Hope Wins. Life Wins.

Golden 50 years

WOCKHARDT | LIFE WINS

ANNUAL REPORT 2019-2020

Hope springs eternal in the human breast: Man never is, but always to be blest.

Alexander Pope

Hope. That steady flame of optimism, at times fluttering, but never dying, that gives us the courage to face challenges and the confidence to overcome adversities. Simply put, hope is the universal and secular belief we all hold during difficult circumstances that things will get better.

At Wockhardt, hope is manifest in our indomitable will and never-say-die attitude that galvanises our courage, channelises our efforts and energises our innovative thinking. It is the potent life force that catalyses our fighting spirit as well as our propensity to reach out and provide aid and succour; spread cheer; and give hope; through our business activities, R&D efforts, and social initiatives.

Like the Roman philosopher Cicero said, "While there's life, there's hope." And when Hope Wins, Life Wins.

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FY 2019-2020 Performance Highlights

Sales

US$ 440 million

₹3,325 crore

Operating Profit (EBITDA)

US$ 32 million

₹245 crore

EBITDA Margin

7%

Profit After Tax

₹(43) crore

CHAIRMAN'S STATEMENT

MY DEAR SHAREOWNERS

I hope that you and your loved ones are safe and coping adequately with the tremendous upheaval in your lives in the wake of the global pandemic caused by COVID-19.

The world woke up to this threat in Q4 of FY 2019-20 and the rapid rise of infections and related deaths worldwide has led to disruption on an unprecedented scale and dimension. While the world is racing to contain the spread, treat the infected, and find a vaccine; the social, psychological and economic fallout of this pandemic is expected to be felt long and wide.

What is driving us through these trying times is hope. It is the hope that things will get better, safer and as near normal as possible.

And thus it was a natural and apt theme to adopt for our Annual Report for FY 2019-20:
Hope Wins. Life Wins.

HOPE-STIRRING PERFORMANCE

I am pleased to announce that our performance has been improving year after year. In the financial year under review, FY 2019-20, our consolidated revenues stood at ₹3,325 crore as compared to ₹4,158 crore in FY 2018-19, and our Profit After Tax (PAT) stood at ₹(43) crore as compared to ₹(217) crore in the previous year. This year our EBITDA (Operating Profit) improved by approximately 81% to ₹245 crore as against a corresponding amount of ₹135 crore in FY 2018-19. For the first time in 3 years, our Q4 results posted a Profit After Tax (PAT) of ₹69 crore as against a loss of ₹14 crore in the corresponding period in FY 2018-19. As on March 31, 2020, our Net Debt stood at ₹2,945 crore as compared to ₹2,926 crore as on March 31, 2019. Currently, Net Debt to Equity Ratio is 0.96 as compared to 0.97 as on March 31, 2019. The above stated figures are inclusive of continuing and discontinued operations of Consolidated Financials.

In FY 2019-20, our international business contributed 73% of total revenues with the EU, US and Emerging Markets businesses accounting for 35%, 22% and 16% of total revenues respectively. Our India business accounted for 27% of total sales.

On the compliance front, I am pleased to report significant progress. During the year we received regulatory approvals from authorities like US FDA for our Clinical division; TMMDA-MOH (Turkey) PICs Certification, EAC-Uganda for Biotech API and formulation; ANSM (France), PMDA (Japan) approvals for our Ankleshwar facility, along with State FDA approvals for all our sites. We expect to shape up and achieve full regulatory compliance at the earliest.

In summation of our performance in the year under review, the increase in operating profit, reduced losses, lowered debt, and other positive developments like a strategic divestment, various approvals for our NCEs, new patents granted, and regulatory approvals for various manufacturing facilities, are ample reasons to be hopeful about the future.

HOPE-KINDLING DIVESTMENT

In Q4 of FY 2019-20, as part of a strategic initiative, we decided to

divest a part of our domestic branded business to Dr. Reddy's Laboratories (DRL), comprising of 62 products and related business, assets and liabilities including manufacturing facility at Baddi, Himachal Pradesh, for a consideration of ₹1,850 crore (approximately USD 260 Million). We will continue to own all our international operations, all other manufacturing facilities and R&D centres, here and abroad, as well as a significant part of the domestic branded business constituting chronic and speciality portfolios.

This strategic divestment will help us to shift from acute therapeutic areas to more chronic segments like diabetes and CNS (Central Nervous System), as well as to focus on our niche antibiotic portfolio of NCEs. The sale will also ensure adequate liquidity to aim for robust growth in international operations and investments in Biosimilars for the US market; augment remaining significant domestic branded business and re-focus on the chronic segment with differentiated product portfolio; continue ongoing R&D activities; complete clinical trials of our NCEs with QIDP status from US FDA; and strengthen the balance sheet.

Reason enough to hope for a resurgent performance in the coming years.

HOPE-INSPIRING R&D

I can never tire of reiterating the critical role that our R&D efforts play in our emergence as a global pharmaceutical and biotech company. I am happy to announce that our R&D efforts have led to some spectacular achievements in the fiscal year under review, inspiring hope amongst all stakeholders across the world.

At the very beginning of FY 2019-20, we received approval from US FDA for an ANDA (Abbreviated New Drug Application) for 50 mg injection of Decitabine (a generic version of Dacogen®), the third US FDA approval for our growing portfolio of oncology drugs. Decitabine is used to treat Myelodysplastic syndromes (MDS), a group of cancers in which immature blood cells in the bone marrow do not mature and therefore do not become healthy blood cells.

During the year, Indian drug regulator DCGI had approved two new antibiotics developed by Wockhardt, EMROK® (WCK 771 IV) and EMROK® O (WCK 2349 Oral), for acute bacterial skin and skin structure infections including diabetic foot infections and concurrent bacteraemia, based on the successful outcome of Phase 3 study involving 500 patients recruited in 40 centres across India. We are now the first Indian Company to achieve approval for New Discovered Antibiotics.

Towards the end of FY 2019-20, we received Qualified Infectious Disease Product (QIDP) status from US FDA for WCK 6777, a first ever once-a-day β-lactam enhancer-class antibiotic. Based on our other NCE Zidebactam, WCK 6777 for injection is indicated for treatment of complicated Urinary Tract Infections (cUTI) and complicated Intra-Abdominal Infections (cIAI).

It is a matter of great pride that we are now the only company in the world to hold QIDP status for six antibiotics, three of which target Gram Negative pathogens while the other three target Gram Positive difficult-to-treat 'Superbugs'.

These achievements validate and justify our consistently high investments in R&D year after year, as a percentage of total sales. In FY 2019-20, our R&D spends, including capital expenditure, amounted to 11% of sales at ₹354 crore.

HOPE-INSTILLING CSR

We believe that hope is much more infectious than any disease and all our endeavours under the aegis of Corporate Social Responsibility (CSR) are aimed at spreading hope and cheer amongst the underprivileged sections of society. Towards this end, Wockhardt Foundation, in tandem with Wockhardt Hospitals and many other corporate partners, implements several social programmes like providing mobile medical services to remote rural areas, toy libraries, skill development, e-learning, potable water, sanitation etc. In FY 2019-20, our CSR activities touched millions of lives across various programmes.

When the COVID-19 pandemic forced a lockdown leading to severe disruption, Wockhardt Foundation, supported by several corporate collaborators, swung into action and began the implementation of ANAAJ+. It is a programme to support families living in Mumbai's slums with monthly essentials like grains, pulses, edible oil, soaps etc. The response has been overwhelming with several corporate organisations, students and other individuals, pledging support as 'Corona Warriors'. This 'Fight Corona' initiative has touched over 4,000 families and counting. It is this outpouring of help and support that holds out tremendous hope for humanity and its ability to overcome challenges in times of crisis.

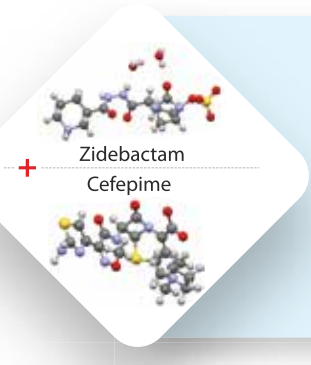
In conclusion, I will reiterate the words of Martin Luther King Jr. who said, "We must accept finite disappointment, but never lose infinite hope." There is enough reason to hope for the better, and that is backed by a focused strategy and a plan of action.

We will overcome!

Dr. Habil Khorakiwala
Founder Chairman

HARBINGERS OF HOPE

The cornerstone of Wockhardt's Research & Development efforts is its novel antibiotics programme that has yielded extremely encouraging results. Today, six of its New Chemical Entities (NCEs) under development have been given Qualified Infectious Disease Product (QIDP) status by US FDA, the only pharmaceutical company in the world to have a strong pipeline of anti-infective drugs at various stages of clinical studies. This is reason enough for hope and optimism in the global war against rising Antimicrobial Resistance (AMR).

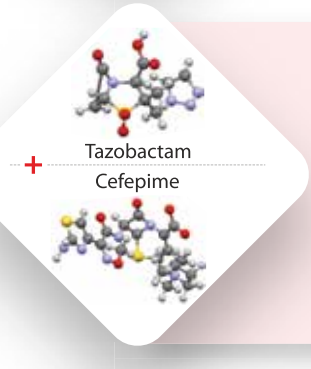


WCK 5222

It is a combination of Zidebactam and Cefepime that meets the urgent threat of Carbapenem-resistant Enterobacteriaceae and serious threats like Multidrug-resistant Acinetobacter, Drug-resistant Salmonella typhi and Multidrug-resistant Pseudomonas aeruginosa. It is to be positioned as novel MOA-based, high-efficacy destination therapy for XDR pathogens beyond the treatment scope of existing products in the US and Europe.

Status

Investigational product manufactured for Phase III trials at FDA-approved contract manufacturing sites in Europe. An abridged Phase III global study protocol has been finalised in consultation with US FDA, European Medicine Agency (EMA) and Chinese regulator, National Medical Products Administration (NMPA). The study is estimated to commence in the second half of 2020.

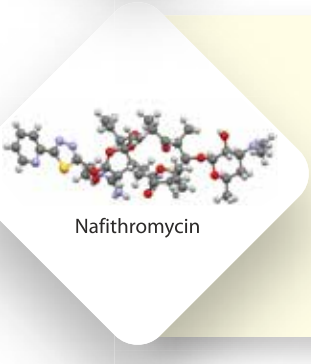


WCK 4282

It is a combination of high dose Cefepime and Tazobactam that meets the urgent threat of certain Carbapenem-resistant Enterobacteriaceae and serious threats like Extended-spectrum β-lactamase producing Enterobacteriaceae and drug-resistant Salmonella typhi. It is to be positioned as the first line empiric drug for hospitalised patients.

Status

Protocol for Global Phase III complicated Urinary Tract Infection (cUTI) study has been discussed and approved by FDA and EMA. Chinese regulator NMPA also concurred that the product meets an unmet medical need and agreed with the clinical development plan and clinical study protocol. The study is estimated to commence by Q1 2021.



WCK 4873

It is a community-use oral respiratory antibiotic for the treatment of Multidrug-resistant pneumonia employing a short treatment regimen of three days. It is also effective against Clindamycin-resistant streptococci, categorised as a concerning threat.

Status

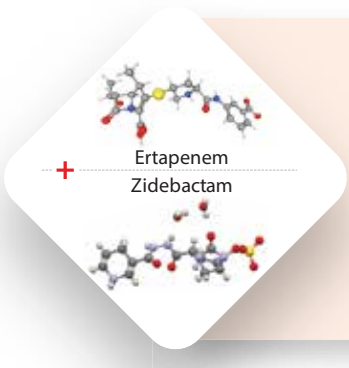
US/EU-conducted Phase II study completed. Obtained Indian regulator DCGI's approval for initiating Phase III study in India for the indication of community-acquired pneumonia. Discussion with ANVISA completed on the study protocol. Phase III study in India and LATAM (Latin American countries) is estimated to commence in the second half of 2020.

WCK 771 & WCK 2349

WCK 771 is a broad spectrum antibiotic drug against MRSA that could cause pneumonia and blood stream infections. It is also active against MDR pneumococci as well as the VRSA pathogen. WCK 2349 is an oral drug corresponding to WCK 771 with similar pathogen coverage.

Status

Phase III study for the two NCEs has been completed, demonstrating that they are comparable to standard-of-care MRSA drug Linezolid. DCGI approvals have been received for manufacturing and marketing in India, which represents the first ever India-discovered antibiotics. Both the drugs have been approved for Acute Bacterial Skin and Skin Structure Infections (ABSSSI) including diabetic foot infections and concurrent bacteraemia. Both these products would be launched in India in the second half of 2020.



WCK 6777

It is a first-ever, once-a-day β-lactam enhancer class antibiotic based on Zidebactam that overcomes an array of problematic bacterial resistance mechanisms such as metallo-β-lactamases, KPC and OXA carbapenemases. In injection form, it is indicated for treatment of complicated Urinary Tract Infections (cUTI) and complicated Intra-Abdominal Infections (cIAI).

Status
US IND has been accepted and Phase I studies in the US are scheduled to commence by the end of 2020 in the USA.

HOPE IN THE DNA

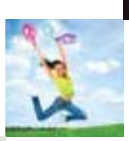
As a research-based global pharmaceutical company, our infinite hope is driven by a strong conviction and belief in our abilities; our strategic insights into focus areas; our investment in people and technology; and our confidence of achieving desired results.

Our teams of scientists, technicians and other professionals across three R&D centres in India, UK and USA, are engaged in cutting-edge research with a focus on New Chemical Entities (NCEs), Abbreviated New Drug Applications (ANDAs), Biosimilars, Novel Drug Delivery Systems (NDDS) etc.

And the results are gratifying.

We have the distinction of being the only company with six novel antibiotic drugs under various stages of development with QIDP status by US FDA, in the pipeline. We have received US FDA Approval for 3 ANDAs in our portfolio of oncology drugs. Two of our new antibiotics EMROK® (WCK 771 IV) and EMROK® O (WCK 2349 Oral) have been approved by Indian drug regulator DCGI.

We have built a strong base of Intellectual Property (IP) that forms the basis of our optimism with 3,165 cumulative patents filed and 722 cumulative patents granted as on 31 March, 2020.



HOPE IN ACTION

At Wockhardt, we have always translated our vision and hope for the future into action: positive, strategic and forward-looking.

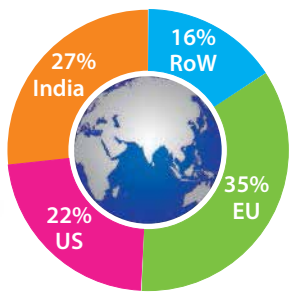
In the year under review, we implemented several initiatives that saw a marked improvement in operational performance and cost rationalisation, as demonstrated in the balance sheet. Our strategic divestment of a part of our assets has ensured adequate liquidity to focus on key areas of high growth, in domestic as well as international markets. There could be no better example of hope in action than our long-standing focus and investments in Research & Development, the results and achievements of which have catapulted us into the big league globally.

Finally, kudos to Team Wockhardt, the 7,000+ professionals across 27 nationalities worldwide, who, by their actions, be it imbibing a culture of efficiency and cost-consciousness; or adapting quickly and efficiently to the lockdown impositions due to the COVID-19 crisis; have strengthened our hopes of emerging stronger and better in the future.

Dr. Murtaza Khorakiwala
Managing Director

SALES REVENUE

73%
From International Business



OUR EUROPEAN EDGE

- Amongst Top 3 Indian Generic companies in UK
- 5th largest (by volume & by value) generic supplier in Retail (6% volume, 6% value) and in Hospital channel (16% volume, 8% value) respectively, in Ireland
- Amongst Top 5 generic companies in Ireland

OUR INDIA EDGE

- 2 Brands Amongst Top 300 brands of IPM (BroZedex & Methycobal)
- 4th Position in Cough Preparations
- 11th Position in Vaccines

WOCKHARDT FOUNDATION | LIFE WINS

OVER 117.87 MILLION TIMES LIVES TOUCHED IN FY 2019-20

Mobile 1000
246 Vans Till Date (51.39 Lakh Patients Checked in FY 2019-20)

E-Learning
404 Schools Till Date (2.02 Lakh Children Benefitted in FY 2019-20)

Wockhardt + Health Centres
4,137 Patients Benefitted in FY 2019-20

Little Hearts
232 Congenital Heart Surgeries in FY 2019-20

Pronto Toilet
4,704 Toilets Till Date

Pronto Bio-Toilet
451 Pronto Bio-Toilets Till Date

Khel Khel Mein
17 Toy Libraries Till Date
(651 Children Benefitted in FY 2019-20)

Wockhardt Skills Development Institute
32 Centres
(2,400 Students Trained in FY 2019-20)

Shudhu Water Purification Tablets
12.75 Lakh Tablets Distributed in FY 2019-20

Zab
2500 Desks + School Bags Distributed in FY 2019-20 (4552 Bags Till Date)

ANAAJ +

4,318 Grocery Kits Distributed
21,590 People Benefitted