



Report



annual report

2007-2008



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Over **60%** growth in revenue...

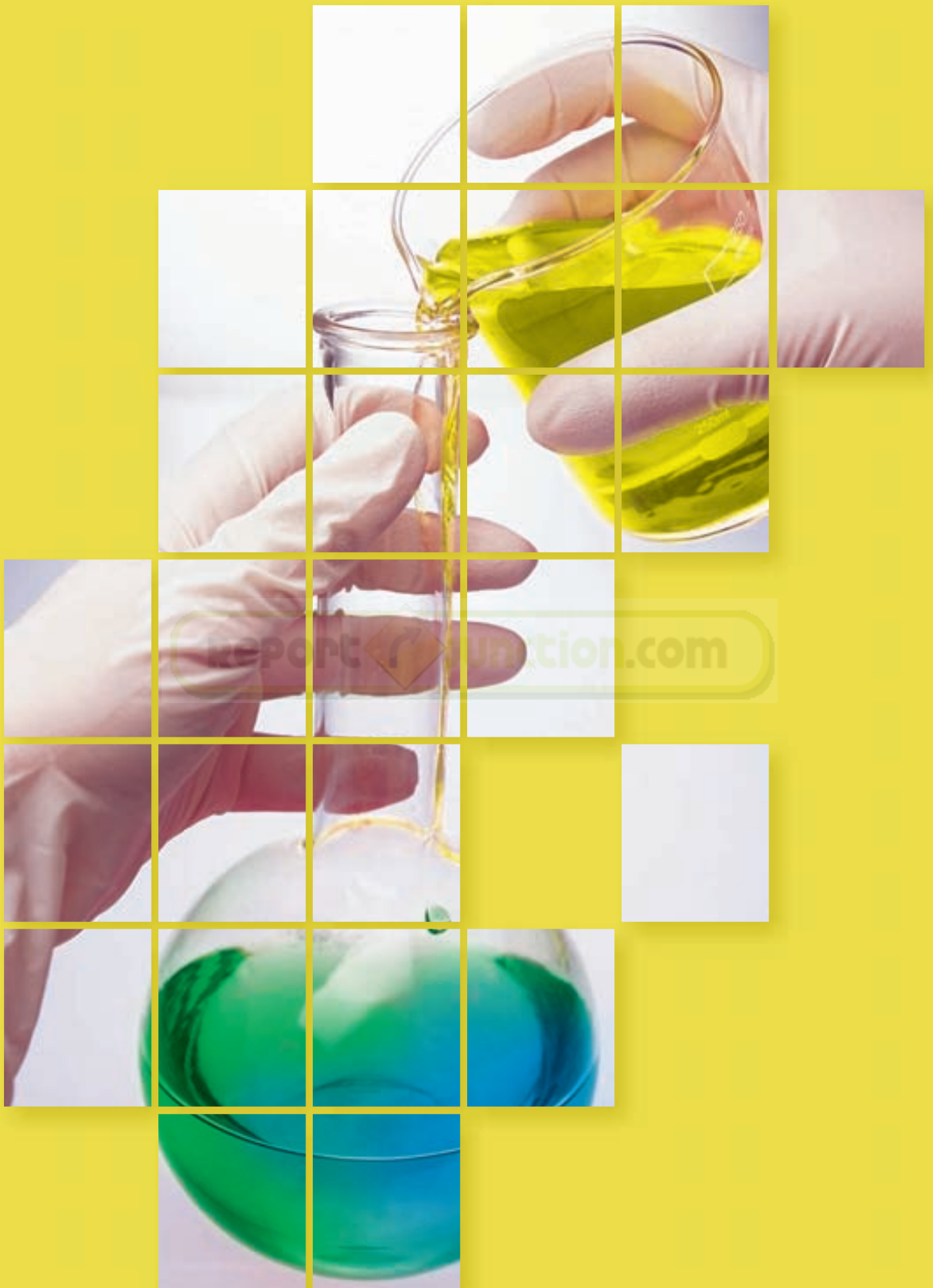
Operations in over **95** countries...

13 new molecules in 8 years...

Consistent **value** creation
for shareholders...

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Continuing the journey
of success on a
path less taken.





INDEX

PIONEERING TRANSFORMATION	4
Who we are	• Letter from the CEO 6
Where we are	• Key Financials 9
	• Glenmark Snapshot 10
	• Highlights 0708 & Objectives 0809 12
Where we are going	• The Re-organisation of Glenmark 14
ROBUST EXPANSION	16
Strategic Business Unit Analysis	18
• Specialty Business	18
>Rest of the world (RoW)	• Generics Business 22
- Asia Pacific	>North America / US
- India	>Europe / EU
- Africa & Middle East	>Oncology
- Russia & CIS	>Active Pharmaceutical Ingredients (API)
- Latin America	
>North America / US	
>Europe / EU	
FOCUSED INNOVATION	26
• Research & Development Overview	28
• New Chemical Entity (NCE) discovery at Glenmark	29
• New Biological Entity (NBE) discovery at Glenmark	31
• Intellectual Property Management (IPM)	33
FINANCIAL CONSOLIDATION	34
• Corporate Information	36
• Management Discussion & Analysis	37
• Risk Management	40
• Consolidated: Auditors' Report	41
• Consolidated: Financial Statements	42
• Profiles of Directors	61
• Director's Report	62
• Report on Corporate Governance	69
• Standalone: Auditors' Report	79
• Standalone: Financial Statements	82





PIONEERING TRANSFORMATION

every new idea is an
impossibility
until it is born

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“To excel, both as an innovator company and a generic player, it was essential to **re-align our resources** into separate but more competent business entities. The **re-organisation of Glenmark** into Specialty and Generic businesses is yet another instance of **pioneering transformation**, and it underlines the strength of our intent to become future leaders in both business domains.”

Mr. Glenn Saldanha
Managing Director & CEO



LETTER FROM THE CEO

Dear Shareholders,

We are witness to changing times in the Global pharmaceutical industry. The recent past bears testimony to this change, signaled by events such as Daiichi Sankyo's buyout bid of 34.8% stake in Ranbaxy Laboratories, India, as well as Sanofi-Aventis' bid for the Czech generic drug maker -Zentiva. These developments serve as a cue for a trend of consolidation across the globe, as Pharma majors increasingly recognize the significance of pursuing a twofold strategy – dual revenue channels from generic as well as patented products.

In the span of a decade, we foresee the course of the global industry bifurcating into 2 business models –

1. The Innovators: who will invest into high-end discovery programmes and earn a premium on proprietary molecules;
2. The Generic players: who will market copies of off-patent molecules thereby catering to markets where healthcare costs are a rising concern.

Inevitably all businesses following a 'branded generic' model will either have to transition up or down the value chain, towards being a focused innovator or a dedicated generic company. As we see it, any company aspiring to have a firm footing in both business models may find it imperative to avoid dilution of focus and would therefore create separate devoted groups to pursue the two business domains. This is because each of the business models requires specific focus in terms of strategy, growth imperatives, infrastructure and intellectual capital.

At Glenmark, we have been diligently working towards bringing our diverse businesses to a critical mass.

In the sphere of drug discovery, initiated in the year 2000, we have covered ground at a swift pace in both the areas of New Chemical Entity (NCE) and New Biological Entity (NBE) research. Today we are amongst the leaders in the drug discovery sphere in India and have a creditable pipeline of 13 molecules (NCE's & NBE's) – eight of which will be in clinical development this year. Of these, 4-5 will be in phase II, and the others in various stages of preclinical development and discovery. In our endeavour to establish marketing front ends primed for the NCE/NBE launches, we continued to expand our global footprint and entered several new markets over the last year taking the total close to 95. Glenmark established its first commercial foothold in Europe by acquiring Medicamenta a.s, Czech Republic in 2007. In the year 2008 we also established presence in Romania and Bulgaria, made inroads into Poland & are now focusing on Hungary and Turkey. In the Rest of the World (RoW) market, we initiated operations in Australia, China, Thailand & Egypt amongst other markets. All these moves only underline the strength of our intent to build a global, end to end proprietary business. At the current pace, we will be all set for our 1st innovative molecule launch by 2011-12, to be followed by other launches at a steady pace.

In parallel, we have been bolstering our generic business model, progressively adding markets, infrastructure and other imperatives needed to strengthen it. We currently market finished dose formulations in USA, Europe, and Argentina and Active Pharmaceutical Ingredients (API's) in over 80 countries. In the highly competitive North American market, we have moved rapidly from naught to 140 Mn USD in just over 3 years and have plans to grow the business to 200 Mn USD this year. Most of our launches have garnered over 20-25% market share while our pipeline in terms of ANDA filings gets stronger by the day. Having India as our backend for the generic business certainly serves as a significant advantage in terms of cost, infrastructure and intellectual capital, and we are well placed to leverage that.

As the key success factors for generic and proprietary businesses are significantly different, we realized that to be able to unlock the full potential of both the businesses, it was now essential to re-align our resources into separate but more efficient and competent business entities. The past year, the plan to promote sharper and equivalent focus on both our 'Branded Business' as well as the 'Generic Business' took shape, by re-organizing Glenmark into two separate, clearly directed entities – "Glenmark Pharmaceuticals Ltd" & "Glenmark Generics Ltd". This carefully orchestrated plan was put into action beginning April 01, 2008.

The Re-organisation of Glenmark, a first for an Indian company and a plucky move even by global Pharma standards, is definitely a path strewn with challenges. This is in principle similar to the model followed by Novartis, an innovator, which markets generic products through its subsidiary Sandoz. Glenmark, therefore, holds the distinction of probably being the first company globally to transform from a 'Branded Generics Business' to the twin models of - 'Proprietary Business' & 'Pure Generic Business'. The decision was tough, but well weighed. I believe that one can either step forward into growth or step back into safety, and we chose the former.

Glenmark Pharmaceuticals Ltd (GPL) aims to be a global, innovation-led proprietary business by building end to end capabilities from innovation to successful commercialization and brand building. In addition to the traditional branded generic marketing model followed in India and most ROW markets, GPL plans to expedite the acquisitions of marketing front ends in critical markets and keep them primed for proprietary molecule launches. GPL shall further its focus on Central & Eastern European (CEE) markets which are primarily branded in nature. The company shall also initiate entry into the specialty segment in the US, and is looking at suitable acquisition targets.

Glenmark Generics Ltd (GGL) will aim at end to end integration, scale and capabilities in pursuing a thriving generic business worldwide. Going forward, the company aims to strengthen its generics business in the US and EU markets, enter newer geographies and emerge as a preferred supplier of APIs globally.

Both the parent company GPL as well as GGL shall continue to create value effectively. At Glenmark, we have created value not only by the spiraling revenues/ earnings or asset base, but also by building the trust of stakeholders in our innovation, quality of research, intellectual capital and management capabilities. The phenomenal growth in our market capitalization has firmly entrenched us in the league of the top pharmaceutical companies in India.

In the past year we have sustained our rapid growth in all business areas. I believe that most of us in Glenmark are genuinely

Innovation has clearly set us apart from the rest of the branded generic players, and we will continue raising newer and better possibilities on the horizon of drug discovery.

excited about our work; excited to be in a company poised to break into the big league; and where there is passion for work, swift growth follows. Glenmark grew by 60.5% in revenues and 104% in PAT over Financial Year 2007. The generics business grew by 108.5% overall, while the specialty business grew by 39.7%. The robust growth in revenues and profit has been fuelled by several factors including entry into new markets, separate focus on generic and specialty business, as well as milestone payments received on out-licensing proprietary molecules.

Innovation remains at the core of Glenmark. I believe that it is Innovation that sifts a leader from mere followers. The beginning of the discovery programme in the year 2000 marked the first of many bold decisions that were to shape the future of Glenmark. We nurture excellent scientific talent at our research facilities at Navi Mumbai, India (NCE research), Canton of Neuchâtel, Switzerland (Biopharmaceutical Research) and Oxford, UK (Clinical Research).

We will, for now, stay with our strategy of carrying out world class research and outlicensing the molecules for further development to partners in US, EU and Japan. GRC 3886 (Oglemilast), our novel PDE4 inhibitor for Asthma and COPD entered further phase II trials in the US and this was followed by another milestone payment of USD 15 Mn from Forest Labs, our North American partner for Oglemilast. We also signed a strategic deal worth USD 350 Mn with Eli Lilly for developing and marketing GRC 6211, Glenmark's lead molecule for treatment of pain conditions, for North America, Europe and Japan. Meanwhile our candidate for Rheumatoid Arthritis, Inflammation and Multiple Sclerosis - GRC 4039, has entered Phase I trials and we expect to initiate Phase II trials by January 2009. We have also made significant headway in our biologics research with GBR 500, a monoclonal antibody for indications such as Multiple Sclerosis, COPD & Inflammatory Bowel Disease, completing its IND-enabling pre-clinical studies.

Innovation has clearly set us apart from the rest of the branded generic players, and we hope to continue raising newer and better possibilities on the horizon of drug discovery.

As a forward looking organisation, we recognize that people are our biggest asset, and undoubtedly the driving force behind the steep trajectory of Glenmark's growth is its excellent human capital. The commitment of people to their individual goals is critical to the realization of the larger corporate vision. This is why we strongly believe in attracting and retaining amongst the best talent in the industry and providing them a conducive and exciting environment for work. Each individual's enthusiasm for work and commitment to the corporate values of Achievement, Respect & Knowledge shape the credo of Glenmark.

In conclusion, we at Glenmark, will continue to think differently, work with passion and create immense value for each and every stakeholder of our organisation. No frontiers will remain beyond our reach.



Glenn Saldanha