Update

SECTOR: PHARMACEUTICALS

Wockhardt

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,966	WPL IN
	REUTERS CODE
S&P CNX: 4,134	WCKH.BO

Equity Shares (m)	109.4
52-Week Range	476/318
1,6,12 Rel. Perf. (%)	-4/-6/-26
M.Cap. (Rs b)	45.6
M.Cap. (US$ b)	1.1

14 May 2007

Neutral

Previous Recommendation: Buy

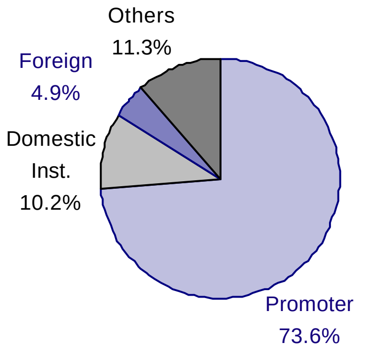
Rs417

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	17,290	2,665	22.3	3.7	18.7	4.3	28.3	15.0	3.2	13.9
12/07E	26,563	2,942	24.6	10.4	16.9	3.5	24.7	15.9	2.4	10.6
12/08E	33,822	3,604	30.2	22.5	13.8	2.8	24.5	17.3	1.8	8.6

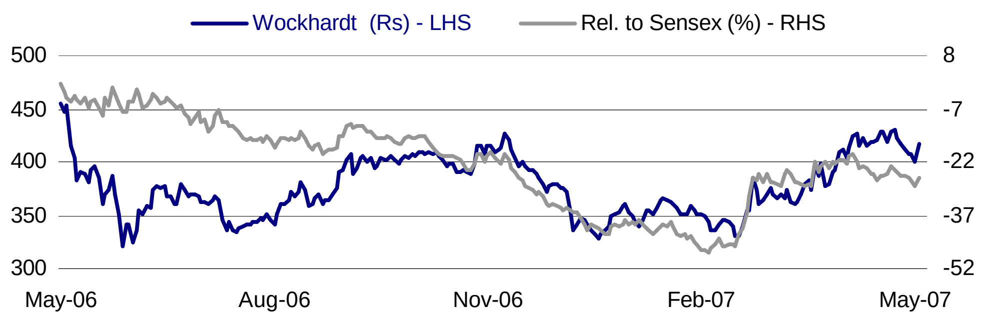
** Fully diluted EPS*

- **Aggressive inorganic strategy may not pay-off:** Wockhardt has made three acquisitions in the last one-year. While it acquired Negma at reasonable valuations (1.8x sales and 9.7x EBITDA), we do not see any strategic fit between Wockhardt's existing business (predominantly generics) and Negma's patented products. The Pinewood acquisition is a strategic fit, but has been made at expensive valuations (2.1x sales and 11.9x EBITDA).
- **US business gaining traction:** We expect the company's nascent US formulations business to grow 50% in CY07, based on new product launches and increasing market share in existing products. Wockhardt is in the process of strengthening its US pipeline of 30 ANDAs pending approval and targeting over 30 filings in CY07.
- **Organic growth in Europe likely to slow down:** Wockhardt has guided organic growth of 15-18% (in local currency) for CY07 for the EU business, led mainly by new launches. However, we forecast a more moderate 9% growth in base business due to the uncertainty in pricing in the German market as well as an appreciating Rupee.
- **CY07 growth to be led mainly by acquisitions:** We estimate 53.6% growth in Wockhardt's CY07 topline, led mainly by acquisitions (Pinewood, Negma and Dumex). These are likely to contribute about 29% of Wockhardt's consolidated revenues for the year. We expect the organic business to grow at a more moderate pace of about 15%.
- **Revising earnings estimates for CY07 and CY08 downwards:** We have revised our EPS estimates for CY07 and CY08 downwards by 2-3%, to factor in the Negma acquisition, higher than expected interest cost and tax rate and the Rupee appreciation. Though we expect 40% topline CAGR during CY06-08 (incl. acquisitions), earnings CAGR is likely to be muted at 16% mainly due to higher interest cost, increased tax rate and an appreciating Rupee.
- **Valuations fair; downgrading stock recommendation to Neutral:** Wockhardt still has to display the ability to fully leverage its assets (particularly the biotech facilities) and scale up substantially in regulated markets, for a further re-rating. The stock trades at 16.9x CY07E and 13.8x CY08E diluted earnings, which we believe is a fair reflection of the gradual progress the company is making in its key markets. We downgrade our stock recommendation to **Neutral**, with revised target price of Rs450 (~15x CY08E EPS).

SHAREHOLDING PATTERN (MARCH 2006)



STOCK PERFORMANCE (1 YEAR)



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Aggressive inorganic strategy may not pay off in the short-to-medium term

Over the past one year, Wockhardt has announced three acquisitions - Negma Labs (France), Pinewood (Ireland) and Dumex (India). The company has spent about US$415m for the Negma and Pinewood acquisitions.

WOCKHARDT'S RECENT ACQUISITIONS (US$M)

	NEGMA	PINEWOOD	DUMEX
Acquisition Cost	265.0	150.0	N.A.
Date of Acquisition	May-07	Oct-06	Jun-06
Sales	150.0	70.0	13.6
EBITDA	27.3	12.6	N.A.
EBITDA Margin (%)	18.2	18.0	N.A.
EV/Sales (x)	1.8	2.1	N.A.
EV/EBITDA (x)	9.7	11.9	N.A.

Source: Company/ Motilal Oswal Securities

Negma acquisition - reasonable valuations, but no strategic fit

Wockhardt has acquired Negma Labs (France) for US$265m at 1.8x CY06 sales and 9.7x CY06 EBITDA. The company recorded revenues of US$150m, with 18.2% EBITDA margins for CY06. Unlike the generics companies that Wockhardt has acquired in the past, Negma Labs is an innovator company with its own/in-licensed patented products. Two products - Diacerein and Nebivolol - contributed about 90%, and Diacerin alone contributed about 70% of Negma's revenues for CY06.

Negma has developed and patented Diacerein on its own, with the patent life valid till 2016, while Nebivolol is an in-licensed patented product. The company is fully integrated from API to finished dosage manufacturing, with a sales force of about 260 people promoting the branded products. Wockhardt has indicated that it expects Diacerein to continue its 7-8% growth per annum for the next few years.

Wockhardt would be funding the acquisition through a combination of available cash (US$210m) and incremental debt of US$55m (to be raised in the acquired company). It has proposed a QIP issue to raise about Rs5b over the next few months, as the Negma acquisition would consume most of its currently available cash.

While we believe that the acquisition cost is not very high (compared to some of the past acquisitions) and that the transaction is likely to be EPS accretive (led by margin expansion which Wockhardt can achieve), we do not see any strategic fit of Negma's business with Wockhardt's. Also, since Negma does not have a strong NCE pipeline (of advanced products), the business is likely to remain as a two-product operation for the next few years. It is also unlikely that Negma's patented products can be launched outside France, as the existing management has already attempted it with hardly any success. Hence, Negma's operations are likely to remain confined to the French market only.

Pinewood's acquisition would fortify European presence…

Wockhardt acquired Pinewood Laboratories, Ireland, at enterprise value of US$150m in early October 2006. Pinewood, with revenues of US$70m, has a presence mainly in Ireland and UK. It is the market leader in renal therapy products and has a strong brand name in many of its market segments. It has grown at 20% CAGR in the last five years and enjoys gross margins of around 50% and EBITDA margins of around 18%.

Pinewood has manufacturing facilities for liquids and creams; however, it outsources its requirement for solids. It would strengthen Wockhardt's position in the UK market, where it is already the largest generics company from India and the second largest player in hospital sales. Wockhardt can leverage Pinewood's marketing network and enlarge its customer base in UK by offering a bigger product basket. Pinewood's liquids and creams business complements Wockhardt UK's strengths in injectable and solid dosages.

…and facilitate entry into Ireland…

The Pinewood acquisition gives Wockhardt an entry and leadership in the branded generics market of Ireland. Ireland, a €1.2b pharmaceutical market, has very low genericisation at 8%, promising good growth potential for generics companies. Wockhardt can leverage Pinewood's marketing and distribution system and its customer base in Ireland for its hospital products.

...but has extended payback

At an EV of US$150m, the Pinewood acquisition is valued at 2.1x EV/Sales and 10-11x EV/EBITDA. The payback period (9-10 years) seems to be on the higher side, although we believe there could be synergies of operation in the long-term. While the complementary product portfolio (with few overlaps) and access to Ireland would boost revenue growth for the combined entity, margin expansion would be possible by outsourcing raw material from Asia. Pinewood also has few products registration in the German market, which Wockhardt can commercialize.

Pinewood launched four new products (two each in Ireland and UK) in 1QCY07, which enabled the company to maintain its growth momentum. This coupled with on-going integration of Pinewood has started yielding results, with EBITDA margins expanding to around 20% from 18% (at the time of acquisition), adding to Wockhardt's profits in 1QCY07.

Dumex acquisition has strengthened nutrition portfolio...

In June 2006, Wockhardt acquired Dumex India along with its two products - Protinex and Farex - from Royal Numico NV (Netherlands) for an undisclosed amount. Protinex is the market leader and the largest prescribed brand in its category, growing over 20% in volume in recent years. Farex is the third largest selling infant nutrition formula in the cereals category. The two brands currently generate annual sales of Rs600m. These brands are around 50 years old and enjoy very strong brand equity.

As a part of the deal, Wockhardt would also acquire a sales and marketing organization, with 235 personnel. Royal Numico will also offer technical know-how to Wockhardt for the manufacture of specialized sugar-free infant food products currently marketed in India and internationally, under its brand names Dulac and Dupro. Currently, these products are imported from New Zealand and Malaysia.

...and the nutrition products business is now earnings accretive

With this acquisition, Wockhardt now has very strong nutrition portfolio and expects sales from nutrition products to double to Rs1.2b. It has created a focused division 'Nutri-Uno', with a dedicated field force to market these products. Based on the acquired technical know-how for sugar-free nutrition products, the company has launched new products, Farex infant-formula and Farex follow-up formula. This business is now earnings accretive, after achieving breakeven after six months of acquisition.

US business gaining traction

We expect Wockhardt's nascent US formulations business to grow 50% in CY07, based on new product launches and increasing market share in existing products. Momentum in the US business is expected to continue based on expanding product portfolio (with 18 products in market, of which about 1/3rd are injectables which could witness relatively lower competition) and expanding product pipeline (consisting of 30 ANDAs pending approval and targeting over 30 filings in CY07E).

Wockhardt is establishing its own distribution network in the USA, including distribution channels for institutional sales (like hospitals). About 40% of its US filings are in the injectable category - most of which will be sold in hospitals. Though competition is less severe, we believe that Wockhardt may not be able to gain significant market share in the injectable segment. Well-established players like Baxter, Hospira, etc. dominate this segment and it would be difficult for a new entrant to gain market share. However, unlike its Indian competitors, Wockhardt would not have to share profits with US partners.

Expect gradual growth in European business on organic basis

We believe that with the integration of past acquisitions (Wallis, CP Pharma and Esparma) completed, future organic growth in Europe (excl. Pinewood and Negma acquisitions) would be driven by new product launches. However, given the regulatory changes in the German market, growth visibility for the Esparma business is low. The Exenatide (Byetta) business is expected to show good growth, based on the expanded capacity. Currently, Wockhardt is the only supplier of Exenatide cartridges to Eli Lilly, based on its contract with Amylin.

Wockhardt has guided organic growth of 15-18% (in local currency) in CY07 for its EU business, led mainly by new launches (about 40+ new products to be launched in CY07). We have, however, forecast a more moderate 8% growth due to uncertainty in the German market (regarding generics pricing) as well as an appreciating Rupee. Slower growth in the European base business (8.4% for the UK business and 4.3% for the German business post adjustment for Rupee appreciation) is likely to impact overall growth. We expect a 9% CAGR for the base business in Europe during CY06-08.

Biogenerics launch time-line for Europe remains uncertain

Wockhardt has started working on filings for Insulin (for regulated markets in EU) based on the guidelines issued by EMEA. We believe that a successful launch of biogenerics in EU will bring in significant benefits for the company, albeit in the long-term. However, the launch timeline remains uncertain, as the company is expected to make its first biogenerics filing in Europe only by end-CY08. Our estimates do not include any upsides from potential launch of biogenerics.

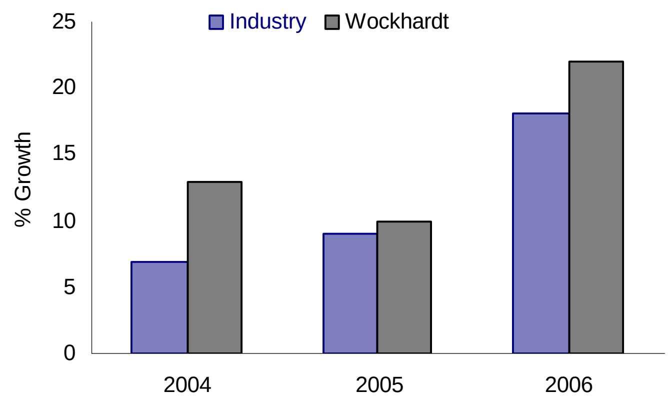
Taking steps to build franchise in other international markets

Wockhardt has also started taking steps to tap other non-regulated markets - particularly for its biotech products, with presence in 10 markets. Wockhardt already has around 35 biotech product registrations and over 150 product registrations pending approval. However, the international (non-regulated markets) biotech business is still at a nascent stage and is yet to gather momentum. This business is likely to receive impetus from further registrations approval.

Growth momentum in domestic business to continue

We expect Wockhardt to continue its growth momentum in the domestic market in CY07, led by consolidation of the Dumex acquisition as well as growth in the existing business. Growth is likely to be led mainly by Power Brands, which, as a group have recorded 20-40% growth for 1QCY07. These brands contributed about 80% of domestic formulation sales in the quarter. Recovery in sales of Wosulin (Insulin injection) would also aid growth in the domestic portfolio. The company was forced to withdraw Wosulin from the domestic market last year due to quality issues, which have now been resolved.

DOMESTIC FORMULATIONS PERFORMANCE (ORGANIC GROWTH)



Source: Company/ Motilal Oswal Securities

In-licensing - another avenue for growth in domestic market

Wockhardt has already entered into four in-licensing arrangements (including two deals in 1QCY07), with the intent to strengthen its therapeutic mix, include patented products in its domestic business, and thereby leverage its strong field force in the domestic market. In 1QCY07, the company signed in-licensing agreements for two dermatology products and also launched one in-licensed product in the domestic market. It signed in-licensing agreements with Advanced Biotechnologies (US) to market Kelocote, (a patent-protected product to treat scars) and another agreement with Syrio Pharma (Italy) to market the latter's B-Lift range of dermatology products (anti-ageing segment). It also launched Vitix, a patented product (for treating Vitiligo) in-licensed from LSI, UK.

CY07 growth to be led mainly by acquisitions

We estimate Wockhardt's topline growth for CY07 at 53.6%, led mainly by acquisitions (Pinewood, Negma and Dumex). These acquisitions are likely to contribute about

29% of Wockhardt's consolidated revenues for the year. We expect the organic business to grow at a more moderate pace of about 15%, led by 50% growth in the US formulations business and 20% growth in the Indian formulations business. Slower growth in the European business (8.4% for the UK business and 4.3% for the German business post adjustment for the recent Rupee appreciation) is likely to impact overall growth.

1QCY07 operational performance was better than expected…

Wockhardt's 1QCY07 results were better than expected, as sales grew 48.7% YoY while recurring PAT grew 9.4% YoY.

- Revenues grew 48.7% YoY to Rs5.2b, primarily driven by domestic sales (up 35% YoY driven by Dumex acquisition) and EU business (up 93% YoY driven by Pinewood acquisition). Also, US business grew 15% YoY, while RoW business declined 7% YoY. Organic growth was around 16% YoY.
- EBITDA margins expanded 260bp YoY to 22.2%, driven by R&D capitalization (~Rs180m) and lower other expenditure (down 160bp YoY). However, higher depreciation and interest cost restricted adjusted PAT growth at 9% YoY to Rs594m.
- Acquired businesses (Dumex and Pinewood) witnessed improvement in their performance; both contributed positively to PAT.

TREND IN BUSINESS-MIX

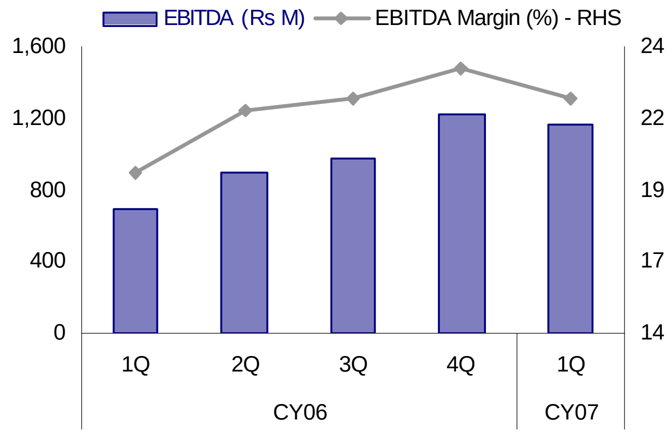
	1QCY07	1QCY06	YOY (%)	4QCY06	QOQ (%)
Bulk/API					
India	99	28	253.6	82	20.7
Europe	44	30	46.7	31	41.9
US	99	156	-36.5	144	-31.3
RoW	210	209	0.5	153	37.3
Total Bulk/API	452	423	6.9	410	10.2
Contribution (%)	*8.6*	*12.0*		*7.8*	
Formulations					
India	1,732	1,326	30.6	1,577	9.8
Europe	2,455	1,265	94.1	2,888	-15.0
US	394	273	44.3	193	104.1
RoW	196	228	-14.0	197	-0.5
Total Formulations	4,777	3,092	54.5	4,855	-1.6
Contribution (%)	*91.4*	*88.0*		*92.2*	
Total Revenue	**5,229**	**3,515**	**48.8**	**5,265**	**-0.7**

Source: Company/ Motilal Oswal Securities

…but R&D capitalization drove margin expansion

EBITDA margins expanded 260bp YoY to 22.2%, driven by capitalization of R&D cost (~Rs185m) and lower other expenditure (down 160bp YoY). Adjusting for capitalized R&D, EBITDA margins would have declined 100bp YoY to 18.6%. Margins would have been higher but for recent acquisitions, which deflated consolidated margins; the acquired businesses have lower margins than Wockhardt's base business. However, the acquired businesses are witnessing improvement in performance, with both the acquisitions contributing positively to profits in 1QCY07.

EBITDA MARGIN (%)



Source: Company/ Motilal Oswal Securities

Revising estimates downward

We have revised our estimates for CY07 and CY08 downwards by 2-3% to factor in:

- The Negma acquisition
- Higher than expected interest cost and tax rate
- Rupee appreciation

REVISED FORECAST (RS M)

	CY07E			CY08E		
	REV	OLD	CHG (%)	REV	OLD	CHG (%)
Net Sales	26,563	23,062	15.2	33,822	26,107	29.6
Net Profit	2,942	3,018	-2.5	3,604	3,729	-3.4
EPS (Rs)	24.6	25.3	-2.6	30.2	31.2	-3.2

Source: Motilal Oswal Securities

Risks/Concerns

We have the following concerns relating to Wockhardt:

1. **R&D capitalization:** Wockhardt has changed its accounting policy regarding R&D expenditure in CY06 and has commenced capitalizing part of the expenditure. It capitalizes the R&D spend on development and filing of ANDAs with the US-FDA and would be amortizing this over a period of three years from the commercialization of the product in the US market. Capitalization was about Rs570m (Rs350m post-tax impact on profit) for CY06. Most of the larger Indian companies write-off these expenses completely in the year of incurrence. We believe that Wockhardt has adopted a more aggressive accounting policy relating to these expenses, which is likely to temporarily boost its PAT. We continue to value the company post complete write-off of the R&D expenses and our estimates are adjusted accordingly.

2. **New Pharma Policy:** We believe that the biggest risk to our positive stance on NPIL could be the implementation of the new pharmaceutical policy in the current form. The new policy proposes to significantly increase the span of control by bringing in additional 354 drugs under price control. This could severely impact the profitability of Pfizer's domestic business. Industry has taken strong objection to the proposed policy and we believe that the policy is unlikely to be implemented in the current form. Given the strong opposition from the industry, the government has formed a Group on Ministers (GoM), which would give final recommendations to the government regarding the new pharmaceutical policy. However, the uncertainty related to this will remain till the government finally notifies the new pharmaceutical policy.

REVENUE MODEL (RS M)

Y/E DECEMBER	2004	2005	2006	2007E	2008E
India Business					
Dosage	4,641	5,092	6,508	8,290	9,533
Growth (%)		*10*	*28*	*27*	*15*
API	263	182	256	282	296
Growth (%)		*-31*	*41*	*10*	*5*
Total India	**4,904**	**5,274**	**6,764**	**8,571**	**9,829**
Growth (%)		*8*	*28*	*27*	*15*
Internatl. Business	**7,612**	**8,857**	**10,527**	**17,992**	**23,993**
Growth (%)		*16*	*19*	*71*	*33*
USA	1,073	1,498	1,659	2,250	2,779
Growth (%)		*40*	*11*	*36*	*24*
Dosage	668	1,004	1,062	1,593	1,991
Growth (%)		*50*	*6*	*50*	*25*
API	405	494	597	657	788
Growth (%)		*22*	*21*	*10*	*20*
Europe	5,257	5,429	7,150	13,889	19,218
Growth (%)		*3*	*32*	*94*	*38*
CP Pharma & Wallis	4,208	4,218	5,368	5,823	6,405
Esparma	131	953	956	997	1,126
Pinewood			662	3,381	3,888
Negma Lerads - France				3,510	7,612
API		247	162	178	187
Rest of the World	1,282	1,930	1,718	1,854	1,996
Growth (%)		51	-11	8	8
Net Sales	**12,516**	**14,131**	**17,291**	**26,563**	**33,822**
Growth (%)		*13*	*22*	*54*	*27*

Source: Company/ Motilal Oswal Securities

Targeting US$1b sales by CY09…

Wockhardt is targeting the US$1b revenue mark by CY09, with net margins of 16-18%. About 30% (US$300m) of the total turnover will be contributed by acquired companies (including potential acquisitions). We estimate that acquired companies (Negma, Pinewood and Dumex) would contribute about US$290m to Wockhardt's revenues by CY08, implying that the company may be through with its inorganic initiatives.

…but the proposed QIP issue raises uncertainty

Despite having achieved its targets on the inorganic front, the company has proposed raising Rs5b through a QIP issue over the next six months. This raises the possibility of the company targeting further acquisitions and the risk of extended paybacks linked to such acquisitions. At current market price, the QIP issue will result in a 10% equity dilution. Our estimates currently do not take into account this equity dilution.

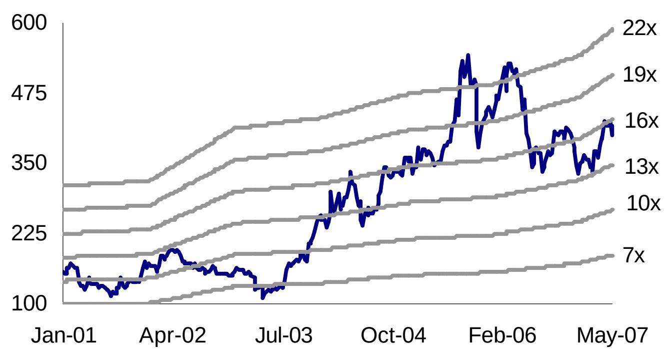
Valuations, a fair reflection of gradual progress

Wockhardt is emerging as a serious player in the regulated markets - largely through its acquisitions in Europe. These have now given it access to markets, which are expected to witness a sharp increase in generics penetration over the next few years. Wockhardt is one of the better-placed Indian companies to ride the genericisation wave in Europe. The company's efforts to tap the US markets through its own distribution infrastructure could also pay off significantly, particularly if it is able to crack the biogenerics opportunity.

At the same time, we believe that Wockhardt still has to display the ability to fully leverage its assets (particularly the biotech facilities) and scale up substantially in regulated markets, for a further re-rating. A key risk would be a potential large acquisition at expensive valuations, resulting in significant equity dilution and/or debt.

We have revised our CY07 and CY08 EPS estimates down by 2-3% to factor in the Negma acquisition, higher than expected interest cost and tax rate, and the recent Rupee appreciation. Our estimates are also adjusted for the capitalization of R&D expenses. Based on our revised estimates, Wockhardt is valued at 16.9x CY07E and 13.8x CY08E diluted earnings, which we believe is a fair reflection of the gradual progress the company is making in its key markets. We downgrade our stock recommendation to **Neutral**, with revised target price of Rs450 (~15x CY08E EPS).

P/E BAND



CONSOLIDATED QUARTERLY PERFORMANCE (Rs Million)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Sales	**3,515**	**4,127**	**4,377**	**5,265**	**5,228**	**6,520**	**6,854**	**7,960**	**17,291**	**26,563**
YoY Change (%)	*13.5*	*9.5*	*21.8*	*43.9*	*48.7*	*58.0*	*56.6*	*51.2*	*22.4*	*53.6*
Total Expenditure	2,826	3,230	3,406	4,043	4,069	4,955	5,205	6,433	13,288	20,662
EBITDA	**689**	**897**	**971**	**1,222**	**1,159**	**1,564**	**1,649**	**1,527**	**4,003**	**5,901**
Margins (%)	*19.6*	*21.7*	*22.2*	*23.2*	*22.2*	*24.0*	*24.1*	*19.2*	*23.2*	*22.2*
Depreciation	137	140	141	212	181	215	210	255	621	861
Interest	-77	-6	-5	115	129	130	130	338	26	727
Other Income	33	18	61	78	22	18	61	48	190	149
PBT before EO Items	**662**	**781**	**896**	**973**	**871**	**1,237**	**1,370**	**982**	**3,546**	**4,462**
EO Income	-604	0	0	0	0	0	0	0	-604	0
PBT after EO Items	**58**	**781**	**896**	**973**	**871**	**1,237**	**1,370**	**982**	**2,942**	**4,462**
Tax	95	147	156	101	208	225	270	448	529	1,151
Rate (%)	*163.8*	*18.8*	*17.4*	*10.4*	*23.9*	*18.2*	*19.7*	*45.6*	*18.0*	*25.8*
Reported PAT	**-37**	**634**	**740**	**872**	**663**	**1,012**	**1,100**	**534**	**2,413**	**3,311**
R&D Capitalized	0	0	170	164	114	150	150	186	570	600
Adjusted PAT	**543**	**634**	**636**	**771**	**593**	**920**	**1,008**	**420**	**2,558**	**2,942**
YoY Change (%)	*30.2*	*-18.3*	*-2.4*	*5.7*	*9.3*	*45.2*	*58.6*	*-45.6*	*-0.5*	*15.0*
Margins (%)	*-1.1*	*15.4*	*16.9*	*16.6*	*12.7*	*15.5*	*16.1*	*6.7*	*14.0*	*12.5*

E: MOSt Estimates; Quarterly numbers don't add up to annual numbers due to re-classification

CONSOLIDATED INCOME STATEMENT					(Rs Million)
Y/E DECEMBER	2004	2005	2006	2007E	2008E
Net Sales	12,516	14,130	17,290	26,563	33,822
Change (%)	*32.9*	*12.9*	*22.4*	*53.6*	*27.3*
EBITDA	2,699	3,287	4,003	5,901	7,197
Margin (%)	*21.6*	*23.3*	*23.1*	*22.2*	*21.3*
Depreciation	368	426	621	861	1,009
EBIT	2,331	2,860	3,382	5,040	6,188
Net Interest	-16	95	26	727	857
Other Income - Rec.	158	180	190	149	135
PBT before EO Expense	2,506	2,945	3,545	4,462	5,466
EO Expense/(Income)	0	0	604	0	0
R&D Capitalized			570	600	600
PBT after EO & before R&D	2,506	2,945	2,942	4,462	5,466
Tax	371	374	529	1,151	1,541
Tax Rate (%)	*14.8*	*12.7*	*18.0*	*25.8*	*28.2*
Reported PAT	2,135	2,571	2,413	3,311	3,925
PAT Adj	2,135	2,571	2,665	2,942	3,604
Change (%)	*56.7*	*20.4*	*3.7*	*10.4*	*22.5*
Margin (%)	*17.1*	*18.2*	*15.4*	*11.1*	*10.7*

CONSOLIDATED BALANCE SHEET					(Rs Million)
Y/E DECEMBER	2004	2005	2006	2007E	2008E
Equity Share Capital	545	547	547	547	547
Fully Diluted Cap	*545*	*597*	*597*	*597*	*597*
Reserves	5,621	7,615	10,116	12,630	15,645
Net Worth	6,166	8,161	10,663	13,177	16,192
Deferred Liabilities	600	618	921	1269	1826
Total Loans	8,914	9,065	19,703	21,841	21,841
Capital Employed	15,680	17,844	31,287	36,287	39,859
Gross Block	7,614	8,384	18,531	29,296	30,496
Less: Accum. Deprn.	2,631	2,906	4,549	5,410	6,419
Net Fixed Assets	4,983	5,478	13,982	23,886	24,077
Capital WIP	1,634	2,403	3,086	150	150
Investments	3	3	3	3	3
Curr. Assets	12,568	13,605	20,071	19,546	24,805
Inventory	2,164	2,747	4,300	6,186	7,876
Account Receivables	2,355	2,810	4,616	6,550	8,340
Cash and Bank Balance	7,355	7,139	9,732	4,627	5,809
Others	695	910	1,424	2,183	2,780
Curr. Liability & Prov.	3,508	3,645	5,856	7,298	9,176
Account Payables	2,479	2,561	4,975	5,822	7,413
Provisions	1,029	1,084	880	1,476	1,763
Net Current Assets	9,060	9,960	14,216	12,248	15,629
Misc Expenditure	0	0	0	0	0
Appl. of Funds	15,680	17,844	31,287	36,287	39,859

E: MOSt Estimates

RATIOS					
Y/E DECEMBER	2004	2005	2006	2007E	2008E
Basic (Rs)					
EPS	19.6	23.5	24.4	26.9	32.9
Fully diluted EPS	19.6	21.5	22.3	24.6	30.2
Cash EPS	23.0	27.4	30.0	34.8	42.2
BV/Share	56.6	74.7	97.4	120.4	148.0
DPS	5.0	5.0	5.0	6.4	7.3
Payout (%)	28.9	24.3	25.9	24.1	23.2
Valuation (x)					
P/E (fully diluted)		19.3	18.7	16.9	13.8
Cash P/E		15.2	13.9	12.0	9.9
P/BV		5.6	4.3	3.5	2.8
EV/Sales		3.4	3.2	2.4	1.8
EV/EBITDA		14.5	13.9	10.6	8.6
Dividend Yield (%)		1.2	1.2	1.5	1.8
Return Ratios (%)					
RoE	39.6	35.9	28.3	24.7	24.5
RoCE	21.6	18.8	15.0	15.9	17.3
Working Capital Ratios					
Debtor (Days)	69	73	97	90	90
Creditor (Days)	173	162	272	203	199
Inventory (Days)	63	71	91	85	85
Working Capital Turnover (Days)	264	257	300	168	169
Leverage Ratio (x)					
Current Ratio	3.6	3.7	3.4	2.7	2.7
Debt/Equity	1.4	1.1	1.8	1.7	1.3

CASH FLOW STATEMENT					(Rs Million)
Y/E DECEMBER	2004	2005	2006	2007E	2008E
Oper. Profit/(Loss) before Tax	2,699	3,492	4,138	5,901	7,197
Interest/Dividends Recd.	158	253	406	149	135
Direct Taxes Paid	-371	-371	-557	-1,151	-1,541
(Inc)/Dec in WC	-222	-1,074	-1,696	-3,137	-2,199
CF from Operations	2,265	2,300	2,291	1,762	3,592
EO Expense	0	0	0	0	0
CF from Oper. incl EO Exp.	2,265	2,300	2,291	1,762	3,592
(inc)/dec in FA	-1,621	-1,713	-2,674	-7,829	-1,200
(Pur)/Sale of Investments	-3	-33	-6,428	0	0
CF from Investments	-1,624	-1,746	-9,102	-7,829	-1,200
Issue of Shares	22	13	10	0	0
(Inc)/Dec in Debt	5,762	138	10,429	2,486	557
Interest Paid	16	-306	-414	-727	-857
Dividend Paid	-617	-615	-621	-796	-910
CF from Fin. Activity	5,184	-769	9,403	963	-1,210
Inc/Dec of Cash	5,824	-216	2,592	-5,105	1,182
Add: Beginning Balance	1,530	7,355	7,139	9,732	4,627
Closing Balance	7,355	7,139	9,732	4,627	5,809

N O T E S

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Disclosure of Interest Statement	Wockhardt
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	Yes