Glenmark Pharmaceuticals Ltd

Management Discussion and Analysis for the Third quarter of the Financial Year 2010 - 11 Ended 31st December 2010

Revenue Figures – Consolidated

[Rs. in millions]

	Q3			Nine months ended Dec 31		
	2010-11	**2009-10**	**Growth %**	**2010-11**	**2009-10**	**Growth %**
Speciality Business						
India	2,390.37	1,842.70	30%	6,565.65	5,344.59	23%
Rest of the World (ROW)	1,154.29	905.75	27%	2,770.29	2,493.96	11%
Latin America	528.26	280.35	88%	1,427.20	1,015.05	41%
Europe	447.69	351.24	27%	1,011.08	903.74	12%
Total	**4,520.61**	**3,380.04**	34%	**11,774.21**	**9,757.33**	21%
Out-Licensing Revenue	-	232.40	-100%	895.10	232.40	285%
Total Speciality Business	**4,520.61**	**3,612.44**	25%	**12,669.31**	**9,989.73**	27%
Generics Business						
US	2,040.89	1,886.46	8%	6,108.69	5,378.15	14%
Europe	154.02	66.22	133%	409.17	201.56	103%
Latin America	42.90	75.98	-44%	233.39	262.81	-11%
API	749.74	775.75	-3%	2,148.83	1,924.73	12%
Total Generics Business	**2,987.55**	**2,804.41**	7%	**8,900.08**	**7,767.25**	15%
Consolidated Revenue	**7,508.15**	**6,416.85**	**17%**	**21,569.39**	**17,756.98**	**21%**

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. 48.30/ USD 1.00

USD figures are only indicative

Review of Operations for the Third Quarter of the Financial Year 2010-11

For the third Quarter of FY'2011, Glenmark's consolidated revenue was at Rs. 7,508.15 Mn [USD 165.34 Mn] as against Rs. 6,416.85 Mn [USD 136.30 Mn], an increase of 17%. Revenue from the generics business was at Rs. 2,987.55 Mn (USD 65.91 Mn), as against Rs. 2,804.41 Mn (USD 59.57 Mn), a growth of 7%. The Speciality formulation business revenue was at Rs. 4,520.61 Mn (USD 99.43 Mn) as against Rs. 3,612.44 Mn (USD 76.73 Mn) for the corresponding quarter of the previous year, registering a growth of 25%.

For the nine month ended Dec 31, 2010, Glenmark's consolidated revenue was at Rs. 21,569.39 Mn [USD 469.89 Mn] as against Rs. 17,756.98 Mn [USD 367.64Mn], an increase of 21%. Revenue from the generics business was at Rs. 8,900.08 Mn (USD 193.89 Mn), as against Rs. 7,767.25 Mn (USD 160.81 Mn), a growth of 15%. The Speciality formulation business revenue was at Rs. 12,669.31 Mn (USD 276.00 Mn) as against Rs. 9,989.73 Mn (USD 206.83Mn) for the corresponding nine months of the previous year, registering a growth of 27%.

Specialty Business:

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

India

Sales for the formulation business in India increased to Rs. 2,390.37 Mn [USD 52.66 Mn] for the third Quarter of this financial year as compared to Rs. 1,842.70 Mn [USD 39.21 Mn] in the previous corresponding quarter, recording a growth of 30%.

According to the latest ORG-IMS data it was reported that the company registered value growth of 25.1% vis-à-vis that of the industry growth which was 15.8% [ORG: Apr '10 to Dec'10]

As per ORG-IMS (MAT- Nov'09 vs. MAT – Nov'10), Glenmark increased market share in various therapeutic categories viz. Anti-infective from 1.14 % to 1.31 %; Cardiac from 1.85 % to 2.25%, Respiratory from 2.25 to 2.42 % , Pain from 0.92% to 0.99 %, Gynaecology 1.09 % to 1.23 % and dermatology from 7.86 % to 8.34 %.

During the quarter, the IF business introduced six new products. The main product launches were Altacef-CV indicated for respiratory infections, Bon-K2 for osteoporosis and Candid soap for fungal infections. Flublast, an anti-influenza medication launched in Aug'10 performed very well during the quarter.

Africa, Asia and CIS Region

For the third quarter of the financial year, revenue from Africa, Asia and CIS region was Rs. 1,154.29 Mn [USD 25.37 Mn] as against Rs. 905.75 Mn [USD 19.23 Mn] for the previous corresponding quarter, recording an increase of 27%.

In the region, Glenmark filed 30 product dossiers during the quarter and received 22 product approvals.

Russia/CIS Region

The secondary sale for the Russian subsidiary has shown a good growth in the third quarter. According to Pharmexpert data, on a MAT basis, the company is growing at a rate of 26% (market MAT December 2010 growth is at 7%) and has consistently improved rankings in the market to the current rank of 62 in Dec 2010. In this quarter the company has launched Glencet, the first Generic for Levocetrizine in Russia. The brand has received a positive response from doctors in the first month of the launch itself. This launch will help Glenmark consolidate its position in both respiratory and dermatology

segment, the two key segments where the molecule is widely prescribed. With a growth rate of 54% (Pharmexpert Dec 2010 data) we continue to be the fastest growing company in the dermatology segment with healthy growth rates for all the Derma brands.

Africa/Middle East

The Africa Middle East has achieved a growth of 36% in quarter ended Dec'10, aided by robust growth from South Africa, Nigeria, Kenya, Sudan, Mauritius & Tanzania

The quarter was also marked with several first-to-market innovative products across therapeutic categories such as the introduction of Glenmark into the lucrative Anti-asthma segment in Kenya; the introduction of the high end cosmetic range in the UAE; strengthening of the pain portfolio with the launch of Valus AP in Malawi.

Asia

In Asia, the key markets of Malaysia, Vietnam and Myanmar recorded secondary sales growth of 40 %. In Malaysia, new registrations for Montelukast, Adapalene MS and Demelan were obtained. These registrations will help us make a strong entry in the hospital segment. Deriva MS and Klenzit MS were launched in Malaysia, Vietnam, Philippines and Sri Lanka.

Latin America

Glenmark's revenue from its Latin American and Caribbean operations was at Rs. 528.26 Mn [USD 11.64 Mn] for the third Quarter of 2010 – 11 as against Rs. 280.35 Mn [USD 6.03 Mn] a growth of 88%. The growth is attributed to improvement in the Brazilian business, contribution from newer markets like Venezuela, Peru, Ecuador as well as a low base effect of the previous year. Going forward we expect strong sequential growth from the region.

In the region, Glenmark filed 10 product dossiers during the quarter and received 9 product approvals.

Europe

Glenmark Europe's operations registered third quarter revenue of Rs. 447.69 Mn [USD 9.84 Mn] as compared to Rs. 351.24 Mn [USD 7.44 Mn] for the previous corresponding quarter, an increase of 27%. The region continues to explore new in-licensing opportunities to grow the each of the businesses.

Research & Development

The company has a pipeline of 6 NCE and NBE molecules in clinical trials. In addition, the company has two in-licensed molecules, Crofelemer and a novel monoclonal antibody, GBR 900

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 in the US. Glenmark is 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.

Melogliptin (GRC 8200)

Glenmark's DPPIV inhibitor, Melogliptin (GRC 8200), completed Phase IIb studies. A safety and PK study in elderly subjects has been conducted in the UK and final results are awaited. The compound will enter Phase III trials.

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. The company expects to initiate multiple Phase II trials for Revamilast in Asthma and Rheumatoid Arthritis in the fourth quarter of this Financial Year 2010-11.

Tedalinab (GRC 10693):

Glenmark's cannabinoid-2 [CB-2] receptor agonist, GRC 10693 a candidate for Neuropathic Pain, Osteoarthritis and other Inflammatory Pain disorders has successfully completed Phase 1 studies. The company intends to develop GRC 10693 in neuropathic pain as the primary indication. GRC 10693 belongs to a novel and exciting class of analgesic agents and Glenmark is an early entrant in this category. Additional Phase 1 extension studies are in progress. Glenmark expects to initiate Phase II studies in Financial Year 2011-12.

GRC 15300

GRC 15300 for Osteoarthritic pain, Neuropathic 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. So far, the trial is progressing well in the single ascending dose phase with good oral availability and no safety concerns. A development and commercialisation license for GRC 15300 has been granted to Sanofi-Aventis.

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 plans to file the Phase 1 application in February 2011.

Novel Biologics Entity (NBE)

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 Multiple Sclerosis (MS) and Crohn's disease (CD). 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 are ongoing in the US and are progressing as per plan. We expect to initiate a proof-of-concept trial in MS and CD in the first half of calendar 2011.

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.

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. Research on the GBR 900 project is carried out at Glenmark's Biologics Research (GBR) centre at La Chaux-de-Fonds, Switzerland.

Glenmark Generics Limited:

For the third Quarter of FY'2011, consolidated revenue from Generics business was at Rs. 2,987.55 Mn [USD 65.91 Mn] as against Rs. 2,804.41 Mn [USD 59.56 Mn], an increase of 7% in rupee terms over the corresponding quarter of the previous year.

USA Formulations

Revenues for the third quarter of FY' 2011 were Rs. 2,040.89 Mn (USD 45.03 Mn) against revenue of Rs. 1,886.46 Mn (USD 40.11 Mn) in the previous year, reflecting an increase of 8% in rupee terms over the corresponding quarter of the previous year.

During the third quarter, Glenmark was granted final approval by the United States Food and Drug Administration (FDA) for five Abbreviated New Drug Applications (ANDA) and received tentative approval on two. The Company launched a total of 6 products in the U.S. marketplace comprised of a mix of immediate release tablets, extended release tablets, semi-solid and controlled substance items. New products launched include Pramipexole Dihydrochloride Tablets, Mupirocin Ointment, Felodipine ER Tablets, Indomethacin Capsules, SMX/TMP Tablets and Lithium Carbonate ER Tablets 300mg. The company is on course to file 13-15 ANDAs in FY'11.

In the final weeks of the quarter, Glenmark launched Oxycodone capsules and oral solution in 5mg and 20mg/ml presentations, respectively. These two items are approved New Drug Applications (NDA) and comprise Glenmark's primary portfolio of pain management products. This niche market category maintains a high barrier to entry due to strict DEA regulations thereby limiting the number of competitor companies and showcasing Glenmark as the only generic company distributing these U.S FDA approved products. Oxycodone is manufactured for Glenmark in the United States through a partnership and is distributed directly from its 75,000 square ft warehouse located in Mahwah, New Jersey.

In November 2010, Glenmark Pharmaceuticals Limited and Glenmark Generics Inc., USA ("Glenmark") confirmed Triax Pharmaceuticals, LLC, Astellas Pharma Europe B.V. and Astellas Pharma International B.V. ("Astellas and Triax") filed a patent infringement suit on November 4, 2010 in the U.S. District Court for the District of Delaware seeking to prevent Glenmark from commercializing its Abbreviated New Drug Application (ANDA) for Hydrocortisone Butyrate cream 0.1%, their generic version of

Locoid Lipocream®, prior to expiration of the Orange Book patent. Based on information published by the U.S. FDA, Glenmark believes it is the first applicant to file an ANDA with a paragraph IV certification for a generic version of Locoid Lipocream®, and should its product be approved, Glenmark will be entitled to 180 days of generic market exclusivity.

Product	Brand Name	Plaintiff	Sales	Litigation Status	Approval Status
Ezetimibe	Zetia	Schering Plough	US$ 1.3Bn	Case Settled	Tentative Approval Received
Fluticasone Lotion 0.005%	Cutivate	Nycomed	US$ 49Mn	Case to be scheduled	Awaited
Atovaquone + Proguanil Hcl	Malarone	Glaxo-Smithkline	US$ 64 Mn	Case Settled	Approved
Hydrocortisone Butyrate Cream	Locoid Lipocream	Triax and Astellas	US$ 38 Mn	Case to be scheduled	Awaited

EU Formulations

The European business continued to grow through a mix of Product sales and licensing revenue. During the quarter, GGBV, the Dutch entity, participated in different tenders in the Netherlands with leading health insurance companies and won tenders for three more products with supplies commencing in December'10. The UK business also expanded its coverage of the market by adding several new important accounts across the wholesaling and retail channels and also launched one more product in UK in this quarter. The out-licensing business successfully signed four more deals for licensing out and supply of products in various EU markets and we also signed three deals for in-licensing products which will be available for sales by the UK entity in the next year. In this quarter, Glenmark supported two new product launches by third party customers in EU markets.

During the quarter, Glenmark was granted Five MAs for four products in different markets and we filed an MA Application for one product through the DCP procedure. Overall, the business posted revenues of Rs. 154.02 Mn (USD 3.39Mn) for the quarter,

against revenue of Rs. 66.22 Mn (USD 1.41Mn) for the corresponding quarter of previous year showing a growth of 133% in rupee terms.

Oncology

Glenmark's revenue from the Argentina operations were Rs. 42.90 Mn [USD 0.95 Mn] in the third quarter of 2010-11 as against Rs. 75.98 Mn [USD 1.63 Mn] for the third quarter of the previous year, a decline of 44% in rupee terms. The oncology business launched three new products in the quarter. The Argentina unit continues to support Glenmark's oncology business worldwide and has facilitated the filing of 32 product dossiers across subsidiaries

Active Pharmaceutical Ingredients [API]

Revenue from sale of API to regulated and Rest of the World (RoW) markets globally was Rs. 749.74Mn [USD 16.52Mn] for Q3 FY11 against Rs. 775.75Mn [USD 16.41Mn] for Q3 of the previous year, recording a decline of 3% in rupee terms. Prasugrel and Sitagliptin were launched in the ROW markets, combined with the award of Perindopril annual tender in Malaysia.