

# CHAIRMAN'S SPEECH

TENTH ANNUAL GENERAL MEETING



**DELIVERING  
ON TRUST**



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Habil Khorakiwala, Chairman

## **My dear Shareowners & Friends,**

Good afternoon and a very warm welcome to all of you at the tenth Annual General Meeting of your Company.

Every year I look forward to this day, where I get an opportunity to apprise the members of Wockhardt's investor family on the progress and growth of their Company. And I am elated and proud to say that historically, the year 2008 was Wockhardt's best year in terms of operational optimisation. In all earnest, we endeavoured to deliver on the trust our stakeholders reposed in us.

Over four decades ago, Wockhardt was born with a dream to make a difference. From modest



beginnings, today, we've reached the point of critical mass from which we aspire to become over a billion-dollar enterprise in the near future. It is the trust our stakeholders have in us that keeps us going.

## **A window to the world beyond**

Last year at the World Economic Forum in Davos, Switzerland, world political leaders, heads of state and business leaders had all congregated to discuss future plans in this downturn and the path to economic reforms across the globe. I distinctly remember how the world viewed the economies of India and China with great respect and admiration. India is today in a unique position, it has never been before. India is well poised to take its rightful place, especially in the pharmaceutical and healthcare sectors.

The world pharmaceutical market in 2008 was worth US\$ 800 billion growing @ 6% annually, of which a whopping 80% of this growth came from emerging markets like Brazil, China, Russia and India. It is now estimated that from the current 20-to-25% market share of the world pharmaceutical market, the emerging markets will corner nearly 50% market share by 2025. According to McKinsey, by 2015, India will emerge as the tenth largest pharmaceutical market valued at approximately US\$ 20 billion, up from its current US\$ 8 billion.

India's healthcare spends will be driven by its burgeoning population, rising disposable incomes, expanding medical infrastructure and greater penetration of health insurance. India sees herself at the forefront and also as a very strong player both amongst the emerging markets and the developed countries, to benefit from this tectonic change. To her credit is a reservoir of

medical and clinical prowess, the highest number of US FDA approved manufacturing sites outside the US and a host of strategically acquired companies in the world's largest pharmaceutical markets of US and Europe.

May I dare to say, the future belongs to India and now with a stable government at the Centre, our country is well on its way of playing in the BIG PREMIER LEAGUE!

## **Wockhardt's multi-dimensional performance**

Further, I would also like to add that your company has strategically decided to focus on certain areas, which it foresees not only as growth drivers in the future but also has a huge commercial potential.

~ It is a matter of great national pride that Wockhardt was the first company in the world after the innovator company to launch Glaritus, a long-acting recombinant insulin analogue - glargine. With this Wockhardt becomes the first company in the biotechnology space to move from simple biologicals to complex biologicals with significant experience in both E.coli and yeast platforms. The worldwide market for this long-acting insulin product is estimated at over US\$ 2 billion and the Indian market is worth over Rs. 120 crore growing at 37% per annum.

~ Wockhardt was amongst the Top-5 pharmaceutical companies in the world to receive 23 Abbreviated New Drug Application approvals by the United States Food & Drug Administration in 2008.

~ Wockhardt's 15 manufacturing plants across the globe are compliant with international regulatory bodies like the United States Food and Drug



Administration (US FDA), the United Kingdom Medicines & Healthcare Regulatory Agency (UK MHRA) and the European Medicines Agency (EMA). They also adhere to continuous Good Manufacturing Practice (cGMP) norms, encouraging us to enter the lucrative contract manufacturing space, which already boasts of a roster of 18 international pharma companies spread across US and Europe.

~ As a strategic business initiative, Wockhardt has signed in-licensing agreements with top US and European companies to manufacture and distribute patented products in India in therapies like dermatology, osteo-arthritis and derma-cosmetology, each of which has a huge flourishing market in India.

### **Wockhardt's global prowess**

Wockhardt's US business including Morton Grove Pharmaceuticals showed phenomenal growth of 140% in 2008. As you know the United States is the world's largest pharmaceutical market and also an intensely competitive market at the same time. Currently with over 60 products being sold in this market, Wockhardt USA has gained critical mass, backed by a very strong customer relationship and distribution network. We also hope that in the immediate future in the US, under the able and dynamic leadership of President Obama, the new healthcare policies of his government gives the right impetus for Indian generic pharma companies like Wockhardt to stamp their imprint on that soil.

Across the Atlantic, Wockhardt Europe continues to be the largest contributor to the business with 51% of revenues in 2008. Our UK and Irish operations have shown double-digit growth and

continue to serve the medical community with confidence and skill.

In the Rest-of-the-World emerging markets of Brazil, Mexico and CIS countries, Wockhardt is continually creating revenue streams in high potential therapy segments like Anti-Diabetes, Dermatology, Oncology and Bio-generics.

### **Wockhardt's cup of opportunities**

We believe India is a breeding ground for several opportunities especially in the global biopharmaceutical sector. India is fast developing into a low-cost manufacturing partner for global biopharmaceutical companies. The vast pool of scientific talent, a world-class information technology industry and a vibrant domestic market are positioning India to emerge as a significant spot on the global biotech map.

At the heart of its foray in providing healthcare solutions, was Wockhardt's unwavering belief of providing the medical community and patients, a comprehensive treatment, which is better, more effective and economical. Today, Wockhardt is the only company with an enviable portfolio of biotech products in the market and also in the pipeline, giving it a unique first mover advantage post patent expiry in 2014. As I said earlier, the huge commercial potential for chronic disease management in emerging and developed markets is where Wockhardt has set its sights on.

Wockhardt also boasts of a very efficient and seasoned R&D team. This year too, we hope to continue filing new ANDA's for the US market and launching the ones for which we have already got approvals. We expect and are choreographing all our resources and other initiatives to drive growth



in the US and other regulated markets and simultaneously make deep in-roads in other emerging markets.

## **Combating challenges**

They say challenging circumstances teach you interesting things. Hard times tell you more about yourself, the choices and decisions you have made than good times ever will. Just as this is true for people, it is true for companies as well; after all, it is people who run them. In adversity, a person or a company, each emerges with a sharper and a renewed sense of purpose... of where they are and where they want to be.

While growth is our inherent propensity, the overall health of the global economy has certainly had an impact on all of us. The year 2008 was eventful in more ways than one, in context to Wockhardt, as well as the world at large. The global downturn was a hard hitting reality that none of us foresaw. Galvanized by a global financial meltdown that was triggered by the failed US derivatives market, industries across all sectors bore the brunt of plunging economies. Much as the rest, we too were not shielded from the harsh repercussions of these turbulent times. As our international businesses contribute up to 70% to the total business, hedging foreign exchange risk was a prudent treasury operation. In a marketplace that suddenly produced highly volatile foreign exchange rates, we've reported unforeseen derivative losses, which impacted our liquidity.

I believe that triumphant confrontation with challenges is a feat in itself. As veterans, we are not only deft at facing challenging circumstances, but we are also confident of successfully combating

them. Today, the tight credit markets have also impacted the healthiest of companies in these testing times. As you all know, the Board of Directors, have recommended approaching the CDR cell and are currently engaged in the corporate debt restructuring exercise. As we move forward, through this process, I am confident that we will be able to make Wockhardt even more resilient than ever before.

## **Re-inventing Wockhardt**

Keeping in mind the long term objectives and goals of the Company, the Board of Directors decided that in addition to my continuing as Executive Chairman of the Company, I will need to nurture the next generation of future leaders. In accordance with the same, the Board decided that Huzaifa Khorakiwala as Executive Director and Dr. Murtaza Khorakiwala as Managing Director will join the Board and be mentored and developed to take on the mantle of responsibilities as Wockhardt's future leaders. This decision also ensures that we develop a long-term succession plan in the larger interest of the Company and all its stakeholders.

As I look forward, I see sustainable and rampant progress for our Company. Globally, we are already seeing the glimmering signs of recovery on the horizon. Domestically, the Indian economy is already resorting to its trajectory towards a 7% GDP growth. Much to our delight, the recent general election has produced a strong Government with a clear mandate for reforms and inclusive economic prosperity. We are also witnessing the early stages of a turnaround within the capital and financial markets, with lower interest rates and improving liquidity. Indeed there are many traces of vibrancy in the Indian economy that spells 'sunshine' for the

economy. While these external factors will surely assist Wockhardt along with the rest of the economy, internally, we are increasingly focused to shield ourselves better.

Through the experience of last year, Wockhardt will be more focussed by way of integrating, re-structuring, rationalising and optimising all its resources to keep delivering on the trust of its stakeholders. I completely agree with what Alan Kay says, **“The best way to predict the future is to invent it.”** At Wockhardt, this time around, we will re-invent it!

### **With us at every step...**

I take this opportunity to state that the success of Wockhardt is incomplete without the passionate and focussed efforts of its people and the support of its investors, the medical community, customers, bankers, partners and associates. Every Wockhardt stakeholder is invaluable to us. Despite the prevalent internal as well as external circumstances, our perceptive and efficient leadership team has reposed its faith in the Company as a resilient entity. With teeming pride I state that Wockhardt is fortunate to have a workforce, across geographies that dream its dreams, breathes its passion and shares its vision. Together, we will carve-out a great future. I once again thank all of you, the shareholders, for the faith you have reposed in us.

Thank you ladies and gentlemen for attending this AGM and I count on you for your continued support in the future. God bless!



Habil Khorakiwala  
Chairman