



BUILDING THE FUTURE. LIFE WINS.

Golden
50
years

WOCKHARDT | **LIFE WINS**

Annual Report 2017-18

Irish playwright George Bernard Shaw said,
“We are made wise not by the recollection of our past, but by the responsibility for our future.”

Agreeably, Wockhardt’s history of success and achievement thrusts upon it a greater responsibility of taking steps to ensure a future that is exponentially more successful, sustainable and meaningful for all its stakeholders.

It is this sense of responsibility that drives Wockhardt’s every endeavour in building the future by innovating, performing, excelling, and reaching out, to ensure that Life Wins.

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FY 2017-18 Performance Highlights

SALES

US\$ 604 million
₹3,937 crore

OPERATING PROFIT (EBITDA)

US\$ (8) million
₹(55) crore

PROFIT / (LOSS) AFTER TAX*

US\$ (93) million
₹(608) crore

EBITDA MARGIN

(1)%

*Attributable to equity holders of the Company



CHAIRMAN'S STATEMENT

My Dear Shareowners

As you are well aware, your Company has celebrated 50 winning years of success and achievement. It is but one of many milestones we intend to cross in our journey into the future. It is a journey that promises to be far more eventful, fruitful and fulfilling than ever before.

Today, Wockhardt is poised for a quantum leap into the future. It is a future of dynamic changes, exciting possibilities and endless potential to further its goal of 'Life Wins'. And Wockhardt is committed to building this future.

In the words of American scholar and academic John Schaar, "The future is not some place we are going, but one we are creating. The paths to it are not found but made, and the activity of making them changes both the maker and the destination."

I believe that it is very true for Wockhardt.

Defining the Future through Performance

For FY 2017-18, the year under review, we have reported consolidated revenues of ₹3,937 crore and a Profit After Tax of ₹(608) crore. Our Net Debt increased to ₹2,441 crore as compared to ₹1,981 crore in FY 2016-17. Currently, Net Debt to Equity Ratio is 0.86 as compared to 0.59 as on March 31, 2017. Our US business declined by 9% and our UK market declined by 1%. Our Emerging Markets business grew by 18% and our India business de-grew by 1%. We launched 12 new products in India. We filed 1 ANDA with US FDA and have received 3 new approvals in FY 2017-18, with 70 ANDAs pending approval.

During the year, besides subdued business sentiments for part of the year, reclassification of taxes post GST implementation in India has affected total sales. While our focus on cost containment and rationalisation continues to deliver its intended positive impact, cost of on-going remedial measures and volatility in various currencies like GBP, EURO & USD has impacted profitability. Although strategic R&D initiatives in the global arena have been reported as expenses in the current year, it must be noted that they are, in effect, an investment for the future. Therefore, foregoing current profitability for a better future driven by our R&D focus has been our corporate strategy that may be viewed as a significant positive. A virtual springboard that will catapult us to higher growth.

Shaping the Future through R&D

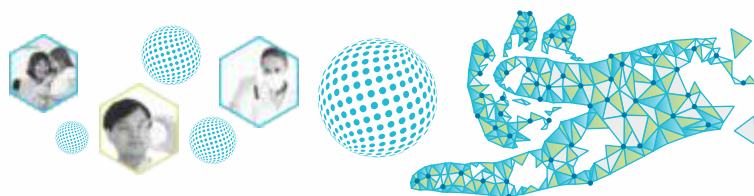
Wockhardt's commitment to R&D is well documented and is evident in its industry-leading spends on R&D as a percentage of total sales. In FY 2017-18, our R&D expense amounted to ₹287 crore at 7% of total sales. Total R&D spend including capex accounted for ₹443 crore at 11% of total sales.

Innovation Expenses Validated: The progress and outcomes have more than justified the spending on innovation. Building on our Intellectual Property (IP) base, we filed 133 patents this fiscal, and won 75 patents, taking cumulative patents filed to 3,037 and patents won to 628. Today we have 5 breakthrough

New Chemical Entities (NCEs) that have been accorded Qualified Infectious Disease Product (QIDP) status by US FDA, all of which have entered Phase III clinical stage. Being developed as novel antibiotics, all 5 drugs are expected to significantly help the global war against Antimicrobial Resistance (AMR) in the near future. The progress made has been shared, presented and published through numerous posters and several presentations at industry fora by American Society for Microbiology (ASM), the Infectious Diseases Society of America (IDSA), European Congress of Clinical Microbiology and Infectious Diseases (ECCMID); and many articles in leading scientific journals like Antimicrobial Agents and Chemotherapy, Journal of Antimicrobial Chemotherapy, Diagnostic Microbiology and Infectious Disease, Journal of Clinical Microbiology and Journal of Medicinal Chemistry.

Collaborative Model for Drug Discovery: Wockhardt has evolved a collaborative model for its drug discovery programme that is designed to be time and cost effective in identifying clinical candidates on an on-going basis. The focus on one hand is to ensure good differentiation for WCK NCEs, and on the other hand is to avoid toxicology related failures and maintain high clinical viability for all clinical candidates. The model relies on a set of in-house discovery and preclinical developmental competencies coupled with internal clinical study design competency. External studies are contracted to either renowned Key Opinion Leaders (KOLs) or University Laboratories or well established and experienced Contract Research Organisations (CROs) with GLP/GCP accreditation. A Drug Discovery Governing Council comprising of global experts in the area of antibiotics drawn from the US and Europe, critically evaluates clinical stage WCK NCEs and advises on the selection of specific clinical indications based on the limitations of current standard-of-care treatment options.

Our approach and philosophy to R&D is best paraphrased by eminent scientist, inventor and futurist Nikola Tesla, who said, "The scientific man does not aim at an immediate result. His



work is like that of the planter - for the future."

Strengthening the Future through Compliance

Today, Wockhardt has established 14 strategically-located, state-of-the-art manufacturing facilities, 11 in India and one each in the US, UK and Ireland. And with about two-thirds of our revenues coming from overseas operations, regulatory approvals are critical to our business.

We have invested significant resources in people, processes, training and technology to ensure regulatory compliance and have made good progress. Towards this end, we have brought on board a seasoned professional with decades of rich experience to head our Quality division worldwide, and spearhead our global initiative to drive a holistic approach to quality and compliance.

As reported earlier, UK MHRA has confirmed compliance with the principles and guidelines of GMP for our manufacturing facilities at L-1, Chikalthana, Aurangabad and Kadaiya, Daman, while HPRA (Health Products Regulatory Authority) Ireland has granted Certificate of GMP compliances to our Shendra, Aurangabad facility. In the next few months, M-CAP, a compliance improvement programme in effect since 2017 that looks at cGMP (common Good Manufacturing Practices) holistically, is expected to yield positive results in line with our objectives of ensuring zero data integrity issues and address compliance holistically across all manufacturing facilities globally.

Building the Future through Leadership

At Wockhardt, we have been attracting the best global leadership talent from some of the most respected companies across the world in various areas like Quality, Research, Regulatory, Manufacturing, Sales, Marketing and several other functional roles. Our focus is on development and retention of human capital through various training programmes and career opportunities. This is aimed at ensuring that the organisation remains on top of the learning curve, and is agile and future-ready to leverage various opportunities. As part of our development programmes, we invest heavily to transform talented associates into mature leaders who will steer the organisation to newer heights in the years to come. Today, we have in place a strong leadership team with the bandwidth to ably lead the organisation into the future.

Energising the Future through De-Risking

Wockhardt has adopted a strategy to de-risk the business by outsourcing some key functions like third party manufacturing and some components of the drug discovery and development process. This is done to gain cost and time efficiencies, maintain uninterrupted supply to customers and avoid disruption due to compliance issues in manufacturing. For example, sterilising of WCK 5107, Cefepime and filing of WCK 5222 was outsourced to four external manufacturers and two contract testing laboratories. Project SURGE was initiated to outsource manufacturing of products to supply for US market. The product scope was defined with 15 products identified based on their business potential. In FY 2017-18, 3 new

approvals for ANDAs and 5 site transfer approvals were received in the US market by transferring technology to contract manufacturing organisations and obtaining approval from US FDA. The rest are at various stages of technology transfer, filing with US FDA and awaiting approvals for already filed products.

Forging the Future through Excellence

Year after year, Team Wockhardt - around 9,000 people across 27 nationalities spanning 6 continents worldwide - has been consistently recognised and acknowledged. Wockhardt's journey of excellence continues in FY 2017-18, where we have won more than 60 accolades at various fora for exceptional contribution by our leaders and functional heads. Notable amongst them are the 'Family Business Legacy' award from Essel Group received by Dr. Murtaza Khorakiwala, conferred by the President of India, Shri Pranab Mukherjee in the presence of the Prime Minister of India, Shri Narendra Modi; the coveted Accreditation by Joint Commission International (JCI), USA, for Wockhardt Hospital, South Mumbai, for its patient care, patient safety and focus on continuous quality improvement; and an Honorary Doctorate in Social Services from the International University of America, London, conferred upon Dr. Huzaifa Khorakiwala.

Ensuring the Future through CSR

For Wockhardt, fulfilling its Corporate Social Responsibility is another approach to create a better future. Wockhardt Foundation, in collaboration with various corporate partners including Wockhardt Hospitals, implements several social initiatives to improve the quality of life of the underprivileged sections of society. They include mobile medical services catering to remote rural areas, toy libraries, potable water, sanitation, e-learning, skill development etc., all designed to help them hope for and achieve a better tomorrow. Our endeavour of adopting 20 villages near Aurangabad under the Adarsh Gram Yojana is the perfect example of helping create an ideal community that is self-sufficient and self-reliant. Through our activities, we manage to touch and impact over 2 million lives every year.

Finally, I agree with American Founding Father and the third president of the United States, Thomas Jefferson, who said, "I like the dreams of the future better than the history of the past."

My dream for the future sees Wockhardt playing a significant role in helping save lives and enhance the quality of life through our products, services and social initiatives. We are building today for a better tomorrow.

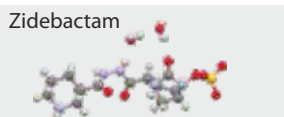
Dr. Habil Khorakiwala
Founder Chairman

Wockhardt's New Drug Discoveries to counter AMR

Wockhardt's early insight and sustained focus on antibiotics translates into a tremendous opportunity in the near future. 5 anti-bacterial NCEs meeting several unmet needs in hospital and community settings, were granted Qualified Infectious Disease Product (QIDP) status by US FDA, allowing for fast-track review, paving the way for early launch and a five-year extension of market exclusivity post product approval in USA.

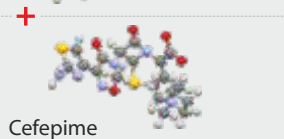
WCK 5222

Zidebactam



+

Cefepime



Unique Gram-negative targeted product based on a novel mechanism of action

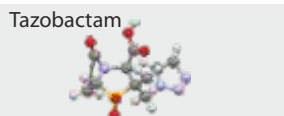
Coverage of life threatening infections spanning Extensively drug-resistant (XDR) *Pseudomonas* and *Acinetobacter*

Targeted towards high-mortality indications like Hospital-Acquired Bacterial Pneumonia, Ventilator-Associated Bacterial Pneumonia, Bloodstream Infections, Intra Abdominal and Urinary Tract Infections

Initiating Global Phase III Clinical Studies

WCK 4282

Tazobactam



+

Cefepime



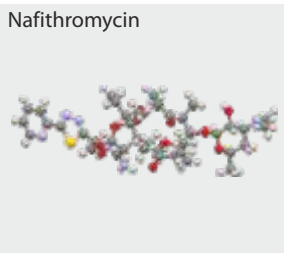
First ever carbapenem-sparing combination, based on clinically well established constituents' potent activity against piperacillin-tazobactam and cefoperazone-sulbactam resistant strains

Suitable as a first line empiric therapy for complicated Urinary Tract Infections, complicated Intra-Abdominal Infections, Hospital-Acquired Bacterial Pneumonia and Bloodstream Infections

Initiating Global Phase III Clinical Studies

WCK 4873

Nafithromycin



Novel proprietary lactone ketolide antibiotic designed to target MDR respiratory pathogens implicated in serious Community-Acquired Bacterial Pneumonia

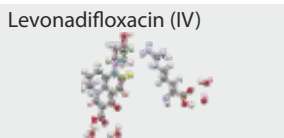
Best-in-class oral pharmacokinetics, high and sustained drug levels in target organ lung enabling once daily treatment x 3 days therapy with good hepatic safety

Targeted to treat Community-Acquired Pneumonia and upper Respiratory Tract Infections

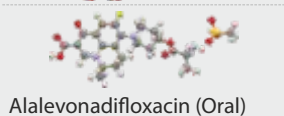
Completed Global Phase II Studies

WCK 771/WCK 2349

Levonadifloxacin (IV)



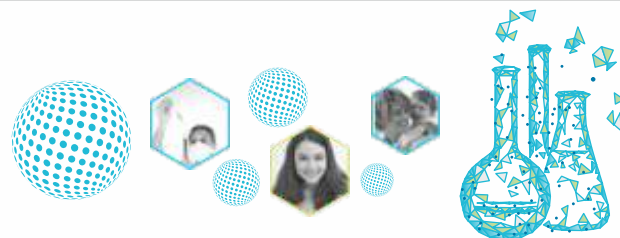
Alalevonadifloxacin (Oral)



Multi-spectrum (Gram positive, Gram negative, Anaerobes + MRSA) bactericidal drug with Oral and IV convenience

Treatment potential includes acute Bacterial Skin and Skin Structure Infections, Hospital-Acquired Pneumonia caused by MRSA, Diabetic Foot Infections, Bone and Joint Infections, Community-Acquired Pneumonia and Surgical Prophylaxis

Phase III Clinical Studies ongoing in India



INNOVATING TODAY FOR A BETTER TOMORROW



For Wockhardt, Research & Development (R&D) is the cornerstone of our endeavour in building the future. Our deep-rooted belief that strong and comprehensive R&D capabilities were critical to build value and drive growth, resulted in significant and sustained investments over the years in people and technology to develop our R&D capabilities. Today, our comprehensive and multidisciplinary R&D facilities spread across India, UK and USA, are on par with those of some global pharmaceutical majors.

With innovation driving our efforts to build our Intellectual Property (IP) base, we constantly file patents and develop products for Abbreviated New Drug Applications (ANDAs) for

the US and European markets. In fiscal 2017-18, we filed 133 patents and won 75 patents, taking cumulative patents filed to 3,037 and patents won to 628.

Over twenty years ago, our insight into the anti-infectives space led to a strategic focus on discovering and developing new antibiotics that has yielded results that validate and vindicate our efforts. In light of the rising global concern towards growing Antimicrobial Resistance (AMR), and considering that 5 of our breakthrough antibiotic NCEs (New Chemical Entities) with QIDP status from US FDA are now in phase III clinical stage, we effectively began building the future over two decades ago.

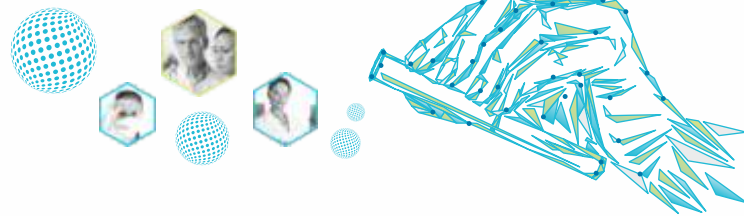
Drug Discovery Governing Council

Wockhardt's Drug Discovery Governing Council, comprising of global experts in the area of antibiotics drawn from the US and Europe, critically evaluates clinical stage WCK NCEs and advises on the selection of specific clinical indications that have substantial unmet needs based on the limitations of current standard-of-care treatment options. Governing Council members are infectious disease clinicians associated with top-ranking hospitals, leading clinical microbiology professors from universities and Pharmacokinetics/Pharmacodynamics experts.

Following Key Opinion Leaders (KOLs) are on the Governing Council

- ▶ Dr. David Livermore – Public Health England & University of East Anglia
- ▶ Dr. Johan Mouton – Radboud University Medical Center, The Netherlands
- ▶ Dr. Antoni Torres – Professor of Medicine at Faculty of Medicine at the University of Barcelona, Spain
- ▶ Dr. Robert Bonomo – Chief of Medicine Service, Veterans Affairs Medical Center, Cleveland, USA
- ▶ Dr. Roy F Chemaly – Infectious Disease Specialist, MD Anderson Cancer Center, USA
- ▶ Dr. Andrew Shorr – A renowned pulmonologist affiliated with MedStar Washington Hospital Center, USA





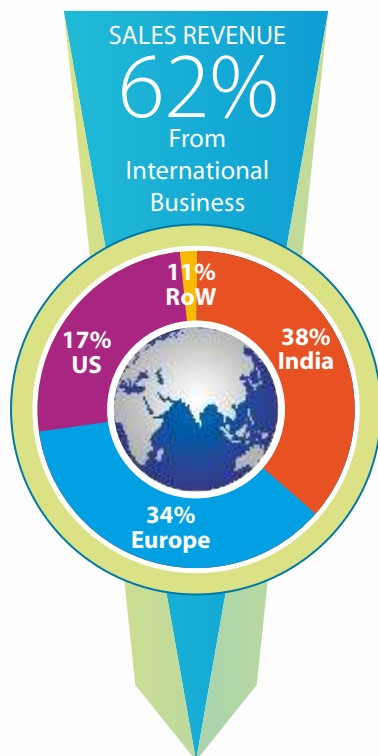
Dr. Murtaza Khorakiwala
Managing Director

LEADERSHIP FOR A BETTER TOMORROW

Five decades of experience and expertise; a track-record of pioneering innovation; comprehensive multi-disciplinary R&D capabilities; globally approved manufacturing facilities across India, UK and USA; a growing Intellectual Property (IP) base; a product pipeline catering to unmet needs; sales & marketing operations across the world; leadership position across categories and geographies; a multi-ethnic global workforce; these are the building blocks for Wockhardt to shape the future.

Leadership for Wockhardt is all about achieving a lead, maintaining the lead and striving to increase the lead. It is about creating value with values. It is about growing, expanding, collaborating and partnering with stakeholders to achieve shared goals and aspirations. That's our endeavour. To achieve and strengthen leadership in products, services, markets and quality. It is this leadership that will define our corporate credo of Life Wins, and consequently, build a better tomorrow.

We at Wockhardt will build on present achievements to secure the future for all stakeholders by adhering to core values, focusing on innovation, deploying technology, and investing in talent.



OUR EUROPEAN EDGE

Amongst Top 3 Indian Generic companies in UK

Fourth largest (by volume) Generic supplier to the Hospital Sector in Ireland

Amongst Top 5 Generic companies in Ireland

OUR INDIA EDGE

5 Brands

Amongst Top 300 brands of IPM

3rd Position

In Cough Preparations

5th Position

In Vaccines



Over 74 Million Times Lives Touched

Mobile 1000	132 Vans (22.52 Lakh Patients Checked)	Mobile 1000
E-Learning	581 Schools; 2.9 Lakh Children	E-LEARNING
Wockhardt + Health Centres	8,224 Patients Benefitted	Wockhardt Health Centres
Little Hearts	100 Congenital Heart Surgeries	Little HEARTS
Pronto Toilet	3,343 Toilets	PRONTO TOILET
Pronto Bio-Toilet	327 Bio-Toilets	PRONTO BIO-TOILET
Khel Khel Mein	29 Toy Libraries; 2,319 Children	Khel KHEL Mein toy library
Wockhardt Skills Development Institute	4 Centres; 418 Students Trained	WOCKHARDT SKILLS DEVELOPMENT INSTITUTE
Shudhu Water Purification Tablets	13,66,460 Tablets Distributed	SHUDHU water purification tablets
Zab	1154 Desks + School Bags Distributed	ZAB
Swachh Bharat Recycle Machine	10 Machines Installed	Swachh Bharat