

Wockhardt Limited

August 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Outlook revised from Negative to Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ and Withdrawn
Issuer rating Issuer Rating	-	-	Reaffirmed at CARE BB+; Outlook revised from Negative to Stable and Withdrawn
Non Convertible Debentures	-	-	Withdrawn
Non Convertible Debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed, with revision in outlook from 'Negative to Stable' and have also simultaneously withdrawn the outstanding rating of 'CARE BB+; Stable/CARE A4+' assigned to the bank facilities and 'CARE BB+; Stable' for issuer rating of Wockhardt Limited (Wockhardt) with immediate effect. Further, CARE Ratings has also withdrawn rating of Non-Convertible Debenture of Wockhardt on account of its full redemption.

The revision in outlook was made on account of an improvement in liquidity position of the company due to successful completion of Qualified Institutional Placement (QIP) to the tune of Rs 463 crore (net of expenses) in March 2024, decline in pledge of shares from ~69% for the quarter ended June 2023 to ~37% for the quarter ended June 2024 and improved overall performance during Q1FY25.

The ratings of bank facilities have been withdrawn at the request of Wockhardt and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings. The issuer rating has been withdrawn at the request of the company. The rating of NCD has been withdrawn as CARE Ratings has received confirmation from the debenture trustee as well from the company with respect to full redemption of the outstanding NCD.

Analytical approach: Consolidated

Wockhardt has various subsidiaries, associates and joint ventures amongst others. Consolidated approach has been considered due to operational and financial linkages, fungible cash-flows, common management and support provided by Wockhardt to various subsidiaries/associates/etc. The list of entities consolidated is given in Annexure-6.

Outlook: Not applicable

Detailed description of the key rating drivers:

Key weaknesses

Moderate overall financial profile albeit improving post successful QIP

The overall financial profile of the company has remained moderate in the past however during Q1FY25, it has witnessed improvement. During FY24, the revenue of the company improved marginally by 2.52% to Rs 2800 crore compared to Rs 2731 crore reported during FY23. However, PBILDT margin fell by about 52 bps to 6.14% vis-à-vis 6.66% in FY23 due to increased raw material prices. At net profit level company has reported losses of Rs 472 crore during FY24 (FY23: Rs 621 crore). The overall gearing for FY24 moderated marginally to 0.89x against 0.83x. During FY24, the company has raised Rs 463 crore (net of expenses of Rs 17 crore), by way of issuing additional equity shares at a price of Rs 517 per share. The funds raised through QIP are intended to be utilised for repayment of borrowings in full/part (Rs 110 crore), funding for clinical trials (Rs 210 crore), for working capital requirement (Rs 115 crore) and the balance (about Rs 27.87 crore) for general corporate purpose. CARE Ratings notes that till June 30, 2024, company has utilised ~312 crore for the above purposes.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

CARE Ratings observes that, during Q1FY25, the company's overall performance has improved. It reported revenue of ~Rs 739 crore improved by 14.75% from Q1FY24 where the revenue stood at Rs 644 crore. Along with revenue, the PBILDT margin improved significantly by 983 basis points to 12.31% from 2.48% reported during Q1FY24.

Significant delay in resolution of regulatory issues

During FY14, Wockhardt received import alert from USFDA for one of its major facilities i.e. Waluj (Aurangabad), followed by regulatory scrutiny at other plants and from UKMHRA on compliance issues for Indian facilities (related to current good manufacturing practices regulations) like Chikalthana, Kadiya, etc. Due to various measures taken by the company, UKMHRA has approved its Chikalthana, Shendra and Kadiya plants. Furthermore, Wockhardt 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 with 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. On account of these import alerts the company relies on third party manufacturers for production and supply of its product in the US market.

High dependence on regulated markets for Pharmaceutical segment

Wockhardt has its presence in multiple countries across the world. Considering the nature of the product usage and application, and consequent impacts, Wockhardt 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.

Intense competition from both MNCs and Indian companies in India and abroad

Wockhardt faces intense competition and pricing pressure in the global as well as domestic markets. Globally, the generic players are facing price erosions, significant government pressures to reduce prices along with intense increasing competition, increasing regulation and increased sensitivity towards product performance.

Foreign exchange fluctuation risk

On a consolidated basis, the company has significant revenue contribution from export market. Around 78% of its overall revenues in FY24 earned in foreign currency mainly denominated in USD (US Dollar) GBP and Euro. Majority of the raw material requirement is sourced through local vendors across all regions resulting in lower dependency on imports. Although, the company is exposed to foreign currency fluctuation risk. There is a partial natural hedge available owing to manufacturing undertaken outside India, foreign currency term debts and sales outside India.

Key strengths

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, dermatology, respiratory, ophthalmology and anti-diabetic etc. Besides, the company also has a basket of well-established brands in majority of the key therapeutic segments.

Accredited manufacturing facilities along with R&D focused approach

The Company has 11 manufacturing plants (8 in India, and one each in UK, Ireland and Dubai) which have the necessary international accreditations like 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 FY24, the company's R&D expenses stood at 5.75% of revenue from operations during FY24 against 5.28% during FY23. Wockhardt has received 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) status by USFDA during FY20. QIDP ensures fast track approvals for drugs in the US.

Established marketing network with global presence

Wockhardt 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. The company has a significant presence in UK, USA, European Union and India. It also has market presence in Asian, African, South American, Middle Eastern countries as given below. Exports accounted for about 78% of its total revenue during FY24 (PY: 77%).

Liquidity: Adequate

The liquidity position of the company remains adequate. During FY24 company has generated cash accruals of about Rs 35 crore (after adjusting all non-cash expenses). On account of successful QIP, the cash and liquid investments as on March 31, 2024, improved to Rs 506 crore (PY: Rs 90 crore). Till June 30, 2024, company has utilised about Rs ~312 crore out of Rs 463 crore (net of expenses) raised by way of QIP. Company has fully repaid the outstanding NCDs to the tune of ~Rs 97 crore.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

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[Short Term Instruments](#)

[Issuer Rating](#)

About the company and industry**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Incorporated in 1960 and founded by Dr. Habil F Khorakiwala, 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. 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 UK, European Union, US and India. It also has market presence in Asian, African, South American, Middle-Eastern countries. WL has eleven manufacturing locations and in three of these locations R&D activities are carried out. Eight units are in India and one each in UK, Ireland and Dubai.

Brief Consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	2731.00	2800.00	739.00
PBILDT	182.00	172.00	91.00
PAT	-621.00	-472.00	-16.00
Overall gearing (times)	0.83	0.89	-
Interest coverage (times)	0.60	0.56	1.25

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE049B07048	28-Apr-2021	13.75%	28-Apr- 2024	0.00	Withdrawn
Non Convertible Debentures	INE049B07055	12-May- 2021	13.75%	12-May-2024	0.00	Withdrawn
Non Convertible Debentures	INE049B07063	28-May-2021	13.75%	28-May-2024	0.00	Withdrawn
Non Convertible Debentures	INE049B07071	21-Oct-2021	13.75%	21-Oct-2024	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB+; Stable (30-Aug-24)	1)CARE BB+; Negative (04-Sep-23) 2)CARE BBB-; Negative (06-Jun-23)	1)CARE BBB-; Stable (02-Sep-22)	1)CARE BBB-; Stable (03-Sep-21)
2	Non-fund-based - ST-BG/LC	ST	-	-	1) CARE A4+ (30-Aug-24)	1)CARE A4+ (04-Sep-23) 2)CARE A3 (06-Jun-23)	1)CARE A3 (02-Sep-22)	1)CARE A3 (03-Sep-21)
3	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB+; Stable (30-Aug-24)	1)CARE BB+; Negative (04-Sep-23) 2)CARE BBB-; Negative (06-Jun-23)	1)CARE BBB-; Stable (02-Sep-22)	1)CARE BBB-; Stable (03-Sep-21)
4	Non-fund-based - ST-BG/LC	ST	-	-	1) CARE A4+ (30-Aug-24)	1)CARE A4+ (04-Sep-23) 2)CARE A3 (06-Jun-23)	1)CARE A3 (02-Sep-22)	1)CARE A3 (03-Sep-21)
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE BB+; Negative (04-Sep-23)	1)CARE BBB-; Stable (02-Sep-22)	1)CARE BBB-; Stable (03-Sep-21)

						2)CARE BBB-; Negative (06-Jun-23)		2)CARE BBB-; Stable (05-Apr-21)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE BB+; Negative (04-Sep-23) 2)CARE BBB-; Negative (06-Jun-23)	1)CARE BBB-; Stable (02-Sep-22)	1)CARE BBB-; Stable (03-Sep-21)
7	Issuer Rating-Issuer Ratings	LT	-	-	1)CARE BB+; Stable (30-Aug-24)	1)CARE BB+; Negative (04-Sep-23) 2)CARE BBB-; Negative (06-Jun-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Issuer Rating-Issuer Ratings	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Wockhardt Infrastructure Development Limited	Full	Subsidiary
2	Wockhardt UK Holdings Limited	Full	Subsidiary
3	Wockhardt Europe Limited	Full	Subsidiary
4	Wockhardt Bio AG	Full	Subsidiary
5	CP Pharmaceuticals Limited	Full	Subsidiary
6	CP Pharma (Schweiz) AG	Full	Subsidiary
7	Wallis Group Limited	Full	Subsidiary
8	The Wallis Laboratory Limited	Full	Subsidiary
9	Pinewood Healthcare Limited	Full	Subsidiary
10	Wockhardt Farmaceutica Do Brasil Ltda	Full	Subsidiary
11	Wallis Licensing Limited	Full	Subsidiary
12	Z&Z Services GmbH	Full	Subsidiary
13	Wockhardt Nigeria Limited	Full	Subsidiary
14	Wockhardt USA LLC	Full	Subsidiary
15	Wockhardt UK Limited	Full	Subsidiary
16	Wockpharma Ireland Limited	Full	Subsidiary
17	Pinewood Laboratories Limited	Full	Subsidiary
18	Laboratories Negma S.A.S.	Full	Subsidiary
19	Wockhardt France (Holdings) S.A.S.	Full	Subsidiary
20	Wockhardt Holding Corp.	Full	Subsidiary
21	Morton Grove Pharmaceuticals, Inc.	Full	Subsidiary
22	MGP Inc., U.S.A	Full	Subsidiary
23	Wockhardt Farmaceutica SA DE CV.	Full	Subsidiary
24	Wockhardt Services SA DE CV.	Full	Subsidiary
25	Wockhardt Bio (R) LLC	Full	Subsidiary
26	Wockhardt Bio Pty Ltd	Full	Subsidiary
27	Wockhardt Medicines Limited#	Full	Subsidiary
28	Wockhardt Bionova Limited# (formerly Wockhardt Biologics Limited until April 22, 2024)	Full	Subsidiary
29	Wockhardt Bio Limited#	Full	Subsidiary

Note: Includes step down subsidiaries

Wockhardt Bio Ltd, Wockhardt Bionova Limited and Wockhardt Medicines Limited is yet to commence business.

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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