

# CHAIRMAN'S SPEECH

NINTH ANNUAL GENERAL MEETING



**WOCKHARDT**

NOW  
EUROPE...

...AHEAD OF TIME



Habil Khorakiwala, Chairman

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

A very warm welcome and a big thank you for attending the ninth Annual General Meeting of Wockhardt.

Another significant year has gone-by and Wockhardt acquired a new growth momentum across all its businesses and markets. It strengthened existing markets and developed new geographies. It created wider technical capabilities and built infrastructure to drive greater production through proactive and seamless networking. Growth was well understood as a key driver for creating superior shareholder value.

Our European companies led by some exemplary leadership, believed in not only implementing the 'Best Practices' but also had the vision of setting-up the 'Next Practices' and these are beginning to show results. Today, Wockhardt's European business continues to contribute to over 54% of our revenues in 2007 as compared to 41% in 2006, growing by 97%.

Our strategic focus to extract maximum value from our acquisitions in Europe has been validated by the recent international IMS Report. The Prognosis 2007 study shows the pharma emerging markets in Europe to be France, Germany and UK. Thankfully, Wockhardt is not only present but is deeply entrenched in these markets. This I say is being ahead of time. And I say it with immense optimism... 2007 was truly a transformational year for Wockhardt.

## **■ The spirit of transformation ■**

Transformation is taking place in the very DNA of Wockhardt. Be it in our acquisitions, our manufacturing, R&D, supply chain, marketing and in our people. There is constant change and transformation happening.

We have firmly established ourselves as a true multi-national pharmaceutical company from India with a multi-cultural and multi-ethnic work force of 6000 Wockhardians from 14 different nationalities, spread out globally. All of them with a common vision, all of them empowered and all of them with transformed mindsets to adopt, implement and deliver significant value.

Even our leadership and top management have been re-organised and transformed to think Vision 2012 - identify key growth drivers, draw-up

strategic road maps to achieve the same and create value for all stakeholders.

Once again we had the privilege of having the World's No.1 Strategic Management Guru, Professor C K Prahalad attending the Wockhardt Global Strategy Summit. His active participation, guidance and out-of-the-box thinking ability added that X factor in developing 'Wockhardt's Vision 2012' along with our elite global management leadership. His new age mantra, 'Learn from the past, watch the present and create the future' was inspiring and a stimulating challenge.

## **Identifying opportunities for value-creation**

Last May, Wockhardt embarked on one of its biggest acquisitions, Negma Laboratories in France. Given Negma's patented portfolio, its robust R&D pipeline, hi-tech manufacturing plants and marketing capabilities, Wockhardt had the foresight to draw synergies that would transform and enrich the business. The learning, understanding and experience garnered with patent products in West European markets were immense and invaluable.

Similarly, our highly strategic and value acquisition of Morton Grove Pharmaceuticals in Illinois, Chicago has created major inroads for Wockhardt in the world's largest pharma market, the USA.

With a combined product mix of 56 products - of which 13 enjoy the No. 1 position and 18 find a spot in the Top 3, Wockhardt today has gained critical mass to leverage its strengths and capacities in the US. All with a common objective of optimising value.

## **The next big thing**

The next big thing they say is Biotechnology. And I remember a few years back in 2004, when Dr. A P J Abdul Kalam, the then President of India, when commissioning India's largest biopharmaceutical complex at Aurangabad, had said and I quote, "In a decade from now, biotechnology would form a very significant part of our economy, both the domestic and export economy."

It was insightful, but today the decade has been cut short to a few years. At Wockhardt, we see a huge value potential in biotechnology and have gone ahead to seize an early-mover advantage in the regulated markets of the West.

Wockhardt is the first generic company to receive BIO-IND for recombinant insulin injectibles, for initiating clinical trials for the US market. Europe will follow soon. With our R&D for insulin analogues gaining momentum, Glargine will be a path breaking 'Value Product' to be made available in the marketplace.

Wockhardt has the foresight in investing in the future and has wisely increased its capex funding. We have increased our biotech insulin capacity by three-folds... a step ahead to cater to the global demands of the future.

Also noteworthy is the fact that Wockhardt's Biotechnology and R&D departments have been able to attract some of the best-experienced talent globally. Their knowledge and expertise in working with the world's very best and performing at the forefront of technological breakthroughs will give Wockhardt that much-needed extra edge. They are constantly pushing the limits to look at opportunities that will transform, revolutionise and add value to this business.

## ■ Stimulating R&D growth to ■ capture value

To unlock true R&D potential, the Wockhardt board has given its approval to restructure its R&D business into a separate entity with new drug discovery programmes and innovative new technologies being developed by the R&D team. This focussed approach will be a tremendous impetus for growth.

On the home front, our new drug discovery programme is going ahead in full steam with our anti-infective molecules WCK-771 successfully completing Phase-II clinical trials and the oral pro-drug WCK-2349 getting the DCGI nod for Phase-I clinical trials.

## ■ India and the power of brands ■

In 2007, eight of our brands featured in India's Top 300 Pharma Brands, of which two brands - Spasmo Proxyvon and Dexolac were amongst the Top 100. Furthermore, our range of Power Brands demonstrated a healthy growth of 22%.

Wockhardt has also gone ahead and finalised 11 in-licensing arrangements with European and American companies in the field of Dermatology, Derma-cosmetology, Oncology, Medical Nutrition and Osteoarthritis. Five of these products have already been launched in the Indian market with many more to follow in the near future.

## ■ The challenges ahead ■

And it suddenly is beginning to get real. With the world economy in turmoil and the US slowdown, we are living in uncertain times. It looks and feels like a financial tsunami has struck.

The roller-coaster ride of the stock markets across the globe resembles like an ECG - Electro Cardio Gram of an acute heart patient. And the way inflation is rising; it can put the mercury of a thermometer to shame. All this may not be as severe as many fear, but the recovery could take longer - and that seems dangerous.

But as the saying goes, 'There is a silver-lining to every dark cloud', lets hope it holds good this time too. My tenure as FICCI President in 2007 and the voice of Corporate India, I had the opportunity of interacting with the Prime Minister of India and his cabinet ministers on several sensitive issues, topics and policies affecting the industry. We in FICCI consistently pursued our agenda for liberalisation of policies and reforms and I am happy to say that our initiatives with the government have yielded demonstrable results.

The recent budget has wisely invested in the education and health sectors. The health sector received a total allocation of Rs. 16,968 crores in the budget, an increase of 15% over 2007-08 and the allocation for medical research was Rs. 531.75 crores. The reduction in the excise duty on pharmaceuticals and custom duty reduction on life saving drugs and formulations was long awaited and more than welcome. With a tax holiday for the next 5 years for setting up hospitals in tier II and tier III cities, the improvement of healthcare delivery in the country will get a major boost with the active participation from the private sector.

At FICCI, I also witnessed a virtual who's who of the world leaders descending on India. From French President, Mr. Nicolas Sarkozy, German Chancellor, Ms. Angela Merkel, President of the Russian Federation, Mr. Vladimir Putin, Prime Minister of the Republic of Italy, Mr. Romano Prodi

to the then Prime Minister of Japan, Mr. Shinzo Abe to the President of the Republic of Philippines, Ms. Gloria Macapagal Arroyo, all of them were looking to explore opportunities with India.

Also visits by the Presidents and Prime Ministers from various countries like Mexico, Brazil, the Portuguese Republic, Finland, Czech Republic, Greece, Hungary, Bulgaria, UAE, Vietnam, Kingdom of Cambodia, Thailand and to international dignitaries like former President of the United States of America, Mr. Jimmy Carter, all have enriched my experience as a global corporate leader.

### **Wockhardt with a heart**

Wockhardt gives back. As a part of the CSR activities, Wockhardt got involved in many social activities. Pratham - an education NGO, is one such project, where a committed financial support over two years has mobilised 4800 volunteers across 1328 villages in Aurangabad who in turn have gone out to help educate children in the age group of 6-14 years in reading, writing and arithmetic skill-sets.

The Wockhardt Free Mobile Clinic was instrumental in providing free consultation and free medicines to slum dwellers in the city of Mumbai. And with 21 other free medical health camps taking place in 2007 nearly 8000 patients benefited with this gesture. In addition, 3.25 lakh children were de-wormed and Protinex, a protein supplement was provided to several orphanages.

Wockhardt is committed to give back to society in a sizeable way through a scalable model.

On the other hand WHARF - the non-profit organisation established by Wockhardt and



Harvard Medical International, has now slowly and steadily begun to imprint its footprints across Maharashtra. Last year they conducted a research study and an international convention amongst individual's, doctors and general population of Aurangabad. Towards community sensitization, WHARF also held a programme for employees and workers of Primary Health Care Centres of various corporate houses in Aurangabad.

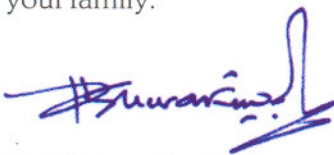
### **The future is ours to see**

Mahatma Gandhi had once said and I quote, "A man is but the product of his thoughts, what he thinks, he becomes."

At Wockhardt, we believe change is constant. It reflects in our attitude of doing business and it is ingrained in our mindsets to create and deliver value for all.

In conclusion, I would like to say, Wockhardt is a picture of health. Be it in its sound business strategies, its robust financials or its technological advances. The coming years will be more exciting than what we have seen until now and I urge you to continue your support on this very exciting journey ahead.

I would like to take this opportunity to thank all Wockhardians around the globe for their passion, dedication and transformation of Wockhardt. And on behalf of every Wockhardian, please accept my thankfulness and my warm regards to you and your family.



Habil Khorakiwala  
Chairman

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