27th August, 2020

BSE Limited Corporate Relations Department P J Towers, Dalal Street Mumbai - 400 001 **Scrip Code: 532300**	**National Stock Exchange of India Limited** Listing Department Exchange Plaza Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 **NSE Symbol – WOCKPHARMA**

Dear Sir/ Madam,

We have to inform you that CARE Ratings Limited (CARE Ratings) has revised the Company's Ratings for:

1. Long-Term Bank Facilities (Fund Based) upgraded from "CARE BB+; Under credit watch with positive implications" to **"CARE BBB-; Stable"**; and

2. Short Term Bank Facilities (Non-Fund Based) upgraded from "CARE A4+; Under credit watch with positive implications" to **"CARE A3"**

The rating assigned to proposed Non-Convertible Debenture (NCD) issue has been withdrawn at the request of the company, as company does not have any plans to issue NCD over medium term.

Further to inform you that CARE Ratings has revised the Company's ratings on account of improvement in company's liquidity position over medium term owing to execution of business transfer agreement with Dr. Reddy's Laboratories Limited in June, 2020. The detailed proposed Press Release of CARE Ratings is also enclosed for reference.

Thanking you,

For **Wockhardt Limited**

Gajanand

Gajanand Sahu
Company Secretary

Encl: As above

Annexure
Press Release
Wockhardt Limited

Ratings

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Long Term Bank Facilities (Fund Based)	700.00(reduced from 900.00)	**CARE BBB- ;Stable [Triple B Minus; Outlook: Stable]**	**Revised from 'CARE BB+; Under credit watch with positive Implications'**
Short Term Bank Facilities (Non-Fund Based)	307.80(reduced from 533.80)	**CARE A3 [A Three]**	**Revised from 'CARE A4+ ; Under credit watch with positive implications'**
Total	**1,007.80 (Rupees One thousand Seven crore and Eighty lakhs only)**		
Proposed Non-Convertible Debenture Issue	-	-	**Withdrawn**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities and short term instruments of Wockhardt Limited (WL) have been removed from 'credit watch with positive implications'. The ratings were placed on credit watch based on announcement made by WL to the Stock exchanges in February, 2020 regarding board's approval of transfer of business comprising of 62 products and line extensions along with related business assets and liabilities, contracts, permits, intellectual properties, employees, marketing, sales and distribution of the same in the Domestic branded division in India, Nepal, Bhutan, Sri Lanka & Maldives and manufacturing facility in Baddi, Himachal Pradesh by way of slump sale to Dr. Reddy's Laboratories Limited (DRL) for a consideration of Rs.1,850 crore. The company has completed the said deal in June, 2020. In view of government restrictions and operational delay owing to COVID-19 situation across India, the terms of business transfer agreement (BTA) were amended in June, 2020. The company received Rs.1,483 crore in June, 2020 on upfront basis and Rs.67 crore are deposited in escrow account (of which Rs.34 crore is received by WL in first tranche) and balance will be released post net working capital and other liability adjustments. The balance sales proceeds will be paid by DRL as per amended BTA terms. Consequently, the ratings assigned to the bank facilities of WL are revised from 'CARE BB+ / CARE A4+ (Under credit watch with positive implications) to 'CARE BBB-; Stable / CARE A3'. The revision in ratings factors in improvement in company's liquidity position over medium term owing to execution of business transfer agreement with Dr. Reddy's Limited (DRL) in June, 2020. The cash flow received from DRL deal will be deployed towards increasing scale of operations, repayment of debt obligations falling in FY21 and expenses towards R& D to expedite launch of NCE product (products which have QIDP status). Also, the company's overall capital

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

structure is expected to improve as on March 31, 2021 given the significant reduction in its repayment obligations.

The rating assigned to proposed Non-Convertible Debenture issue of Wockhardt Limited (WL) has been withdrawn at the request of the company, as company does not have any plans to issue NCD over medium term.

The rating continues to derive strength from established track record of company in global pharmaceutical industry, experienced and resourceful promoters. Moreover, WL's ratings also derive strength from strong and diversified product portfolio across multiple therapeutic segments with established marketing network and global presence and accredited manufacturing facilities with R&D focused approach-the company being the only global company to receive QIDP status by USFDA for its six anti-infective drugs.

However, these strength are tempered by deterioration in operating performance over past few years owing to imposition of USFDA alert and company's exposure to regulated markets (especially USA) which is witnessing increased competition resulting into pricing pressure. The company's operating performance has also been impacted over past few financial years owing to remedial expenditure. As confirmed by management, the company does not have any major remedial expenditure FY21 onwards. The resolution on USFDA issues on timely basis continues to remain monitorable.

Key Rating Sensitivities

Positive factors

- PBILDT margins above 10% on a sustained basis through scaling up of Generic API and branded business coupled with improved revenue share from high margin critical care products
- Improvement in debt coverage indicators through enhanced profitability levels.
- Improvement in overall gearing on an ongoing basis through reduction in overall debt and decrease in working capital borrowing

Negative factors

- Decrease in PBILDT margins below 8% on a sustained basis due to limited expansion in high margin products leading to pressure on debt coverage indicators
- Increase in overall gearing above unity owing to increase in working capital borrowing or decline in profitability

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters

Over the years under the guidance of Dr Habil. F. Khorakiwala (Chairman), first generation entrepreneur, WL has grown to become one of the established players in the pharmaceuticals and biotech business. The board is supported by qualified professionals heading various verticals with experience in their respective fields.

Furthermore, the promoters of the company are resourceful and have infused capital amounting Rs.500-550 crores over past two years in the form of unsecured loans and preference share capital to maintain WL's liquidity position.

Diversified product portfolio 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, Oncology, Respiratory, Ophthalmology and Anti-Diabetic etc. Besides, the company also has a basket of well established brands in majority of the key therapeutic segments. WL has built a strong IP base filing patents and has been developing products for ANDAs for the US markets. In FY20, the company launched 10 new products in India and 2 new products were launched in US. Moreover, the company obtained ANDA approval for 2 products during FY20 that would be launched during FY21. The company plans to increase its presence in Cardiology, Oncology, Respiratory, and CNS segments thereby improving profitability as these products have high margins.

In FY20, the company had filed 33 patents and granted 28 patents. As on March 31, 2020, the combined pool of company's patent has reached 3,165 (filled) and 722 (granted). Additionally, the company has 120 ANDA approved products in its product portfolio. WL also has a strong pipeline of 51 ANDAs as on March 31, 2020 awaiting for approval. Thus, the product basket is well diversified across many therapeutic segments. The products transferred to DRL contributed revenue of around Rs.481 crore and PBIT of around 145 crore during FY20. The company plans to compensate the said revenue loss by scaling up domestic Generic, API, and export business.

Accredited manufacturing facilities along with R&D focused approach

The Company has 11 manufacturing plants (8 in India, and one each in USA, UK and Ireland) that have the necessary international accreditations such as UK-MHRA, WHO-GMP, etc. Besides, the company has three research and development centers (one in India at Aurangabad, Maharashtra; one in USA, and one in UK). During FY20, the company's R&D expenses stood at Rs.208 crore (6.26% of revenue from operations during FY20) against Rs.291 crore in previous year. WL is the only global company to receive QIDP status by USFDA for its 6 anti-infective drugs (namely WCK 771, WCK 2349, WCK 4873, WCK 5222, WCK 6777 and WCK 4282). QIDP (Qualified Infectious Diseases Programme) ensures fast track approvals for drugs in the US. Moreover, as per WL's management, the company does not have any major remedial expenditure in FY21.

Established marketing network with global presence

WL is a global pharmaceutical and bio-technology company engaged into developing, manufacturing and marketing of finished dosage and biopharmaceutical formulations, active pharmaceutical ingredients (APIs) and vaccines. WL has a significant presence in USA, European Union and India. It also has market presence in Asian, African, South American, Middle-Eastern countries as given below. International operations accounts for major portion of company's revenue; revenue from international operations stood at Rs.2,329 crore (approximately 73% of total revenue) in FY20 compared to Rs. 2,496 crore (approximately 62% of total revenue) in FY19.

Going ahead, company plans to increase its focus in UK and US segments wherein the gross margins are in range of 50-60%.

Operational performance, though improving, continues to remain a challenge

The Company reported revenue from operations of Rs.3,377 crore (including revenue from discontinued operations amounting Rs.481 crore) during FY20 as against Rs.4,177 crore in FY19 mainly on account of de-growth in India and UK region. During FY20, India business was impacted mainly due to lower sales recorded from quality generic business in Q1FY20 as API of one of the key product was classified under 'Narcotics Segment'. Also, the revenue from India was impacted due to closure of Baddi facility for few days in March FY20 (prior to COVID-19 lockdown was announced). This facility contributes major portion of WL's domestic formulation business. Additionally, post announcement of nationwide lockdown by Govt. of India on March 22, 2020, majority of pharmaceutical company's facilities (including contract manufacturers) were shut from March 22, 2020 till April 04, 2020. Decrease in revenue from operations from UK segment is mainly due to unavailability of sufficient working capital required to scale up generic business coupled with impact of forex fluctuation. Due to limited availability of working capital, WL focused more on high margin products in critical care segment instead of generic business.

Despite decline in revenue from operations, company's operating profitability has improved during FY20. The company's adjusted PBILDT stood at Rs.244.35 crore in FY20 (including profit from discontinued operations amounting Rs.94.56 crore) as against Rs.128.19 crore in previous year. The company's adjusted PBILDT margin in FY20 improved to 7.24% compared to 3.07% in FY19. This is mainly on account of several cost reduction measures implemented by company, such as reduction in employee costs, legal and travelling costs, and remediation costs coupled with increased focus on high margin products. Moreover, decrease in quantum of remedial expenses in FY20 has also improved margins. The remedial expenses stood at Rs.25 crore in FY20 (PY: 102 crore). As per WL's management, the company does not have any major remedial expenditure in FY21. Post closure of DRL deal, WL has received the required liquidity which would enable the company in scaling up domestic business and service high repayment obligations falling due in FY21. As a result, WL's operating performance and financial risk profile are expected to improve significantly from FY21 onwards.

Key Rating Weaknesses

Significant delay in resolution of regulatory issues

During FY14, WL received import alert from USFDA for its facilities at Waluj and Chikhalthana at Aurangabad, followed by regulatory scrutiny for other plants and from UKMHRA on compliance issues for Indian facilities (related to current good manufacturing practices regulations) such as Chikalthana, Kadiya, etc. Due to various measures taken by the company, UKMHRA has approved its Chikalthana, Shendra, Bhimpore, and Kadiya plants. Furthermore, WL got its Chikalthana facility and Waluj inspected by USFDA and in July 2016, units L-1 Chikalthana and Waluj received establishment inspection report (EIR) with observations from USFDA. Furthermore, the USFDA has provided Shendra plant 9 observations and has issued import alert on its API unit at Ankleshwar in August 2016. Besides, it received warning letters for CP Pharmaceuticals (UK) and Morton Grove Pharmaceuticals (USA) in 2017 which has resulted in restriction on these facilities.

The company has received USFDA clearance for all the R&D centers in FY20. However, seven of WL's facilities were under USDFA restrictions by end of March 2020. As indicated by the management, WL expects no remediation cost to be incurred from FY21 onwards. However, delay in resolving the USFDA clearance remains key monitorable.

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.

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 price erosions, significant government pressures to reduce prices along with increasing competition, increasing regulation and increased sensitivity towards product performance.

Foreign exchange fluctuation risk

On consolidated basis, the company is predominantly an export oriented company with around 73% of its overall revenues 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.

Liquidity analysis: Adequate

The company has been successful in raising Rs.1483 crore through sale of Baddi facility along with 62 products in generic business to DRL in Q1FY21 and Rs.67 crore are deposited in escrow account (of which Rs.34 crore is received by WL in first tranche) and balance will be released post net working capital and other liability adjustments. The gross cash accruals are expected to be in range of Rs.200-250 crore in FY21. Moreover, WL on consolidated level had free cash and cash equivalents of Rs.219.34 crore as on March 31, 2020 providing additional liquidity cushion. Hence, the company's liquidity position stands adequate vis a vis repayment obligations in FY21. WL's repayment obligations towards external debt and preference share capital amounts to Rs.894.71 crore in FY21. The company plans to invest Rs.250 crore for working capital requirements during FY21 to scale up operations. Moreover, management has envisaged R&D expenditure of Rs.500 crore spread over next three years for launching NCE products.

Analytical approach: For arriving at the ratings, CARE has considered the consolidated audited financial statements published in the annual report during FY20. WL has various subsidiaries, associates and joint ventures amongst others. These companies are fully consolidated due to operational and financial linkages, fungible cash-flows, common management and support provided by WL to various subsidiaries/associates/etc. List of companies that are consolidated to arrive at the ratings are given in Annexure 3 below.

Applicable Criteria
Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Consolidation and Factoring Linkages in Ratings
Rating Methodology- Manufacturing Companies
Rating Methodology-Pharmaceutical Sector
Financial ratios-Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the company:

Incorporated in 1960 and founded by Dr Habil F Khorakiwala, Wockhardt Limited (WL) is a pharmaceutical and bio-technology company engaged into developing, manufacturing and marketing of finished dosage and biopharmaceutical formulations, active pharmaceutical ingredients (APIs) and vaccines. It 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. It also has market presence in Asian, African, South American, Middle-Eastern countries. WL has eight manufacturing plants in India and one each in USA, UK and Ireland.

Brief Financials (Rs. In Crores)	FY19 (A)	FY20(A)*
Total operating income	4176.98	3377.02
PBILDT	128.19	244.35
PAT	-216.66	-43.39
Overall gearing (times)	1.12	1.09
Interest coverage (times)	0.48	0.87

A: Audited
*Total operating income, PBILDT, and PAT includes revenue (Rs.481 crore) and profits (Rs.94.56 crore) from discontinued operations pertaining to DRL deal.
Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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	-	-	-	550.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	245.30	CARE A3
Fund-based - LT-Cash Credit	-	-	-	150.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	62.50	CARE A3

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	550.00	CARE BBB-; Stable	-	1)CARE BB+ (Under Credit watch with Positive Implications) (25-Feb-20) 2)CARE BB+; Stable (30-Sep-19)	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Negative (19-Oct-18) 3)CARE A; Negative (15-May-18)	1)CARE A+; Stable (15-Feb-18) 2)CARE AA-; Negative (05-Jul-17)
2.	Non-fund-based - ST-BG/LC	ST	245.30	CARE A3	-	1)CARE A4+ (Under Credit watch with Positive Implications) (25-Feb-20) 2)CARE A4+ (30-Sep-19)	1)CARE A3 (07-Jan-19) 2)CARE A3 (19-Oct-18) 3)CARE A1 (15-May-18)	1)CARE A1 (15-Feb-18) 2)CARE A1+ (05-Jul-17)
3.	Fund-based - LT-Cash Credit	LT	150.00	CARE BBB-; Stable	-	1)CARE BB+ (Under Credit watch with Positive Implications) (25-Feb-20)	1)CARE BBB-; Negative (07-Jan-19)	1)CARE A+; Stable (15-Feb-18) 2)CARE AA-; Negative

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
						2)CARE BB+; Stable (30-Sep-19)	2)CARE BBB-; Negative (19-Oct-18) 3)CARE A; Negative (15-May-18)	(05-Jul-17)
4.	Non-fund-based - ST-BG/LC	ST	62.50	CARE A3	-	1)CARE A4+ (Under Credit watch with Positive Implications) (25-Feb-20) 2)CARE A4+ (30-Sep-19)	1)CARE A3 (07-Jan-19) 2)CARE A3 (19-Oct-18) 3)CARE A1 (15-May-18)	1)CARE A1 (15-Feb-18) 2)CARE A1+ (05-Jul-17)
5.	Debentures-Non Convertible Debentures*	LT	250.00	CARE BB+ (Under Credit watch with Positive Implications)	-	1)CARE BB+ (Under Credit watch with Positive Implications) (25-Feb-20) 2)CARE BB+; Stable (30-Sep-19)	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Negative (19-Oct-18) 3)CARE A; Negative (15-May-18)	1)CARE A+; Stable (15-Feb-18) 2)CARE AA-; Negative (05-Jul-17)
6.	Debentures-Non Convertible Debentures*	LT	250.00	CARE BB+ (Under Credit watch with Positive Implications)	-	1)CARE BB+ (Under Credit watch with Positive Implications) (25-Feb-20) 2)CARE BB+; Stable (30-Sep-19)	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Negative (19-Oct-18) 3)CARE A	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
							(15-May-18)	

*Rating to this instrument pertains to last rating assigned to the said instrument prior to withdrawal.

Annexure – 3: List of entities in consolidated financials as on March 31, 2020

Subsidiaries		
Sr. No.	**Name of the entity**	**%Holding**
	Direct	
1	Wockhardt Infrastructure Development Limited	100.00%
2	Wockhardt UK Holdings Limited	100.00%
3	Wockhardt Europe Limited	100.00%
4	Wockhardt Bio AG	85.85%
5	Wockhardt Medicines Limited	100.00%
	Indirect	
6	CP Pharmaceuticals Limited@	85.85%
7	CP Pharma (Schweiz) AG @	85.85%
8	Wallis Group Limited	100.00%
9	The Wallis Laboratory Limited	100.00%
10	Pinewood Healthcare Limited@	85.85%
11	Wockhardt Farmaceutica Do Brasil Ltda	100.00%
12	Wallis Licensing Limited	100.00%
13	Z&Z Services GmbH@	85.85%
14	Wockhardt Nigeria Limited	100.00%
15	Wockhardt USA LLC@	85.85%
16	Wockhardt UK Limited@	85.85%
17	Wockpharma Ireland Limited@	85.85%
18	Pinewood Laboratories Limited@	85.85%
19	Laboratoires Negma S.A.S.@	85.85%
20	Wockhardt France (Holdings) S.A.S.@	85.85%
21	Wockhardt Holding Corp.@	85.85%
22	Morton Grove Pharmaceuticals, Inc.@	85.85%
23	MGP Inc., U.S.A@	85.85%
24	Laboratoires Pharma 2000 S.A.S. @	85.85%
25	Niverpharma S.A.S@	85.85%
26	Negma Beneulex S.A.@	85.85%
27	Phytex S.A.S. @	85.85%
28	Wockhardt Farmaceutica SA DE CV. @	85.85%
29	Wockhardt Services SA DE CV.@	85.85%
30	Wockhardt Bio (R) @	85.85%
31	Wockhardt Bio Pty Ltd @	85.85%
32	Wockhardt Bio Limited@	85.85%

@WL holds 85.85% shareholding in the Wockhardt Bio AG which in turn holds 100% shareholding in these subsidiaries

Annexure-4: Detailed explanation of covenants of the rated instrument / facilities - Not applicable

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.*

Contact Us

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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.

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