20th February, 2018

BSE Limited
Corporate Relations Department
P J Towers, Dalal Street
**Mumbai - 400 001**

**Scrip Code: 532300**

Dear Sirs/ Madam,

This is in continuation to E-mail dated 19th February, 2018 of National Stock Exchange of India Limited seeking clarification on the disclosure submitted by the Company on 15th February, 2018.

We have to inform you that CARE Ratings Limited (CARE Ratings) have revised the rating of the Company owing to continued pricing pressure in the U.S., cost incurred on account of ongoing remedial measures & delay in resolution of regulatory issues with the US Food and Drug Administration and continuous expenditure towards research and development. The detailed Press Release of CARE Ratings (available in CARE Rating website) in this regard is attached for reference.

Kindly take the above information on record.

Thanking you

for **Wockhardt Limited**

**Narendra Singh**
**Company Secretary**

Encl: As above

# Wockhardt Limited

February 15, 2018

**Ratings**

| Facilities | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities (Fund Based) | 900.00 (enhanced from 766.25) | **CARE A+; Stable [Single A Plus; Outlook: Stable]** | **Revised from CARE AA-; Negative [Double A Minus; Outlook: Negative]** |
| Short Term Bank Facilities (Non-Fund Based) | 533.80 (reduced from 596.30) | **CARE A1 [A one]** | **Revised from CARE A1+ [A One Plus]** |
| **Total Facilities** | **1,433.80 (Rupees One thousand Four hundred Thirty Three crore and Eighty lakhs only)** | | |
| Non-Convertible Debenture issue (Proposed) | 250 (Rupees Two Hundred and Fifty crore only) | **CARE A+; Stable [Single A Plus; Outlook: Stable]** | **Revised from CARE AA-; Negative [Double A Minus; Outlook: Negative]** |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The revision in ratings assigned to the bank facilities and proposed Non-Convertible Debenture issue of Wockhardt Limited (WL) takes cognizance of deterioration in its operational and financial performance in FY17 (refers to period from April 1, 2016 to March 31, 2017) and 9MFY18 owing to continued pricing pressure in the U.S., cost incurred on account of on-going remedial measures and significant delay in resolution of regulatory issues with the US Food and Drug Administration (USFDA). Furthermore, company continues to remain exposed to continuous expenditure towards research and development (R&D).*

*The ratings also take into account company's focus on cost containment and rationalization and expected growth in operations through third party manufacturing.*

*Nevertheless, the ratings continue to derive strength from the established track record and experience of the promoters in the global pharmaceutical industry, WL's strong and diversified product portfolio across multiple therapeutic segments with established marketing network and global presence, accredited manufacturing facilities with R&D focused approach, and comfortable financial risk profile driven by adequate cash balances.*

*The ratings continue to be constrained by WL's exposure on regulated markets, especially the US, which is witnessing increased competition resulting into pricing pressure in the generics space and heightened regulatory scrutiny and exposure to foreign exchange fluctuations. The ratings also factors in sizeable debt repayment obligations especially in FY19, albeit company's plan to maintain adequate liquidity and also partly refinance the same.*

*Going forward, ability of the company to maintain adequate liquidity for meeting the debt obligations due in FY19 remains key rating sensitivity. Furthermore, successful ramp up operations ,WL's ability to achieve adequate profitability through third party manufacturing as envisaged, and resolution of pending USFDA regulatory issues remains key rating monitorable.*

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Experience of promoters along with WL's long and established track record of operations:*** WL has an established track record of over five decades in the pharmaceutical business catering across various therapeutic segments along with presence across the globe. With this extensive network of manufacturing units and research centres located in different

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

parts of various countries, the company has established its foothold in the global pharmaceutical arena. Over the years, under the able guidance of Dr. Habil. F. Khorakiwala ( Chairman), first generation entrepreneur, the company has grown to become one of the established players in the Pharmaceuticals and Biotech business.

***Strong diversified product portfolio along with established brands spread across multiple therapeutic segments:*** The product portfolio of the company is well diversified marked by its presence in key therapeutic segments including niche segments viz. Cardiology, Dermatology, Respiratory, Ophthalmology, Anti-Diabetic etc. During FY17, the company was able to launch 24 new products in India. During FY17, the company had filed 311 patents and won 80 patents (cumulative basis filed 2,904 and won 533). Further, as on December 31, 2017 the company had cumulative filing of 3026 patents and totally held 614 patents. WL also has a strong pipeline of 83 ANDAs, as on March 31, 2017 awaiting approval, thus the product basket is well diversified across many therapeutic segments.

***Accredited manufacturing facilities along with R&D focused approach:*** The company has 12 manufacturing plants (9 in India, and one each in USA, UK and Ireland) which have the necessary international accreditations like UK-MHRA, USFDA, WHO-GMP along with several country wise regulatory approvals. The wide infrastructure of the company is well served with large pool of Intellectual Property knowhow supported by large team of in-house scientists. Besides, the company has 3 Research and Development centres (in India, USA and UK). WL's R&D focuses mainly on development of innovative formulations across various therapeutic segments. Till date, the company has received the Qualified Infectious Disease Product (QIDP) status for five products for its Anti-bacterial discovery programs. This reflects the company's long term strategy of a concerted R&D effort to enable it to transform itself from a generic player to that of an innovator.

***Slight deterioration yet comfortable financial risk profile***

On a consolidated basis, overall gearing ratio deteriorated from at 0.64x as on March 31, 2016 to 1.13x as on March 31, 2017 on account of increase in debt and reducing networth due to losses. Net debt to networth stood steady at 0.55x as on March 31, 2017. Interest coverage ratio though declined below unity due to steep decline in PBILDT. Further as on September 30, 2017 overall gearing ratio was 1.03x.

*Moreover in FY19, company has a huge debt obligation of Rs. 1,359 (including preference share redemption of Rs.365 crore).Thus, going forward, ability of the company to maintain adequate liquidity for meeting the debt obligations due in FY19 remains key rating sensitivity.*

***Adequate Liquidity profile***

The company's liquidity profile remained healthy supported by cash & cash equivalents (incl. liquid investments) of Rs.2,166 crore (Total debt of Rs.4,147 crore ). Declining PBILDT margins during 2HFY17 and continuing in 9MFY18 led to decline in cash balance which stood at ~1400 crore (total debt of Rs.3719 crore) as on December 31, 2017. Over FY15-17, operating cycle of the company increased from 100 days to almost 150 days mainly on account of increase in receivables . The increase in collection period is owing to higher credit period extended to its clients especially in emerging markets, Russia and CIS countries. Consequently, average fund-based working capital utilization also remained high at around 75% during the 12-month period ended December r 2017. In June 2017, company has approval (valid for one year) for QIP upto 1000 crore and NCDs upto Rs.1200 crore (for refinancing the existing debt).

*Cash and cash equivalent (incl. liquid investments) provides liquidity cushion and will support the company in debt servicing in the medium term. Any significant decline in cash & cash equivalents remain key credit monitorable.*

**Key Rating Weaknesses**

***Deterioration in operational performance***: In FY17, Company reported de-growth in revenues owing to multiple reasons in various regions such as: subdued business in US due to ongoing import alerts imposed by USFDA on some of its plants and also genercisation of the product of the company in the US market, absence of contribution from CRAMS in UK, Impact of Brexit, Demonetization in India,. This de-growth in income coupled with ongoing expenses in R&D has impacted profitability. Going ahead, ability to the company to improve operating profitability remains a credit monitorable.

***Significant delay in resolution regulatory issues:*** During FY14, the company has received import alert from USFDA and UKMHRA on compliance issues (related to current good manufacturing practices regulations) which has resulted in restriction on facilities which contributed higher proportion to total sales and also produced products which are higher margin accretive products. With approvals from UKMHRA in place, the company is continuously taking steps to resolve the pending regulatory issues and expects to address the concerns raised by USFDA at the earliest. Nevertheless, any further delay in resolving the same may dampen the prospects of revival of operations and remain a key credit monitorable.

***Foreign exchange fluctuation risk***

On consolidated basis, the company is predominantly an export oriented company with around 62% of its overall revenues is earned in foreign currency mainly denominated in USD (US Dollar) GBP and Euro. Thus, company is exposed to foreign currency fluctuation risk. However, there is a partial natural hedge available owing to manufacturing undertaken outside India, foreign currency term debts and sales outside India.

***Increasing pricing pressures and prevailing intense competition in the global generics market***

WL faces intense competition and pricing pressure in the global generics market. Globally, the generic players are facing severe price erosions, significant government pressures to reduce prices along with intense increasing competition, increasing regulation and increased sensitivity towards product performance.

***High dependence on regulated markets for Pharmaceutical segment***

WL has its presence in multiple countries across the world. Considering the nature of the product usage and application, and consequent impacts, WL is required to comply with various laws, rules and regulations and operate under strict regulatory environment. Thus, infringement in any of the law, and any significant adverse change in the import/export policy or environmental/regulatory policies in the area of operations of the company, can have a serious consequence on the operations of the company.

Nevertheless, the company is continuously taking adequate steps to address the regulatory risks.

**Analytical approach:** Consolidated

CARE has analysed WL's credit profile by considering its consolidated financial statements owing to financial and operational linkages between the parent and its subsidiaries.

**Applicable Criteria**

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Factoring Linkages in Ratings
Rating Methodology- Manufacturing Companies
Rating Methodology-Pharmaceutical Sector
Financial ratios-Non-Financial Sector

**About the Company**

Incorporated in 1960, founded by Dr. Habil F Khorakiwala is a large-sized Indian origin pharmaceutical multinational and bio-technology company engaged into developing, manufacturing and marketing of finished dosage and biopharmaceutical formulations, active pharmaceutical ingredients (APIs) and vaccines. Besides, the company has capabilities to produce sterile (injectable), biopharmaceuticals, orals (tablets and liquids), topicals (creams and ointments) for both exports as well as domestic markets. WL has a significant presence in USA, European Union and India. In addition, the company has market presence in Asian, African, South American, Middle-Eastern countries.

| Consolidated Brief Financials-WL (Rs. crore) | FY16 (A) | FY17 (A) |
|---|---|---|
| Total operating income | 4,505 | 4,082 |
| PBILDT | 546 | 81 |
| PAT | 252 | (226) |
| Overall gearing (times) | 0.64 | 1.13 |
| Interest coverage (times) | 4.24 | 0.36 |

*A: Audited*

*During 9MFY18, company reported total income of Rs. 3,047 crore and net loss of Rs. 514 crore as compared with revenue of Rs. 3,209 crore and net loss of Rs.19 crore in 9MFY17*

**Status of non-cooperation with previous CRA:** *None*

**Any other information:** *Not Applicable*

**Rating History for last three years:** Please refer Annexure-2

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | 712.50 | CARE A+; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 471.30 | CARE A1 |
| Fund-based - LT-Cash Credit | - | - | - | 187.50 | CARE A+; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 62.50 | CARE A1 |
| Debentures-Non Convertible Debentures | - | - | - | 250.00 | CARE A+; Stable |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 712.50 | CARE A+; Stable | 1)CARE AA-; Negative (05-Jul-17) | 1)CARE AA; Negative (28-Dec-16) 2)CARE AA (25-Oct-16) | 1)CARE AA (08-Feb-16) 2)CARE AA (20-Apr-15) | - |
| 2. | Non-fund-based - ST-BG/LC | ST | 471.30 | CARE A1 | 1)CARE A1+ (05-Jul-17) | 1)CARE A1+ (28-Dec-16) 2)CARE A1+ (25-Oct-16) | 1)CARE A1+ (08-Feb-16) 2)CARE A1+ (20-Apr-15) | - |
| 3. | Fund-based - LT-Cash Credit | LT | 187.50 | CARE A+; Stable | 1)CARE AA-; Negative (05-Jul-17) | 1)CARE AA; Negative (28-Dec-16) 2)CARE AA (25-Oct-16) | - | - |
| 4. | Non-fund-based - ST-BG/LC | ST | 62.50 | CARE A1 | 1)CARE A1+ (05-Jul-17) | 1)CARE A1+ (28-Dec-16) 2)CARE A1+ (25-Oct-16) | - | - |
| 5. | Debentures-Non Convertible Debentures | LT | 250.00 | CARE A+; Stable | 1)CARE AA-; Negative (05-Jul-17) | 1)CARE AA; Negative (28-Dec-16) 2)CARE AA (25-Nov-16) | - | - |

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CIN - L67190MH1993PLC071691

Listed Corporates

Listing Directory

- Equity
- Preference Shares
- Warrants
- Indian Depository Receipts (IDRs
- Listed Bonds
- Legend for series

Corporate Information
Shareholding Structure
Shareholding Information
What's New
Name Changes
Offer Documents and Information Memorandums

Home Page | Corporate Announcements - Equities

Corporate Announcements - Equities

By Company

Company:

Subject:

Note : The Search Param

Announcement Last 15 Days

Page

| Symbol |
|---|
| WOCKPHARMA |
| WOCKPHARMA |
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**Corporate Announcement**

| | |
|---|---|
| Broadcast Date/Time | 19-Feb-2018 14:59 |
| Subject | Clarification |
| Announcement | WOCKPHARMA:The Exchange has sought clarification from Wockhardt Limited with respect to announcement dated 15-Feb-2018, regarding " Wockhardt Limited has informed the Exchange regarding Credit Rating: CARE Ratings Limited (CARE Ratings) has revised the CompanyÂ's Rating for Long - Term Bank Facilities (Fund Based Working Capital limit) as Â“CARE A+; Outlook: StableÂ” from earlier it was Â“CARE AA-; Outlook: NegativeÂ” and Short Term Bank Facilities (Non Fund Based Working Capital limit) as Â“CARE A1Â” from Â“CARE A1+Â”. Further, CARE Ratings has also revised rating for the proposed issue of NCDs for an amount of Rs. 250 crore of the Company as Â“CARE A+; Outlook: StableÂ” from earlier it was Â“CARE AA-; Outlook: NegativeÂ".". On basis of above the Company is required to clarify following: 1. In case of downward rating, the disclosure may include reasons published by rating agency for such downward rating.The response of the Company is awaited. |

**DISCLAIMER**