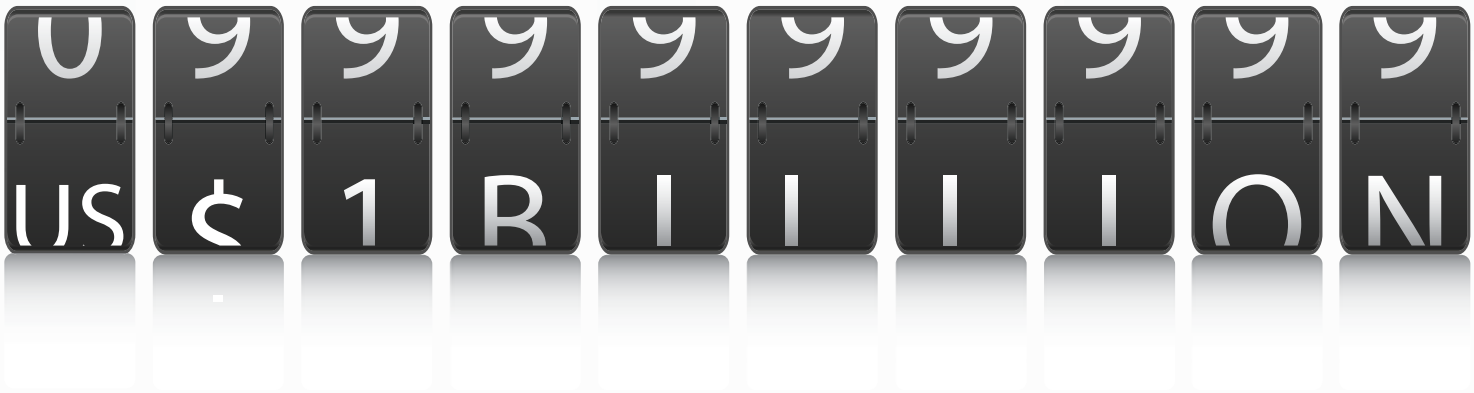
glenmark
A new way for a new world

A MILESTONE IN THE MAKING



ANNUAL REPORT | 2012-13

A tribute to our founder

Late Mr. Gracias Saldanha
(1938- 2012)

In all the world, we shall not find
A heart so loving and so kind
A soul so humble, so warm a smile
An inspiration, you made your life worthwhile
For everyone in everything - you did your best
May God grant you Eternal rest

A dream, a belief and one million rupees. Only a visionary like Mr. Gracias Saldanha could build one of India's leading pharmaceutical companies with nothing more than these.

On 18th November 1977, Mr. Saldanha established Glenmark with a staff of just three people. He built Glenmark brick by brick, juggling most of the responsibilities of the growing organization all alone. He was an innovator who came up with products that doctors and patients needed. His visionary thinking is echoed by the fact that today, even after over 3 decades, a number of brands he introduced are still leaders in their categories not only in India, but in several international markets.

Integrity, Knowledge, Respect and Trust were the pillars on which he built Glenmark. Today, the organization has indeed come a long way from its humble beginnings. From a small firm established in Mumbai, Glenmark is now ranked among the top 100 pharmaceutical companies of the world. But the seed of this phenomenal growth story lies in the values instilled by our founding father. And, it is these values which will help the company achieve greater heights going ahead.

Mr. Gracias Saldanha was a man of many achievements and virtues who led a truly inspirational life. In the eyes of the world, he was a visionary entrepreneur. But in the eyes of all who knew him, he was a great human being.

May his soul rest in eternal peace!

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A Milestone in the Making

Innovation

2004
1st out-licensing deal. Outlicenses to Forest Laboratories, Ogelmilast - a PDE4 Inhibitor for Asthma & COPD

2005
Collaborative agreement with Napo pharmaceuticals Inc. for its proprietary anti-diarrheal compound- Crofelemer

2005
Collaborative agreement on Oglemilast with Teijin Pharma for Japan

2006
Outlicensing deal with Merck KGaA for its diabetes molecule, Melogliptin

2007
Outlicenses GRC 6211 for potential treatment of pain to Eli Lily

2010
Discovers 'GRC 17536', a potential first-in-class NCE* globally - TRPA1 inhibitor for pain & respiratory disorders

Outlicenses GRC 15300 – a first-in-class TRPV3 antagonist for treatment of pain to Sanofi

2011
1st NBE out-licensing deal for GBR 500 - a Novel Monoclonal Antibody to Sanofi for Crohn's Disease & other anti-inflammatory conditions

2012
Option Agreement with Forest Laboratories for Worldwide Collaboration on Novel Agents to treat Chronic Inflammatory Conditions

2013
USFDA approves Crofelemer 125mg delayed release tablets for the symptomatic relief for HIV related diarrhea paving the way for the first NCE (New Chemical Entity) launch by an Indian company across multiple geographies

*Novel Chemical Entity
** Novel Biologics entity

Manufacturing facilities

2000
Initial Public Offer - lists on the BSE and NSE in India

2002
Acquires API manufacturing facility at Ankleshwar, Gujarat from GlaxoSmithKline Pharmaceuticals Ltd.

2004
Formulations manufacturing plant at Goa built to US FDA specifications for exports

Acquires Laboratorios Klinger & its ANVISA approved manufacturing facility in Brazil

2005
Commissions a new manufacturing facility at Baddi, Himachal Pradesh India

2009
Commissions Nalagarh manufacturing facility

2011
Oncology facility in Argentina inaugurated by Minister of Industry, Argentina and Minister of State for Commerce & Industry, India

2012
Commissions its Formulations manufacturing facility in Sikkim, India

Glenmark has 13 manufacturing facilities, world over, which are approved by various regulatory bodies such as the US-FDA, UK-MHRA, WHO-GMP, Canadian TPD, South African MCC and ANVISA of Brazil

US $ 1 Bn

R&D centres

1999
R&D facility commissioned at Sinnar, Maharashtra for formulations development

2000
Set up the first NCE R&D centre at Navi Mumbai, India

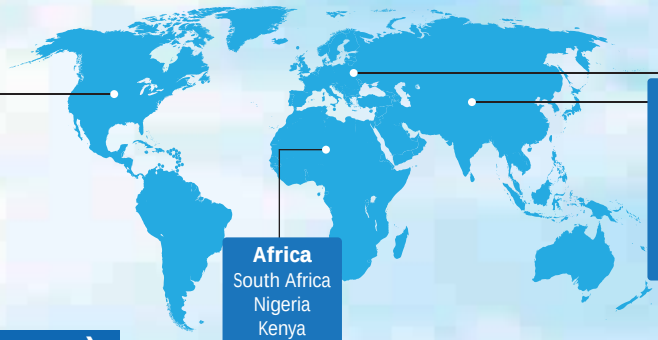
2006
Commissions India's first R&D centre for NBE research in Switzerland

2008
Establishes its first clinical R&D centre in United Kingdom

2009
Commisions first exclusive R&D centre in Taloja, Maharashtra for developed markets

Sales/ Marketing Presence across geographies

America
US
Brazil
Venezuela
Peru
Mexico
Ecuador
Caribbean



Africa
South Africa
Nigeria
Kenya
Egypt

Asia
India
Malaysia
Phillippines
Vietnam
Thailand
UAE
Kazakhstan

Europe
UK
Russia
Czech Republic
Slovakia
Poland
Romania
Netherlands
Germany
Ukraine

Recognitions (last 5 years)

2008
SCRIP crowns Glenmark as 'Best Pharma Company in the World – SME' & 'Best Company in Emerging Markets'

2009
Won Thomson Reuters Innovation Award for 'India's Most Innovative SME in Life Sciences'

2010
Recognized as 'Indian Innovator Pharmaceutical Company of the Year' by Frost and Sullivan

2011
Glenmark wins two SCRIP Awards – 'Best Company in Emerging Markets' and 'Best Overall Pipeline'

2012
Glenmark is one of the 'Top 100 Pharma and Biotech Companies in the World'

Ranks among the 'Top 5 Fastest Growing Generics Companies in the World'

US $ 1 Bn

Chairman's Letter

The skills and capabilities that we have built in the innovation business are helping us leverage our intrinsic wealth of knowledge and formulate complex generics which can be launched in emerging and regulated markets. The regulatory expertise that we have built over the years in the NCE/NBE space will enable us file more differentiated products across emerging markets.

Glenn Saldanha
Chairman & MD

Dear Shareholder,

Your organization is set to achieve a momentous milestone. We will reach a billion dollars in sales shortly as we have crossed the ` 5000 crore mark during the year under review. You may recall that as recently as a decade ago, our revenue was only around ` 260 crores (USD 53 million). This just indicates the progress your organization has made in a short period of time. More importantly, our revenue base is now strategically diversified and hence our business not only has the breadth but we also have multiple growth drivers where we would leverage our investments in the years ahead.

I would like to emphasize here that Glenmark has consciously chosen "the path less traveled" - the more challenging route – to transform the business by focusing on innovation very early. The traditional approach across companies in emerging markets has been built on a cost-based model while starting the business and thereafter transitioning up the value chain. Your organization, however, took a bold step and chose the path of innovation first and then subsequently looked at other opportunities down the value chain. This is a high risk strategy for a mid-size organization that doesn't have the security blanket of unlimited funds and resources. However, we believed that if we stick to our strategy and follow through with efficient execution, then the rewards would be promising. Retrospectively, our strategy has paid off. By taking the innovation path early on, we have built enormous capabilities and competencies that we are now able to leverage across our businesses. The innovation business has achieved credible success in the pharmaceutical world and today clearly we have not seen many companies in the world monetise their their own intellectual property in the area of drug discovery.

The other advantage is that the organization model is shaped in a way that we can only progress and growth can be continuous. The skills and capabilities that we have built in the innovation business are helping us leverage our intrinsic wealth of knowledge and formulate complex generics which can be launched in emerging and regulated markets. The regulatory expertise that we have built over the years in the NCE / NBE space will enable us file more differentiated products across emerging markets.

In contrast, we have seen that organizations going up the value chain from a cost based model to an innovation based model are

finding it extremely challenging and difficult. The risks in the short term for the cost based business model may be less but the skills and competencies that you build are very limited and as a result transitioning to an innovation company would be fraught with numerous challenges. So, when we look at our organization and where we are today in comparison with the industry, we know that our strategy has been validated. With now, our base business achieving significant size, our business model will only help us remain on this path of high growth.

"I would like to emphasize here that Glenmark has consciously chosen "the path less traveled" - the more challenging route – to transform the business by focusing on innovation very early."

However, we cannot afford to be complacent. In the aftermath of the debt crisis, the economic and business milieu across the world continues to be challenging. In addition, the regulatory environment across markets is dynamic and evolving. We are witnessing a new set of regulations and guidelines across all emerging markets including India. In the short to medium term run, these changes will create significant delays in new products approvals which is the lifeline of the industry. The pricing dynamics across emerging markets is constantly in a flux. High healthcare cost is putting pressure on economies like Brazil, Russia and India. Further every government around the world would like to protect its own local industry and is also seeking localized investments. Further a number of regulators in the emerging economies are moving towards adopting standards of the USFDA and Europe. While in the long run this is beneficial for the citizens, the present scenario is of confusion and chaos as processes, systems and resources will be needed, as these economies transition to the more evolved regulatory standards. Simultaneously, the developed markets are also getting more challenging. The number of companies targeting the U.S are increasing every year. In addition, in the U.S market we are seeing consolidation of the channel which will create enormous pricing pressure.

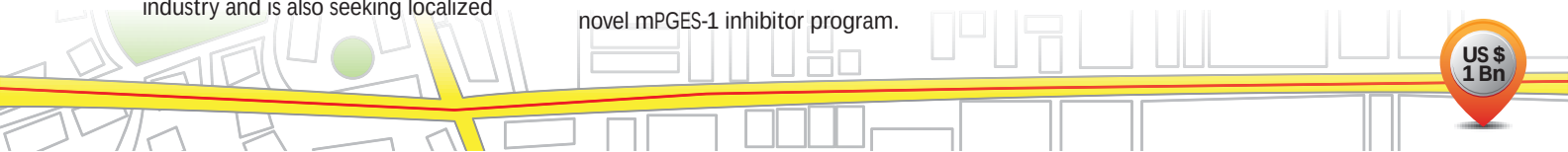
On the innovation side, more MNCs are risk averse and are looking at validated targets with proof of concept data which means additional investments for companies focusing on early stage discovery. Most MNCs are cutting back on their early stage discovery and focusing on generic/emerging markets. In the area of drug discovery and development, biologic assets have more value in today's world than NCEs.

Despite all these challenges, your company has persevered and progressed. In the last financial year, we spoke about how your organization has created a strong foundation for continued growth. We have always wanted to achieve size so that we can derive economies of scale and also power ourselves further. This year, I am glad to inform you that we have crossed the ` 5000 crores (` 50,000 million) and are nearing a USD billion mark. Not only have we done very well in the specialty and the generics business, but the innovation pipeline has also progressed further. And during the year under review we concluded an option agreement with Forest laboratories for our novel mPGES-1 inhibitor program.

"On the drug discovery side, we achieved another milestone when we entered into an option agreement with Forest Laboratories, USA on collaboration for the development of novel mPGES-1 inhibitors"

For the year under review, we recorded sales growth excluding out-licensing income of 28%. During the year under review, the India, ROW including Russia, US, Western Europe and API performed exceptionally well. With all the three regions i.e. India, ROW and US which contribute around 75% of the overall revenue performing well recording growth in excess of 30% respectively.

On the drug discovery side, we achieved another milestone when we entered into an option agreement with Forest Laboratories, USA for collaboration of the development of novel mPGES-1 inhibitors to treat chronic inflammatory conditions, including pain. Glenmark has received USD 9 million and Forest will make another future payment in FY 2014 to support the advancement of the ongoing program. Besides this, our partner Salix Pharmaceuticals received USFDA approval for the launch of Crofelemer in the USA. This approval is significant as it will pave the way for our launch in emerging markets. The regulatory filing in some of these emerging markets has commenced and we are targeting to launch Crofelemer



in next couple of years. This will be the first NCE launch by Glenmark across multiple geographies. In the current financial year i.e. FY 2014, we have three data points coming from GBR 500, GRC 15300 and the mpges-1 inhibitor program.

On the other hand, the Revamilast – Rheumatoid arthritis study did not meet the primary endpoint and thus we took a strategic decision to terminate the program. The asthma program is ongoing but, as is often the case in drug discovery, our quest for the perfect molecule is proving to be elusive. At such junctures, we have to take hard decisions such as terminating programs like we have done in the case of Revamilast. The drug discovery business is tough but we still strongly believe that this is the only way to transform the business and thus truly build a global pharmaceutical organization. Even after this result, it is clearly evident that we have been by far the most successful company across emerging markets which managed to out-license their own intellectual property and create a business model out of drug discovery. Even till date, we have spent less than what we have earned in this area. Going ahead, our model remains the same where we will pick targets and molecules which are licensable and take them to early human trials or POC and then look at partnering these molecules.

Once again in this financial year, we have improved our balance sheet. The net working capital in number of days has reduced. This is a significant improvement considering that we are spread across many geographies and sales growth has been strong. The Net debt: EBITDA and Net debt: equity ratio has shown improvement, another good indicator on how we have strengthened the balance sheet. The base bussiness generated free cash once again and will continue to make an effort to reduce the Net Debt : EBITDA ratio year on year. With limited capital expenditure and no significant acquisition plans, we expect the balance sheet to strengthen every year.

“The US market remains one of the most critical markets for us and we continue to invest significant resources to bolster that business. The Russia and the LatAm region has also witnessed increased investments particularly in filing differentiated products as these products are not only tough to formulate but the filing for these products is expensive as compared to general immediate release products.”

Summing up, I would say that the business is well positioned. Each of the individual business is built in a way that we are not geography or product dependant. We have achieved critical mass in a number of our operating geographies and we are well positioned to capture growth in these markets. The US market remains one of the most critical markets for us and we continue to invest significant resources to bolster that business. The Russia and the LatAm region has also witnessed increased investments particularly in filing differentiated products as these products are not only tough to formulate but the filing for these products is expensive as compared to general immediate release products. We believe that only a differentiated product portfolio across markets, whether emerging markets or developed markets, will improve patient compliance and treatment will enable us add enormous value to the organization. Looking ahead, I am confident that your organization will make greater strides in much lesser time. I believe that the next billion dollar leap is not too far into the future. We have our fundamentals in place – a presence in key geographies, a diverse product portfolio, a sound R&D programme and an able & dedicated team. These will be our drivers for sustained growth in the coming years. We will continue to grow our sales revenue by bringing more innovative products to market, maximizing our portfolio and expanding our presence across the world.

Your company’s Founder and Chairman Emeritus, Late Mr. Gracias Saldanha, had an abiding belief that Glenmark would grow from strength to strength. This is a belief that many of our shareholders have shared over the years. As we move forward, I would like to thank you for your support. I would also like to emphasize that we remain steadfast in our commitment to making Glenmark one of the leading global innovation led pharmaceutical organisations and with your support I look forward to another successful year with many more milestones

Regards,

Glenn Saldanha
Chairman & MD

Board of Directors

Mr. Glenn Saldanha
Chairman & Managing Director

Mrs. Cherylann Pinto
Director - Corporate Affairs

Mr. Rajesh Desai
Executive Director & CFO

Mrs. B. E. Saldanha
Non-Executive Director

Mr. D. R. Mehta
Non-Executive Director

Ex Deputy Governor, Reserve Bank of India and Ex Chairman, Securities and Exchange Board of India, he has over 4 decades of rich experience in civil services.

Mr. Bernard Munos
Non-Executive Director

The Founder, InnoThink Center for Research in Biomedical Innovation served Eli Lilly and Company, USA as Advisor - Corporate Strategy. He has presented his findings at numerous meetings sponsored by academies, foundations and universities in the US and Europe.

Mr. J. F. Ribeiro
Non-Executive Director

A retired Government Officer, he has served the country under various assignments like Commissioner of Police, Mumbai and Special Secretary to Government of India, Ministry of Home Affairs.

Dr. Brian W. Tempest
Non-Executive Director

A CSCI, CCHEM, FRSC, BSC, PHD, he has worked in the Pharmaceutical Industry for the last 40 years and managed healthcare businesses across numerous regions. He is a Fellow of the Royal Society of Chemistry and a Fellow of the Royal Society of Medicine.

Mr. Sridhar Gorthi
Non-Executive Director

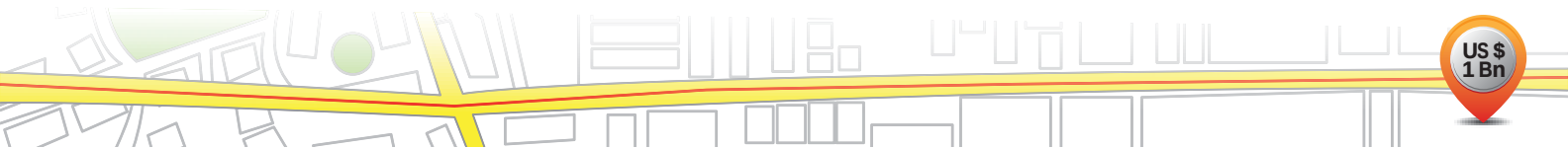
Presently a partner at Trilegal, he has been involved in legal advisory services to various multinational and domestic corporations on restructuring, debt finance, joint ventures, acquisition/mergers etc.

Mr. Hocine Sidi Said
Non-Executive Director

Founder & Director, Bio-nAbler - an investment company, he has over two decades of experience in global pharma industry having been associated with companies like Pfizer and UCB.

Mr. N. B. Desai
Non-Executive Director

Founder of Equitorial Bank PLC, UK, he has rich experience of over four decades in the Banking sector globally, having assumed leadership positions like Chairman, Bank of Baroda Uganda Ltd.

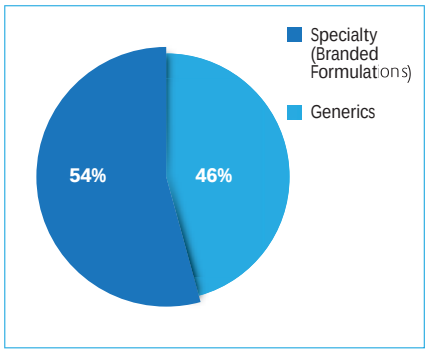


Key Financials

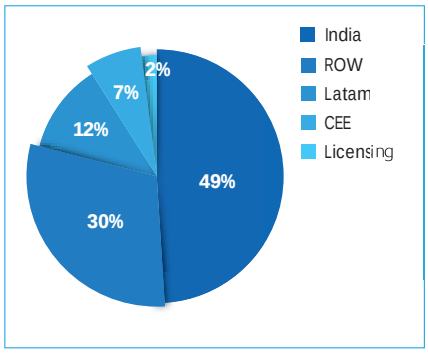
Consolidated Financial Highlights (In INR Mn, unless otherwise stated)	2012-13	2011-12	2010-11	2009-10	2008-09
Total Revenue	50,188.27	40,299.04	30,895.88	25,496.10	22,900.45
Earning before Depreciation, Finance cost, and Tax expenses [EBDIT]	10,164.73	7,236.24	7,327.89	6,685.29	6,289.95
Depreciation and Amortisation	1,270.09	978.78	946.78	1,206.10	1,026.83
Profit for the year	6,230.00	4,643.07	4,578.33	3,310.32	1,934.73
Equity dividend%	200%	200%	40%	40%	40%
Equity Share Capital	270.85	270.53	270.27	269.84	250.52
Reserve and Surplus	27,359.40	23,745.77	20,102.10	23,282.49	15,731.04
Net Worth	27,630.25	24,016.30	20,372.37	23,552.33	15,981.56
Total Debt	27,648.69	22,445.01	21,084.62	18,693.91	20,943.47
Gross Fixed Assets	32,968.40	28,384.24	24,685.23	27,763.12	23,839.86
Net Fixed Assets	27,682.09	24,247.59	21,517.50	23,880.78	21,116.52
Total Assets	71,710.03	58,834.27	50,977.77	43,651.32	37,525.84
Market Capitalisation	125,283.36	83,230.25	76,649.15	71,844.25	39,532.02
Closing market price as on 31 March	462.55	307.65	283.60	266.25	157.80
Key Indicators					
Earning Per Share (`)	22.71	17.03	16.78	12.40	7.70
Debt : Equity ratio	1.00	0.93	1.03	0.79	1.31
Return on Equity [PAT / Net Worth]	22.55%	19.33%	22.47%	14.06%	12.11%

Note: It must be noted that the financial information for FY 11 onwards has been prepared under International Financial Reporting Standards (IFRS), where as prior years' financial information have been prepared under Indian Generally Accepted Accounting Principles (I-GAAP); accordingly FY 11-13 information is not strictly comparable with prior years' information.

Revenue Split



Speciality Business
Geography Split



Generics Business
Geography Split