

Wockhardt Ltd



Key Stock Indicators

NSE Ticker :	WOCKPHARMA	CMP (as on 02 Dec 2010—Rs/share):	378.4	Shares outstanding (mn) :	109.4
Bloomberg Ticker :	WPL:IN	52-week range up to 02 Dec 2010 (Rs)(H/L):	409.65/117.50	Free Float (%) :	26.4
Face value / Share :	5.0	Market Cap as on 02 Dec 2010 (Rs mn):	41,411	Average daily volumes (12 months) :	482,195
Div. Yield (%) :	0.0	Enterprise Value as on 02 Dec 2010 (Rs mn):	84,844	Beta (2 year) :	1.1

Wockhardt Ltd (Wockhardt), established in 1960s, is a medium sized Indian pharmaceutical company. The company is strong in orthopedic, dental and dermatology segments. Exports contribute ~75% of the total sales for the company

KEY HIGHLIGHTS

A medium size player in the domestic formulations market

Wockhardt is a medium sized player of generics in the domestic market. The domestic business has shown a double digit growth of CAGR 17% between FY06-10 on account of a strong brand value and good distribution network in India. It has launched 'Spectra' division to serve extra urban and rural markets in India. It is strong in orthopedic, dental and dermatology segments. It is also focusing on cardiology and nutritional segments. Dexolac and Nusobee are key brands in the infant food formulation while Protinex is another highly recognized brand. Wockhardt has in-licensing agreements with number of US and Europe based companies through which we are currently marketing 19 products – 11 of these were launched till 2008; 4 launched in 2009 and another 4 in 2010

Growing exports

The company's world class manufacturing facilities approved by US FDA have played a critical role in enabling the company realize its global ambitions with exports growing at a CAGR of 43% between FY06-10 and its contribution to overall sales have grown from 61% in FY06 to 75% in FY 10. It remains among the top 10 Indian generic companies in the UK pharmaceutical market and launched 7 new products in that market in FY10. In the US market it has a basket of 87 products (8 new in FY10). Out of these, 9 products are in the top 4 generics in their respective therapies.

One of early movers in biosimilar space from India

A key growth driver at Wockhardt is its state-of-the-art, multi-disciplinary research capability backed by a team of 500 skilled scientists. Consistent efforts have resulted in six breakthrough biotechnology products, 750+ patent filings and a pipeline of promising new molecules.

Wockhardt's strategies are aligned towards being a significant player in the emerging global biopharmaceuticals market. In order to achieve this goal, the company has set up the Wockhardt Biotech Park, India's largest biopharmaceuticals complex, with six dedicated plants built to international standards.

KEY RISKS

- Drug Price Control Order (DPCO) continues to challenge the Indian pharmaceutical industry
- Exports are subjected to fluctuations in rupee value. Exports for FY10 was 75% of revenues
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Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
Wockhardt Ltd(Post 2000)	137	-15	21	89
NIFTY	12	-6	5	15

Note:

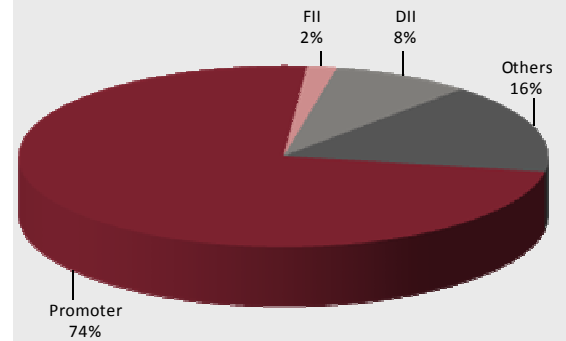
- 1) YTD returns are since April 1, 2010 to Dec 06, 2010.
- 2) 1-m, 3-m and 12-m returns are up to Dec 06, 2010.

Key Financial Indicators

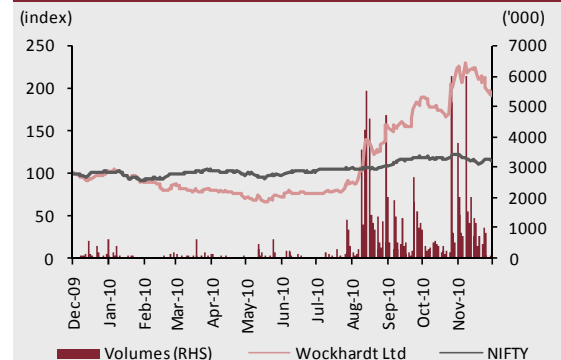
	Dec-07	Dec-08	Mar-10
Revenue (Rs mn)	25,815.6	35,442.4	45,174.0
EBITDA margins (%)	25.4	23.2	18.7
PAT (Rs mn)	3,858.1	-1,388.6	-10,006.6
PAT margins(%)	14.9	-3.9	-22.2
Gearing (x)	-6.8	-4.3	-3.0
EPS (Rs/share)	35.3	-12.7	-73.2
PE (x)	-	n.m	n.m
P/BV (x)	-	-3.0	-2.6
RoCE (%)	24.2	25.9	14.5
RoE (%)	-	-	-
EV/EBITDA (x)	-	7.9	10.0

n.m. : Not meaningful

Shareholding (As on September 30, 2010)



Indexed price chart



Wockhardt Ltd

BACKGROUND

Mr. Habil Khorakiwala, the Chairman of Wockhardt, founded the company in the early 1960s. Today, it is a global, pharmaceutical and biotechnology company having its headquarters in India. It has 14 manufacturing plants in India, UK, Ireland, France and USA. It has subsidiaries in UK, Ireland, France and USA and marketing offices in Africa, Russia, Central and South East Asia.

The company has a wide geographical presence globally, and derived 75% of its FY10 revenues from exports. The main exporting regions are Europe (49% of sales) and USA (20% of sales).

In 2010, the company's solid and sterile facility at Aurangabad and liquid facility at Morton Grove passed US FDA inspection. The company launched 51 new products in FY 10.

COMPETITIVE POSITION

Peer Comparison

	Wockhardt Ltd	Aurobindo Pharma Ltd	Glenmark Pharmaceuticals Ltd	Sun Pharmaceutical Industries Ltd	Lupin Ltd	Cadila Healthcare Ltd
	Mar-10	Mar-10	Mar-10	Mar-10	Mar-10	Mar-10
Revenue (Rs mn)	45,174.0	35,966.6	24,610.4	40,519.8	48,408.6	36,863.0
EBITDA margins (%)	18.7	23.8	28.4	34.9	20.4	23.2
PAT (Rs mn)	-10,006.6	5,630.8	3,094.9	13,469.8	6,915.3	5,298.0
PAT margins (%)	-22.2	15.7	12.6	33.2	14.3	14.4
Gearing (x)	-3.0	1.3	1.2	-	0.5	1.0
EPS (Rs/share)	-73.2	101.1	11.5	65.0	77.8	38.8
PE (x)	n.m	12.7	31.6	7.0	6.6	19.8
P/BV (x)	-2.6	4.2	6.5	1.3	2.2	9.8
RoCE (%)	14.5	19.0	17.9	19.3	29.6	33.1
RoE (%)	-	39.3	26.6	19.0	43.1	62.9
EV/EBITDA (x)	10.0	10.8	16.5	6.2	5.6	13.3

n.m: Not meaningful

FINANCIAL PROFILE

Top-line grows in 2009-10; PAT negative due to 'Mark to Market' (MTM) losses

Wockhardt registered a strong top line growth of ~ 28% CAGR between FY08-10 with the top line growing from Rs 25.8 bn in FY07 to Rs 45.2 bn in FY10. However the company showed a net loss of Rs 10 bn primarily due to MTM losses to the tune of Rs 12.9 bn

The company has accumulated losses to the tune of Rs 1621 mn making the net worth negative. The company had approached the Corporate Debt Restructuring (CDR) Cell through ICICI Bank Limited in April 2009 for restructuring the debts of the Company through CDR mechanism. The final restructuring package was approved by CDR Empowered Group on July 4, 2009.

Key Financial Indicators

	Units	Dec-07	Dec-08	Mar-10
Revenue	Rs million	25,815.6	35,442.4	45,174.0
EBITDA margins	Per cent	25.4	23.2	18.7
PAT	Rs million	3,858.1	-1,388.6	-10,006.6
PAT margins	Per cent	14.9	-3.9	-22.2
Revenue growth	Per cent	54.8	37.3	27.5
EBITDA growth	Per cent	55.7	25.6	2.7
PAT growth	Per cent	60.5	-136.0	-620.6
Gearing	Times	-6.8	-4.3	-3.0
RoCE	Per cent	24.2	25.9	14.5
RoE	Per cent	0.0	0.0	0.0

INDUSTRY PROFILE

Formulations

The pharmaceutical formulations market includes the domestic and the export market. The domestic market accounts for approximately 61 per cent of total formulation sales. The share of exports has steadily risen from 30 per cent in 2005-06 to around 39 per cent (market size: \$5.2 billion in 2009-10) in 2009-10. The domestic formulations market has expanded at a CAGR of 14-15 per cent over the last three years and reached a size of Rs 417 billion in 2009-10. This was primarily driven by robust growth witnessed in the anti-diabetic, cardiovascular, gynecology, respiratory and Neuro/CNS segments. In 2009-10, the lifestyle diseases segment grew by nearly 25 per cent as compared to the overall industry growth of 17.7 per cent. In the domestic market, lifestyle segments such as anti-diabetic, cardiovascular and gastrointestinal have emerged as chief growth drivers over the last 3-4 years. Acute segments, mainly anti-infectives, have continued to expand at a steady rate due to inadequate sanitary and hygiene conditions. The domestic market is concentrated at the top with the top ten players controlling about 38 per cent of the total formulations sales. Within exports, entry barriers are significantly higher in the regulated markets as compared to semi-regulated markets due to stringent regulatory norms in the regulated market.

Wockhardt Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Dec-07	Dec-08	Mar-10
Net Sales	25,697.7	35,341.6	45,016.6
Operating Income	25,815.6	35,442.4	45,174.0
EBITDA	6,554.6	8,233.4	8,455.7
EBITDA Margin	25.4	23.2	18.7
Depreciation	831.3	1,128.7	1,548.2
Interest	1,323.9	9,817.2	15,523.4
Other Income	375.3	459.9	154.2
PBT	4,774.7	-2,304.8	-9,840.0
PAT	3,858.1	-1,388.6	-10,006.6
PAT Margin	14.9	-3.9	-22.2
No. of shares (Mn No.)	109.4	109.4	109.4
Earnings per share (EPS)	35.3	-12.7	-73.2

Cash flow

(Rs million)	Dec-07	Dec-08	Mar-10
Pre-tax profit	4,774.7	-2,252.7	-8,461.7
Total tax paid	-916.7	-419.9	-228.0
Depreciation	831.3	1,128.7	1,548.2
Change in working capital	-2,987.8	-919.8	-1,218.7
Cash flow from operating activities	1,701.5	-2,463.7	-8,360.2
Capital Expenditure	-14,476.3	-6,712.7	2,378.5
Investments and others	-706.3	-222.5	-16.4
Cash flow from investing activities	-15,182.6	-6,935.2	2,362.1
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	9,336.4	13,318.1	4,485.9
Dividend (incl. tax)	-1,440.4	0.0	0.0
Others (incl extraordinary)	-345.0	-1,221.9	-1,517.2
Cash flow from financing activities	7,551.0	12,096.2	2,968.7
Change in cash position	-5,930.1	2,697.3	-3,029.4
Opening cash	9,731.8	3,801.8	6,499.1
Closing cash	3,801.8	6,499.1	3,469.8

n.m : Not meaningful;

Balance sheet

(Rs million)	Dec-07	Dec-08	Mar-10
Equity share capital	547.2	547.2	547.2
Reserves and surplus	-4,811.1	-10,324.8	-16,271.3
Tangible net worth	-4,263.9	-9,777.6	-15,724.1
Deferred tax liability: asset	921.0	-415.2	-476.5
Long-term debt	26,954.1	33,339.0	41,848.9
Short-term-debt	2,145.1	9,078.3	5,054.3
Total debt	29,099.2	42,417.3	46,903.2
Current liabilities	8,201.7	8,344.1	8,058.1
Total provisions	573.4	6,342.1	628.6
Total liabilities	34,531.4	46,910.7	39,389.3
Gross block	15,427.8	17,694.2	17,388.0
Net fixed assets	13,713.2	16,341.9	16,614.3
Investments	709.4	931.9	948.3
Current assets	20,108.8	29,636.9	21,826.8
Receivables	6,700.7	8,534.2	5,848.1
Inventories	7,717.8	8,297.5	7,654.5
Cash	3,801.8	6,499.1	3,469.8
Total assets	34,531.4	46,910.7	39,389.4

Ratio

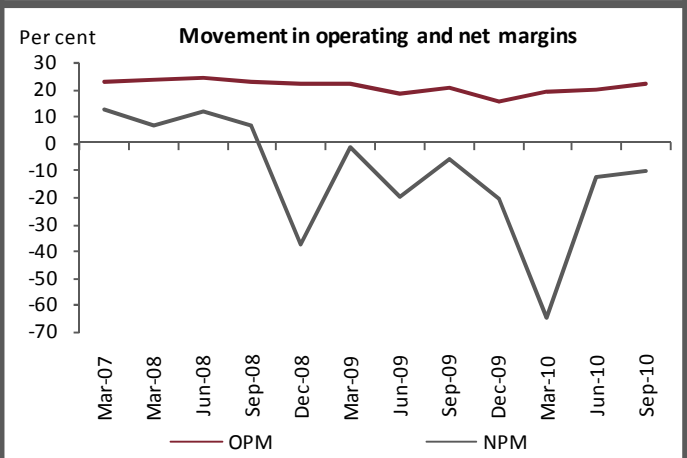
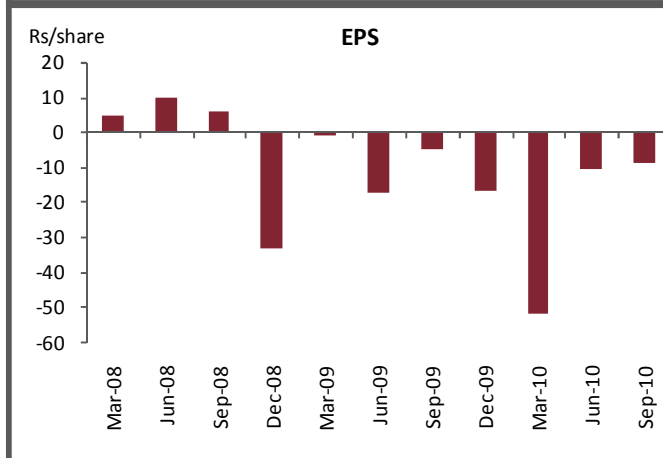
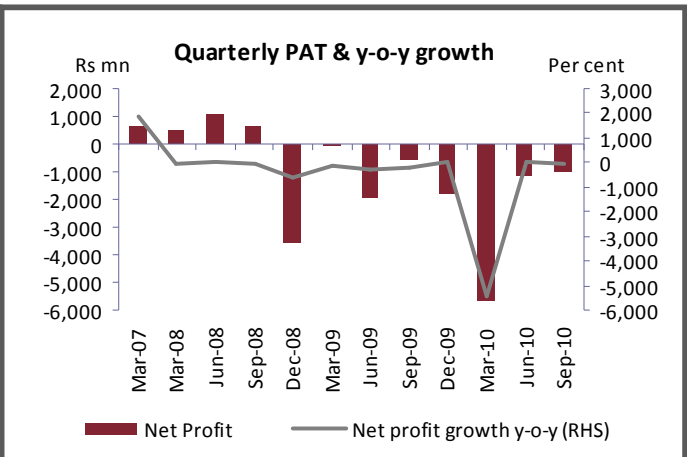
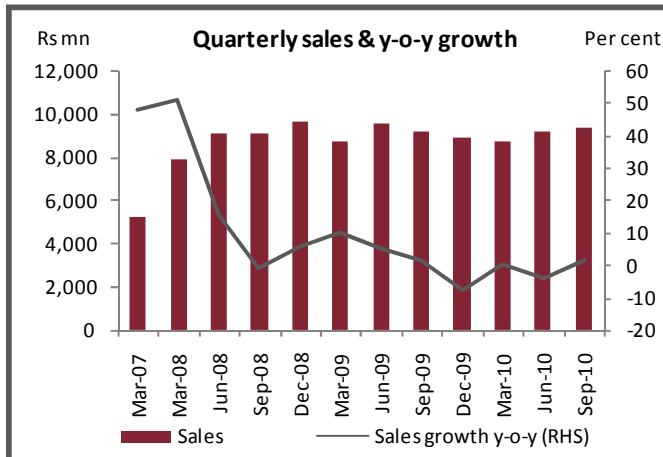
	Dec-07	Dec-08	Mar-10
Revenue growth (%)	54.8	37.3	27.5
EBITDA growth (%)	55.7	25.6	2.7
PAT growth (%)	60.5	-136.0	-620.6
EBITDA margins (%)	25.4	23.2	18.7
Tax rate (%)	11.8	-12.0	-2.9
PAT margins (%)	14.9	-3.9	-22.2
Dividend payout (%)	31.9	0.0	0.0
Return on Equity (%)	0.0	0.0	0.0
Return on capital employed (%)	24.2	25.9	14.5
Gearing (x)	-6.8	-4.3	-3.0
Interest coverage (x)	5.0	0.8	0.5
Debt/EBITDA (x)	4.4	5.2	5.5
Asset turnover (x)	2.0	2.1	2.1
Current ratio (x)	1.8	1.2	1.6
Gross current assets (days)	279	298	210

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Sep-10	% of Rev	Sep-09	% of Rev	Jun-10	% of Rev	Sep-10	% of Rev	Sep-09	% of Rev
No of Months	3		3		3		6		9	
Revenue	9,435.5	100.0	9,266.6	100.0	9,252.9	100.0	18,688.4	100.0	27,628.2	100.0
EBITDA	2,022.5	21.4	1,858.7	20.1	1,838.4	19.9	4,066.5	21.8	5,444.8	19.7
Interest	564.6	6.0	568.9	6.1	644.3	7.0	1,208.9	6.5	2,474.2	9.0
Depreciation	299.5	3.2	293.7	3.2	294.2	3.2	593.7	3.2	907.1	3.3
PBT	(966.8)	(10.2)	(542.0)	(5.8)	(1,162.8)	(12.6)	(2,129.6)	(11.4)	(2,543.1)	(9.2)
PAT	(966.8)	(10.2)	(542.0)	(5.8)	(1,162.8)	(12.6)	(2,129.6)	(11.4)	(2,543.1)	(9.2)

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Dec 2009	Mar 2010	Jun 2010	Sep 2010
Promoter	73.6	73.6	73.6	73.6
FII	1.9		1.9	1.8
DII	9.4	10.9	8.8	8.5
Others	15.1	15.4	15.7	16.0

Board of Directors

Director Name	Designation
Habil Fakhruddin Khorakiwala (Mr.)	Executive Chairman, Promoter-Director
Shekhar Datta (Mr.)	Non-Executive Director
Rajiv Babulal Gandhi (Mr.)	Wholetime Director
Abid Hussain (Mr.)	Non-Executive Director
Aman Mehta (Mr.)	Non-Executive Director
Bharat Vithalbhay Patel (Mr.)	Non-Executive Director
Rajendra Ambalal Shah (Mr.)	Non-Executive Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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