

BOND DEFAULTS

HC stays winding-up plea against Wockhardt

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The Bombay high court on Wednesday stayed the admission of a winding-up plea against **Wockhardt Ltd** but asked the drug maker to deposit with it ₹115 crore, which is about 60% of the money due to the aggrieved bond holders of the company.

Wockhardt had appealed to the court last week against an earlier decision to admit a petition by a group of bond holders after the company defaulted on redeeming the bonds.

"Further moves on the winding-up petition has been stayed with an interim order till 3 May, and the court has asked Wockhardt to deposit an amount of ₹115 crore with the court as a security against the liability towards the bond holders," said a lawyer who represented one of the bond holders.

The petitioners—led by Singapore-based hedge fund QVT Financial Lp and **Sun Pharma Global Inc.**, an overseas unit of drug maker **Sun Pharmaceutical Industries Ltd**—hold foreign currency convertible bonds (FCCBs) worth \$42 million (₹189 crore) of Wockhardt.

They filed the winding-up petition last year after Wockhardt defaulted on the redemption of the total \$110 million worth of bonds in October 2009. After a single bench of the high court ruled in favour of admitting the plea earlier in March, the aggrieved creditors were in the process of moving an application seeking the appointment of a provisional liquidator for the company to recover their dues.

"A division bench of the high court has granted ad interim relief by staying the admission of the winding-up petition filed by the trustees to the FCCBs issued by the company," Wockhardt said in a statement to the Bombay Stock Exchange.

deposit ₹115 crore with the court, it added. The court will next hear the case on 4 May.

"We will now await the court's decision," a Sun Pharma spokesperson said. A section of the investors in the FCCBs, mostly Indian banks and some institutional investors, had in 2009 reached a settlement with Wockhardt by restructuring the tenure of the bonds they held, but a few others including QVT and Sun Pharma didn't agree with the restructuring terms.

Wockhardt, which suffered a loss because of its exposure to foreign currency derivatives in 2008, had to sell some of its assets to repay lenders and meet other liabilities. The company, which had a debt of about ₹3,800 crore including the FCCB at the time, also went through a corporate debt restructuring (CDR). Under this, a large part its loans from lenders including **ICICI Bank Ltd**, State Bank of India and **IDBI Bank Ltd** were restructured.

Admission of a winding-up petition would allow petitioners to ask the court for appointing a liquidator. This is to bring all business activities of the defaulter company and its assets under the monitoring of the aggrieved creditors, and finally to recover the money after selling the assets. "If at all the liquidation happens, then the entire corporate debt-restructuring plan, along with other contracts, will have to be treated invalid," said an IDBI Bank official, who declined to be identified. "In such a scenario, we will be left with no option but to attach the assets of the company."

IDBI Bank has a ₹200-300 crore loan exposure to Wockhardt. "Once the operations are affected by a liquidation process, the banks will have to sell the assets to pay statutory payments, thereafter secured loans and then bondholders," said an SBI official who is not directly involved in Wockhardt's CDR process.

Industry