

Taking strategic steps

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Continued focus on business strategy is the key to success for any organization. Our efforts to realign our strategies have not only consolidated our position in all areas of our businesses but have also ensured that we are ideally placed to capitalize on the opportunities available. The company has positioned itself as a CRAMS company providing services to its customers right from gram scale to commercial scale.

Chairman's Message

"Our EHS standards, world-class plants and respect for Intellectual Property Rights has made us the company of choice with innovator companies." "Our plants in Bangalore, Panoli, and Taloja are seeing major investments in order to meet increased business. " "Our R&D centre has undergone a major revamp: new labs have been added leading to increased research contracts." "Our exports now account for a significant portion of our business."



Baba Kalyani



Jai Hiremath

Taking strategic steps

The company has been growing at approximately 20% (YOY) over the past few years. However, this year the growth was only 1%. Exports now account for 80% of our business.

The company experienced substantial drop in prices of one of our key API's in the US market. We are able to offset this loss by higher volumes. We were also able to maintain profit before depreciation at Rs. 52 crores, similar to the previous year. Profit after tax was much lower due to deferred tax change.

Our strategy of concentrating on contract manufacturing for innovative companies is paying off and we are entering into long-term business supply contracts with these companies, both in the pharmaceuticals and crop protection sectors.

Our thrust in Research & Development (R&D) has resulted in tie-ups in both pharmaceuticals and crop protection. We are constructing a state-of-the-art Contract R&D facility at the Biotech Park, Pune. Our R&D focus will set us on the fast track of growth.

To meet the increased demand, the company is substantially expanding its manufacturing capacities at all its sites. Pharmaceuticals will continue to be the focus for growth. Simultaneously, we are also improving our crop protection profitability by replacing our old molecules with new higher margin products. We are also making significant investment in R&D and scale-up capabilities across all our sites.

Our investments over the past few years in R&D, EHS and quality standards are enabling us to have tie-ups with prestigious innovator companies, where business is more consistent than generic companies.

The restructuring efforts of our subsidiary Marsing, Denmark continues, and we expect to see the benefit in the coming year. Our consolidated sales for the year was Rs. 4358 mio compared to Rs. 4560 mio last year.

Once again, we would like to express our gratitude to all our employees who work tirelessly to realize our vision. We take this opportunity to thank our loyal shareholders for their trust and confidence in us, in a somewhat difficult year.

Baba Kalyani
Chairman

Jai Hiremath
Vice Chairman & Managing Director

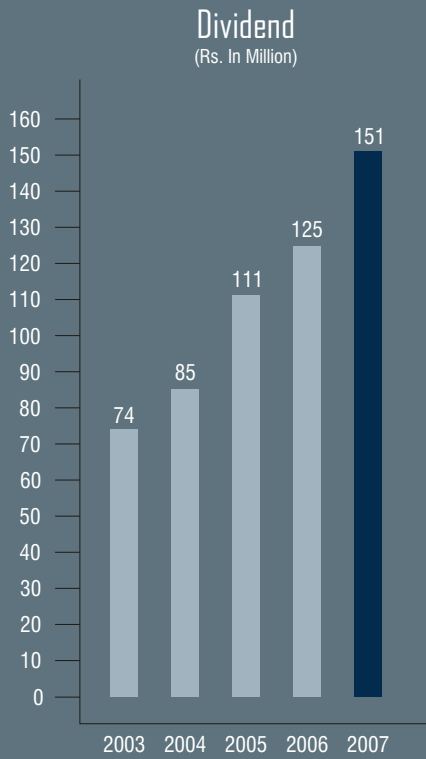
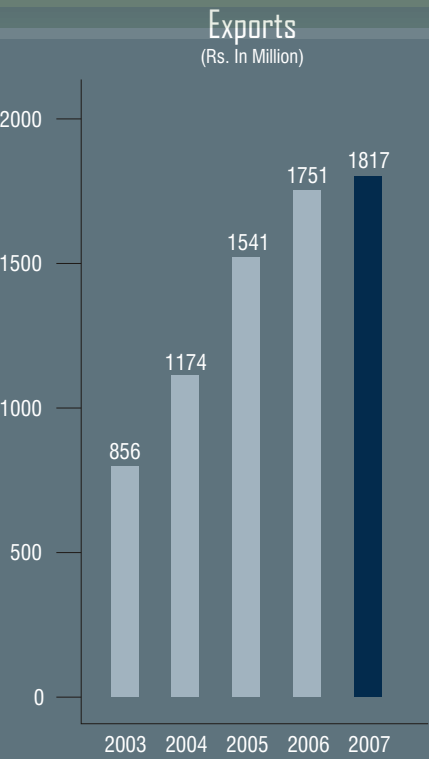
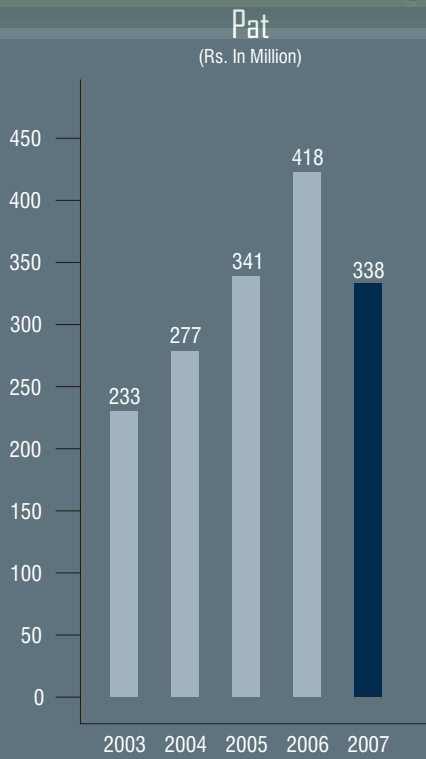
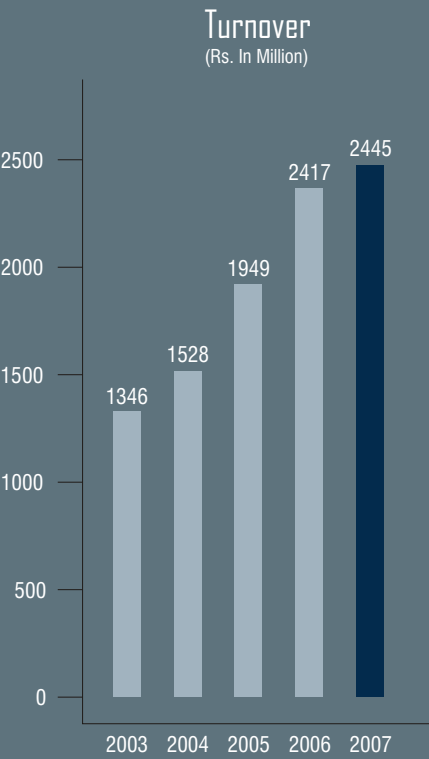
Hikal at a glance

Highlights

- Increased stake in Jiagnsu Chemstar, China
- New pilot plants and kilo labs set up in Taloja and Bangalore
- Work on plant for new product under patent commenced at Taloja
- Hikal received the ABCI Gold Medal award for its Annual Report in the year 2005-06.

Financial Highlights

	Rs. in Million		Growth
	March 31, 2007	March 31, 2006	%
Turnover	2445	2417	1.2
Operating profit (PBIDT)	626	654	(4.3)
Interest	108	125	-
Gross profit	518	529	(2.0)
Depreciation	154	147	-
Profit after tax	338	414	(18.4)
Paid-up equity share capital	151	151	-
Earnings per share (EPS) Rs.	19.84	26.58	-
Cash Earnings per share (EPS) Rs.	30.05	36.34	-
Dividend per share Rs.	6.50	6.50	-
Payout (including tax)	151	125	20.8



Board of Directors

Baba Kalyani is the Chairman of Hikal Ltd. and Chairman and Managing Director of Bharat Forge Ltd. Mr. Kalyani has an M.E. from Birla Institute of Technology & Sciences, Pilani and an M.S. from Massachusetts Institute of Technology, USA. He has represented the Confederation of Indian Industry (CII) and is currently a member of the National Council. Mr. Kalyani is a member of the World Economic Forum, Switzerland.

Jai Hiremath is the Vice Chairman and Managing Director of Hikal Ltd. and Chairman of Marsing & Co. A/S Denmark. A Chartered Accountant from England and Wales, Mr. Hiremath has more than 30 years of experience in the chemical and pharmaceutical industry. He has completed an advanced management program from Harvard University, USA. Mr. Hiremath was awarded the 'Chemtech Business Leader of the Year' award (Chemicals) in 2005. He was nominated as a finalist for the Ernst & Young Entrepreneur of the Year award in 2000. Mr. Hiremath is the Vice President of the Indian Chemical Council (ICC). He is a member of the Chemical Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII). Mr. Hiremath is a Director on the Board of Novartis India Ltd.

Kannan Unni brings a wealth of experience in crop protection and marketing to Hikal. Mr. Unni is a pioneer in crop protection and increasing the farm yield in India. Mr. Unni is the Chairman of Bilag Industries Pvt. Ltd., a 100% subsidiary of Bayer crop science. Formerly, Mr. Unni was the MD of Aventis Cropsience.

Bimal Raizada is a Chartered Accountant from England and Wales. He has more than 30 years of experience in business, accounts, finance and commercial activities in a major pharmaceutical company. Mr. Raizada is a Director on the Board of several companies.

Prakash Mehta is an advocate and solicitor advising Hikal on all legal issues. He has more than 30 years of experience in business, industry and legal matters. Mr. Mehta is a partner in Malvi Ranchoddas & Co., a reputable law firm based in Mumbai, India.

Shivkumar Kheny brings extensive experience in Mechanical Engineering, specifically in steel and infrastructure development. Mr. Kheny is a Director on the Board of several reputable companies and a member of the Governing Councils of prestigious educational institutions.

Sugandha Hiremath has more than 20 years of experience in business and finance. She is a Director on the Board of several companies.

Sameer Hiremath is a Chemical Engineer from Pune University and an MBA and M.S. in Information Technology from Boston University. He is the Executive Director at Hikal and is responsible for operations.

Audit Committee

Kannan Unni, Prakash Mehta, Bimal Raizada and Sugandha Hiremath.

Baba Kalyani conferred upon the "Businessman of the year" award by Business India for the year 2006



Jai Hiremath conferred upon the "Bharat Shiromani Award" for excellence in the field of chemical business



(From Left) Kannan Unni, Prakash Mehta, Sugandha Hiremath, Baba Kalyani – Chairman, Jai Hiremath – Vice Chairman & Managing Director, Shivkumar Kheny, Sameer Hiremath – Executive Director, Bimal Raizada

Management Committee

Jai Hiremath is founder of Hikal Ltd. He is the Vice Chairman and Managing Director of Hikal and Chairman of Marsing & Co. A/S, Denmark. During his 15 years of association with Hikal, the company has been lauded with awards and certifications for its management, quality, environment and safety control measures. In 2005, Mr. Hiremath was awarded the 'Chemtech Business Leader of the Year' award (Chemicals). He is also a board member of the National Safety Council and Novartis India. Mr. Hiremath is a Chartered Accountant from England and has completed the 'Owner President Management Program' at Harvard University, Cambridge, USA.

Sameer Hiremath joined Hikal in 1996 as Executive, Planning and Coordination. He received training from Merck & Co. in USA. At Hikal, Mr. Hiremath has held varied positions in the area of Chemicals, Pharmaceuticals Manufacturing, Project Management and Information Technology. In 2003, he was appointed Executive Director of Hikal, responsible for all operational activities of the company. Under his able leadership, the pharmaceutical division was established and made rapid strides. Mr. Hiremath holds a Chemical Engineering degree from the University of Pune and an MBA & MS degree in Information Technology from Boston University, USA.

Dr. Ramachandra Naik joined Hikal in 2005 as Executive Vice President - Technology, responsible for research and overall operations of manufacturing sites. He has over 21 years of experience in the pharmaceutical and chemical industry. Prior to joining Hikal, Dr. Naik held key positions in Sanofi Aventis, heading the industrial operations of Latin America. He holds a Ph.D from the Indian Institute of Science (Bangalore) and is a post doctoral research associate from Oxford University, England and Purdue.

Navin Singh joined Hikal in 2006 as CFO, responsible for the Finance and IT departments. Prior to joining Hikal, Mr. Singh has worked with Cheminova India as Finance Head and at the Pan Asia Group and Wallace Pharmaceuticals Limited. He is a Chartered Accountant with over 19 years of experience.

Ashok Anand joined Hikal in 2004 as Vice President (Pharmaceuticals), responsible for all marketing functions of the pharmaceutical division. He has over 35 years of experience in the pharmaceutical industry. Prior to joining Hikal, Mr. Anand worked with Nicholas Piramal and Johnson & Johnson, India. He is a pharmacy graduate with a post graduate degree in marketing management.

S. Jayaraman joined Hikal in 2004 as Vice President, responsible for all agrochemical marketing functions. Prior to joining Hikal, he held senior positions with German MNCs in India, Hoechst, Agrevo Aventis, and Bayer. Mr. Jayaraman holds a Master's Degree in Organic Chemistry from IIT-Delhi with Management from Mumbai University. In addition, he has done an advanced General Management course from M.I.T. Sloan School of Management, USA.

Sham Wahalekar has over 27 years experience as Head of Secretarial and Legal Operations. An M.Com (Hons), L.L.B and ACS, he has extensive experience in Corporate Law and financial management. He has served Hikal since its inception.



(Back Row) **Sham Wahalekar** – VP & Company Secretary, **S. Jayram** – VP Agro Marketing, **Ashok Anand** – VP Pharma Marketing, **Navin Singh** – CFO, **Dr. Ramchandra Naik** – Executive VP Technology, (Front Row) **Sameer Hiremath** – Executive Director, **Jai Hiremath** – Vice Chairman & Managing Director

Scientific Advisory Board

Prof. Goverdhan Mehta is a Professor of Organic Chemistry at the Indian Institute of Science, Bangalore. He is a recipient of the Fellow of the Royal Society, Officier de l'Ordre des Palmes Academiques from the President of France and the Padma Shri, an award for distinguished contribution to science from the Government of India.

Prof. Andrea Vasella is a Full Professor, Laboratory of Organic Chemistry, ETH Zurich. He has several research publications and patents to his credit. He is the recipient of the Werner Award of the Swiss Chemical Society and the Roy L. Whistler Award.

Dr. Helmut Rupp is the Executive Vice President and Chief Technology Officer (CTO) of Allessa Chemie, Germany. Formerly, he was the Deputy CEO and CTO of Lonza, Switzerland.

Dr. K.Nagarajan is the recipient of the Bhatnagar Award by CSIR and the Lifetime Achievement Award by the Chemical Research Society of India.



(From left) Prof. Goverdhan Mehta, Prof. Andrea Vasella, Dr. Helmut Rupp, Dr. K. Nagarajan

p h a r m a c e u t i c a l s



s t r a t e g i c s t e p s

Stepping up the **pharma** value chain

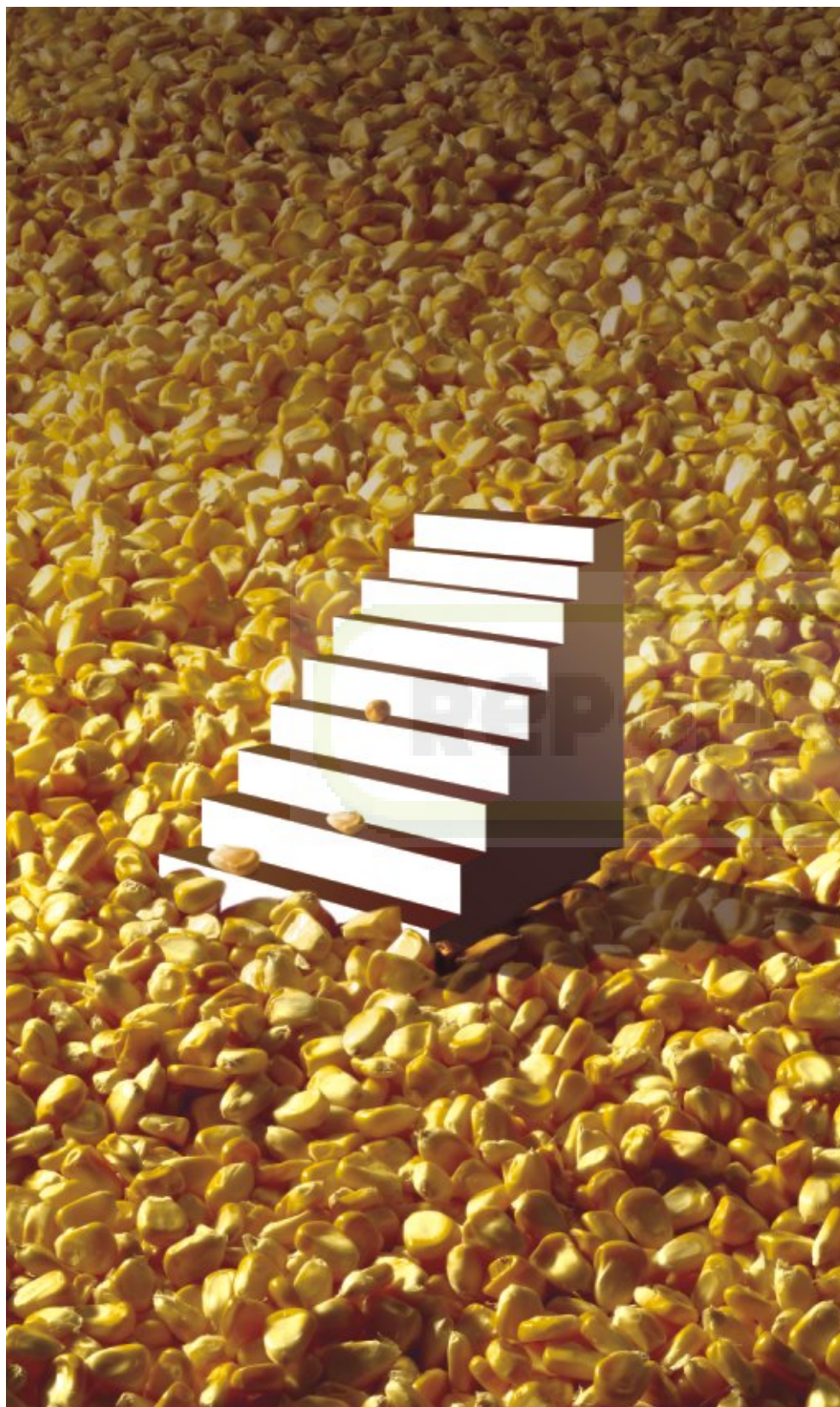
Hikal is witnessing a major transformation on the pharmaceuticals business front- it has become the key driver of our business. The share of the pharmaceuticals business is expected to overtake the crop protection business in the coming year.

Our existing portfolio of APIs is seeing significant volume growth and our competitive cost position is helping us increase market share.

On the CRAMS (Contract Research & Manufacturing Services) front we are getting involved with our customers in the early part of the product life cycle. Today, we are involved right from providing support in drug discovery to commercial manufacture of APIs and intermediates.

We are entering into long term contracts with leading global innovator companies for contract research and commercial scale API manufacturing (we are the preferred choice for pharmaceutical companies across the world). **To keep pace with these requirements, Hikal is undertaking a major drive to expand capacities and build new plants.**

crop protection



strategic steps

New generation compounds - the formula for our success

At the heart of our crop protection programme is our constant effort to discard older molecules and seek growth in new-generation compounds.

To this end, **we are entering into long-term, mutually exclusive contracts with the top global crop protection companies for supply of new generation products.**

Our excellent track record is helping us get contracts for products under patent and in the early / growth stage of the life cycle. **We are also in the process of rationalizing our product portfolio so we can use our production capacities for higher margin products.**

On the manufacturing front we are building new plants at our site at Taloja and upgrading our Mahad facility.