

STEP TOWARDS SUSTAINABILITY



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STEP TOWARDS SUSTAINABILITY

Hikal has adopted sustainability as the path towards growth and progress since inception. Our approach helps us protect the interests of our stakeholders and the communities that we operate in. We are committed to safeguard the environment by creating awareness and inculcating responsible behavior within our ecosystem of employees, partners and customers. Let us embrace environment sustainability as a way of life.

CHAIRMAN'S MESSAGE

In 2009-10, Hikal registered growth of 12% in rupee terms and 20% in US dollar terms. Our pharmaceutical business grew at 30%, while the crop protection business declined by 12%.

The earnings before interest, taxes, depreciation and amortization (EBITDA) increased from Rs. 1,326 million to Rs. 1,790 million, an increase of 35%. However, profit after tax (PAT) was up by only 2%, from Rs. 589 million to Rs. 602 million. It was mainly due to an exceptional item charge of reversal of 'cash flow hedge reserve' of Rs. 284 million on account of foreign exchange losses.

The shareholders' funds of the company increased from Rs. 3,303 million to Rs. 3,990 million, an increase of 21%. The long-term debt was reduced by Rs. 200 million and the debt to equity ratio improved from 1.11 to 0.99.

In view of the significant improvement in operations, we recommend a dividend of 80%, which is the highest in the history of the company.

The pharmaceutical business is expected to register robust growth in the coming year, as Hikal has established itself as a leading global contract research & manufacturing (CRAMS) company.

Acoris, our 100 % contract research subsidiary, has signed several large pharmaceutical customers during the early phase of the drug development cycle. These projects will yield benefits to Hikal in the coming years.

Our crop protection business suffered due to the drastic inventory cut by our customers. We expect to stage a modest recovery in 2010, and register robust growth in 2011.



Baba Kalyani



Jai Hiremath

Our foreign currency convertible bonds (FCCBs) of US\$ 12 million are due for repayment in October 2010. We have made arrangements to redeem them.

The investment in our subsidiary Marsing, which went into liquidation, was written off in 2008 - 09. Consequently, the consolidated results are not comparable with previous years.

The mark-to-market loss on foreign exchange fluctuations on forward/ options contracts to hedge for future exports has substantially reduced from Rs. 1,499 million to Rs. 459 million.

Overall, there is a substantial improvement in the performance of the company and the balance sheet has been strengthened.

We expect to further improve the profitability and reduce our long-term debt in 2010-11.

We have undertaken several initiatives such as assessing our carbon footprint to achieve sustainability. In this Annual Report, we have made a beginning with a Sustainability Report. In the future, we will report on efforts to reduce our carbon footprint.

In the coming year, we plan to significantly enhance our R&D capabilities, introduce more products to de-risk our product portfolio, and serve our customers better with technological innovation, which is vital for a CRAMs company.

Hikal is poised to be a part of the India growth story.

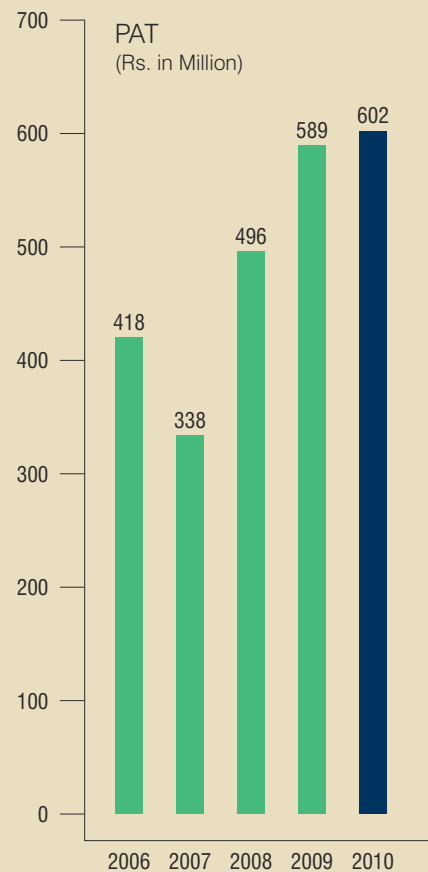
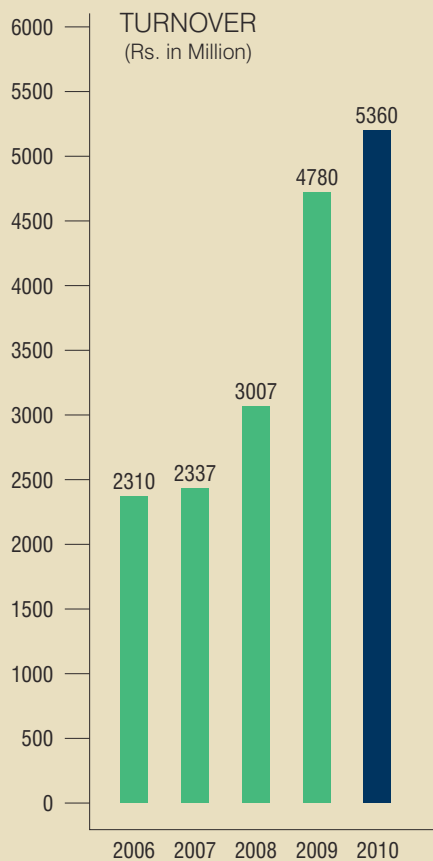
Baba Kalyani
Chairman

Jai Hiremath
Vice Chairman & Managing Director

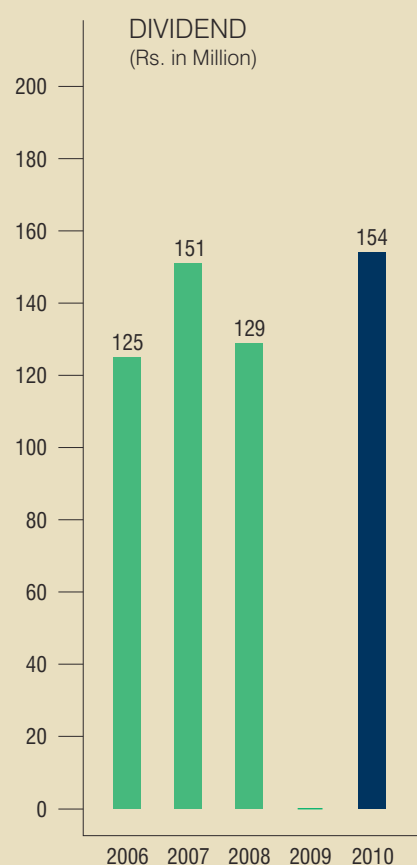
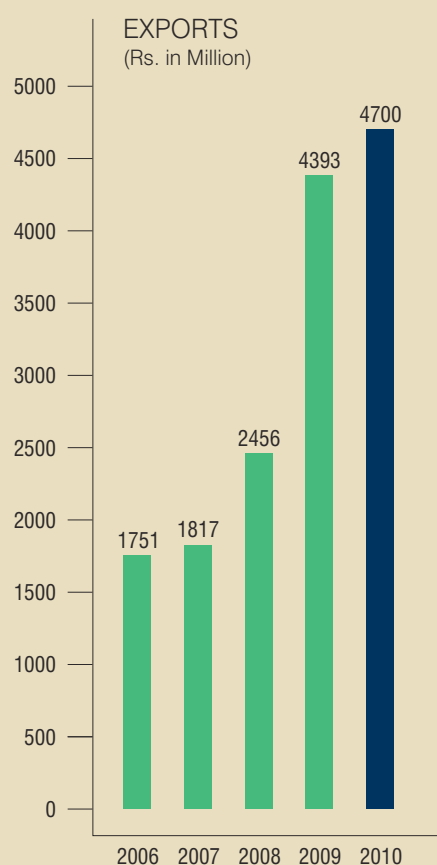
HIKAL AT A GLANCE

HIGHLIGHTS

- Net sales - Up by 12% to Rs. 5,360 million as compared to Rs. 4,780 million in the previous year
- EBIDTA - Up by 35% to Rs. 1,790 million as compared to Rs. 1,326 million in the previous year
- Pharmaceutical sales - Up by 29% to Rs. 3,569 million as compared to Rs. 2,759 million in the previous year
- On patent molecule supplies for a leading European crop protection company successfully commercialized
- Won an award in the 'Best Supplier' category at the prestigious Agrow Awards



FINANCIAL HIGHLIGHTS	Rs. in Million		Growth
	March 31, 2010	March 31, 2009	%
Turnover	5,360	4,780	12.1
Operating profit before exceptional item (PBIDT)	1,790	1,326	34.9
Interest	348	248	-
Gross profit	1,442	1,078	33.4
Depreciation	330	210	-
Exceptional item	547	244	-
Profit after tax	602	589	2.2
Paid-up equity share capital	164	164	-
Earnings per share (EPS) Rs.	36.60	37.33	-
Cash earnings per share (EPS) Rs.	56.65	50.09	-
Dividend per share Rs.	8.00	-	-
Payout (including tax)	154	-	-



BOARD OF DIRECTORS



Baba Kalyani



Jai Hiremath



Kannan Unni



Dr. Peter Pollak



Prakash Mehta



Shivkumar Kheny



Sugandha Hiremath



Sameer Hiremath

Baba Kalyani is the Chairman of Hikal and the Kalyani Group (US\$ 2.4 billion turnover). He is the Chairman and Managing Director of the group's flagship company, Bharat Forge Ltd., India's largest manufacturer and exporter of automotive components. He is a Mechanical Engineer from the Birla Institute of Technology at Pilani, Rajasthan and has an M.S. from MIT, USA. Mr. Kalyani's contribution to the industry and community have been recognized with prestigious awards, most notably the 'Padma Bhushan', a distinguished civilian award by the Government of India for his contribution to trade and industry.

Jai Hiremath is the Vice Chairman and Managing Director of Hikal Ltd. 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. Under his leadership, the company has been honored with awards and certifications for its management, quality, environment and safety control measures. He 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 President of the Indian Chemical Council (ICC) and the Chairman of the Chemical Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI). He is a member of the Western Regional Council as well as the National Committee on Drugs & Pharmaceuticals and Chemicals & Petrochemicals of the Confederation of Indian Industries (CII). Mr. Hiremath is a board member of the National Safety Council (NSC) of India. He is also a board member 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 CropScience. Formerly, Mr. Unni was the MD of Aventis CropScience.

Dr. Peter Pollak is a Ph.D. in Chemistry from the Swiss Federal Institute of Technology, Zurich. He is globally recognized as a pioneer in the development of the modern fine chemicals industry. He has more than 30 years of experience in fine chemicals, notably at Lonza in Switzerland and U.S.A. He has several publications to his credit including various articles in prestigious chemical magazines.

Prakash Mehta is an advocate and a 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 has extensive industry experience, 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 Deputy Managing Director at Hikal and is responsible for operations.

Audit Committee

Kannan Unni, Prakash Mehta and Sugandha Hiremath.

MANAGEMENT COMMITTEE



Jai Hiremath



Sameer Hiremath



Sham Wahalekar



Ashok Anand



Satish Sohoni



Ravi Khadabadi



Anish Swadi