

Wockhardt Ltd — 30 Aug 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed at CARE BB+ (No notch movement)
Outlook (Current vs Prev)	Stable (Current) vs Negative (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Equity Infusion: Successful ₹463 Cr QIP (March 2024) significantly bolstered liquidity and funded clinical trials. Reduced Pledge Risk: Promoter share pledge dropped from ~69% (June 2023) to ~37% (June 2024). Operational Turnaround: Q1FY25 EBITDA margin surged to 12.31% (vs 2.48% YoY), signaling improved absorption of costs. Debt De-leveraging: Full redemption of ₹97 Cr NCDs and utilization of ₹110 Cr QIP proceeds for debt repayment.
Rated Instruments	<ul style="list-style-type: none"> Long-term Bank Facilities: ₹0.00 (Withdrawn; Prev. CARE BB+; Stable) Issuer Rating: ₹0.00 (Withdrawn; Prev. CARE BB+; Stable) Non-Convertible Debentures: ₹0.00 (Withdrawn/Redeemed)
Key Observations	<ul style="list-style-type: none"> Strengths: Global presence (78% revenue from exports); 6 anti-infective drugs with USFDA QIDP status (fast-track potential). Strengths: Diversified therapeutic base (Cardiology, Anti-diabetic, etc.); R&D spend at 5.75% of revenue. Risks: Persistent USFDA Import Alerts (since 2014) at Waluj and Ankleshwar; reliance on 3rd party manufacturing for US. Financials: Reported net loss of ₹472 Cr in FY24; revenue growth remains sluggish at 2.5% YoY (FY24). Regulatory: High exposure to regulated markets (UK, US, EU) increases compliance-related volatility.
Investor Impact	<ul style="list-style-type: none"> Growth: Q1FY25 momentum suggests a bottoming out of margins, but US growth remains capped by regulatory hurdles. Leverage: Solvency improved (Gearing 0.89x) post-equity infusion; interest coverage improved to 1.25x (Q1FY25). Dilution Risk: Significant dilution occurred in Mar-24 (QIP at ₹517/share); further capital needs depend on R&D pipeline progress.
Agency / Cross Analysis	<p>Same Agency: Outlook moved Negative \rightarrow Stable. The 2023 "Negative" outlook was driven by liquidity stress and high promoter pledge. The current "Stable" reflects the successful recapitalization and de-pledging, despite the ratings being withdrawn at the company's request.</p> <p>Conclusion: Improvement. The credit profile has moved from "high-risk/liquidity-strained" to "stable/recapitalized," though it remains speculative (BB+).</p>
Final Inference	<p>The rating transition signals a liquidity-driven stabilization rather than an operational breakthrough. While the QIP "firefighting" is successful, the equity value remains hostage to USFDA resolutions and the monetization of the anti-infective pipeline.</p>