



Sales

- Q2FY14 at Rs. 1197 crore, decline of 11% over Q2FY13.
- H1FY14 at Rs. 2555 crore, decline of 5% over H1FY13

EBITDA

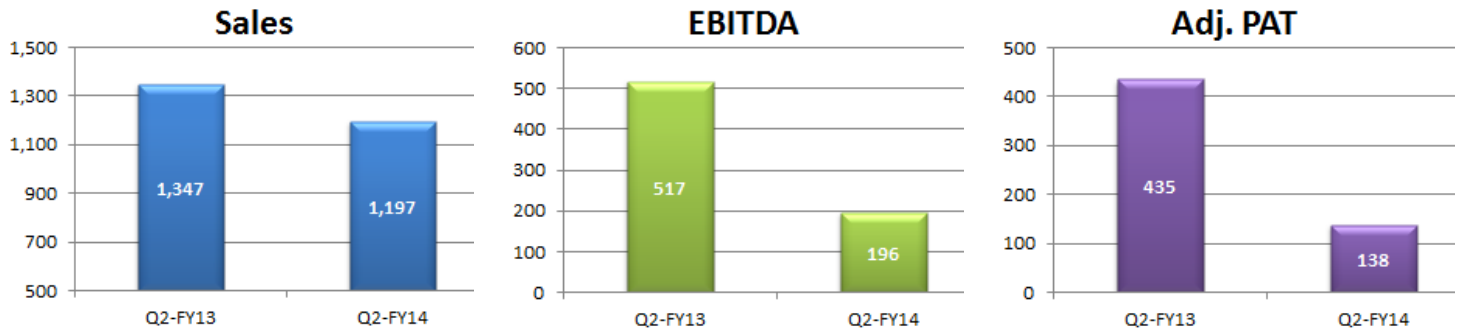
- Q2FY14 at Rs. 196 crore, decline of 62% over Q2FY13.
- H1FY14 at Rs.617 crore, decline of 36% over H1FY13.
- Margins at 16.4% for Q2FY14 compared to 38.4% in Q2FY13 and at 24.1% for H1FY14 compared to 35.7% in H1FY13.

Adj. PAT

- Q2FY14 at Rs. 138 crore, decline of 68% over Q2FY13.
- H1FY14 at Rs. 462 crore, decline of 39% over H1FY13.
- Margins at 11.5% for Q2FY14 compared to 32.3% in Q2FY13 and at 18.1% for H1FY14 compared to 28.2% in H1FY13.

INVESTOR COMMUNICATION – OCT 2013

PERFORMANCE HIGHLIGHTS Q2FY14 vs. Q2FY13



Sales at Rs.1197 crore.

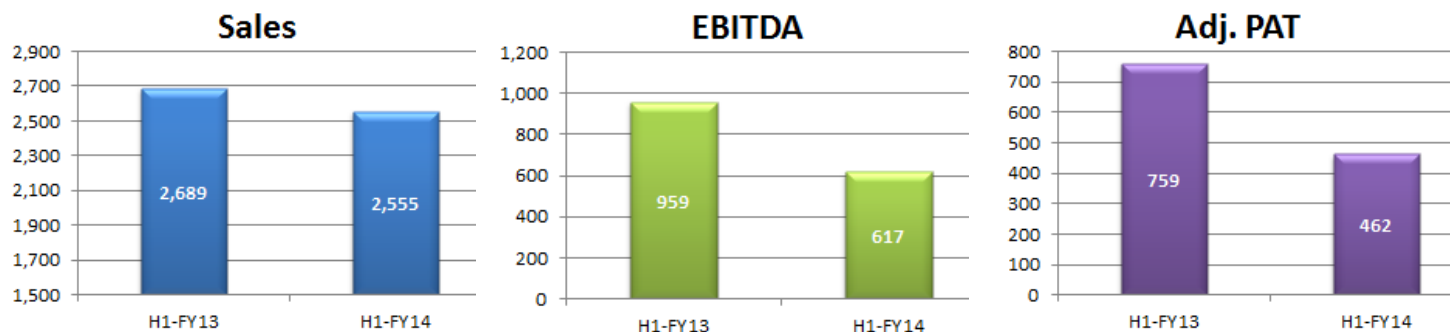
EBITDA Margins at 16.4%.

PAT Margins at 11.5%.

- Consolidated revenues at Rs.1197 crore in Q2FY14 versus Rs.1347 cores in Q2FY13, year-on-year decline of 11%.
 - USA Business declines by 19% (-26% in \$ terms)
 - Europe Business (Other than France) grows by 2% (France declines by 18%)
 - India & Emerging Markets Business declines by 7%
- Gross Margins at 59.0% in Q2FY14 versus 70.1% in Q2FY13
- EBITDA at Rs. 196 crore in Q2FY14 versus Rs. 517 crore in Q2FY13 declines 62%.
- EBITDA margins at 16.4% in Q2FY14 versus 38.4% in Q2FY13.
- R&D Expenses at 10.2% of Sales in Q2FY14 and growth of 45% over Q2FY13.
- Adjusted Profit After Tax* at Rs.138 crore in Q2FY14.

* PAT Adjusted for Rs.41 crore of R&D expenses in the **previous year** for a like to like comparison.

PERFORMANCE HIGHLIGHTS H1FY14 vs. H1FY13



Sales at Rs.2,555 crore.

EBITDA Margins at 24.1%.

PAT Margins at 18.1%.

- Consolidated revenues at Rs.2555 crore in H1FY14 versus Rs.2689 cores in H1FY13, year-on-year decline of 5%.
 - USA Business declines by 4% (-9% in \$ terms)
 - Europe Business (Other than France) declines by 1% (France declines by 35%)
 - India & Emerging Markets Business declines by 6%
- Gross Margins at 62.8% in H1FY14 versus 66.8% in H1FY13
- EBITDA* at Rs. 617 crore in H1FY14 versus Rs. 959 crore in H1FY13, declines 36%.
- EBITDA margins at 24.1% in H1FY14 versus 35.7% in H1FY13.
- R&D Expenses at 8.8% of Sales in H1FY14 and growth of 50% over H1FY13.
- Adjusted Profit After Tax* at Rs.462 crore in H1FY14.

EBITDA & PAT Adjusted for Rs.41 crore of R&D expenses in the **previous year for a like to like comparison.*

Business Highlights

- **International operations**

- at Rs.935 crore, contributes **78%** of global revenues **for Q2FY14**, declines by **13%**
- at Rs.2043 crore, contributes **80%** of global revenues **for H1FY14**, declines by **6%**

- **US Business**

- At Rs.522 crore **for the quarter** and at Rs.1244 crore **for H1FY14**
- contributes **43%** of global revenues **for Q2FY14** with decline of **19%** (**-26% on \$ basis**)
- contributes **49%** of global revenues **for H1FY14** with decline of **4%** (**-9% on \$ basis**)

- **Europe Business**

- At Rs. 302 crore (excluding France) **for Q2FY14** and at Rs.600 crore **for H1FY14**
- Grows by **2%** (excluding France) **for Q2FY14**. France declines by 18%.
- Declines by **1%** (excluding France) **for H1FY14**. France declines by 35%.
- Growth in **UK** markets at **5%** (**-2% on £ basis**) for **Q2FY14**. Growth of **3%** (**0% on £ basis**) in **H1FY14**.
- **3rd** largest generic company and **2nd** largest in the hospital segment in UK.
- **1** new product launched during **Q2FY14** in the UK market.
- Irish market declines by 37% (**-44% on € basis**) **for Q2FY14**. Declines by **34%** (**-39% on € basis**) in **H1FY14**.

- **India & Emerging Markets Business**

- India Business (excluding nutrition business) declines by **2%** **for Q2FY14**.
- **Emerging Markets** Business declines by **21%** **for Q2FY14**.

Financials

Consolidated P&L

Rs. Crore

Particulars	Q2-FY14	Q2-FY13	Growth %	H1FY14	Growth %	FY13
Revenues from Operations	1,197	1,347	-11.1%	2,555	-5.0%	5,610
Material Consumption	491	403	21.8%	951	6.4%	1,710
Gross Margins	706	944	-25.2%	1,604	-10.6%	3,900
Gross Margin %	59.0%	70.1%		62.8%	-6.0%	69.5%
Staff Cost	166	151	9.9%	321	11.5%	585
R&D Expenses	106	77	37.7%	204	42.7%	354
Other Expenditure	238	199	19.6%	462	14.1%	911
Total Expenditure	1,001	830	20.6%	1,938	12.0%	3,560
EBITDA	196	517	-62.1%	617	-35.7%	2,050
EBITDA Margin	16.4%	38.4%		24.1%		36.5%
Interest & Financing Cost						
a. Interest	19	55	-65.5%	36	-66.7%	215
b. (Income)/Expense due to Exchange Rate Fluctuation	25	-37		46		28
Depreciation	40	31	29.0%	72	22.0%	122
Other Income	17	17		23		51
Profit/(Loss) Before Tax before exceptional items	129	485	-73.1%	486	-41.9%	1,736
Exceptional Item Profit/(Loss)	0	92		5		103
Profit/(Loss) before Tax	129	577	-77.3%	491	-47.1%	1,839
Provision for Taxation	13	194		50		372
Deferred Taxation	-22	-108		-21		-113
Profit/(Loss) After Tax	138	491	-71.6%	462	-43.5%	1,580
Add: Share of Profit/(Loss) from Associates	0	0		0		-1
Net Profit/(Loss)	138	491	-71.6%	462	-43.4%	1,579
Net Profit Margin %	11.5%	36.5%		18.1%		28.1%
Adjustments:						
Divestment (Profit)/Loss		-1,187				-1,195
France Restructuring (Profit) / Loss						
Settlement / Derivatives						
Goodwill write off (Negma - France)		621				621
R&D Write off		419				419
Others Exceptional items		56				49
Tax impact of above		35				52
Deferred Tax impact of above						
Adjusted PAT	138	435	-68.3%	462	-39.1%	1,525
Adjusted PAT Margin %	11.5%	32.3%		18.1%		27.2%

*EBITDA & PAT Adjusted for Rs.41 crore of R&D expenses in the **previous year** for a like to like comparison.

Balance Sheet

EQUITY & LIABILITIES	Sep-13	Mar-13	ASSETS	Sep-13	Mar-13
Shareholders Funds	3,430	2,704	Non Current Assets		
			a. Fixed assets	1,967	1,755
Non Current Liabilities			b. Goodwill on consolidation	869	726
a. Long-term borrowing	1,525	1,475	c. Non-current investments	3	3
b. Deferred tax liabilities (net)	-	-	d. Deferred tax assets (net)	68	24
c. Other long-term liabilities	-	-	e. Long-term loans and advances	274	201
d. Long-term provisions	86	70	f. Other non-current assets	19	5
	1,611	1,545		3,200	2,714
Current Liabilities			Current Assets		
a. Short-term borrowing	178	182	a. Current Investments	295	-
b. Trade payables	616	634	b. Inventories	1,113	1,059
c. Other current liabilities	755	790	c. Trade receivables	754	958
d. Short-term provisions	209	185	d. Cash and bank balances	1,145	1,096
	1,758	1,791	e. Short-term loans and advances	292	213
				3,599	3,326
Total - Equity & Liabilities	6,799	6,040	Total - Assets	6,799	6,040

Financial Highlights

- ✓ Net Debt to Equity now at 0.21 as against 0.36 as of 31st Mar 2013.
- ✓ Free Cash Flow (before Capex) generation of over Rs.700 crore during H1FY14
- ✓ Capital Expenditure of Rs.208 during H1FY14
- ✓ R&D expenses at 10.2% of Sales in Q2FY14 and at 8.8% of sales in H1FY14

Business Review

US Operations

USA business for Wockhardt contributed 43% of the Global Revenues in Q2FY14 compared to 48% in the Q2FY13. Revenues from the US Business were at Rs.522 crore in Q2FY14 versus Rs.645 crore in Q2FY13, representing a decline of 19% in INR terms and 26% in USD terms.

The business contributed 49% of the Global Revenues in H1FY14 compared to 48% in H1FY13 with revenues at Rs.1244 crore in H1FY14 compared to Rs.1298 crore in H1FY13 representing a decline of 4% in INR terms and 9% in USD terms.

USA Business saw a decline in the current quarter mainly on two accounts.

- i. import alert on Waluj products and
- ii. certain one off provisions towards customer credit notes.

Wockhardt's continued focus on R&D has resulted in further filing of 3 ANDAs during the quarter, taking the total ANDAs pending for approval to 53.

Europe Operations

Europe Operation contributed 28% of the Global Revenues in Q2FY14 and 26% in H1FY14. Revenues from EU Operations (excluding France) were at Rs.302 crore in Q2FY14 and at Rs.600 crore in H1FY14, versus Rs.297 crore in Q2FY13 and Rs.609 crore in H1FY13, representing a growth of 2% in INR terms in Q2FY14 and a decline of 1% in H1FY14. Revenues from French Operations were at Rs.29 crore in Q2FY14 and at Rs. 56 crore in H1FY14, versus Rs.35 crore in Q2FY13 and Rs. 86 crore in H1FY13, representing a decline of 18% in INR terms in Q2FY14 and a decline of 35% in H1FY14.

UK Operations (including Pinewood's UK business) revenues were at Rs.239 crore in Q2FY14 and at Rs.477 crore in H1FY14, versus Rs.228 crore in Q2FY13 and Rs.462 crore in H1FY13, representing a growth of 5% in INR terms in Q2FY13 and growth of 3% in H1FY14. UK sales were impacted due to reversals on account of product recalls. During the quarter Wockhardt launched 1 product in UK.

Irish Business revenues were at Rs.34 crore in Q2FY14 and at Rs.71 crore in H1FY14, versus Rs.53 crore in Q2FY13 and Rs.109 crore in H1FY13, representing a decline of 37% in INR terms in Q2FY14 and a decline of 34% in H1FY14.

India & Emerging Markets

India and Emerging Markets contributed 29% of the global revenues. Revenues from India and Emerging Markets were at Rs.344 crore in Q2FY14 and at Rs.654 crore in H1FY14, versus Rs.371 crore in Q2FY13 and Rs.696 crore in H1FY13, representing a decline of 7% in Q2FY14 and 6% in H1FY14.

- India Business declined by 2% during the quarter in the backdrop of suspension of Dextropropoxyphene and uncertainty due to NLEM related issues.
- Emerging Markets business declined by 21% during the quarter and by 24% in H1FY14.

Status Update on Recent Events

1. Waluj facility

The remediation measures have been initiated

- a. Baseline assessment completed by Lachman
- b. Training to concerned on cGMP and Data Integrity is completed
- c. Restructuring of the Quality Function at corporate and at site completed
- d. A remediation plan is in progress as informed to FDA and MHRA. The same will be reviewed by Lachman

2. Spasmoproxyvon

The company has challenged the suspension and the matter is sub-judice.

3. Chikalthana facility

US FDA and UK MHRA conducted inspections at Chikalthana during July 2013. UKMHRA has issued a restricted GMP certificate for the Chikalthana facility to allow manufacture of 10 critical products whilst withdrawing the GMP certification of the said facility. The net impact of UKMHRA actions on the revenues is estimated to be approximately £ 9m on an annualised basis. Further UKMHRA has also issued a Drug Alert for recall of certain (and not all) non-critical products that were manufactured at Chikalthana, however, it has reiterated that there is no evidence of risk to patient safety from the products being recalled.

The company has already responded to the 483 observations given by US FDA and there has been no further update on the same

4. Kadaiya facilities

UK MHRA conducted inspections at Kadaiya facility during September 2013. It will be issuing a restricted GMP certificate for the Kadaiya facility to allow manufacture of certain critical products while it has withdrawn the GMP certificate for the said facility. The net impact of the same shall be known once UKMHRA issues the restricted GMP certificate.

5. Other facilities

- The inspection at Shendra facility by UKMHRA & Irish Medicine Board was completed satisfactorily in July 2013 with no “Critical” or “Major” observations. The inspection of Shendra facility by USFDA is due in a short time.
- Waluj Cephalosporin facility inspection by USFDA was completed satisfactorily.
- Bhimpore facility in Daman was inspected by UKMHRA in September 2013 and the same was completed satisfactorily with few “non-critical” observations.
- Baddi facility was inspected by USFDA & UKMHRA in September 2013 and the same was completed satisfactorily with minor observations.

- Wrexham, UK facility was inspected by UKMHRA in July 2013 & by USFDA in September 2013 and the same was completed satisfactorily.

About Wockhardt

Wockhardt is a highly technology intensive global pharmaceutical and biotechnology company. It's multi-disciplinary and innovative R&D programmes globally are strongly focused on creating Intellectual Properties. It has 3 research centres globally and manufacturing facilities across India, USA, UK and Ireland. Wockhardt has a significant presence in USA, Europe and India, with 80% of its global revenues coming from international businesses. With a large pool of Patents and Intellectual Property knowhow, Wockhardt is home to 607 scientists, of whom 80 are doctorates. In all, Wockhardt has 232 Patents granted worldwide. In biotechnology research, it has built competent 'Concept to Market' capability in all facets of development and manufacture of recombinant biopharmaceuticals. Wockhardt boasts of a multi-ethnic workforce of more than 8600 people from 21 different nationalities.

Disclaimer

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