abbreviated new drug application (ANDA) dossiers in FY 2006, received approvals for two ANDAs and in-licensed two products. It ended the year with six generics on the market.

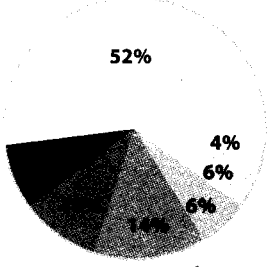
- Immediately after the end of the fiscal year, GPI concluded a deal with Paul Capital Partners' Royalty Fund (Paul Capital Partners) to develop and market sixteen generic dermatological products in the US. The US subsidiary also entered into two deals with Aspen USA, Inc. (Aspen) and Lehigh Valley Technologies, Inc. (LVT) to license and market five generic controlled substances in the US.

- Glenmark acquired Servycal S. A. (Servycal) in Argentina. The Company also filed nineteen dossiers with ANVISA and obtained eleven product registrations.

- Glenmark filed three hundred and seventy three dossiers and obtained two hundred and ninety eight registrations in the Rest of the World (RoW) in FY 2006. The Company acquired Bouwer Bartlett Pty. Ltd. (Bouwer Bartlett), a generic marketing company, in South Africa and immediately after the end of the fiscal acquired rights to seven branded generics from PD Pharma in South Africa.

- The Company's formulations manufacturing facility at Goa received regulatory approvals from US FDA, Therapeutics Products Directorate, Canada, Medicine Control Council, South Africa, ANVISA, Brazil and WHO-GMP, amongst others.

Revenue 2005-06



Contribution (%)- FY 2006

Business Segments

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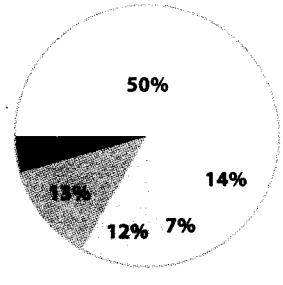
- Formulations - USA
- Formulations - Latin America
- Formulations - Rest of the World
- API - India & Co-marketing
- API- Exports
- NCE (Out-Licensing revenues)



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[1] Average conversion rate for FY 2005-06 of Rs. 44.28 / USD 1.00
[2] Average conversion rate for FY 2004-05 of Rs. 44.94 / USD 1.00

- Glenmark commissioned its new manufacturing facility at Baddi (Himachal Pradesh) by the end of FY 2006. The new facility has been built to manufacture solid orals, liquid orals and semi-solids for India; its semi-solid line will also cater to demands from the regulated markets.

- Glenmark's 72-bed Clinical Research Unit (CRU) located in Navi Mumbai, India received ANVISA approval for conducting bioavailability and bioequivalence studies.

API

- Glenmark filed seven DMFs and twenty five process patents in the year.

- The Company commenced upgradation of its Ankleshwar facility to resolve capacity bottleneck issues. Pre-construction work at the Company's new US FDA approvable site at Aurangabad also began in the fourth quarter; and the facility should be commissioned in FY 2008.

Objectives 2006-07

The Company has set a consolidated revenue target of Rs. 12742.00 million (USD 277.00[3] million) and a net profit target of Rs. 2530.00 to Rs. 2760.00 million (USD 55.00 to USD 60.00 million).

NCE

- Successfully complete some of the Phase II studies for Oglemilast and GRC 8200 and progress the four pre-clinical molecules successfully into Phase I clinical trials.

- Conclude two licensing collaborations across its molecules under development and in pre-clinical trials.

- Progress technology and co-development alliances in the bio-pharmaceutical space.

Formulations

- Grow revenues by more than ten per cent in India, over forty per cent in Rest of the World (RoW)markets, over hundred per cent in Latin America and the USA over the previous year.

- Launch oncology and probiotic portfolios in India, consolidate presence in existing segments and drive growth in chronic segments.

- In-license novel products / conclude co-marketing deals for augmenting pipeline.

- File fifteen to twenty ANDAs with the US FDA and market eighteen to twenty four ANDAs in the US.

- File over fifty dossiers in markets across Latin America with about thirty three in Brazil; launch twenty seven new products in Brazil.

- Roll out oncology portfolio in Latin American and RoW markets.

- Expand in South Africa and consolidate in Russia.

API

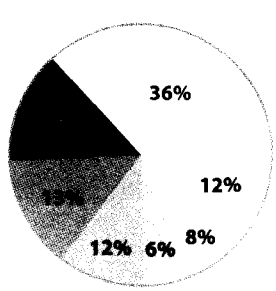
- Generate revenue growth in excess of thirty per cent.

- File twelve to fourteen DMFs.

- Build a plant at Aurangabad in compliance with regulated market standards and expand facilities at Ankleshwar.

- Strengthen positioning as the preferred third party API supplier to the global generic industry: escalate supplies to regulated markets.

Contribution (%)- FY 2007



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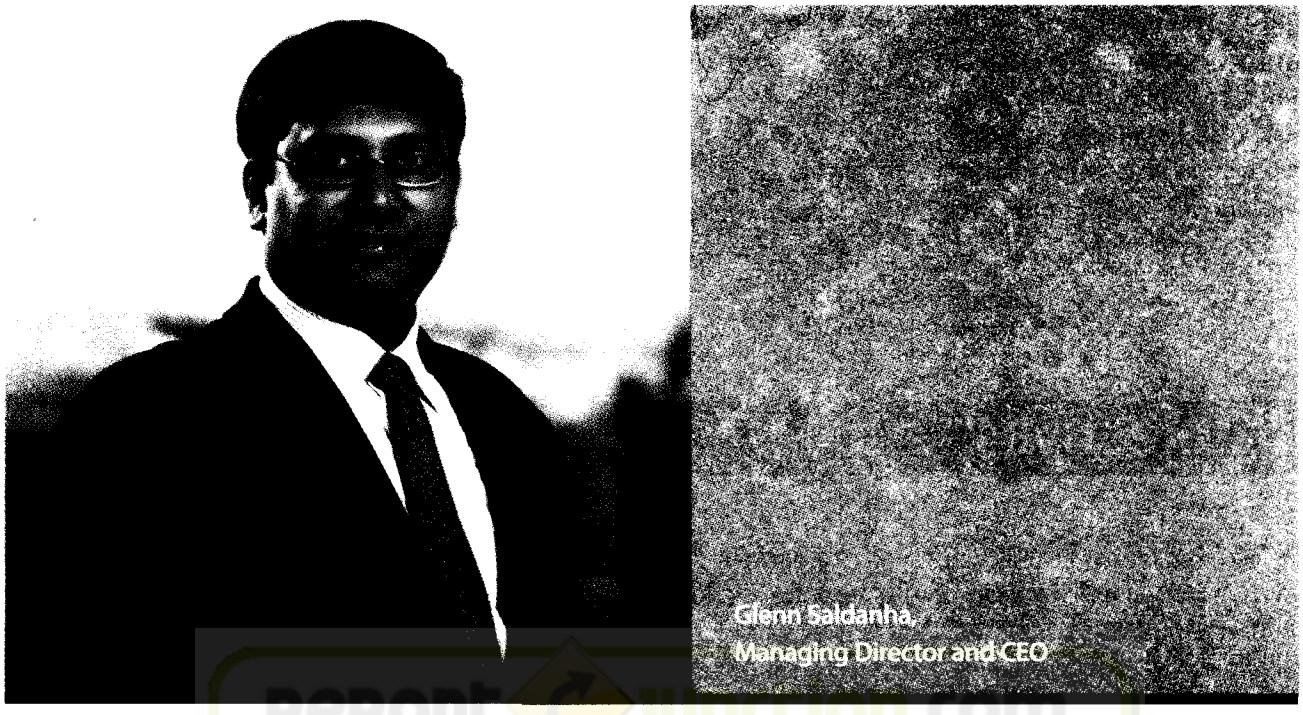
[3] *Average conversion rate for projection of Rs. 46.00 / USD 1.00*

Interview with MD and CEO



Glenn Saldanha,
Managing Director and CEO

What is the long term strategy for Glenmark?

The Company's long-term growth engine is clearly innovation. In the medium term, innovation will provide significant cash flows through licensing novel drug candidates to regulated market players in North America, Japan and Europe. However, Glenmark will retain marketing or co-marketing rights to its compounds for the Rest of the World.

Alongside our efforts to drive innovation, we are also gradually building a global reach in branded generic and API marketing and distribution and strengthening the Glenmark brand in over eighty countries including India. Over the next five years, these two streams will converge in the RoW markets with Glenmark launching its innovative drugs in those countries.

In the regulated markets, Glenmark will continue to play the generic game and out-license the molecules which come out of its product pipeline.

How has 2005-06 helped you move towards achieving your long term strategy?

During the year Glenmark strengthened its new drug pipeline in the areas of inflammation and metabolic disorders. The two compounds, Oglemilast and GRC 8200, which are in clinical trials have already progressed to Phase II studies; by the end of 2006-07 Glenmark will have a total of at least five novel compounds for various indications at different stages of clinical trials. Interest from global players in our pipeline has also increased dramatically.

On the other hand, during 2005-06 we made inroads into thirteen[4] new markets and set up branded generic infrastructure, acquired two companies as an entry strategy to the markets of Argentina and South Africa, and reorganised our India formulation divisions around target specialisations. All these efforts were directed at improving our branded generic presence in markets across Asia, Africa and the Russia/CIS countries, strengthening our corporate brand equity and

[4] *Commenced exports to eight markets and initiated registration / market entry in five.*

generating higher cash-flow to support our long term strategy, and rewarding shareholders.

How would you rate the overall performance of the Company in 2005-06?

The year was a mixed bag; business areas such as discovery research, generic sales in USA and India formulations, excelled beyond expectations. However the API business faced short-term set-backs.

While the target for new discovery candidates going into Phase I has been only one per year, our teams discovered four new leads that are expected to go into Phase I trials soon, taking our NCE pipeline to six by the end of FY 2006. Our US generic business performed very well and registered revenues of USD 15.44 million in its first year of commercial operations. India sales grew by over thirty per cent despite set-backs such as the discontinuation of Valdecoxib brands during the year.

On the whole, the base generic business showed strong growth of 39.66 per cent in consolidated revenues, while revenues including the NCE milestones showed lower growth of 23.78 per cent due to delays in some expected milestone payments during the year. However, in all, the Company is stronger to face the challenges we have set for ourselves for the coming year and the future.

What is the role of original research in Glenmark's plans?

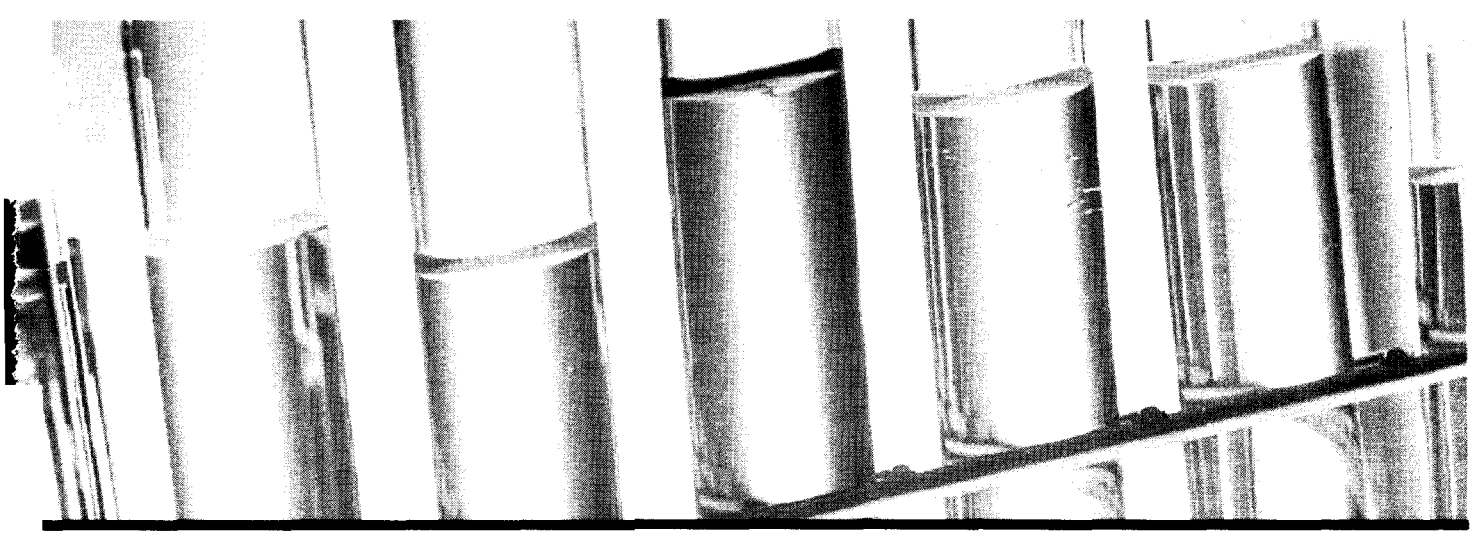
In the short to medium term, innovation will drive revenues and profitability as an independent business unit. Our objective is to partner with strong regional and global players for the development and approval of our NCEs and generate licensing revenues. We have already concluded two deals for Oglemilast (GRC 3886) with Forest Laboratories, Inc. (Forest Labs) for North America and Teijin Pharma Limited (Teijin Pharma) for Japan.

In the longer term, we plan to launch these drugs, when approved, in markets across Asia, Africa, CIS / Russia and Latin America under the Glenmark label and thereby start the transition to building a speciality presence. Towards this end, we will retain marketing or co-marketing rights to our NCEs for these markets.

Realising the trend towards biopharmaceuticals, we have also added research in biologics to our portfolio through our subsidiary in Switzerland. While this initiative is still in the infancy stage, over the next three to five years, it will also add to our innovation efforts and complement small molecule research.

How has the formulations business performed and what are its prospects?

The formulations business has performed very well in the past year. India delivered robust growth driven by 'divisionalisation' and the launch of several first generics, despite some setbacks including the withdrawal of key brands of Valdecoxib. The US formulations



business also ramped up sales to USD 12.92 million in what was effectively its first year of commercial operations. Latin America posted growth in excess of two hundred per cent and the formulation business in the RoW markets grew by thirty one per cent. The Company expanded both organically and inorganically into thirteen additional countries.

A new facility was commissioned in Baddi (Himachal Pradesh, India) capable of manufacturing several types of formulations. Capacity expansions at Goa have commenced and the facility has been approved by several regulatory bodies including US FDA, ANVISA, TPD and MCC.

In the aggregate, the Company expects these businesses, to grow rapidly in the coming years and add significantly to both revenues and profits while preparing us for the future launch for our own novel drug compounds, when approved.

How has the API business performed and what are its prospects?

The API business showed a 14.88 per cent decline in sales from last year due to severe price erosion in some of its products and capacity bottlenecks. Greater than predicted captive demand for API also contributed to this drop. Glenmark filed seven DMFs, lower than the target of twelve to fourteen DMFs set at the beginning of the year, again largely on account of capacity bottlenecks.

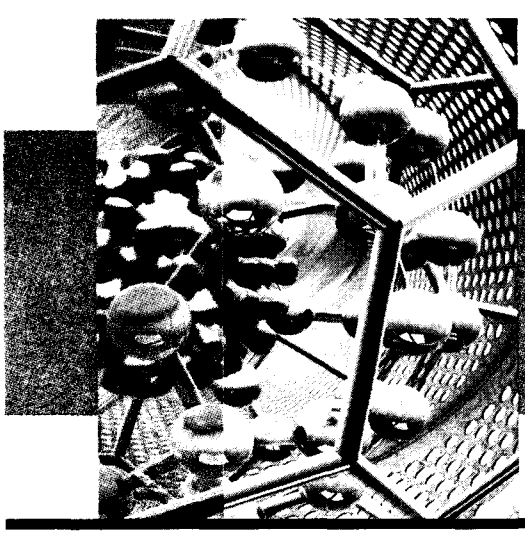
The fourth quarter, however, showed some recovery and commercial supplies to the regulated markets commenced for two of Glenmark's DMFs. Capacity expansion has been completed at Ankleshwar and the Company commenced pre-construction activities at a new site at Aurangabad along with a second round of expansion at Ankleshwar.

Going forward, the regulated market business is expected to grow rapidly to contribute to a large share of API revenues. Glenmark is also working on several additional generic molecules for launch across its less regulated markets and India. We expect the business to show a thirty per cent growth in the coming year on account of these measures.

What are the significant strengths of the Company?

Primarily, it is our commitment to our vision, responsiveness to the external environment and pace of change. One other strength lies in our ability to *manage* the change, evidenced in the rapidity with which we have made improvements to our business model.

Moreover, these strengths are not in any one individual but in the fabric of the firm. We have been able to build a very strong and committed top management team, scientific team and workforce with a strong delivery-bias. This team will help Glenmark rapidly achieve its long term objectives.



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