Turnaround Story of Wockhardt Limited

This case was written by Manish Agarwal, and D Satish, IBS Hyderabad. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
Turnaround Story of Wockhardt Limited

“Wockhardt has been a perfect story of fall, despair and fight back”

— HDFC Securities, December 2012.

In February 2013, Wockhardt Limited (Wockhardt or company), the global pharmaceutical company based in India, reported more than 101% growth in net profit (Rs. 34.3 million) in Q3FY13 over the same period of the previous year. Sales grew by 25.8% from 11.41 billion in Q3FY12 to Rs. 14.35 billion in Q3FY13. The higher EBIDTA margin (38%) and PAT margin (29.8%) put the company among the top three most profitable pharmaceutical companies in India. In the first nine months of FY13, the company had launched 63 products worldwide and its earnings per share were Rs. 115.

The results came as a surprise to various stakeholders of Wockhardt as the company had been forced to go in for Corporate Debt Restructuring (CDR) in April 2009, due to Rs. 5.81 billion of Mark to Market and derivative losses and over Rs. 42.35 billion of total borrowings vis-à-vis Rs. 11.61 billion of net worth at the end of the financial year 2008, and still in the process of CDR.

However, under the leadership of Habil Fakhruddin Khorakiwala (Habil), Chairman of Wockhardt, and Dr. Murtaza H Khorakiwala (Murtaza), Managing Director, the company quickly restructured itself and showed signs of coming out from CDR in FY13. In the second quarter of FY13, the company was able to complete the sale of its non-core nutrition business for Rs. 12.8 billion to Danone SA (Danone). Wockhardt also generated more than Rs. 8 billion in free cash flows from its operations in the first nine months of FY13 thanks to the high margins and superior growth (45% over Q3FY12) in its main market (the US, which contributed 50% in 3QFY13). The non-core business sale and higher free cash flows from operations pushed up cash in hand to around Rs. 20

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2 HDFC Securities is a stock broking company in India.

3 As of May 2013, US$1 was approximately equal to Rs. 54.76.


5 Corporate Debt Restructuring (CDR) is a financial restructuring process. It helps troubled companies by easing conditions of loan repayment such as reducing interest rate, increasing maturing date, etc. However, it also limits the management’s power of decision.


8 Habil Fakhruddin Khorakiwala earned his Master’s degree in Pharmaceutical Sciences from the Purdue University in the US. He also did an Advanced Management Program from Harvard Business School, US.

9 Murtaza H Khorakiwala is the younger son of Habil Fakhruddin Khorakiwala.

10 Danone SA is a France-based global food company.
billion\textsuperscript{11} at the end of December 2012 compared to about Rs. 7 billion\textsuperscript{12} on March 31, 2012. The net debt to equity ratio fell to below 0.5\% in February 2013 from 1.9\% in March 2012.

While making the third quarter investor presentation for FY13, Murtaza said, “We will be exiting the CDR shortly and we have taken steps in that direction. The total debt during the current year – we have paid off Rs. 1600 crores (Rs. 16 billion) of debt in the current year.”\textsuperscript{13} However, in February 2013, Wockhardt had about Rs. 23 billion of gross debt.\textsuperscript{14}

**HISTORY OF WOCKHARDT**

In 2013, Wockhardt was a Rs. 46.14 billion Indian multinational pharmaceutical and biotechnology company. It was a research-based\textsuperscript{15} healthcare company with exposure in pharmaceuticals, biotechnology, and hospitals. By the end of FY12, Wockhardt had 12 manufacturing plants\textsuperscript{16} and 3 research centers\textsuperscript{17} worldwide with 7900 Wockhardt Associates in 21 different countries around the world. Till September 2012, company had filed 1,667 patents and had got a grant on 169 patents. However, Wockhardt was a very small concern in the early 1960s.

In 1959, Murtaza’s grandfather, Fakhruddin T. Khorakiwala (Fakhruddin), had acquired Worli Chemical Works (WCW)\textsuperscript{18} which manufactured medicines for common ailments. After returning from the US, Fakhruddin’s son, Habil, took charge of WCW and renamed it ‘Wockhardt’, which meant “work hard” in German. When Habil took over Wockhardt in 1966, it was a 0.4 million company with 20 employees.\textsuperscript{19}

This proved to be a turning point for the company. It began to grow significantly in terms of revenue, number of products, market share, etc. In the early decades, Wockhardt grew organically by setting up state-of-the-art greenfield manufacturing facilities in various parts of India, its home country, and sales and marketing offices in various parts of the globe. According to experts, Wockhardt’s world class but low cost manufacturing facilities and its strong base in research had helped the company grow rapidly in the international market, especially in the European countries.

In 1991, the promoters of the company incorporated First Hospitals & Heart Institute Limited (FHHIL) to start a super specialty hospitals chain in India. In December 1992, the company went in for a public issue. In February 1994, Wockhardt issued US$75 million\textsuperscript{20} worth of Global Depository Receipts\textsuperscript{21} (GDRs), thereby becoming the first Indian pharmaceutical company to issue

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\textsuperscript{15} By the end of FY12, the company had three research centers worldwide (in India, the UK, and the US) where 578 research scientists worked.
\textsuperscript{16} By the end of FY12, the company had nine plants in India and one each in Ireland, the UK, and the US. By the end of 2012, a total of 578 research scientists including 80 with doctorates were worked in these three research centers.
\textsuperscript{17} By the end of third quarter of FY13, the company had one research center each in India, the UK, and the US.
\textsuperscript{20} “Indian GDR,” www.gdr.co.in/.
\textsuperscript{21} Global Depository Receipts (GDRs) are negotiable certificates issued by banks which purchase and deposit the shares with themselves of foreign companies to facilitate the trading.
GDRs. In 1995, Wockhardt acquired RR Medi Pharma Limited based in Tamil Nadu in South India. This acquisition helped the company to reduce the cost of transporting bulky intravenous fluid to the southern parts of the country.

In 1998, Wockhardt acquired two companies, one in India and the other in the UK. In India, the company acquired a controlling stake in Merind Limited from the Tata group for Rs. 470 million. Habil said, “By taking over Merind, Wockhardt became the fifth largest pharma company in the country.” In the UK, Wockhardt acquired Wallis Laboratories (Wallis) for US$5 million. According to experts, company used Wallis as a manufacturing facility for European markets. These two acquisitions increased the turnover of the company significantly. Habil said that the sales growth in the future would come largely from organic growth, partly aided by domestic and international acquisitions.

DEMERGER OF BUSINESSES INTO TWO COMPANIES

In January 2000, the company demerged its business into two companies. The old company, renamed as Wockhardt Life Sciences Limited (WLSL), would manage agri-sciences, IV fluids, and hospitals. The knowledge-based pharmaceuticals and bulk drugs business was transferred to the other demerged company – Wockhardt Limited (WL). The existing shareholders and GDR holders of the old company got one share each of WLSL and WL.

In September 2000, FHHIL was first renamed as Wockhardt Health Sciences Limited (WHSL). Then in October 2000, it was renamed as Wockhardt Hospitals Limited (WHL). In 2001, WLSL transferred the hospital business to WHL for Rs. 180 million.

In July 2003, Wockhardt achieved the largest ever international acquisition by any Indian pharmaceutical company when it acquired its second UK-based company – C. P. Pharmaceuticals Limited (CPPL) — for £10.85 million from internal accruals. This acquisition put Wockhardt in the top slot of the largest Indian pharmaceutical company in the UK and also among the top ten generic pharmaceutical companies in the UK (Refer to Exhibit I for details of various acquisitions by Wockhardt).

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22 In 2005, RR Medi Pharma Limited was an intravenous fluid manufacturer based in Chennai, Tamil Nadu, in South India.
24 Merind Limited was founded in November 1958. It manufactured and marketed pharmaceuticals and pharmaceutical formulations. It was the largest producer of vitamin B-12 in India.
25 The Tata group is a diversified, well reputed, multinational business house in India.
27 In 1998, Wallis Laboratories was a manufacturer of generic and over-the-counter pharmaceuticals.
32 http://content.icidirect.com/research/myresearch1_frame.asp?icicocode=WOCLIF.
33 Wockhardt acquired its first UK-based company in February 1998.
34 C. P. Pharmaceuticals Limited (CPPL) was incorporated in 1950 in the UK as a private company limited by shares.
35 As of December 2008, US$1 was approximately equal to £0.6742
In April 2004, Wockhardt’s shareholders approved the board’s proposal to issue 1:2 bonus shares; giving 75% dividend and splitting the Rs. 10 face value of the share into two shares with a face value of Rs. 5 each. In the same year, Wockhardt set up its own sale and marketing organization in the US. The company already had a research and clinical trials facility in the US. Habil said, “We are seeking an exponential growth in our US business over the next few years. Toward this end, we are beefing up the research and development, manufacturing, regulatory, and legal infrastructure in India, and establishing a sales and marketing organization in the US.”

**WOCKHARDT ACQUISITION SPREE THROUGH LEVERAGE – GROWTH PHASE**

In May 2004, Wockhardt acquired Esparma GmbH (Esparma), a German company, for US$11 million, funded through internal accruals. Esparma had a significant presence in urology, neurology, and diabetology, which was in line with Workhardt’s therapeutic strengths. Wockhardt acquired only Esparma’s brand, businesses, and sales and marketing organization—not its manufacturing facility. However, Wockhardt decided to use the manufacturing facility for two years before production shifted to the company’s own facility in the UK and India.

In September 2004, the company issued 110,000 five-year, zero coupon FCCBs of US$1,000 each which made the total issue size US$110 million. These bonds were redeemable on the maturity date at 129.578% of the principal amount i.e., at US$1,295.78 (US$1,000 x 129.578%) per bond or US$142.54 million (US$1,295.78 x 110,000 bonds) in total. Bond holders could convert the bonds at any time on or after November 24, 2004, but prior to close of business on September 25, 2009. Each bond would be converted into 94.265 fully paid-up equity shares with a par value of Rs. 5 per share at a fixed price of Rs. 486.075 per share. The company had the option of redeeming these bonds, in whole not in part, at any time on or after October 25, 2007 but not before seven business days prior to the maturity date, i.e., October 25, 2009.

The FCCBs issue was oversubscribed by five times. The company garnered Rs. 4,779.94 million (US$ 110) from the issue, the major part of which was taken up by Indian banks and foreign investors. Wockhardt planned to use the money raised to fund its expansion activities. By the end of 2004, Wockhardt’s unsecured loan increased to Rs. 4,832.23 million from Rs. 48.15 million in 2003. The company’s net profit and total income increased 49.65% and 33.48% respectively over the previous year.

In February 2005, Wockhardt set up a majority owned joint venture in Mexico and South Africa and a wholly-owned subsidiary in Brazil. On unveiling Wockhardt’s global bio-tech strategy, Habil said, “We are now establishing building blocks of our global footprint in biopharmaceuticals.

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38 In 2004, Esparma GmbH (Esparma) was a Germany-based company which engaged in marketing and distribution of pharmaceutical products.
43 According to company’s note 1 (b) of the Annual Report, 2004, foreign currency transactions during the year are recorded at rates of exchange prevailing on the date of the transaction.
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with majority joint ventures in Mexico, South Africa, and a subsidiary in Brazil.... This marks a new milestone in Wockhardt’s global journey. We now have a ground presence in almost all major markets of the world.45

On June 30, 2006, Wockhardt acquired Dumex India Pvt. Ltd.46 (Dumex) with its brand Farex47 and Protinex48 for an undisclosed amount. Within three months of this acquisition, the company went in for another takeover and acquired Pinewood Laboratories Ltd.49 for US$150 million in October 2006. On the occasion, Habil said, “This acquisition gives us a larger footprint in Europe spread over the UK, Ireland, and Germany. The European business will now exceed 200 million dollars, accounting for almost half of Wockhardt’s total sales.”50

In October 2006, Wockhardt signed an agreement to establish a Special Economic Zone (SEZ) in Aurangabad, Maharashtra, in Western India. The company established manufacturing and research facilities in this SEZ. Habil said, “This SEZ will provide the base for a new thrust in international markets that will drive Wockhardt’s growth in the coming years.”51 By the end of 2006, Wockhardt’s R&D expenditure touched Rs. 1.38 billion, about 8% of the company’s total turnover (Refer to Exhibit II for R&D Expenditure by Wockhardt in Various Years). In the same year, the company’s borrowing increased from Rs. 9.07 billion in 2005 to Rs. 19.70 billion.

In May 2007, Wockhardt acquired a non-generic company – Negma Laboratories52 (Negma) — with 172 patents and a research facility53, for US$265 million. The transaction was valued at 1.8 times the sales and 9.7 times the EBITDA.54 Habil said that the acquisition would help the company achieve its corporate strategy of becoming US$1 billion turnover company by 2009.55 Wockhardt’s French subsidiary Wockhardt France (Holdings) SAS had taken LBO finance of around €110 million to fund this deal.56

In October 2007, the company acquired Morton Grove Pharmaceuticals57 in exchange for US$38 million58. It was the fourth acquisition by the company in 17 months. Habil said, “Morton Grove is strategic to Wockhardt. It provides entry into the US generic market with a portfolio of 31 products, 13 of which occupy the No. 1 market position. All others are in the Top 3. This represents a clear demonstrable strength in sales and marketing. Wockhardt now has a strong position in the liquid market in the US and the UK.”59

46 Dumex India Pvt. Ltd. was the part of Royal Numico NV of The Netherlands.
47 In 2006, Farex was one of the top five selling infant nutrition formula in the cereals category.
48 In 2006, Protinex was one of the leading nutrition supplements.
49 In 2006, Pinewood Laboratories Ltd. was largest generic company in Ireland.
52 In 2007, Negma Laboratories was (Negma) the fourth largest independent, integrated pharmaceutical group in France. Negma had 172 patents in its name when Wockhardt acquired it.
57 In 2007, Morton Grove Pharmaceuticals was a leading liquid generic and speciality dermatology company in US.
The company reported an increase in net profit of about 23% in the fourth quarter that ended on December 31, 2007. The company’s profit increased from Rs. 870 million on December 31, 2006, to Rs. 1.07 billion on December 31, 2007. The whole year net profit of 2007 increased by about 59% from Rs 2.41 billion in 2006 to 3.83 billion in 2007.

TROUBLE AT WOCKHARDT – DECLINING PHASE

In January 2008, WHL came up with an Initial Public Offer (IPO) of about 25 million equity shares. It planned to use the proceeds of the IPO for its expansion plans (Rs. 5.69 billion) and for prepayment of short term loans (Rs. 2.85 billion). However, the IPO failed to garner funds and was called off by the promoters as it got poor investor response even after a reduction in the price band from Rs. 280-310 to Rs. 225-360 and extension of the closing date (of IPO) by two days. On February 9, 2008, Livemint reported that the company was looking for other ways to raise funds including private placement.

In March 2008, Livemint, citing several unnamed bankers and risk management experts, stated that the firm had been hit by the exposure to complex cross-currency options and structured products. However, in a statement, the company said, “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. (It would) 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.”

In April 2008, the company released its January-March quarter result. It reported a 23% fall in net profit from Rs. 663 million to Rs. 509 million in comparison to the same quarter of the previous year, to a major part due to one-time derivative related losses of Rs. 279 million. However, company sales increased by 50.3% per cent to Rs 7.86 billion. In a statement, Wockhardt said, “The company has entered into hedging instruments, which are long term in nature to reduce the interest cost for the loans, which the company had taken in the past and is outstanding as of March 31, 2008. According to the risk management policy, the company is hedging the interest for 50 per cent of the long-term loans. The company does not hold or issue derivative financial instruments for trading or speculative purposes. The same has been treated as an extraordinary item.”

In July-September, 2008, the company’s net profit fell by 77% to Rs. 611 million when compared to the same quarter of the previous year. It happened due to high interest cost (Rs. 486 million) and the loss due to fluctuations in the exchange rate (Rs. 553 million) on foreign debts. However, sales increased by 25.11% to Rs. 9.24 billion in the corresponding period.

In November 2008, at the India Economic Summit, Habil announced the company’s plan to invest Rs. 10 billion over the next three years on expansion of its healthcare business. He said, “We will finalize the equity deals in next three-four months.” Habil’s statement came at a time when the company’s profit was shrinking with each passing quarter and the redemption date of the FCCBs was approaching. The company had to pay US$140.59 million to the FCCB holders due in

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62 Livemint is a daily English newspaper in India.
67 According to Wockhardt’s annual report of 2008, FCCB of US$108.50 million was due in 2009. This meant that company had to pay US$149.59 million (US$108.59 x 129.578%) on maturity.
October 2009. To generate funds for the repayment of liabilities, Wockhardt held discussions with various private equity funds and said it was also open to selling some of its non-core businesses and assets.

In January 2009, Livemint published a statement by a sector analyst which said that many companies which had garnered funds through the FCCBs route had opted to borrow from domestic banks after the Reserve Bank of India decided to allow local companies to buy back FCCBs. However, Wockhardt might not be allowed to get funds through this route due to its high debt-equity ratio.68

In the same month, Wockhardt negotiated with Life Insurance Corp. of India Ltd (LIC) to issue about Rs. 2.5 billion of non-convertible debentures (NCDs) to garner funds for loan repayment. However, nothing came of this. Habil then pledged his 43.11% stake in the company and the company’s headquarters in Mumbai to take a loan of around Rs. 3.2 billion from Infrastructure Leasing and Financial Services Ltd (IL&FS) and IDBI Bank Limited to repay all the other old loans.69

In March 2009, Wockhardt planned to sell off its Bhandup70 factory and adjoining land to repay short-term loans and other liabilities. However, the condition of the real-estate markets was not good at that time. Pranay Vakil, Real Estate Consultant, said, “In today’s real estate market, the builders actually look out for selling land instead of buying, though the deal in the context of a strategic buyer wanting to acquire a running plant is different.”71

On the last date of the month (March 31), Habil, then Chairman and Managing Director of Wockhardt, stepped down from the Managing Director’s post. His younger son, Murtaza, became the Managing Director of the company (after shareholder approval). Habil continued as Chairman of the company. In a parallel development, Wockhardt for the second time deferred (earlier in January) its plan to issue the fourth quarter results of 2008 and the annual result of 2008.72 The company announced that it would issue these results by the end of April. Livemint reported that this had happened as the auditor did not get some critical information related to foreign exchange losses incurred by the firm, and as some businesses were likely to be restructured or divested.73

On April 1, 2009, a day after resigning from the Managing Director’s post, Habil wrote a letter to senior employees. In the letter reviewed by LiveMint, he said, “Wockhardt is...looking at a divestment plan with a strategic partner for some of its non-core businesses and activities. In other words, we are insulating ourselves like (in) a typical insurance plan keeping in mind current

69 In 2013, Life Insurance Corp. of India Ltd (LIC) was largest life insurance company in India.
71 Infrastructure Leasing and Financial Services Ltd is the infrastructure development and financing company in India.
72 IDBI Bank Limited is Mumbai, India based back. It came in existence in 2004 after reverse merger with parent institution IDBI.
74 Bhandup is one of the oldest suburb in Mumbai in Western India.
76 Till 2008, Wockhardt used to follow January to December as financial year. However, from March 1, 2010 company followed March to next year April as financial year.
He further mentioned in the letter, “... You must be wondering why should there be a liquidity crunch when our performance and sales have shown such tremendous growth. The reason is the loss we have suffered due to various factors like mark-to-market and derivative losses, banks tightening their line of credit policies, the impact of the global slowdown, and the ongoing war of deprecating currencies….”

On April 23, 2009, Wockhardt asked Rajiv B. Gandhi (Rajiv), Chief Financial Officer (CFO) and Company Secretary of the company, to resign after Rajiv and his relatives were found guilty of violating insider trading norms. Rajiv was barred from acting as a compliance officer of any public company for 18 months.

On April 24, 2009, Wockhardt announced its annual result of FY08 and the first quarter result of FY09. It reported a 34.3% growth in total income, which went up from Rs. 26.99 billion in FY07 to Rs. 36.25 billion in FY08. However, there was Rs. 5.81 billion of mark-to-market and derivative losses due to the sharp depreciation in the rupee. The company reported net losses of Rs. 1.59 billion in FY08 compared to Rs. 3.83 billion net profits in previous year. The total borrowing of the company increased from Rs. 29 billion in 2007 to Rs. 42.35 billion by the end of FY08 and raised debt to equity ratio to 3.65 from 2.23 year ago. Poor financial performance pulled down the market capitalization of the company by around 68% from Rs. 29.13 billion in March 2008 to Rs. 9.36 billion in March 2009 (Refer to Table I for failing health of Wockhardt).

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WOCKHARDT UNDER CORPORATE DEBT RESTRUCTURING

On March 31, 2009, in a statement to the Bombay Stock Exchange (BSE), Wockhardt decided to refer itself to the CDR cell through ICICI Bank Limited (ICICI) to restuctured its mounting debts of over Rs. 38 billion. In a letter (mentioned earlier) Habil said, “It (CDR) allows us non-
payment towards our loans for some time, thereby giving us a huge flexibility in generating our own liquidity”. 86 Huzaifa Khorakiwala (Huzaifa), Executive Director, Wockhardt, and Habil’s elder son, said, “It’s a natural progression in the lifetime of a dynamic organization to continuously further the interests of all its stakeholders.”87

The final restructuring package was approved by the CDR Empowered Group vide its letter dated July 4, 2009 (Refer to Exhibit III for key elements of the Restructuring Package as approved by CDR).88 According to the company’s annual report, “Corporate Debt Restructuring (CDR) scheme is effective from April 15, 2009. The outstanding liabilities of the Company are substantially restructured under the aegis of Corporate Debt Restructuring Scheme, which extends till 2018. The CDR Scheme comprehensively covers the FCCB liabilities and crystallized derivative/hedging liabilities of the Company.” 89 As per the CDR scheme, company had to sell some of its non-core assets to garner up to Rs. 7.9 billion.90

In July 2009, Wockhardt got permission from a group of Indian lenders including State Bank of India91, ICICI, and IDBI, to go in for debt restructuring. The CDR cell required approval from 75% of a referred company’s lenders for a proposal to be passed.92 After getting approval from the key lenders, Wockhardt proposed to FCCB holders that they redeem bonds at 65% discount or convert them into equity by 2015.93 However, the bond holders did not accept any of the options in the proposal offered by the company.94

LIQUIDATING ASSETS

In an attempt to get rid of non-core assets, the company sold its German subsidiary Esparma GmbH to Mova GmbH95 for around Rs. 1.2 billion and signed an agreement with Vétoquinol SA96 to sell its animal health business in India for an estimated Rs. 1.7 to1.8 billion.97 98 In August 2009, Wockhardt sold its ten hospitals to Fortis Healthcare Ltd.99 for Rs. 9.09 billion (Rs. 0.052 million per bed).100

In the same month, Wockhardt entered into a pact with Abbott to sell its nutrition business which comprised brands such as Farex, Dexolac, Nusobee, infant formulas, and Protinex, for around Rs. 6.3 billion101. In the same month, the board of directors of Wockhardt decided to change the

91 In 2013, State Bank of India (SBI) was the largest bank in India.
95 Mova GmbH is a subsidiary of Germany-based drug major, Lindopharm GmBH
96 Vitoquinol SA is a France-based animal health company.
99 In 2013, Fortis Healthcare Ltd. was one of the leading hospital chains in India.
financial year from the calendar year (January-December) to April-March. In August 2009, the company reported Rs. 1.9 billion of net loss in the quarter ended June 2009. However, the net revenue increased by 10.7% from Rs. 8.6 billion in the quarter ended March 2009 to Rs. 9.6 billion in the quarter ended June 2009.

DEFAULT ON FCCBs PAYMENT AND CONSEQUENCES

In October 2009, Wockhardt had defaulted on repayment of US$74 million worth of FCCBs. On October 31, 2009, the company reported Rs. 542 million of net loss in the quarter that ended on September 30, 2009.

In the first week of November 2009, Wockhardt’s deal with Abbott faced challenges from some of its foreign lenders, who had subscribed around 40% of US$110 million of the FCCBs issue, led by QVT Financial LP (QVT) and an overseas unit of Sun Pharmaceutical Industries Ltd. These foreign lenders were not happy with the debt recast approval given to the company by its Indian bankers. They threatened to block the Abbott deal and filed a petition in the Bombay High Court seeking winding up of the company as it was unable to redeem its bonds.

In the same month, Wockhardt decided to increase to its authorized share capital from Rs. 1.75 billion to Rs. 9.25 billion by issuing 1.5 billion of preference shares of Rs. 5 each. The company’s spokesperson stated that the existing authorized capital included 100 million shares that had not yet been issued. Including these, 1.6 billion new shares would now be issued. The board of directors got shareholders’ approval for this in December month.

In early November 2009, Livemint reported that DBS Bank Ltd (DBS) had filed a petition in the Bombay High court seeking winding up of Wockhardt to recover its Rs 440 million working capital loan given in 2007. However, by the end of the month, Wockhardt and DBS arrived at an out-of-court settlement. Under the settlement, Wockhardt got a discount and paid Rs. 370 million to DBS. The settlement with DBS also included the disputed mark-to-market loss on account of a foreign currency derivative product amounting to Rs. 910 million at a 75% discount.

Livemint also reported that two more foreign lenders of Wockhardt – Barclays Capital and Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB, or Calyon), had also gone to the Bombay high court seeking to liquidate the company for recovery of

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103 www.bseindia.com/xml-data/corpfiling/AttachHis/Wockhardt_Ltd_311009_Rst.pdf
104 In 2013, QVT Financial LP was New York based privately held hedge fund sponsor.
105 In 2013, Sun Pharmaceutical Industries Ltd was a Mumbai, India-based multinational pharmaceutical company. Sun Pharmaceutical Industries Ltd was a competitor of Wockhardt. The overseas unit of Sun Pharmaceutical Industries Ltd held about US$20 million of FCCBs.
106 The petition was filed by Bank of New York Corporate Trustee Services Limited, a trustee of the defaulted bonds.
110 In 2013, DBS Bank Ltd was one of the largest banks in South East Asia.
112 Barclays Capital is a global investment bank.
113 Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB, or Calyon) is the Corporate & Investment Banking subsidiary of Crédit Agricole S.A.
their money. In addition to this, one more lender, BNY Corporate Trustee Services Ltd., had also sent notices to the company. The foreign lenders were not happy with the CDR process and stated that it was one-sided process which did not follow the RBI guidelines on CDR which stated that 75% of lenders must approve any plan (CDR plan). In December 2009, Fortis announced completion of acquisition of Wockhardt’s 10 hospitals. However, the nutrition business sale deal with Abbott hit a road block after the petition filed by the foreign lenders, Abbott wanted to complete the deal as soon as possible. Steven B. Collens, Director and Head of Public Affairs at Abbott Nutrition International, said, “We remain committed to completing the acquisition, and are working to complete it as quickly as possible.” A spokesman for the bondholders’ group said, “We stick to our earlier stand to block any asset sale by the company before resolving the pending matters related to the FCCB.” On January 25, 2010, Wockhardt reported Rs. 1.81 billion of net losses in the quarter that ended on December 31, 2009. In February 2010, a group of foreign lenders led by QVT Financial LP proposed a debt restructuring plan to Wockhardt. According to the new proposal, Wockhardt had to replace the existing FCCBs with new 5%, five-year bonds at a ratio of 1.29 for every defaulted bond. The new bonds would be mandatorily convertible into shares after five years at a 10-15% premium to the price of the company’s shares on the date of maturity of the defaulted bonds in October 2009. In a statement, QVT said, “It is disappointed that neither Wockhardt nor the CDR lenders have engaged in a meaningful dialogue with the holders of the defaulted bonds with respect to this plan. If the company continues to ignore the efforts made by the holders of the defaulted bonds to salvage the situation by restructuring the debt in a mutually acceptable manner, it may remain exposed to this winding up action.”

According to experts, it was not only Wockhardt but also some of its foreign subsidiaries such as Wockhardt EU Operations (Swiss) AG and Wockhardt France (Holdings) S.A.S., that were under severe pressure from creditors. Indian bankers asked Wockhardt to repay secured and non-secured borrowings in the home country before repaying dues at its foreign subsidiaries. A Mumbai-based corporate lawyer said, “It will push the debt-laden company to an extremely tight situation as it will not only put pressure on the Indian company to immediately settle the issues with its own lenders, but also put at risk its subsidiaries, which are likely to be entangled with European debt recovery laws.”

In April 2010, Abbott terminated the deal to purchase Wockhardt’s nutrition business. Scott Stoffel, an Abbott spokesperson, said, “The deal was terminated because Wockhardt was unable to resolve debt restructuring issues with some of its lenders. There are no financial penalties to either party (for terminating the deal).” According to experts, the failure of the deal with Abbott was

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114 BNY Corporate Trustee Services Ltd was London, UK based trust corporation.
116 Abbott Nutrition International is the nutrition business arm of Abbott.
a major setback to the debt restructuring plan of Wockhardt which had planned to repay its debts from the proceedings of this deal. The possibility of the lenders seeking liquidation of the company to get their dues loomed large. In the same month, the company management faced another jolt when Chief Financial Officer (CFO) of Wockhardt and whole-time director, B. Rajiv Gandhi, was asked to resign from the company on charges of insider trading.

In the same month, Wockhardt allotted 839,903,029 Non-Convertible Redeemable Preference Shares of Rs. 5/- each and 392,838,529 Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 5/- each to its creditors under the terms of the CDR.124

On May 21, 2010, the company announced its annual results for the year ended on March 31, 2010. It was 15 months’ result from January 1, 2009 to March 31, 2010. The company had seen a 25% growth in total income. However, it reported a 529% increase in net losses which shot up from Rs. 1.6 billion in 2008 to Rs. 10 billion in 2009-10. In June 2010, the Wockhardt promoters pledged 67 million shares representing 61.87% of their holding in Wockhardt to an undisclosed person/institution for undisclosed reasons.125

In August 2010, Abbott pounced about two-third or 90 employees out of the 140126 employees of Wockhardt’s nutrition unit including the business head, senior vice-president (marketing) and sales and marketing team. In the same month, the company announced its June quarter results in which it reported that the net losses had fallen to Rs. 1.2 billion from Rs. 1.9 billion in same period previous year.

In the same month, the company’s board of directors decided to increase the authorized share capital from Rs. 9.25 billion to Rs. 11.25 billion by issuing 400 million convertible or non-convertible redeemable preference shares. It also decided to issue foreign currency mandatorily convertible bonds (FCMCBs) up to US$74.09 million in exchange for existing foreign currency convertible bonds (FCCBs), issued in 2004 and remaining outstanding till date, of the same amount. In a statement to the BSE, the company stated, “Out of the above outstanding FCCBs, majority bondholders holding bonds to the tune of US$42 million have agreed to subscribe for the FCMCBs and same offer will be given to the balance bondholders. Further, in view of the above and on issuance of FCMCBs, the trustees127 who have filed winding up petition on the instruction of majority bondholders, have agreed to withdraw the said petition.”128

In November 2010, the company announced the September quarter result in which it reported net losses of Rs. 967 million compared to the Rs. 542 million losses in the same period of the previous year. However, sales in this quarter increased by 2% compared to the June quarter of the same year.

TURNAROUND AT WOCKHARDT – FRUITS OF RESTRUCTURING

In February 2011, after eight quarters of continuous losses, Wockhardt reported a positive result for the December quarter. The company reported a Rs. 1.4 billion profit compared to a Rs. 1.8 billion loss in same period of the previous year. The company also witnessed a 7% growth in sales from Rs. 8.9 billion in the December quarter of 2009 to Rs. 9.5 billion in the December quarter of 2010. Wockhardt’s US business grew by 97% due to high sales thanks to generic product

127 In this case, Bank of New York Corporate Trustee Services Limited was the trustee of the defaulted bonds.
launches. The company’s UK market grew by 10%. On the other hand, the company was able to reduce the overall expenses by 6.4% and increase margins by about 10% compared to the same period of the previous year.  

On March 11, 2011, the Bombay High Court accepted the winding up petition submitted by bond holders against Wockhardt in 2009 by foreign lenders led by QVT and an overseas unit of Sun Pharmaceutical Industries Ltd. This enabled the foreign lenders to file an application for appointment of a provisional liquidator to take control over Wockhardt’s assets. On the judgment, Juris Corp stated, “This provides not just respite to the foreign bondholders, but also to foreign investors, especially unsecured ones. This is actually a positive for corporate India as it should ease their ability to raise mezzanine financing more so in the infrastructure sector.”

On March 23, 2011, Wockhardt got a conditional stay on its winding up until May 3, 2011. As a condition of this stay, the company had to deposit Rs. 1.15 billion in the court by May 3, 2011, as proof of its solvency.

**ANOTHER ATTEMPT TO SELL NUTRITION BUSINESS**

On August 2, 2011, Danone signed an agreement to purchase Wockhardt’s nutrition business including brands and related business operations from Carol Info Services Limited (Carol Info) for about €250 million or about US$ 356.3 million or about Rs. 16 billion. Wockhardt and its subsidiary would get about Rs. 12.8 billion and Carol Info about Rs. 3.2 billion. The deal size was more than double the deal with Abbott in 2009. On August 3, Wockhardt filed an application in court to get legal clearance on the sale of the nutrition business which was mandatory because the company was facing a winding up petition. However, the company expected to successfully conclude this sale by March 2012. On August 9, the company came up with its June quarter result in which it reported a Rs. 1.9 billion net profit compared to the Rs. 1.2 billion net loss in the same period of the previous year.

On September 7, 2011, the Bombay High Court asked Wockhardt to come up with a time bound plan for repayment of dues to bondholders. On October 11, 2011, the Company submitted the repayment plan schedule to the High Court. However, the court rejected the company’s proposal of quarterly payment of Rs. 600 million till March 2013. It ordered Wockhardt to pay all its FCCBs dues by August 2012. The court set the time frame for repayment of around Rs. 4.21 billion dues including interest and redemption premium (Refer to Table II for detail of payment schedule). On the basis of Wockhardt’s promise, the court allowed the company to complete the sale of its nutrition business to Danone. However, if the company was unable to make any of scheduled payments, then the winding up process would be started by the liquidator. Karan Singh, Partner, Trilegal, said, “There is no doubt that the unsecured creditors have gained at the expense of the secured creditors because a very unique set of circumstances have come together for this to happen.”

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130 Juris Corp is a Mumbai, India based full service law firm.
132 In 2011, Carol Info Services Limited, located in Punjab, India, was a contract manufacture for Wockhardt. It was also the fellow subsidiary of the Wockhardt. Carol Info Services Limited came into existence in 2003 when WLSL changed its name in November 2003.
136 In 2013, Trilegal was one of the leading corporate law firms in India.
Table II

Payment Schedule of FCCBs set by Court

<table>
<thead>
<tr>
<th>Month to Refund</th>
<th>Amount to Refund (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2011</td>
<td>850 million</td>
</tr>
<tr>
<td>January 2012</td>
<td>300 million</td>
</tr>
<tr>
<td>March 31, 2012</td>
<td>1,000 million</td>
</tr>
<tr>
<td>June 2012</td>
<td>500 million</td>
</tr>
<tr>
<td>August 2012</td>
<td>remaining amount</td>
</tr>
</tbody>
</table>

Company deposited Rs. 1,150 million with the court in March 2011


SURPRISING FINANCING PERFORMANCE

On November 12, 2011, Wockhardt reported a Rs. 1.3 billion net profit in the second quarter ended on September 30, 2011, compared to the Rs. 967 million net losses in the same period a year ago. On February 13, 2012, the company reported its third quarter results. The net profit had increased by 50% to Rs. 2.1 billion in Q3FY12 from Rs. 1.4 billion in Q3FY11. In the same period, sales also increased by 20% to Rs. 11.4 billion from Rs. 9.5 billion.

On May 22, 2012, the company announced its Q4FY12 as well as the full year annual results. It reported Rs. 1.9 billion of net loss in Q4FY12 compared to Rs. 1.6 billion of net profit in the same quarter of the previous year. In the same period, sales grew by 32% from Rs. 9.4 billion to Rs. 12.4 billion in the quarter ended March 31, 2012. In the fourth quarter, the company was able to improve its operating profit margin by 344 basis points to 34.6% mainly due to a fall in material costs as a percentage of sales, indicating a better product mix, though a depreciating rupee could have played a role as well. The company reported a quarterly net loss due to exceptional items such as settlement of derivative liabilities, impairment of goodwill, and corporate debt restructuring-related charges. The annual result was also very impressive.

In the full financial year 2012, the company’s net profit increased by 256% from 960 million in FY11 to Rs. 3.4 billion in FY12. Similarly, total income grew 23% from Rs. 37.7 billion in FY11 to Rs. 46.4 billion in FY12. The net debt to equity ratio reduced significantly to 1.9% from 3.6% the year before (Refer to table III for reducing debt burden of the company).

Table III

Reducing Debt Burden of Wockhardt

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Debt/Equity Ratio (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>5.5</td>
</tr>
<tr>
<td>2010-2011</td>
<td>3.6</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1.9</td>
</tr>
<tr>
<td>Q1FY13</td>
<td>&lt; 1.0</td>
</tr>
<tr>
<td>February, 2013</td>
<td>&lt; 0.50</td>
</tr>
</tbody>
</table>


The EBIDTA for the whole year was 31%, which was significantly higher than the industry average.\(^{139}\) (Refer to Exhibit IV for consolidated financial highlights of the company). In FY12, company’s US market grew 78% from Rs. 10.7 billion FY11 to Rs. 19.1 billion. The US market became the largest market for company and it contributed 41%\(^{140}\) in sales revenue.

On the same date (May 22), the management of Wockhardt announced a 0.01% dividend (Rs. 0.0005 per Preference Share of Rs. 5 each) on Non-Convertible Cumulative Redeemable Preference Shares and Optionally Convertible Cumulative Redeemable Preference Shares.\(^{141}\) However, the management did not announce any dividend on equity shares due to old losses.

**SALE OF NUTRITION BUSINESS– RAY TO EXIT CDR**

In July 2012, Wockhardt completed the sale of its nutrition business to Danone for a consideration of Rs. 12.8 billion. On August 6, 2012, the company announced its Q1FY13 results. The company reported 95% growth in net profit to Rs. 3.8 billion from Rs. 1.9 billion in Q1FY12. By August 21, 2012, Wockhardt had paid off its US$73 million of dues to bondholders as per the schedule set by the court. However, in the final payment of US$32.9 million, a dispute arose between the bondholders and the company. According to the bondholders, the actual final payment was US$35.1 million (US$32.9 million + US$2.2 million toward redemption premium and interest). On this difference, Wockhardt filed a petition in the court against the bondholders.\(^{142}\)

On September 13, 2013, Habil said, “The CDR exit is in progress, and it should happen before the end of the fiscal.”\(^{143}\) On September 20, 2012, the trustees of FCCBs bondholders withdrew their winding up petition against Wockhardt from the court. Before the petition was withdrawn, Wockhardt repaid all the dues including interest by the end of August 2012.

On November 14, 2012, the company came up with the Q2FY13 result. It reported a 255% growth in net profit which had increased from Rs. 1.3 billion in Q2FY12 to Rs. 4.5 billion in Q2FY13. The US market which was also the largest market for the company, grew at the rate of 47% over Q2FY12. The EBITDA margin increased to 36% from 31% in FY12. The net debt to equity ratio came down to 0.50. At the end of the first half of FY13, the company was generating more than 80% of its revenue from outside India (Refer to Exhibit V for Wockhardt’s sales revenue from various geographies). The Q2FY13 result pulled the share price up to a 52-week high of Rs 1,784.90.\(^{144}\) The stock price increased by more than 7 times from a 52-week low of Rs. 251 on 6 January, 2012.\(^{145}\)

Wockhardt settled all its FCCBs and forex derivatives liabilities. The repayment of other loans was also in place. The net debt to equity ratio of the company had gone below 0.50 at the end of 3QFY13 from above 5 in FY10. Habil said, “If your business model is strong, the CDR is a good mechanism to deal with on a short-term basis. It did help to stabilize the company, so we could focus on our operations, and that’s what resulted in the turnaround situation.”\(^{146}\)


\(^{140}\) based on revenues including nutrition business revenues.


The successful turnaround of the Wockhardt was a remarkable achievement for the management of the company, especially for the 70-plus Habil, who got FC’s Businessman of the Year 2012 award in December 2012. Y K Hamied, Cipla Chairman, said, “Hats off to Habil. What he has done in the past one year has been super remarkable. By the looks of it, it will keep on improving.” However, Habil said humbly, “Our people managed their affairs as if it was their own company. They responded to the crisis of their own volition. Things happen when a large number of people respond positively.”

Whoever was responsible for the fastest turnaround in the history of Indian corporates, this turnaround could be an inspiration and lesson for other companies. R. S. Setia, General Manager In-charge of credit monitoring at Bank of Baroda, said, “This should be a lesson for other corporate houses who believe in making hospital their permanent homes for short-term benefits. CDR enables a borrower to overcome temporary problems, but some corporates don’t want to exit it.”

According to Murtaza, company would focus most on US, Europe and India. On the long term growth strategy of the company, Habil said, “In the years to come, our focus will be on increasing R&D capabilities, introducing new advanced therapies, and in the field of biosimilars.”

However, some experts were of the view that the dependence on the US and Europe markets, which contributed more than 70% of total revenue, could be a cause for concern for the company and its various stakeholders. Other than this, any future litigation and movement in rupee-dollar exchange rates was another concern, according to the various experts. HDFC Securities said, “Wockhardt has been a perfect story of fall, despair, and fight back, but the looming competition in Toprol and chances of Rs/US$ reversal does raise a bit of caution on the sustainability of +35% EBITDA margin. We believe margins would be 29.3%. Further adjusting for 300 bps on currency impact and 350 bps impact on R&D spend, EBITDA margins would be at 22.8%.” However, the company management was quite positive about the future. As D. S. Brar, Director of the company, said, “The company is back on track. The hard lessons it learnt in the past will help drive it to new heights.”

147 FC or Financial Chronicle is an English newspaper in India.
### Exhibit I

**Various Company Acquired by Wockhardt**

<table>
<thead>
<tr>
<th>When</th>
<th>Name of the Company Acquired</th>
<th>Country</th>
<th>In Exchange of</th>
<th>Revenue of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>RR Medi Pharma Ltd.</td>
<td>India</td>
<td>Not Available</td>
<td>Not Available</td>
</tr>
<tr>
<td>February 1998</td>
<td>Wallis Laboratories</td>
<td>UK</td>
<td>US$5 million</td>
<td>£10 million</td>
</tr>
<tr>
<td>1998</td>
<td>Merind Ltd.</td>
<td>India</td>
<td>Rs. 470 million</td>
<td>Rs. 2.3 billion</td>
</tr>
<tr>
<td>July 2003</td>
<td>CP Pharmaceuticals</td>
<td>UK</td>
<td>£10.85 million</td>
<td>£34 million</td>
</tr>
<tr>
<td>May 2004</td>
<td>Esparma GmbH</td>
<td>Germany</td>
<td>US$11 million</td>
<td>€154 million</td>
</tr>
<tr>
<td>June 2006</td>
<td>Dumex India Pvt. Ltd.</td>
<td>India</td>
<td>Undisclosed amount</td>
<td>Rs. 633 million</td>
</tr>
<tr>
<td>October 2006</td>
<td>Pinewood Laboratories</td>
<td>Ireland</td>
<td>US$ 150 million</td>
<td>€65 million</td>
</tr>
<tr>
<td>May 2007</td>
<td>Negma Laboratories</td>
<td>France</td>
<td>US$ 265 million</td>
<td>US$ 150 million</td>
</tr>
<tr>
<td>October 2007</td>
<td>Morton Grove Pharmaceuticals</td>
<td>US</td>
<td>About US$ 38 million</td>
<td>US$ 52 million</td>
</tr>
</tbody>
</table>

*Prepared from various sources.*

### Exhibit II

**R&D Expenditure by Wockhardt in Various Years**

<table>
<thead>
<tr>
<th>Month-Year</th>
<th>R&amp;D Expenditure (in million)</th>
<th>R&amp;D as % of total turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2006</td>
<td>1,377.40</td>
<td>7.97</td>
</tr>
<tr>
<td>December 2007</td>
<td>1,515.68</td>
<td>6.09</td>
</tr>
<tr>
<td>December 2008</td>
<td>1,420.76</td>
<td>3.95</td>
</tr>
<tr>
<td>March 2010</td>
<td>1,622.38</td>
<td>3.60</td>
</tr>
<tr>
<td>March 2011</td>
<td>1,321.00</td>
<td>3.52</td>
</tr>
<tr>
<td>March 2012</td>
<td>2,480.40</td>
<td>5.38</td>
</tr>
</tbody>
</table>

*15 months


*154 As of December 2008, US$1 was approximately equal to €0.7460*
## Exhibit III

### Key Elements of our Package as Approved by CDR

The key elements of the Restructuring Package as approved by CDR are as under:

- The existing loans will continue at concessional rate of interest @ 10% p.a. which has two parts 8% & 2%. While 8% p.a. shall be paid on a monthly basis, 2% p.a. shall be converted into Preference share capital redeemable in 2018.
- Priority loans will be made available to the company to meet the dues of pressing creditors, operational requirements, and settlement of crystallized derivative losses. These will be repaid in 8 equal quarterly installments commencing September 15, 2010.
- Management has committed to sale/divestment of non-core business estimated over a stipulated schedule from 2009 to 2015.
- Promoters shall bring in their contribution over the next one year in addition to the divestment proceeds.
- The existing Rupee term loans will be paid in 24 quarterly installments commencing July 15, 2010.
- Working capital facilities to be enhanced.
- Secured Working capital loans outside the consortium are proposed to be converted into a working capital term loan (WCTL) which will be paid in 24 quarterly installments commencing July 15, 2010.
- Short-term loans will be paid in 20 quarterly installments commencing January 15, 2014.
- The Foreign Currency Convertible Bondholders (FCCBs) and the Wockhardt EU Operations (Swiss) AG (EU) loan will also be restructured.
- The Company shall not execute any new derivative transaction (excluding forwards strictly for hedging purposes for a maximum period of 180 days) without the prior approval of CDR EG.

### Status on Implementation of CDR Package in 2009:

- The Company and the CDR lenders have executed a Master Restructuring Agreement (MRA). Accordingly, the terms and conditions of MRA shall be binding upon and effective between the borrower and the lenders.
- Some Non-CDR lenders have also executed the MRA.
- Entire Cash flow of the Company is routed through Trust & Retention Account (TRA) maintained with ICICI Bank.
- Promoters have brought in their contribution.
- Company has divested itself of its Animal Healthcare Business.
- Some lenders have sanctioned a priority loan to the Company.
- The company has settled/is in the process of settling Rs. 5,000 million, derivatives related losses @ 25%.

### Exhibit IV

**Consolidated Financial Highlights of Wockhardt Limited (in Rs. million)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Fixed Assets (incl. CWIP) Deferred</td>
<td>35,060</td>
<td>34,680</td>
<td>32,370</td>
<td>36,300</td>
<td>30,710</td>
</tr>
<tr>
<td>Tax Assets/(Liabilities)</td>
<td>(1,010)</td>
<td>730</td>
<td>470</td>
<td>410</td>
<td>(920)</td>
</tr>
<tr>
<td>Investments</td>
<td>910</td>
<td>900</td>
<td>950</td>
<td>930</td>
<td>710</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>34,960</td>
<td>36,310</td>
<td>33,790</td>
<td>37,640</td>
<td>30,500</td>
</tr>
<tr>
<td>Current Assets</td>
<td>26,560</td>
<td>20,730</td>
<td>21,720</td>
<td>29,640</td>
<td>20,110</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>11,890</td>
<td>9,120</td>
<td>8,620</td>
<td>14,750</td>
<td>8,870</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td>14,670</td>
<td>11,610</td>
<td>13,100</td>
<td>14,890</td>
<td>11,240</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>49,630</td>
<td>47,920</td>
<td>46,890</td>
<td>52,530</td>
<td>41,740</td>
</tr>
<tr>
<td>Foreign Currency Translation Reserve</td>
<td>240</td>
<td>1,830</td>
<td>1,580</td>
<td>1,440</td>
<td>260</td>
</tr>
<tr>
<td>Profit &amp; Loss Account</td>
<td>-</td>
<td>-</td>
<td>60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL EMPLOYED</strong></td>
<td>49,870</td>
<td>49,750</td>
<td>48,530</td>
<td>53,970</td>
<td>42,000</td>
</tr>
<tr>
<td>Capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Equity</td>
<td>550</td>
<td>550</td>
<td>550</td>
<td>550</td>
<td>550</td>
</tr>
<tr>
<td>– Preference</td>
<td>7,610</td>
<td>7,450</td>
<td>6,680</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>8,160</td>
<td>8,000</td>
<td>7,230</td>
<td>550</td>
<td>550</td>
</tr>
<tr>
<td>Reserves</td>
<td>6,790</td>
<td>3,260</td>
<td>1,120</td>
<td>11,070</td>
<td>12,450</td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td>14,950</td>
<td>11,260</td>
<td>8,350</td>
<td>11,620</td>
<td>13,000</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Secured</td>
<td>32,710</td>
<td>33,790</td>
<td>35,520</td>
<td>31,610</td>
<td>23,440</td>
</tr>
<tr>
<td>– Unsecured</td>
<td>2,210</td>
<td>4,700</td>
<td>4,660</td>
<td>10,740</td>
<td>5,560</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>34,920</td>
<td>38,490</td>
<td>40,180</td>
<td>42,350</td>
<td>29,000</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td>49,870</td>
<td>49,750</td>
<td>48,530</td>
<td>53,970</td>
<td>42,000</td>
</tr>
<tr>
<td><strong>Summary of Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales (Excluding Excise)</td>
<td>46,140</td>
<td>37,510</td>
<td>45,010</td>
<td>35,900</td>
<td>24,910</td>
</tr>
<tr>
<td>Other Income</td>
<td>230</td>
<td>160</td>
<td>300</td>
<td>350</td>
<td>2,080</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>46,370</td>
<td>37,670</td>
<td>45,310</td>
<td>36,250</td>
<td>26,990</td>
</tr>
<tr>
<td>Material Consumed</td>
<td>16,820</td>
<td>15,160</td>
<td>19,730</td>
<td>13,600</td>
<td>9,930</td>
</tr>
<tr>
<td>Personnel Cost</td>
<td>5,890</td>
<td>5,500</td>
<td>7,350</td>
<td>6,320</td>
<td>4,580</td>
</tr>
<tr>
<td>Other expenses</td>
<td>9,030</td>
<td>7,760</td>
<td>9,700</td>
<td>8,120</td>
<td>5,630</td>
</tr>
<tr>
<td><strong>EBIDTA</strong></td>
<td>14,630</td>
<td>9,250</td>
<td>8,530</td>
<td>8,210</td>
<td>6,850</td>
</tr>
</tbody>
</table>
### Turnaround Story of Wockhardt Limited

#### Year-End Financial Position

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Expense/(Income)</td>
<td>2,360</td>
<td>1,300</td>
<td>3,950</td>
<td>3,780</td>
<td>1,320</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,220</td>
<td>1,170</td>
<td>1,490</td>
<td>1,130</td>
<td>790</td>
</tr>
<tr>
<td>Profit Before Tax &amp; Exceptional Items</td>
<td>11,050</td>
<td>6,780</td>
<td>3,090</td>
<td>3,300</td>
<td>4,740</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td>5,280</td>
<td>5,740</td>
<td>(12,950)</td>
<td>(5,810)</td>
<td>-</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>5,770</td>
<td>1,040</td>
<td>(9,860)</td>
<td>(2,510)</td>
<td>4,740</td>
</tr>
<tr>
<td>Tax (Expense)/Credit</td>
<td>(2,350)</td>
<td>(80)</td>
<td>(160)</td>
<td>920</td>
<td>(910)</td>
</tr>
<tr>
<td><strong>PAT</strong></td>
<td>3,420</td>
<td>960</td>
<td>(10,020)</td>
<td>(1,590)</td>
<td>3,830</td>
</tr>
</tbody>
</table>

#### IMPORTANT RATIOS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets : Liabilities</td>
<td>2.23</td>
<td>2.27</td>
<td>2.50</td>
<td>2.01</td>
<td>2.27</td>
</tr>
<tr>
<td>Debt : Equity</td>
<td>2.34</td>
<td>3.42</td>
<td>4.81</td>
<td>3.65</td>
<td>2.23</td>
</tr>
<tr>
<td>PBT/Turnover %</td>
<td>12.5%</td>
<td>2.8%</td>
<td>-21.9%</td>
<td>-7.0%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Return (PBIT) on Capital Employed %</td>
<td>16.4%</td>
<td>4.9%</td>
<td>-12.6%</td>
<td>2.4%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Dividend (per share)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11.25</td>
</tr>
<tr>
<td>Earnings (per share)</td>
<td>31.40</td>
<td>8.30</td>
<td>(91.40)</td>
<td>(12.70)</td>
<td>35.30</td>
</tr>
<tr>
<td>Net Worth (per share)</td>
<td>136.70</td>
<td>102.90</td>
<td>76.30</td>
<td>106.10</td>
<td>118.80</td>
</tr>
</tbody>
</table>

**Notes:** The Figures for 2009-10 are for the 15-month period ended March 31, 2010.  

#### Exhibit V

**Geography-wise Sales Revenue of Wockhardt***

<table>
<thead>
<tr>
<th>Geographies</th>
<th>FY11</th>
<th>FY12</th>
<th>H1FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>31%</td>
<td>44%</td>
<td>48%</td>
</tr>
<tr>
<td>Europe</td>
<td>40%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>India</td>
<td>23%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Above numbers based on Revenues excluding Nutritions Business Revenues  
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