Glenmark Pharmaceuticals Ltd

Management Discussion and Analysis for the Second quarter of the Financial Year 2010 - 11 Ended 30th September 2010

Revenue Figures – Consolidated

[Rs. in millions]

	Q2			H1		
	2010-11	**2009-10**	**Growth %**	**2010-11**	**2009-10**	**Growth %**
Speciality Business						
India	2,239.19	1,842.69	22%	4,175.29	3,501.89	19%
Rest of the World (ROW)	882.61	802.19	10%	1,615.99	1,588.21	2%
Latin America	492.76	399.28	23%	898.94	734.70	22%
Europe	351.49	283.25	24%	563.39	552.50	2%
Total	**3,966.05**	**3,327.41**	**19%**	**7,253.61**	**6,377.30**	**14%**
Out-Licensing Revenue		-		895.10	-	
Total Speciality Business	**3,966.05**	**3,327.41**	**19%**	**8,148.71**	**6,377.30**	**28%**
Generics Business						
US	2,237.86	1,771.15	26%	4,067.80	3,491.69	16%
Europe	151.31	93.94	61%	255.16	135.34	89%
Latin America	115.16	118.59	-3%	190.49	186.83	2%
API	772.24	592.17	30%	1,399.08	1,148.98	22%
Total Generics Business	**3,276.58**	**2,575.85**	**27%**	**5,912.53**	**4,962.84**	**19%**
Consolidated Revenue	**7,242.64**	**5,903.26**	**23%**	**14,061.24**	**11,340.14**	**24%**

Average conversion rate in FY 2010-11 considered is Rs. 46.20 / USD 1.00
Average conversion rate in FY 2009-10 considered is Rs. 49.02/ USD 1.00

USD figures are only indicative

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

For the Second Quarter of FY'2011, Glenmark's consolidated revenue was at Rs. 7,242.64 Mn [USD 155.23 Mn] as against Rs. 5,903.26 Mn [USD 121.03 Mn], an increase of 23%. Revenue from the generics business was at Rs. 3,276.58 Mn (USD 70.33 Mn), as against Rs. 2,575.85 Mn (USD 52.81 Mn), a growth of 27%. The Speciality formulation business revenue was at Rs. 3,966.05 Mn (USD 84.90 Mn) as against Rs. 3,327.41 Mn (USD 68.22 Mn) for the corresponding quarter of the previous year, registering a growth of 19%.

During the first half of the year, the company invested a total of Rs. 1,507 Mn into fixed asset additions. These investments went into upgradation of existing facilities as well as the building of new plants to provide for the company's future growth requirements.

As part of the company's plan to reduce its working capital cycle, the receivable days outstanding (for the sales during the first half of FY 2010-11) reduced to 119 days as on 30 September 2010 from 155 days as on 31 March 2010. Securitized receivables stood at Rs. 2,450 Mn as on 30 September 2010 as against Rs. 3,911 Mn as on 31 March 2010. In addition, receivables outstanding for more than six months were reduced to Rs. 2,070 Mn as on 30 September 2010 as against Rs. 3,640 Mn as on 31 March 2010.

Specialty Business:

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

India

Sales for the formulation business in India increased to Rs. 2,239.19 Mn [USD 48.03 Mn] for the Second Quarter of this financial year as compared to Rs. 1,842.69 Mn [USD 37.78 Mn] in the previous corresponding quarter, recording a growth of 22%.

According to the latest ORG-IMS data it was reported that the company registered value growth of 29.4 % vis-à-vis that of the industry 20 % [ORG: Apr'10 – Sep'10]

As per ORG-IMS data, Glenmark gained one rank at the market place and is now ranked among the top 25 pharmaceutical companies in the country. The IF business also increased market share across important therapeutic categories viz., Anti-infectives – market share increased from 1.14 % to 1.31 %; Cardiac – MS increased from 1.92 %to 2.35%, Respiratory – MS increased from 2.28 % to 2.78 % and dermatology market share increased from 8 % to 8.33 % The new products launched were Flublast for Flu; Milixim-O which is an antibiotic; TELMAXX a combination of Telmisartan & Metoprolol;

Africa, Asia and CIS Region

For the Second quarter of the financial year, revenue from Africa, Asia and CIS region was Rs. 882.61 Mn [USD 18.94 Mn] as against Rs. 802.19 Mn [USD 16.45 Mn] for the previous corresponding quarter, recording an increase of 10%.

In the region, Glenmark filed 23 product dossiers during the quarter and received 23 product approvals.

Russia/CIS Region

In this financial year the overall emphasis on improving operational efficiency at all levels has resulted in solid secondary sales growth, higher profitability and higher positive net cash flow. Improved sales force effectiveness has ensured robust secondary sales growth for the Russian subsidiary. In the second quarter, Russia has recorded secondary sales growth of 67%. Also aggressive and innovative marketing campaigns in the dermatology segment have resulted in dermatologist giving us higher prescription share in all derma segments. Today in dermatology, we have four 1 million (on a MAT basis) USD brands – Candid cream, Candid-B cream, Ketoplus and Klenzit. Glenmark's rank in pharmexpert in this segment has gone up to 17 (August 2010) from 21 (March 2010). With this the company has further consolidated its position in the dermatology segment and is one of the fastest growing companies in this segment.

In the other CIS markets of Ukraine, Kazakhstan and Uzbekistan we have continued our focus on two important therapeutic segments of Respiratory and dermatology. Today we have a strong product portfolio in these two key segments. In Ukraine Glenmark has shown a strong growth in the secondary sales of 70% in Q2 driven primarily by the focus brands.

Africa/Middle East

The Africa and Middle East Region showed significant increase in sales backed by its key markets & power brands. South Africa, Kenya, Mauritius, Yemen, Sudan continued their impressive growth momentum driven mainly by power brands which were responsible for majority of the growth. During the quarter, the region launched novel and differentiated cosmeceuticals in UAE and South Africa. A number of new brand launches took place in Egypt strengthening Glenmark's presence in the country. A number of new product registrations were granted to Glenmark in Kenya, Yemen and Nigeria which will further strengthen its focus on key therapies like Respiratory and Dermatology.

Asia

The Asia business for the second quarter was driven by some specific activities for building KOL relationships in the field of Dermatology and Internal Medicine. iLEAD was planned for Dermatologists across Asia while iLEAP was the initiative for physicians across the region

The power and focus brands continue to contribute 60% of the total business. CME activities were conducted in Vietnam which helped us consolidate our position in the hospital segment while we have now seen many KOLs endorsing our brands in Malaysia. Malaysia continues to record strong secondary sales growth

Latin America

Glenmark's revenue from its Latin American and Caribbean operations was at Rs. 492.76 Mn [USD 10.57 Mn] for the Second Quarter of 2010 – 11 as against Rs. 399.28 Mn [USD 8.18 Mn] a growth of 23%.

The Brazil subsidiary recorded good sales growth for the second quarter with tight control on overheads. Three new products were launched in Peru and seven new products were launched in Ecuador. The Venezuela unit has recorded a good performance during the quarter.

Europe

Glenmark Europe's operations registered second quarter revenue of Rs. 351.49 Mn [USD 7.56 Mn] as compared to Rs. 283.25 Mn [USD 5.81 Mn] for the previous corresponding quarter, an increase of 24%.

During the quarter, Glenmark successfully launched two cardio products "Atorvastatin and Losartan HCTZ" in the Czech Republic and Slovakia. In addition, Glenmark

launched two CNS products “Ropinirol and Quetiapine” in Poland and Slovakia. The unit in Poland also launched a product in the respiratory segment. Glenmark entered a new territory Latvia via a partner by launching two CNS products and two cardiovascular products

The company continues to focus on the search for new in-licensing opportunities and the launch of its own products that are currently under registration to scale up its European operations

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, BXL1H5

Crofelemer:

Glenmark’s in-licensed molecule Crofelemer (for HIV associated diarrhoea) continues to progress well in Phase 3 clinical testing 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 globally. 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. Regulatory approval for a safety and PK study in elderly subjects has been received from MHRA, UK and the study is scheduled to start shortly. The compound will enter Phase III trials. Glenmark is in discussions with potential partners to out-license this molecule.

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 the in the fourth quarter of this Financial Year 2010-11.

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 safety pharmacology and toxicology studies performed till date. It is currently undergoing Phase 1 enabling GLP studies. Glenmark plans to file the Phase 1 application in January 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.

BXL1H5 ("GBR 900")

Glenmark received the exclusive license for the monoclonal antibody BXL1H5 from Lay Line Genomics, Italy, including the exclusive target license to commercialize monoclonal antibodies against TrkA receptor for pain. TrkA is a promising target and monoclonal antibodies specific for TrkA represent a first in class opportunity for the treatment of chronic pain. BXL1H5 is a novel monoclonal antibody and will be developed by Glenmark's biologics R&D centre in Switzerland. Going forward, this compound will be called GBR 900.

Glenmark Generics Limited:

For the second Quarter of FY'2011, GGL's consolidated revenue was at Rs. 3,276.58 Mn [USD 70.33 Mn] as against Rs. 2,575.85 Mn [USD 52.81 Mn], an increase of 27% in rupee terms over the corresponding quarter of the previous year.

USA Formulations

Glenmark Generics Inc., U.S.A. (GGI) registered revenue from sale of finished dosage formulations of Rs. 2,237.86 Mn (USD 48.03 Mn) for the second quarter of FY'11 as against revenue of Rs. 1,771.15 Mn (USD 36.32 Mn), an increase of 26% in rupee terms over the corresponding quarter of the previous year.

During the second quarter, Glenmark had a successful series of new product launches. The company was granted final approval by the Food and Drug Administration (FDA) for eight new products comprising a mix of immediate release tablets, extended release tablets, hormone products and semi-solid dosages. Collectively the total market for these products stood at USD 215 million (for the 12 month period ending June 2010 according to IMS Health). The products include Adapalene Gel 0.1 %, Clotrimazole Cream 1.0%, Mometasone Furoate Solution USP, 0.1 %, Norethindrone acetate Tablets, 5 mg, Norethindrone Tablets 0.35 mg (AB2), Theophylline ER tablets 400 mg and 600 mg, Trandolapril/Verapamil ER Tablets 1 mg/240 mg and Trospium Chloride Tablets 20 mg. In the last week of September 2010, Glenmark launched Calcipotriene ointment 0.005% under an exclusive supply and license agreement with Taro Pharmaceuticals USA, Inc.

In the first half of the financial year, Glenmark filed 6 ANDAs with the U.S. FDA and plans to file an additional 5 ANDAs in the following quarter. The company plans to launch 6 new products spanning the categories of oral solid and semi-solid dosages.

Glenmark's current marketing portfolio consists of 60 generic products authorized for distribution in the U.S. market. The Company currently has over 40 applications pending in various stages of the approval process with the US FDA. Also, the Company has 13

Para IV applications pending approval of which Glenmark is the sole first-to-file for three products.

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

Product	*Brand Name*	*Plaintiff*	*Sales*	*Litigation Status*	*Approval Status*
Trandolapril + Verapamil	Tarka®	Abbott/ Sanofi-Aventis	US$ 58Mn	Jury trial date to be scheduled	Final approval received
Ezetimibe	Zetia	Schering Plough	US$ 1.4Bn	Case Settled	Tentative Approval Received
Fluticasone Lotion 0.005%	Cutivate	Nycomed	US$ 48Mn	Case to be scheduled	Awaited
Atovaquone + Proguanil Hcl	Malarone	Glaxo-Smithkline	US$ 62 Mn	Case Settled	Awaited

*Sales are IMS for FY ending June 2010

EU Formulations

The European business continued to grow through a mix of Product sales, Out-licensing and In-Licensing. Glenmark Netherlands achieved sales in this quarter through the continuation of supplies based on a tender with a leading Health insurance company. The UK business also expanded its coverage of the market by adding several new important accounts across the wholesaling and retail channels.

The out-licensing business successfully signed three 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 to sell in the next financial year. There were three new product launches by our third party clients in EU markets during the quarter.

On the regulatory front, during the quarter, GGEL was granted three MAs for products in different markets.

Overall, the business posted revenues of Rs. 151.31 Mn (USD 3.25 Mn) for the second quarter of FY'11 as against revenue of Rs. 93.94 Mn (USD 1.92 Mn), an increase of 61% over the previous year.

Oncology

Glenmark's revenue from the Argentina operations were Rs. 115.16 Mn [USD 2.48 Mn] in the second quarter of 2010-11 as against Rs. 118.59 Mn [USD 2.43 Mn] for the second quarter of the previous year, a decline of 3% in rupee terms. The oncology business launched four new products in the quarter. The business plans to launch atleast six products in the next quarter including two in Argentina.

Active Pharmaceutical Ingredients [API]

The API business continued to strengthen its presence in regulated and Rest of the World (RoW) markets. The business launched one new product in the US i.e. Adapalene

Revenue from sale of API to regulated and Rest of the World (RoW) markets globally was Rs. 772.24 Mn [USD 16.57 Mn] for Q2 FY11 against Rs. 592.17 Mn [USD 12.14 Mn] for Q2 of the previous year, recording an increase of 30% in rupee terms.