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URGENT

PRESS RELEASE

No impact of derivatives on Wockhardt

Mumbai, March 20, 2008

There has been media speculation recently, suggesting that Wockhardt will book significant losses in its first quarter 2008 financial results because of the fluctuations in the derivatives market.

The fact is that Wockhardt will neither incur any losses arising out of the derivatives-hit scenario in the current quarter nor will there be a situation of such losses to occur subsequently.

Wockhardt has a significant business presence outside India, mainly in Europe and in the US, to the extent of 60% of its annual turnover. In the last one year, there has been considerable currency fluctuation. And in such situations, it is normal practice to protect the company from such currency fluctuations and genuine business related hedging is done on a regular basis. Wockhardt has a highly professional and expert team that undertakes normal business related to hedging for the past few years. In addition, our record of the last few years clearly demonstrates that there have been no losses whatsoever because of business related hedging activities.

With regard to the Foreign Currency Convertible Bond (FCCB), Wockhardt had raised FCCB for the potential funding of our acquisitions in Europe and USA. And this funding has been utilised for the said acquisitions that Wockhardt has been undertaking in Europe and USA. The consolidated profits of Wockhardt for the year 2007 are Rs 385.82 Crores as against Rs 241.25 crores in 2006, which is a growth of 60 % over the previous year.

Recently Morgan Stanley had a detailed discussion with our Executive Director, Finance and their report is attached herewith.

Wockhardt Limited is a global pharmaceutical and biotechnology major with an innovative research and development programme. Wockhardt has global footprints including UK, France, Germany, Ireland and USA. Wockhardt employs around 6000 people worldwide belonging to 14 different nationalities.

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MORGAN STANLEY RESEARCH

WOCKHARDT LIMITED (WCKH.BO): FOREX LOSS CONCERNS – MANAGEMENT CLARIFICATION

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Quick Comment: In view of investor concerns about possibility of Wockhardt (WPL) having incurred significant forex losses (given recent USD/Yen move), we had a call with the CFO, Rajiv Gandhi.

In summary, market concerns might be unfounded. CFO stressed that Wockhardt has not swapped its USD/Euro liabilities (totalling $700 mln) into other currencies (Yen/Swiss francs, etc.); it uses INR/USD and INR/Euro forward cover as hedge (and not exotic currency options), and, hence, the company has not incurred any losses on forex transactions (nor is it rolling these forward). Instead, WPL has grossed Rs50 million in profits for the current quarter.

Impact on our views: We retain our Overweight rating on WPL and believe that the stock is trading at deep discount to value (7.8x C08e and 6.8x C09e, 3.5% dividend yield), given the recent price correction on forex concerns.

Investment thesis: Stable base business, niche launches in US (azithromycin and ranitidine OTC launched, flonase likely in late 2008), and prospects of strengthening bio-similar business (US INDA filed for insulin) underline our O/W rating on the stock. Chairman (last month) and now CFO have confirmed absence of any treasury losses.

Stock Rating: Overweight
Industry View: In-Line
Share Price: INR 275.50 (Mar 17, 2008)
Target Price: INR 460.00
Market Cap (mm): INR 32,917

FULL RESEARCH TEXT BELOW:

What is the breakdown of Wockhardt's outstanding debt?

•US$300 mln external commercial borrowings (ECB), Euro 165 mln leverage buyout debt (LBO), US$108 mln foreign currency convertible bond (FCCB), and INR2.5 bln working capital loan = total gross loan of roughly US$700 mln.

•US$95 mln cash is outstanding with the company, held in US$ and kept outside India.

•Total Net debt (incl FCCB) outstanding is roughly $600 mln.

What is the cost of debt?

•Cost of Euro loan is Euro LIBOR plus 160-180 bps = 6%

•Cost of US$ loan is US LIBOR plus 160 bps = 6%

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Has WPL swapped its forex loan liability to a different currency to lower the cost of debt?

•No. The liabilities continue to be in the respective currencies - Euro, USD, and INR.

•Several Indian companies that used debt for INR-linked capex and other uses did swap the underlying loan currency. As WPL has Euro- and US$-denominated cash flows from operations in these geographies, it did not enter such swap contracts.

What are WPL's hedging strategies?

•WPL uses forward cover to hedge its forex risks. It has not used exotic derivative options to hedge its forex risk.

•As a corporate policy, the company covers for 25% of forex loans (plus interest cost) that are due in the next three years. It could raise this for near-term dues if the management expects strong currency movement. Presently, the company is covered for 2008 and 2009 loan payments.

•WPL is not covered for FCCB.

What is the repayment schedule?

•Repayment of loan in 2008 is US$26 mln, in 2009 US$20 mln and Euro 28 mln, and in 2010 US$175 mln and Euro 20 mln

In the overall analysis,

•CFO mentioned that WPL is now PBT neutral on account of forex movement, i.e., the forex liability more or less offsets the foreign currency-denominated operating cash flows.

•WPL has not incurred significant forex losses due to recent sharp movement in international currencies; neither is the company rolling forward forex losses. WPL has grossed roughly Rs 50 mln in profits in the current quarter due to forex transactions.

COMPANY DESCRIPTION
Wockhardt Limited manufactures and markets pharmaceutical products and active pharmaceutical ingredients, predominantly in the unregulated markets. The company is ranked amongst the top 10 in terms of revenues in the Indian pharmaceutical sector. It is building intellectual property in bio-generic, oral/injectable NDDS and NCE research.

INDUSTRY VIEW: IN-LINE
Moderation in growth and lack of major product opportunity support our In-Line industry view.

GICS SECTOR: INDIA
Asia Strategist's Recommended Weight: 4.2%
MSCI Asia/Pac All Country Ex Jp Weight: 8.1%