

new
wockhardt
new way of thinking



ANNUAL REPORT 2010 - 11



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‘New Wockhardt:
new way of thinking’

The concept is inspired by two related thoughts. Wockhardt is a business in transition. It has achieved international scale and is now positioned to begin a new and exciting phase of its growth journey. At the same time the world is changing and old orders are giving way to new hierarchies.

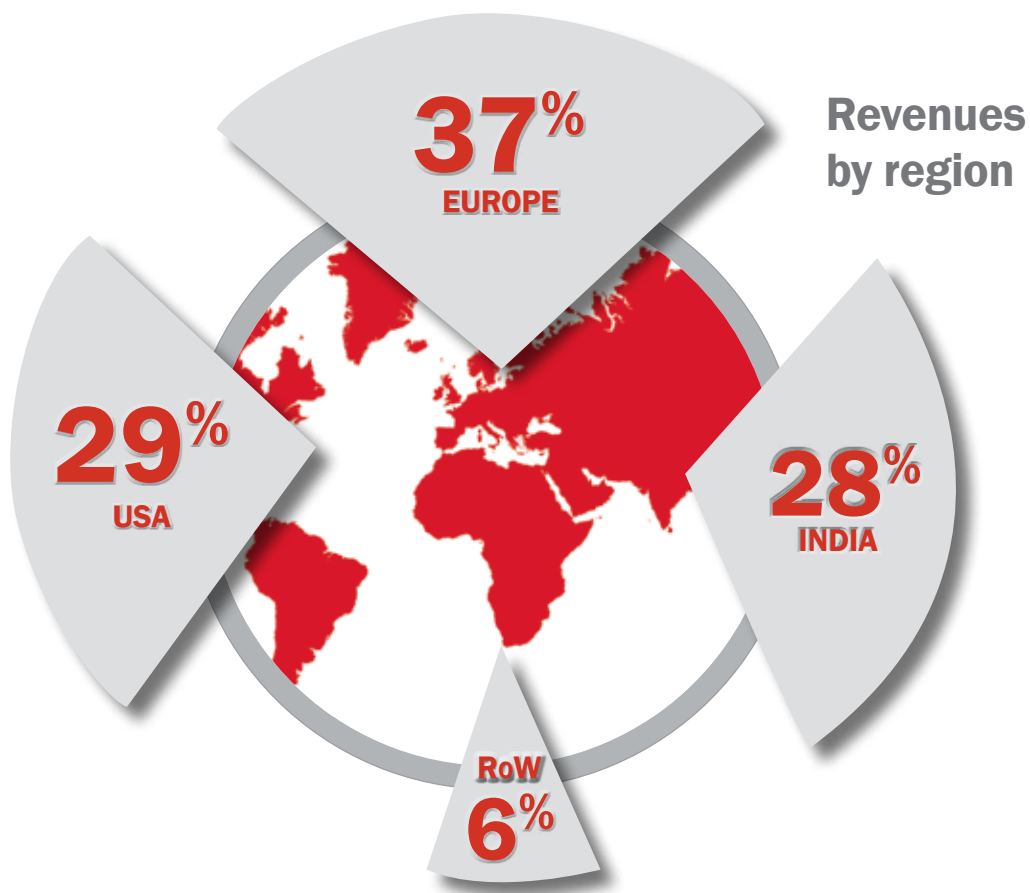
New and innovative business models are required if companies are to make the most of emerging opportunities.

During the past year there has been a focus within Wockhardt of looking for new ways of thinking, new ways of working and new ways to touch people’s lives.





highlights 2010-11 at a glance



Awards

➤ Government of India, Pharmexcil Award 2010 for the maximum number of patent filings and grants for the second consecutive year

➤ Amity International Business School 'Corporate Excellence Award 2010' for Intellectual Resource Utilisation

➤ Best SAP ALM (Application Lifecycle Management) Award 2011 for healthcare among 500 SAP customers

➤ Wockhardt IT was awarded the TOP 100 CISO award for 2011 from among 3,000 entries

➤ Advertising Award at Cannes Lions 2011 for product communication to doctors for the brand SAMMY, used in orthopaedic conditions

➤ Received World Star Packaging Award 2010 for child resistant wallet pack

Sales

US\$
841
million

₹37.5 billion

Operating Profit (EBIDTA)

US\$
204
million

₹9.1 billion

US business

US\$
225
million

UK business

£**100**
million

71
products
launched
globally

4th

Indian pharma
company in the
global elite group
of 100
(Scrip 100 – 2011 edition)



chairman's message

building a new Wockhardt

My dear shareowners,

One of the great challenges of business is adapting to change. Our approach at Wockhardt has been to welcome change and see it as an opportunity for growth. Last year I spoke about our new journey for growth and the determination to succeed.

That journey has involved looking with fresh eyes at our business and the way we do things. It is about new ways of thinking.

We are making a paradigm shift - replacing the old and embracing the new. Innovation is the heartbeat of Wockhardt. It goes beyond innovative product development and includes the development of innovative new business models. This is how we meet the changing needs and expectations of the customers we serve. This change in mindset has already borne fruit as our financial performance shows.

During the year we achieved several important financial and operational milestones. Our total consolidated sales exceeded ₹37.5 billion (US\$841 million). Operating profits (EBIDTA) reached ₹9.1 billion (US\$204 million), which is, 24.2 per cent of sales. And this, I say with great pride, is a true reflection of the diligence, hard work and dedication put in by more than 6,000 Wockhardt associates globally to achieve these milestones.

New Wockhardt – a business transformed

We are building a new Wockhardt. Our achievements in the past year are a measure of the way in which we have transformed the business. Our organisation is evolving as a value-based business to keep pace with the new competitive and economic realities of the world. It is a world in which consumers demand affordable, environmentally friendly products and services.

The late management guru C K Prahalad, a former strategic advisor to Wockhardt, was a visionary man who wrote, 'Learning to do more with less for more people, should be the innovator's dream'.

At Wockhardt we believe that thought can be more than a dream. We are making it a reality. Our strategic vision during the past year has been 'more and more with less and less'. To meet the demands of the future, Wockhardt is finding new ways to deliver more with the resources at our disposal. To achieve this we have focused on new ways of thinking, finding new ways to approach our business, innovating and radically restructuring our cost base. We are seeking opportunities that create long-term value. And these changes are not just one offs. They are part of an on-going and sustainable transformation of the business. We have global reach, a

world-class research and development capabilities and a great team of managers who have proven themselves as value creators.

New world – strategic regional focus

Wockhardt has come a long way in the past decade since we began our international expansion. Our business is well balanced across three regions – India, Europe and the US. We are poised to capture new opportunities in the two key geographies of the US and India. In the past year the contribution of the US business to our overall sales has leapt from 20 per cent to 29 per cent. Much is made of India's growth and the opportunity to deliver affordable products to new segments where needs have been previously unmet. We are innovating to meet that new demand.

➤ Wockhardt is evolving as a value-based business to keep pace with new economic realities ◀





Global structural changes

Fundamental changes have shaken the world economy in the past few years. Old orders have been turned upside down. Macro economic factors are leading to structural changes in the global healthcare industry. One result is that customers, including healthcare providers in more developed parts of the world, are also demanding greater value for money.

Pipeline of potential

New ways of thinking will prepare us for the next phase of our journey of growth. We are setting new and challenging targets for ourselves. During the past year we received 15 ANDA/MAA approvals in the US and Europe. We have 41 new products in the pipeline. Wockhardt's business is robust and the coming decade will offer even greater potential than the last.

Committed to communities

While we are ambitious, we do understand that the role of business is not merely to make profit. We have a duty to integrate ourselves into society and the communities and make this world a better place to live in. Through Wockhardt Hospitals and Wockhardt Foundation, we were able to touch nearly 800,000 lives through our various CSR medical programmes. In our inaugural CSR Thought Leadership Conclave, we had the rare honour of two Nobel Peace Laureates, His Holiness, The Dalai Lama and Prof. Muhammad Yunus shared their thoughts on the joy of giving and social business enterprise. Their insights are inspiring the new Wockhardt.

New thinking will lead us to new horizons.

» Our expertise in India, our ability to produce more with less and to touch the lives of many people can be used to our advantage in other markets «



Dr. Habil Khorakiwala
Chairman





geographic reach straddling world markets

There has been a paradigm shift in the outlook of the Global Pharmaceutical Markets. While the more mature markets are progressing at a slower pace, the Pharmerging markets are showing robust growth projections. The global pharmaceutical industry will be worth over US\$1 trillion by 2014. Markets driving this growth are the US, India and other Pharmerging markets.

Over the next few years, products with sales of more than US\$140 billion are expected to face generic competition in major developed markets. The US, which represents nearly two-thirds of this total value, offers a huge opportunity for generic drugs.

With an established footprint in these key markets of the US, Europe and India, Wockhardt is set to be a key player as demand in these markets takes off.

US business – robust growth

The healthcare landscape in the US is changing. Cost effective generics are set to play an increasingly important role and Wockhardt, having gained critical mass, is now at the threshold of an exciting phase with its unique basket of product offerings.

For the very first time in the US, sales revenues for the year exceeded US\$225 million. Growth was mainly driven by the development and launch of products like Metoprolol, Divalproex and others, which have given us a competitive advantage.

It was an important year for product launches. Market share of existing products improved through a focused strategy to increase prescription sales. Better understanding of the customer,

competition and market share-analysis has improved planning of new launches. Metoprolol ER captured 10.7 per cent market share in its first year of launch and the successful Day-1 launch of the prostate drug, Tamsulosin captured a 7 per cent market share (IMS March 2011).

The key to our success has been the ability to adapt well to the changing dynamics of the market we operate in. Whilst the competition is intensifying, Wockhardt is searching for new ways of winning. Our ANDA programme focuses on high-value, hi-tech products such as patented extended release products and in garnering FTF (first-to-file) status.

US sales grew

69%

➤ Growth in the US has been driven by the development and launch of complex extended release products like Metoprolol... which have given us a competitive advantage ◀





Europe business – moving forward in a tough environment

In Europe, the new journey for growth continues to propel Wockhardt. We have retained our market share and improved profitability despite a tough environment.

Wockhardt UK achieved a significant milestone as sales exceeded £100 million for the first time. The launch of eight new products and a 55 per cent increase in exports made Wockhardt the largest Indian generics company in UK. Wockhardt UK has maintained its unique position as the only supplier of animal insulin to the UK's Department of Health (DoH) and that segment of its business has shown increased profitability. The company also succeeded in bagging a huge DoH tender.

Pinewood in Ireland showed exemplary growth compared to a negative industry growth in the face of an economic downturn and mandatory price reduction by the government. Profitability doubled as sales to hospitals increased by 33 per cent. Nexazole sales exceeded €3million making it the most successful generic launch ever in Ireland. Pinewood is the no. 1 generics company in Ireland with a 31 per cent share of the generics market.

» Wockhardt is the largest Indian generics company in the UK ◀

Pinewood overall is the 11th largest pharmaceuticals company in Ireland.

In France, the Negma business has been restructured. Beta-blocking brand Nebilox shows consistent growth.



India business – double digit growth through expansion

The pace of growth in India is accelerating. Our mindset is evolving from a marketing-centric to a customer-centric approach. Rapid expansion of the sales force is supporting topline growth and operational

efficiencies, such as better credit control and improved product availability has generated better overall results. A total of 43 new products were launched in India. Six Wockhardt brands featured in the top 300 brands of the industry (IMS March 2011).

In response to new demand Wockhardt has realigned its portfolio. The newly launched Spectra division has provided successful entry into extra urban markets. Businesses have also been restructured to tap demand in the growing segments of gynaecology, paediatrics, orthopaedics, dental and dermatology. A new cardiology business has been launched with unique patient compliant packs for improved clinical outcomes.

Now India's sales force
3,000

» Wockhardt's business in India continues to grow through expansion of its sales force ◀



science and technology innovating for healthy living

Wockhardt's core business is innovation. We innovate to find answers to complex problems. We use science and technology to develop medicines and other products that improve the quality of millions of people's lives through better health. Wockhardt chooses to work with and develop hi-tech solutions such as patented extended release products and recombinant biotechnology products because it is here that we can create the greatest value.

➤ **Wockhardt has proved its technical excellence by developing patented modified release formulations** ◀



**US\$95
billion**

**estimated market potential
of generics business in
the US and Europe by 2014**