Glenmark Pharmaceuticals Ltd

Management Discussion and Analysis for the Financial Year 2010 - 11

Revenue Figures – Consolidated

[Rs. in millions]

	Year Ended 31 March 2011		
	2010-11	**2009-10**	**Growth %**
Speciality Business			
India	8,446.88	7,528.62	12%
Rest of the World (ROW)	4,069.66	3,863.67	5%
Latin America	1,918.86	1,360.90	41%
Europe	1,527.65	1,362.75	12%
Total	**15,963.05**	**14,115.94**	**13%**
Out-Licensing Revenue	895.10	232.40	285%
Total Speciality Business	**16,858.15**	**14,348.34**	**17%**
Generics Business			
US	8,351.56	7,230.45	16%
Europe	543.61	299.38	82%
Latin America	400.88	343.02	17%
API	3,336.50	2,627.28	27%
Total Generics Business	**12,632.55**	**10,500.13**	**20%**
Consolidated Revenue	**29,490.70**	**24,848.47**	**19%**

Average conversion rate in FY 2010-11 considered is Rs. 45.90 / USD 1.00
Average conversion rate in FY 2009-10 considered is Rs. 47.74/ USD 1.00

USD figures are only indicative

Review of Operations for the Financial Year 2010-11

Note: Financials for FY 2010-11 have been published under International Financial Reporting Standards ("IFRS"). Consequently, prior year numbers, which are published under Indian Generally Accepted Accounting Principles (I-GAAP), are only indicative and may not be comparable with FY2010-11 numbers. [Note: As part of the transition to IFRS, sales reported for FY 2010-11 do not include VAT/other taxes while the previous year sales numbers are inclusive of VAT/other taxes.]

For the Financial Year 2010-11, Glenmark's consolidated revenue was at Rs. 29,490.70 Mn [USD 642.48 Mn] as against Rs. 24,848.47 Mn [USD 520.45 Mn], an increase of 19%. Revenue from the generics business was at Rs. 12,632.55 Mn (USD 275.21 Mn), as against Rs. 10,500.13 Mn (USD 219.92 Mn), a growth of 20%. The Speciality formulation business revenue was at Rs. 16,858.15 Mn (USD 367.27 Mn) as against Rs. 14,348.34 Mn (USD 300.52 Mn) for the corresponding previous year, registering a growth of 17%.

Specialty Business:

ROW Markets: India, Africa, Asia, CIS & Latin America region

India

Sales for the formulation business in India increased to Rs. 8,446.88 Mn [USD 184.02 Mn] for the financial year as compared to Rs. 7,528.62 Mn [USD 157.69 Mn] in the previous corresponding year, recording a growth of 12%.

The company has registered value growth of 23.9% vis-à-vis that of the industry growth which was 15.3% [ORG: Apr '10 to Mar'11]

The India business consolidated its presence in the following therapeutic segments with growth in market share as per ORG Jan-Mar 10' v/s Jan-Mar 11' respectively. Anti-infective market share increased from 1.25% to 1.32%; Cardiac – market share increased from 2.09% to 2.41%, Respiratory market share increased from 2.18% to 2.92%,

Pain/Analgesic – market share increased from 0.99% to 1.02%, Gynaecology – market share increased from .13% to 1.21% and Dermatology was at a market share of 8.11%.

During the quarter, the IF business launched three new products. Two products were launched to strengthen our presence in the psoriasis therapy segment - SORVATE (Calcitriol 3 mcg/g) and SORVATE-C (Calcitriol 3mcg/g + Clobetasol Propionate 0.05%) SORVATE-C was a first-in-India launch with this combination. Glenmark also made an entry into the fast growing moisturiser segment by launching "Ureativ".

Africa, Asia and CIS Region

For the entire financial year, revenue from Africa, Asia and CIS region was Rs. 4,069.66 Mn [USD 88.66 Mn] as against Rs. 3,863.67 Mn [USD 80.92 Mn] for the previous corresponding year, recording an increase of 5%. The lower reported growth is mainly on account of a high base effect of the previous year.

In the region, Glenmark filed 100 product dossiers during the quarter and received 81 product approvals.

Russia/CIS Region

During the entire financial year there was high focus on improving operational efficiency at all levels which resulted in solid secondary sales growth, higher profitability and higher positive net cash flow for the Russian operations. In the fourth quarter Russia has shown a secondary sales growth of 90%. This significant increase in sales is backed by effective sales force activities and good growth in power brands. The new product - Glencet, launched at the end of Q3 FY'2011 is gaining momentum and has shown a positive trend.

According to the latest Pharmexpert data (March 2011) the company has registered a value growth of 31.83 % vis-à-vis that of the industry 6.46% (on a MAT basis). We are the fastest growing Indian company and Glenmark is now ranked 62 among the pharmaceutical companies in the country, gaining 11 ranks vis-à-vis March 2010.

The market share across dermatology segment increased from 1.18 % to 1.56 %. Glenmark's rank in the dermatology segment has gone up to 18 (MAT March 2011) gaining 6 ranks vis-à-vis March 2011 (on a MAT basis).

In the other CIS markets, Ukraine, Kazakhstan and Uzbekistan are continuing to show positive trend in secondary sales. We are in the process of appointing national distributors in all these countries which will ensure wider and faster availability of all our products and strengthen secondary sales for the units.

Africa/Middle East

For the last quarter of the financial year, the Middle East and African region recorded robust growth of 42%, backed by strong growth in key markets of South Africa (32%), Kenya (64%), Sudan (139%) & Yemen (138%). In Q4, the countries of Sudan & Mauritius recorded the highest secondary sales growth in the year. In spite of the political unrest across North Africa there was consistent secondary brand off take for our Power & Focus brands like Ascoril, Relcer & the Candid Range all registering double digit secondary sales growths.

Asia

The Asia region continued to perform well with a strong focus on marketing activities which was the main driver for 40% increase in secondary off-take over the corresponding period last year. The strategy of power and focus brands has led to key brands driving the growth of the business in Asia. The major countries like Malaysia, Vietnam and Philippines have registered their highest secondary sales growth. Three new registrations were obtained in Malaysia, Vietnam and Philippines which will be the key brands and growth drivers for 11-12

Latin America

Glenmark's revenue from its Latin American and Caribbean operations was at Rs. 1,918.86 Mn [USD 41.80 Mn] for FY 2010 – 11 as against Rs. 1,360.90 Mn [USD 28.50 Mn] a growth of 41%.

In the region, Glenmark filed 29 product dossiers during the quarter and received 22 product approvals.

Europe

Glenmark Europe's operations revenue for the entire financial year was Rs. 1,527.65 Mn [USD 33.28 Mn] as compared to Rs. 1,362.75 Mn [USD 28.54 Mn] for the previous corresponding financial year, an increase of 12%. During the quarter, Glenmark successfully launched cardio products "Atorvastatin" in Romania. In addition, Glenmark launched CNS product "Escitalopram" in Poland.

Research & Development

The company has a pipeline of 5 NCE and NBE molecules in clinical trials including the in-licensed molecule "Crofelemer".

Crofelemer

Glenmark's in-licensed molecule Crofelemer - for multiple diarrhoeal conditions including HIV associated diarrhoea, acute adult and paediatric diarrhoea - successfully completed Phase 3 clinical testing for HIV associated diarrhoea. The trial was conducted by Salix Pharmaceuticals Inc. in the USA. Glenmark also recently announced the successful completion of a proof of concept, phase II study in adult acute diarrhoea in India. Glenmark is further working on a developmental and regulatory strategy towards obtaining approvals in Glenmark territories. This could be the first innovative product launch for Glenmark across 140 countries where it has exclusive marketing and distribution rights. Peak sales from ROW markets are estimated to be around $80 million for HIV associated diarrhoea.

GRC 15300

GRC 15300 Neuropathic pain, Osteoarthritic pain and other inflammatory pain conditions is undergoing Phase 1 trials in the UK. Globally, this is the only reported TRPV3 specific antagonist molecule to enter clinical trials. The Phase 1 study has completed dosing of the single dose, food effect and multiple dose parts. Good oral availability and no safety concerns support further clinical development. A development and commercialisation license for GRC 15300 has been granted to Sanofi-Aventis. PhIIa proof of concept study in neuropathic pain is planned to be initiated in Q3 Financial Year 2011-2012.

Revamilast (GRC 4039)

Glenmark's other potent PDE4 inhibitor, Revamilast (GRC 4039); a candidate for a variety of respiratory and inflammatory disorders is progressing well in the clinics. Glenmark has obtained MHRA approval for conducting Phase IIb trials for Revamilast in Asthma and Rheumatoid Arthritis in UK, and is awaiting approval from DCGI, India & other regulatory bodies to commence multi-centric Phase IIb studies. These Phase IIb studies that will be carried out will determine the efficacy and safety of the molecule and will also provide dose range finding for Revamilast.

GRC 17536

GRC 17536, a TRPA1 antagonist, has proven highly efficacious in treating inflammatory and neuropathic pain in animal models. In addition, when tested in an in-vivo model of asthma, it showed promising effect on airway inflammation, bronchoconstriction and cough. GRC 17536 has showed good safety in the Phase 1 enabling GLP safety pharmacology and toxicology studies performed. Glenmark has initiated Phase 1 study in the Netherlands and initial dose has been well tolerated with showed expected pharmaco-kinetic profile. Glenmark plans to complete Phase I trials and initiate Phase II filing for proof-of-concept in respiratory and pain indications in FY 2011-12.

Novel Biologics Entity (NBE)

Vatelizumab (GBR 500):

GBR 500, a monoclonal antibody, is an antagonist of the VLA-2 (alpha2-beta1) integrin. It has the potential to be a broadly applicable anti-inflammatory compound in diseases like Crohn's disease (CD) and Multiple Sclerosis. It is a "first in class" monoclonal antibody therapeutic with this target and has established proof of concept in animals. Phase I studies for GBR 500 have been completed in the US. We are planning to file for a proof-of-concept trial in Crohn's disease (CD) and Multiple Sclerosis in the first quarter of FY12.

GBR 401:

GBR 401, an anti-CD19 antibody, is currently under development for the target indications of B cell leukemias/lymphomas. The target CD19 is present on all B cells and

shows up early during haematopoiesis. CD19 is more broadly expressed than CD20, hence providing potential to be used for patients with CD20 negative B cell tumours. GBR 401 is a human specific antibody that has shown good in vitro and in vivo properties. Glenmark will file for Phase I trials in Q4 FY 2011-12

GBR 900:

Glenmark licensed from Lay Line Genomics, Italy, exclusive intellectual property rights for monoclonal antibodies against the neuronal growth factor receptor TrkA. TrkA is part of the NGF-TrkA axis, a validated and novel pain receptor system for treatment of chronic pain. Pre-clinical research on the GBR 900 project is being carried out at Glenmark's Biologics Research (GBR) centre at La Chaux-de-Fonds, Switzerland and is progressing well.

GBR 600:

GBR 600, an anti-platelet monoclonal antibody, has shown good results in pre-clinical testing and has received approval from MHRA, UK to commence Phase I studies.

Generics Business:

USA Formulations

Glenmark Generics Inc., U.S.A. registered revenue from sale of finished dosage formulations of Rs. 8,351.56 Mn (USD 181.95 Mn) for FY'11 against revenue of Rs. 7,230.45 Mn (USD 151.44 Mn), an increase of 16% in Rs. term over the previous year.

This was a good year for Glenmark as we received the highest number of final ANDA approvals in the 2010 calendar year from the United States Food and Drug Administration (U.S. FDA) amongst all India-based manufacturers. Glenmark was also the only India-based generic company to receive final approval and launch a portfolio of oral contraceptive products in the U.S. market.

The Company was granted 22 Abbreviated New Drug Applications (ANDA) approvals in FY 2011, comprised of 18 final and 4 tentative approvals. During the fourth quarter, Glenmark was granted final approval by the U.S. FDA for four ANDAs including

atovaquone/proguanil tablets, levocetirizine tablets, lithium carbonate extended-release tablets and norethindrone/ethinylestradiol tablets.

Glenmark launched a total of 25 products during fiscal year 2011 comprised of a mix of immediate release tablets, extended release tablets, oral-contraceptives, semi-solid and controlled substance items.

During the fourth quarter, the Company filed 6 ANDA's with the FDA, increasing the total number of filings to 13 for the fiscal year. GGL plans to file another 20 ANDAs in the FY 11-12

Glenmark's marketing portfolio through March 31, 2011 consists of 67 generic products authorized for distribution in the U.S. market. The Company currently has 41 applications pending in various stages of the approval process with the US FDA. Also, the Company has 14 Para IV applications pending approval of which Glenmark is the sole first-to-file for four products.

During the first half of the fiscal year, Glenmark announced three settlements involving paragraph IV filings for atovaquone/proguanil tablets, ezetimibe tablets and eszopiclone tablets as follows:

Under the terms of the settlement agreement regarding atovaquone/proguanil tablets, Glenmark will be able to market and distribute its atovaquone / proguanil 250mg/100mg tablets, their generic version of Malarone® tablets under a royalty-bearing license from GSK in the 3rd quarter of calendar year 2011, or earlier under certain circumstances. Glenmark believes that it is entitled to 180 days of exclusivity as the first generic to file an ANDA for the product.

Glenmark will be able to launch ezetimibe, their generic version of ZETIA® on December 12, 2016 or earlier under certain circumstances, ahead of the April 25, 2017 expiration of Merck's patent exclusivity for ZETIA. Glenmark believes that it is entitled to 180 days of exclusivity as the first generic to file an ANDA for the product.

Based on the terms of the settlement and license agreement for eszopiclone tablets, and upon approval, Glenmark would be permitted to launch its generic product on the later of November 30, 2013, or May 30, 2014 if Sepracor obtains paediatric exclusivity for

Lunesta®. The settlement and license agreement and Consent Judgment and Order also would permit Glenmark to launch its generic product earlier under certain circumstances.

The summary of Glenmark's Paragraph IV ANDA filings sole exclusivity is shown below:

Product	*Brand Name*	*Plaintiff*	*Sales*	*Litigation Status*	*Approval Status*
Ezetimibe	Zetia	Schering Plough	USD 1.3Bn	Case Settled	Tentative Approval Received
Fluticasone Lotion 0.005%	Cutivate	Nycomed	USD 48Mn	Case Settled	Final
Atovaquone + Proguanil Hcl	Malarone	Glaxo-Smithkline	USD 65 Mn	Case Settled	Final
Hydrocortisone Butyrate Cream	Locoid Lipocream	Triax and Astellas	USD 38 Mn	Pending	Awaited

*Sales are IMS for FY ending Dec 2010

EU Formulations

The European business continued to grow through a mix of Product sales and licensing revenue. During the quarter, the UK business expanded its coverage of the market by adding several new important accounts across the wholesaling and retail channels and also launched two more products in this quarter.

The out-licensing business successfully signed two more deals for licensing out and supply of products in various EU markets and we also signed several deals for in-licensing products to be launched in the UK market.

During the quarter, GGEL was granted five Marketing authorizations in different markets and we filed MA Application for two products across several EU markets through the DCP procedure route.

As part of the strategy to expand the geographic footprint in Europe, the year saw the creation of two new subsidiaries, one in Netherlands and one in Germany. Glenmark won

tenders for four products in the Netherlands and launched these on the Dutch market through contracts with several Health insurance companies. Glenmark laid the groundwork in order to procure local regulatory approvals for launching products in Germany in the next FY. Glenmark will actively target tender business in Germany while also promoting a few niche products through a non-tender route as part of its strategy to grow the business in Germany. The out-licensing business made progress through the culmination of several new deals with Pan European and local generic companies across the European markets and through these deals, Glenmark currently supplies products to clients operating in 16 countries across Europe.

Glenmark in-licensed six new products and these are expected to be available for sales in UK for next financial year. On the regulatory front, the company procured approval for its DCP procedures for Atovaquone-Proguanil and Mometasone cream and also submitted applications for Marketing authorizations through the DCP route for Desloratadine and Zolmitriptan ODT.

Revenues for the full year of FY11 were Rs. 543.61 Mn (USD 11.84 Mn) against revenue of Rs. 299.38 Mn (USD 6.27 Mn), an increase of 82%, in Rs. term, over the previous year.

Oncology

During the quarter, the oncology business based out of Argentina launched six new products. Glenmark's revenue from the Argentina operations was Rs. 400.88 Mn [USD 8.73 Mn] in 2010-11 as against Rs. 343.02 Mn [USD 7.18 Mn] for the previous year, an increase of 17%.

During Q4, Glenmark received the approval to manufacture ETOPOSIDO 100MG in the new plant, taking the total to 12 products for the full year.

The new plant kick-started operations and garnered approvals from ANMAT Argentina as well as MERCOSUR authorities.

Active Pharmaceutical Ingredients [API]

The API business continued its market leadership in Perindopril, Lercanidipine, Telmisartan, and Amiodarone combined with launches of four new products during the year viz. Adapalene, Prasugrel, Sitagliptin, and Bisoprolol.

During the year, Glenmark was awarded Perindopril annual tender in Malaysia and also received first product registration in Russia. Six US DMFs were filed during the year, including Choline Finofibrate in Q4, and new APIs seeded for Regulated Markets ANDAs – Esomeprazole Mg, Palonosetron, and Lercanidipine.

For the full year of FY11 revenues were Rs. 3,336.50 Mn [USD 72.69 Mn] against Rs. 2,627.28 Mn [USD 55.03 Mn] for the previous year, recording an increase of 27% in Rs. term.

Disclaimer

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