

Chairman's message

“LIVING THE CORE
BEHAVIOURS
EVERY DAY—IS
THE FOUNDATION
OF ZYDUS’
CULTURE.”



Pankaj R. Patel
Chairman

Friends,

By every measure, FY18 was an eventful year for us. We delivered significant growth, executed our core business well, continued improving productivity, made strides with our innovation programme, and advanced ZyNext strategies. Our team is rising to the opportunities before us, as we chart the course to our end-of-the-decade goals with increasing speed and confidence. We are well on our way to shaping the Zydus of the future that will make the coming decade as exciting and rewarding as the last 23 years.

A year of leadership transition

The one distinctive feature about our Company is the accelerated growth and the reasons why we have been able to grow so rapidly is the ability to champion change. While the core elements of who we are remains the same, we have changed and transformed ourselves into a global corporation over the last 23 years. The foundation of any enterprise needs to be nurtured, strengthened and sustained by successive generations. We need to think of the future, the decades ahead of us, and start planning for it today. When we talk about succession planning, it is from this perspective of making sure that the business we've built takes on a life of its own and takes new wings.

At Zydus, we have always believed and laid emphasis on the highest levels of Corporate Governance and had been working on our succession planning programme over the last decade. In line with this, and also to ensure the continuity of the business going forward, Dr. Sharvil Patel was appointed as the Managing Director in July 2017. As a young leader with a global perspective, he shares the same commitment - to take our enterprise to newer heights, spur innovation and build people to build our business.

Shaping Zydus of the future

When we started out in 1995, we identified three main priorities for the organisation: to accelerate the pace of growth, innovate and create value, and deliver it in a consistent and sustained way to our stakeholders. We have been working hard towards fulfilling these goals and when we look closely, there are six core behaviours that connect all our efforts in creating a future-ready organisation.

Living the core behaviours every day — is the foundation of Zydus' culture. Culture takes roots only when it is lived and constantly renewed. It is the unifying thread that inspires our people to do the right thing at the right time in the right way. Our culture has helped us make sure that we never forget who we are, even as the markets, our industry constantly change and evolve.

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Adaptability to change

All through our journey of growth, we have been able to fashion positive responses to change. The most visible manifestation of this has been our journey of 23 years - from a turnover of ₹200 crore to ₹11,600 crore, from a India-focussed company to a global healthcare organisation. How were we able to make the transition and successfully tackle the winds of change? To understand this, we need to step back and look at the strategic choices we made several years ago. We focussed and stayed firm on innovation. We committed ourselves to continuous adaptation and change, as that was the need of the hour. It was quite apparent that innovation would be the key to drive differentiation and growth in a competitive landscape. To capture the most valuable opportunities, we have had to change our mix of product offerings, skills and technologies. We marched on, adapting to change, looking at solutions that can redefine the value we offer. This has helped us grow. The coming decade will bring in a fresh set of challenges. This ability to ride the winds of change and the confidence of being able to adapt and deliver outcomes amidst challenges will keep our Company at the forefront.

Excellence in Execution

The priorities that we set for ourselves to achieve sustained growth and continued improvements in the global pharma markets are increasingly relevant today. Shifting market dynamics have been demanding more differentiation and greater efficiency, at competitive costs. While we have made considerable progress in creating a complex mix in our product offerings in recent years, this new reality requires us to do even more—and do it faster, in an ever evolving regulatory landscape, and excelling at it.

To bring greater thrust to our execution focus we have launched enterprise-wide initiatives: The first is a cultural transformation programme called Quest which aims at creating a culture of quality and drives significant improvements towards quality excellence. The second is a programme that looks at operational excellence and combines two of our flagship programmes, SLIM and PRISM which are focussed on lean manufacturing and cost optimisation.

Let us first look at Quest. Zydans across the manufacturing and quality organisation come together each day to drive Quest. With over 120 quality circles, over 200 circle mentors and Implementation Champions and a 23-member strong central Quest academy which drives Quest, it has now become a way of life at 16 of our manufacturing sites. Nearly 8,000 Zydans are a part of Quest everyday with over 5,000 ideas having been taken up for implementation with more than 6,500 Zydans being rewarded for championing the Quest Quality Culture.

Over the years, the Operational Excellence programmes, PRISM and SLIM have evolved from being a cost saving or process improvement programme to become an established part of our work culture which continue to open up new pathways and add value at every step of our manufacturing process.

PRISM which was first launched in 2003 drives cost excellence across various verticals and processes by delivering cost savings in the entire spend base especially focused on the Direct material and Indirect cost savings. Relunched in 2012 with new goals, PRISM has successfully generated substantial savings from categories driven along six waves.

Strategic Lean Integrated Manufacturing (SLIM) is a top-driven (Strategy Deployment) and bottom-up (Kaizen Ideas) approach with a focus on improving the value in the end-to-end manufacturing operations. Since the inception of SLIM, more than 6,500 ideas have been generated by the 25 sites/teams covering key operational efficiency improvement levers like OEE, cycle time, changeover time, manpower productivity, yield improvement, energy conservation etc.

With a pulse on the immediate and future challenges, these Operational Excellence programmes are supported by 'Manufacturing Excellence' a new initiative. The idea is to create a capable Lean Sigma organisation, which provides hands-on support to the manufacturing sites on project execution and performance improvement.

Being Innovative

To be innovative in all that we do is one of the core behaviors that shapes our culture and guides how we run our business. It's in the unwavering dedication when we commit ourselves to create healthier, happier communities. Innovation at Zydus is reflected in multiple ways. From the traditional application of it in R&D to a broader sense of seeking newness in all that we do, innovation is spread all across our operations.

“OUR RESEARCHERS ARE WORKING ON AN ENTIRE SPECTRUM OF RESEARCH FROM NMEs TO BIOLOGICS, VACCINES, NEW TECHNOLOGIES TO EXPLORE NEW THERAPIES AND ADDRESS THE HEALTHCARE CHALLENGES THAT WE FACE TODAY.”

Our researchers are working on an entire spectrum of research from NMEs to biologics, vaccines and new technologies to explore novel therapies and address the healthcare challenges that we face today.

One of the novel drugs from our pipeline, Lipaglyn™ (Saroglitazar Magnesium) was approved in Mexico for the treatment of Dyslipidemia in patients with diabetes mellitus type 2 and Hypertriglyceridemia in patients with diabetes mellitus type 2 not controlled by statins. Approved in India in 2013, Lipaglyn™ is an important scientific and medical breakthrough in our efforts to develop medicines for patients suffering from hypertriglyceridemia and diabetic dyslipidemia. More than 7,00,000 patients in India are currently benefitting from this therapy.

Elevated triglycerides and insulin resistance are two key components of the metabolic syndrome, which medical science believes are responsible for diseases like hypertriglyceridemia, diabetic dyslipidemia or Non-Alcoholic Steatohepatitis (NASH) disease. Increased triglyceride accumulation in the liver can also lead to inflammation, fibrosis, cirrhosis and liver failure, a serious medical condition known as Non-alcoholic Fatty Liver Disease (NAFLD) or NASH. Additionally, we are also currently evaluating Saroglitazar in several clinical trials for treating liver conditions like NASH and Primary Biliary Cholangitis (PBC).

Our researchers are also working on a small molecule which improves iron mobilisation and has the potential to reduce or eliminate the need for iron supplementation. Desidustat (ZYAN1) which in Phase II clinical trials has been designed to

inhibit hypoxia-inducible factor prolyl hydroxylase, and thereby increase the natural production of hemoglobin and RBCs in anaemic patients.

During the year, our first 505(b)(2) New Drug Application (NDA) product, pitavastatin magnesium ZYPITAMAG™ was launched in the United States. The launch of ZYPITAMAG™, which is used to manage cholesterol levels, marks the first branded product launch for Zydus in the US.

While we work on an innovation pipeline for novel drugs, we also collaborate and work closely with research-based organisations to address unmet needs. Recently, we signed a pact with CSIR-IMTECH to work in the areas of microbiology and genomics to develop new drug combinations against drug-resistant pathogens which cause severe diseases in India and across the world.

We also worked with ICMR to launch cost-effective diagnostic kits to detect transmittable infectious diseases to ensure timely interventions to control outbreaks, in a public-private partnership. Diagnostic tools are now available in India for timely detection of Japanese Encephalitis Virus (JEV) in mosquito vectors and the Crimean-Congo Haemorrhagic Fever (CCHF) in sheep, goat and cattle. Additionally, we are working on diagnostic kits for measles, Kyasanur Forest Disease Virus (KFDV) and Chandipura Virus (CHPV) in humans; and multiplex real-time Polymerase Chain Reaction (PCR) for simultaneous detection of dengue and chikungunya. These tools will help us tackle neglected infectious diseases where timely diagnosis and treatment are critical.

Collaboration

Our people have been our most valuable asset. Alongwith their expertise and wisdom, they bring a unique mix of personal accountability which shapes individual performances and a collective responsibility for larger overarching, organisation-impacting goals. With a mindset of 'We Not I', they step out and collaborate with each other and work seamlessly across boundaries to drive solutions. Today, over 22,000 Zydans are expanding the realms of diversity by combining different experiences, alongwith the perspectives and viewpoints they bring. These perspectives help us simplify our processes, add new dimensions and capitalise on opportunities for the betterment of the organisation.

Respect, Trust and Integrity

One of the fundamentals or the building blocks of our organisation has been to show respect, foster trust and create the grounds where integrity can hold its head high. These are behaviours that not only impact who we are but also reflect in the way we work and conduct our business. We are ever mindful of these behaviours and values as we serve our stakeholders.

“ZYDUS FIRST PROMPTS THOUGHTS AND ACTIONS WHICH ARE TAKEN IN THE LARGER INTERESTS OF THE ORGANISATION AND CREATE A POSITIVE ECOSYSTEM WHICH IS PROACTIVE AND SUPPORTIVE.”

Thinking Zydus First

'If its good for the organisation, it's good.' This is the kind of enterprise thinking that puts Zydus at the heart of all that we do. Thinking of the enterprise first and seeking to put the interest of the organisation above everything else, guides our actions. 'Zydus First' prompts thoughts and actions that are taken in the larger interests of the organisation and create a positive ecosystem which is proactive and supportive.

Future Beckons

Zydus is well positioned to address the needs of the future. We will be aggressive in our pursuit of growth opportunities. We will continue to improve upon our competitiveness. We shall continue to invest in innovation, technology, strategic initiatives— and most importantly, in building capabilities of our people. The aim is to constantly learn, adapt, and optimise operations and stay sharp in today's evolving landscape.

Let me close by thanking each member of the worldwide Zydus team for bringing us to this point, and my gratitude to you, our shareholders, for your unwavering support. We are excited to build on our growth momentum and pursue the opportunities that lie ahead as we continue to innovate, evolve and grow. Thank you for your continued support.

Pankaj R. Patel
Chairman