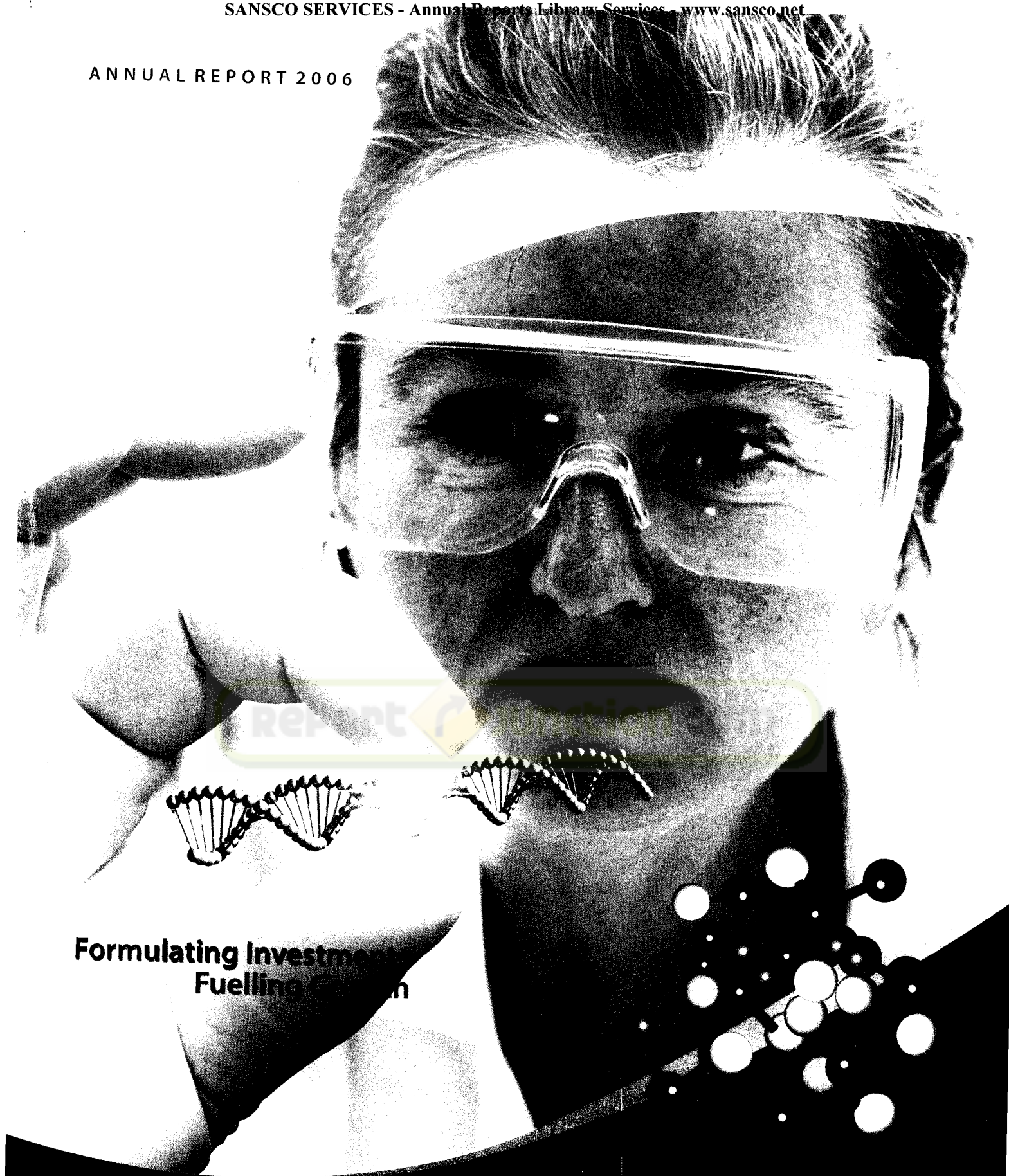


ANNUAL REPORT 2006



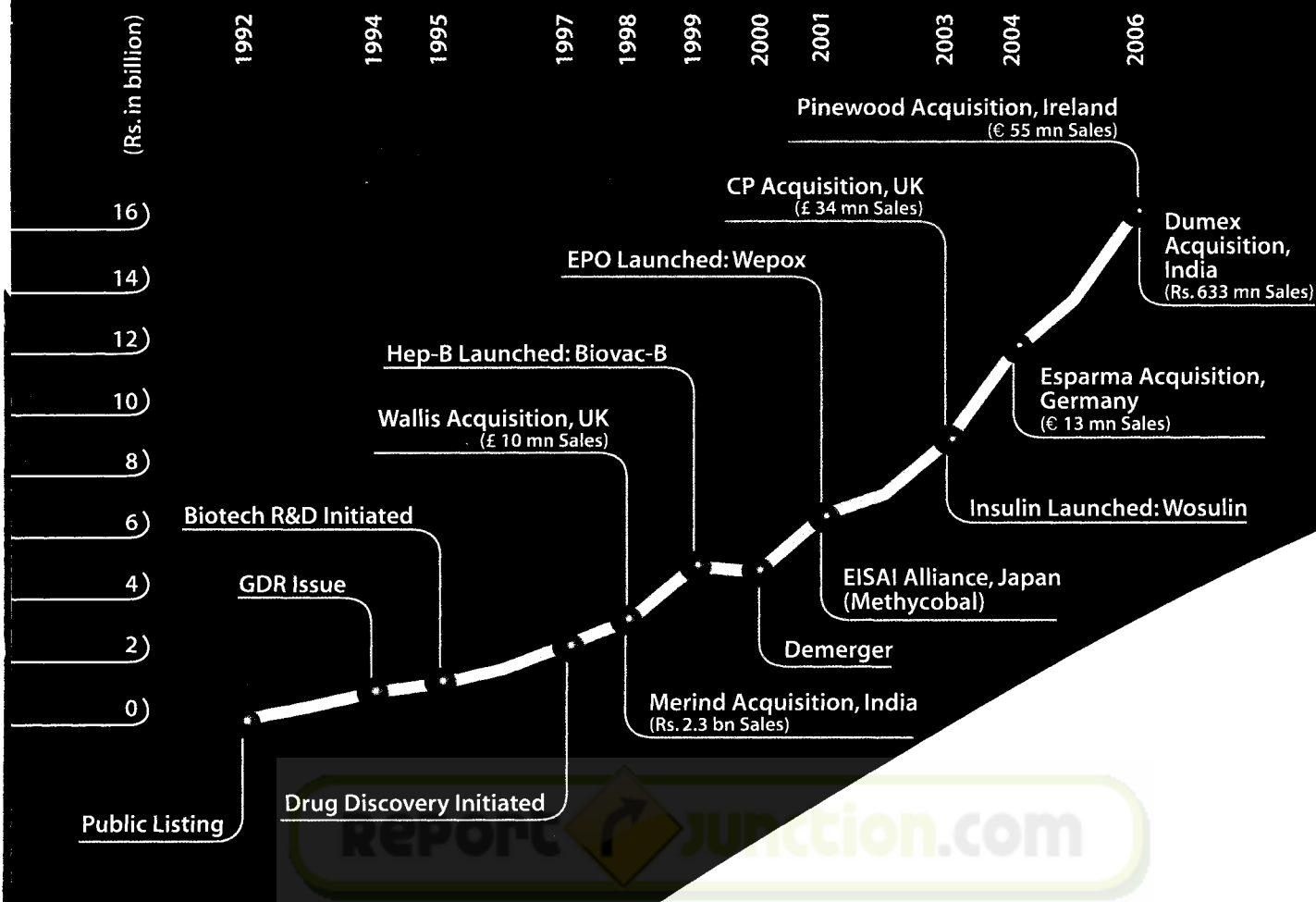
**Formulating Investment  
Fuelling Growth**



**WOCKHARDT**

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# Wockhardt's odyssey towards growth



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# Investing in a future that will be present before long

Theodore Levitt, the late management guru and editor of Harvard Business Review, said:

**"The future belongs to people who see possibilities before they become obvious."**

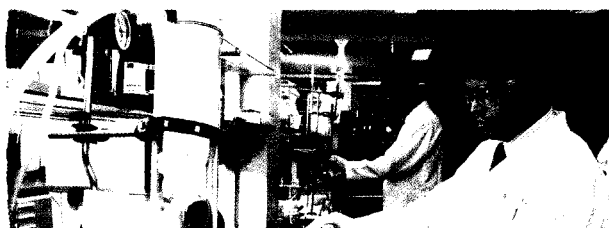
Wockhardt's growth has been propelled largely by its ability to foresee trends and seize opportunities before they manifest themselves, inviting attention and investment.

Wockhardt invested in new markets, new therapies, brands, manufacturing technologies, capacities and intellectual property rights. We also invested in people whose dreams, thoughts and actions make everything happen.

Wockhardt is riding the twin forces that are sweeping the pharmaceutical industry—globalisation and consolidation. The prime focus is to gain critical size in key markets and invest in assets that will be springboards for future growth.

The group's smart acquisition moves catapulted it to the leadership position in Ireland's generics market and brought India's heritage nutrition brands under the Wockhardt banner. Fuelled by new product launches and growing alliances with US-based pharmaceutical companies, the European business climbed 32%. The US business, spearheaded by Wockhardt's three-year-old subsidiary, Wockhardt USA Inc., forged ahead with 10 new product launches. The group also made inroads into South America through its biopharmaceuticals. In India too, Wockhardt showed an impressive growth.

The surprise event of the year was a motion signed by 83 Members of Parliament in UK's House of Commons, congratulating Wockhardt for its commitment to supply insulin. This motion thanked Wockhardt for supplying insulin of animal origin to over 20,000 diabetics in the UK, whose lives depend on this product.



## WOCKHARDT VISION

**To be the most admired healthcare group from India**



## Performance highlights 2006

### Acquisition of Pinewood, Ireland

- Largest acquisition by Wockhardt (US\$ 150mn)
- Leadership position in the Irish generic market

### Raised US\$ 250 mn through ECB\*

- Funds raised for financing acquisitions

### R & D investment up by 33% to Rs. 1.38 bn

- 200 patents filed during the year

### Acquisition of Dumex, India

- Acquired 2 heritage nutrition brands: Protinex and Farex
- Doubling of the nutrition business

### In-licensing alliances with European firms

- With LSI, UK for marketing Vitix
- With Crawford Healthcare, UK for Viticolor

### Ramp up of US ANDA programme

- ANDA approvals more than doubled compared to 2005 (8 approvals received)
- Day 1 launch of Ondansetron injection
- 5 products launched (including 3 steriles)
- First sterile product launched by the company
- A total of 8 approved facilities

### Manufacturing capabilities installed

- Barotiwala: Liquid, Ointment, Cream
- Waluj: Sterile Ophthalmic

### Global group connectivity through SAP

\* External Commercial Borrowing

### NET SALES

# Rs. 17.3 bn

(US\$ 250 mn)





PROFIT BEFORE TAX

**Rs. 2.9 bn**

US\$ 66.9 mn

PROFIT AFTER TAX

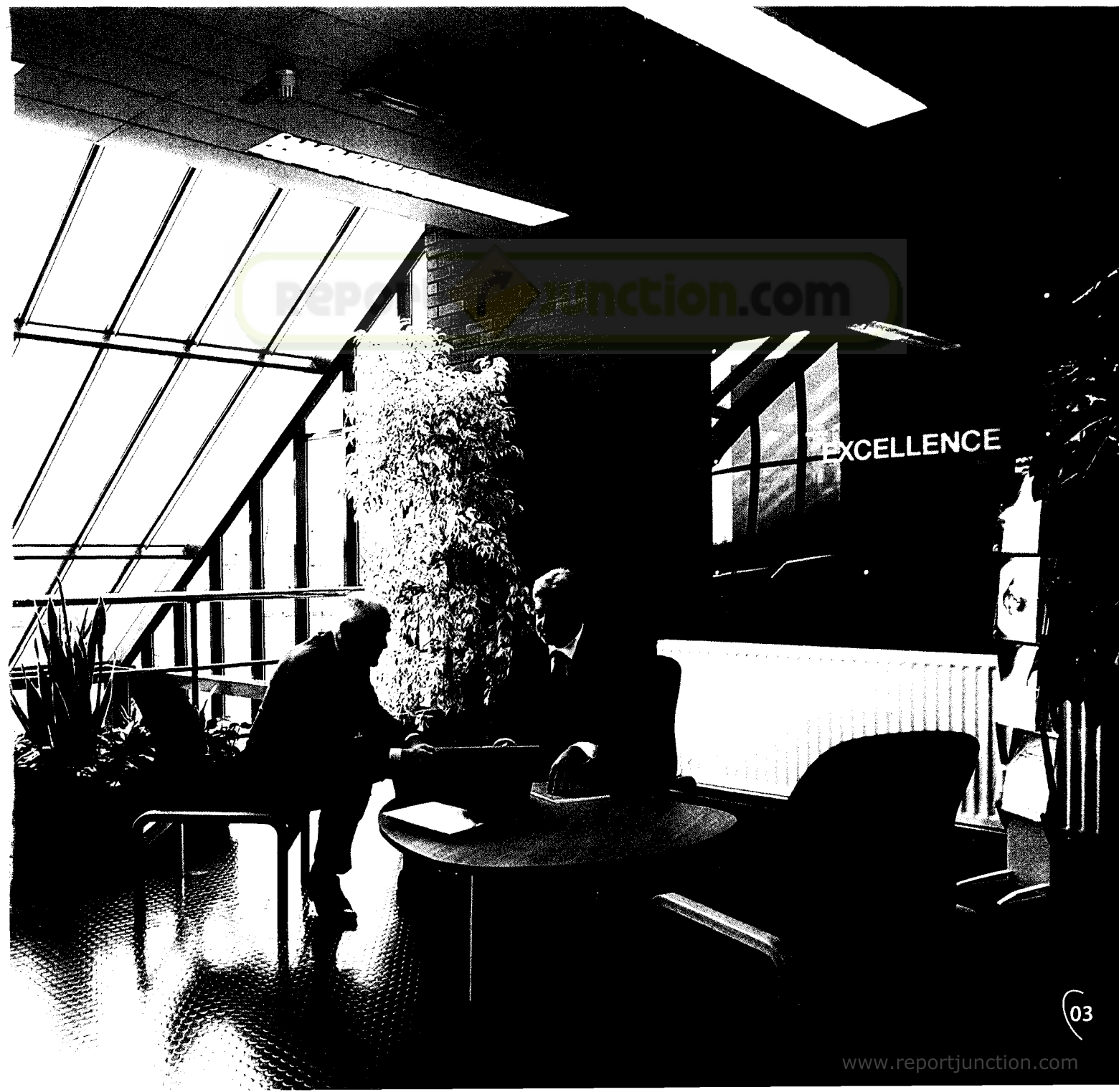
**Rs. 2.4 bn**

US\$ 54.5 mn

EARNINGS PER SHARE

**Rs. 22.05**

US\$ 0.50



## Letter from the chairman



Dear Shareowners,

2006 was a year of unprecedented accomplishments and investment in the future.

Let me begin with numbers. Wockhardt has consistently grown at a compounded annual growth rate (CAGR) of over 20% for the last 15 years. In 2006, sales grew by 22% to Rs.17.29 billion. Operating profit climbed 22% and net profit, before exceptional items, rose by 17% to Rs.3.02 billion.

But these numbers will not give you an insight into Wockhardt's achievements during the year and, more importantly, the investments that will open up exciting growth opportunities in the near future.

### OUR FOCUS MARKETS - EUROPE, INDIA, US

Europe continues to be Wockhardt's key market. Wockhardt UK has consolidated its business, improved profitability and is poised to scale new heights in the coming years. We strengthened our alliance with Amylin, winning accolades for going out of the way to fulfill demand for Byetta during times of crisis. Wockhardt UK launched new products and entered new growth areas like nicotine patch market in the UK.

The acquisition of Pinewood Laboratories is the most significant investment in 2006. It gives us entry into the fast genericising market of Ireland. Its strengths in liquids and creams complements Wockhardt UK's strengths in solid dosages and injections. This is a major boost to our UK business, as UK contributes to almost half of Pinewood's sales.

You will be happy to learn that Wockhardt has adopted a strategic plan that will see us more than doubling our sales to US\$ 1 billion by 2009.



Our Indian branded business recorded strong growth across therapies, especially in nephrology and diabetology. The most exciting development was the acquisition of Dumex India with its brands Protinex and Farex, which have over four decades of brand equity in India. Wockhardt is the only pharmaceutical company in India with medical nutrition brands supported by a dedicated milk-based nutraceutical manufacturing plant. The acquisition has doubled our nutrition business and kicked off a new growth phase in this exciting field. We are also fortifying our Indian product portfolio with patented products licensed from companies in Europe and US.

US – the world's largest pharmaceutical market – is the third leg of our growth strategy. The US is not a major contributor to our global sales yet, but the picture will change in the coming years. We have created strong local capabilities and leadership and have a rich pipeline of products, most of them sterile injections, novel drug delivery system products and products involving patented technologies.

### ROADMAP TO REACH US\$ 1 BILLION SALES

You will be happy to learn that Wockhardt has adopted a strategic plan that will see us more than doubling our sales to US\$ 1 billion by 2009. The roadmap has been worked out in great detail after brainstorming sessions by our top management with active participation and guidance from the renowned management guru Prof. C K Prahalad.

### EMPOWERING WOCKHARDIANS

Wockhardians are the fundamental contributors to our success. About 850 of our people, representing 13 nationalities, work outside India, most of them in Europe. We have just launched WEVA – Wockhardt Economic Value Added – programme to reward and incentivise middle and senior management, covering more than 400 Wockhardians to begin with. It will introduce a sense of ownership and empowerment in the organisation, and will play an important part in realising the US\$ 1 billion sales target.

### FOSTERING EXCELLENCE IN HEALTHCARE

"We have not lost faith... but have transferred it from God to the medical profession," said George Bernard

Shaw, speaking about the medical community. At the third biannual Wockhardt Medical Excellence Awards, India's Commerce and Industry Minister Kamal Nath handed over the prestigious awards to five of India's leading doctors representing neurology, cardiac surgery, orthopaedics, endocrinology and dermatology. The award winners were selected by a faculty from Harvard Medical International (HMI), the international arm of Harvard Medical School, Boston.



Chairman Habil Khorakiwala and Prof. C K Prahalad during Wockhardt Strategic Conference

WHARF, the not-for-profit organisation instituted by Wockhardt and HMI to train healthcare workers in HIV/AIDS, conducted an international conference on 'Worldwide Advances in Comprehensive Management of HIV/AIDS – Implications for India', in Mumbai, in November 2006. WHARF has so far trained 13,800 healthcare workers – doctors, paramedics, nurses and counsellors.

Wockhardt Group, consisting of Wockhardt Ltd and Wockhardt Hospitals Ltd, is exclusively focussed on excellence in healthcare management. As Paul Bragg said: "Those who do not have enough time for good health, will not have good health for enough time."

**Habil Khorakiwala**  
Chairman



# Seizing opportunities Spreading wings in Europe

Acquisitions, international alliances and new products and businesses, marked Wockhardt's growth in the European Union, its largest market. Europe contributed to more than 40% of Wockhardt's global sales of US\$ 391 million in 2006.

## STRATEGIC FIT

The acquisition of Pinewood Laboratories gave Wockhardt an instant entry and leadership in the fast genericising market of Ireland. As half of Pinewood's sales come from the UK, the acquisition has reinforced Wockhardt's position in Britain, where it is already one of the top 10 generic companies and the second largest player in hospital sales. The acquisition is a strategic fit for our UK business, as Pinewood's liquids and creams business adds to Wockhardt UK's strengths in injectable and solid dosages. Wockhardt UK is the market leader in several injectables and solid dosage forms. A joint exercise is underway to unravel new growth opportunities by unlocking the value of the enlarged customer base and product range between the two neighbours.



## SPECIAL RECOGNITION

Wockhardt UK received a special recognition from the top management of Amylin Pharmaceuticals of US, for its outstanding support in supplying Byetta (exenatide) cartridges. Wockhardt UK extended its alliance with Amylin to manufacture Symlin, a patented product for the management of diabetes. Wockhardt also entered into a distribution agreement for nicotine replacement therapy patches and gums in the UK. It also received approval from Health Canada to introduce its Hypurin natural insulins in Canada.

Esparma, Wockhardt's subsidiary in Germany, launched three new products and acquired distribution rights for Gluco Meter in Germany, Russia, Ukraine and India.

Europe continues to be Wockhardt's focus area for growth.

The acquisition of Pinewood Laboratories gave Wockhardt an instant entry and leadership in the fast genericising market of Ireland.







# Expanding reach Improving market share in US

In its third year of operations, Wockhardt USA Inc., has evolved to become a significant supplier of select generic pharmaceuticals in the United States, marketing 15 products, 10 of them launched in 2006.

New product approvals in the US include sterile injections and products incorporating NDDS (novel drug delivery systems).

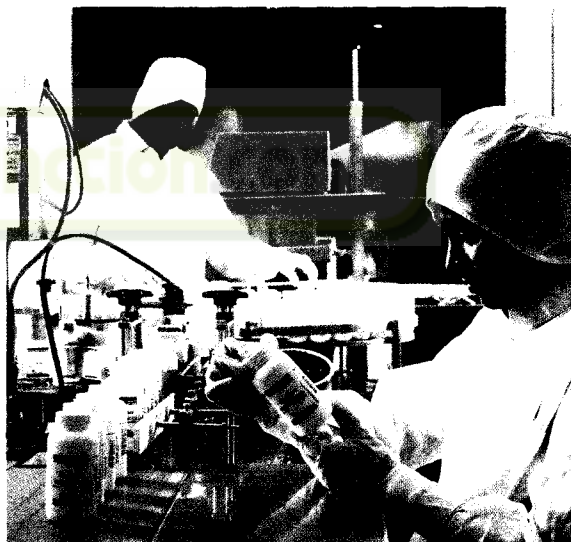
With 26 new ANDA (abbreviated new drug application) filings, Wockhardt USA is shifting gears to grow faster. Wockhardt's 350-strong R&D team in India is working on a wide range of injectable and extended release products for the US market. Steps have been initiated to expand the distribution network to handle higher volumes in the coming years on the back of increasing approvals from the US FDA.

## IMPROVED MARKET SHARE

Wockhardt has increased its market share for most of its products as reflected in the IMS data.

Q4-05	PRODUCT	Q4-06
7.8%	Bethanechol	40.9%
1.4%	Captopril	1.4%
1.0%	Cefuroxime axetil	13.7%
10.7%	Enalapril	19.4%
2.1%	Ranitidine	5.3%
-	Zonisamide	5.8%
-	Famotidine	10.8%
-	Ceftriaxone	0.8%
-	Cefotaxime	Launched
-	Ondansetron	Launched

Source: IMS



With 26 new ANDA (abbreviated new drug application) filings, Wockhardt USA is shifting gears to grow faster.

