



A CATALYST **FOR CHANGE**

ANNUAL REPORT - 2017

Chairman's Message	2-3
Performance at a Glance	4-5
Board of Directors	6-8
Management Committee	10-12
Scientific Advisory Board	14-15
Sustainable Growth	16-17
MDA	18-55
Directors' Report	58-77
Report on Corporate Governance	78-87
Auditors' Report	88-91
Financial Statements	92-164
Corporate Information	169-170



Our new identity reflects our journey of transformation.

As the landscape changes, our chemistry,

our offerings, and our people are adapting to the future.

Welcome to the new Hikal.



CHAIRMAN'S MESSAGE



Dear Shareholders,

2016 was an encouraging year during which we grew revenues and improved our profitability.

We achieved a significant milestone of crossing ₹ 10,000 million in sales revenue to ₹ 10,139 million as compared with ₹ 9,256 million in the previous year, a growth of 9.5%. Our net profits increased to ₹ 668 million, 62% higher than the previous year. This growth was achieved despite several challenges and volatility faced during the year. We streamlined operations and have taken steps to become a more agile company.

Based on our healthy cash flows, the Board recommends a total dividend of 60%, as compared to 50% in the previous year.

Our Crop Protection division grew by 15% from ₹ 3,561 million to ₹ 4,087 million. Sales of our existing products continued to grow in volumes. We launched several new products during the year which will add revenues and increase profitability in the years to come. A large contract manufacturing project for a leading innovator client was completed and the product has been successfully commercialized. We expect volumes to grow in the near future and contribute to incremental business as a result of the successful implementation of this complex project. Our diversification into biocides and specialty chemicals will yield new opportunities while we continue to add value through our own product portfolio under development. Our Pharmaceutical division grew by 6% from ₹ 5,692 million to ₹ 6,052 million. Though there has been an erosion in prices of some of our major products, we continue to build volumes of existing products while focusing on cost improvements through technology and scale. We will continue to drive growth through the development of our new product portfolio. We are investing in expanding capacity to launch new products

while we debottleneck our existing plants to meet increased demand from our clients, both existing and new.

On the regulatory front, we are delighted with the outcome of the recent US Food and Drug Administration inspection which resulted in zero 483's at our primary active pharmaceutical ingredient (API) manufacturing facility at Bengaluru. It reflects our focus on compliance, quality, and integrity. Our commitment to maintaining the best standards from a quality and regulatory perspective will result in increased opportunities for the Pharmaceuticals division, results of which we are already experiencing. Several new clients are approaching us based on our track record of delivery and compliance, values and technical capabilities.

As part of our continued efforts to strengthen the balance sheet, we have divested our property in Bengaluru which was lying vacant, and the sale proceeds have been transferred to reserves, thereby further improving the cash flow and the net worth of the company. We have been able to maintain our earnings before interest, tax, depreciation, and amortization (EBITDA) margin at 20%, by process improvements and operational excellence initiatives. Our debt / equity ratio has further improved to 0.81 as compared with 0.89 last year, and we have successfully brought down the overall cost of our borrowings. We have made further improvements in reducing our working capital and will continue our efforts in the coming year. Our ICRA credit rating was upgraded to BBB+ this year and we expect a further improvement in the current year.

Our Research & Technology Division was awarded the prestigious Acharya P.C. Ray Award for the successful development and commercialization of innovative technology for a new product. Innovation and sustainability are key pillars of our strategy to

deliver customized solutions to our global clients. We have strengthened and expanded our R&D capabilities across the company. This year we filed four drug master files (DMFs) and two certificates of suitability (CEPs). Client acceptance and interest for our products continue to be positive and we expect to launch a number of new products in the coming year.

We are focusing on quality and compliance to meet the US FDA, EU, and other global regulatory authority requirements. We are also investing in training to enhance our workculture.

Our Corporate Social Responsibility initiative, Srijan, across our sites, is creating value for our business and society by improving the health, environment, and sustainability of operations at our locations. These programs are directly enriching the lives of our colleagues and communities in which we operate.

Our strategy is to achieve growth balanced with our responsibility to the environment and society. We have set the company on a course of sustainable growth built on robust client relationships, trust and transparency, technology and innovation, and high-quality manufacturing. We remain committed to delivering on our long-term value proposition to our stakeholders.

I would like to express my gratitude and appreciation to our employees, clients, bankers, shareholders, and other partners for their confidence and support.

We look forward to a successful 2017.

With regards,



Jai Hiremath

Chairman and Managing Director

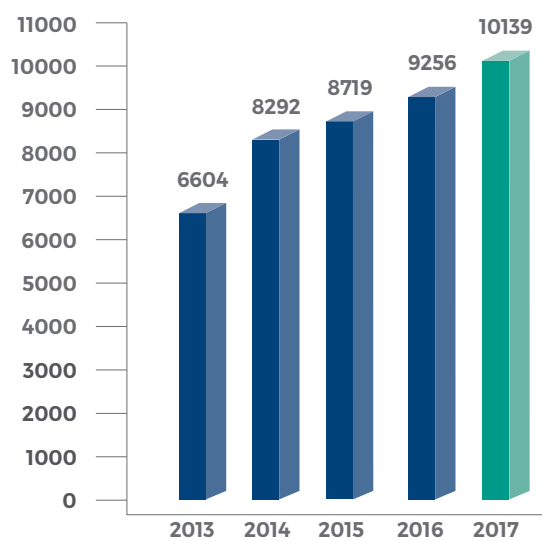
PERFORMANCE AT A GLANCE

Sameer Hiremath

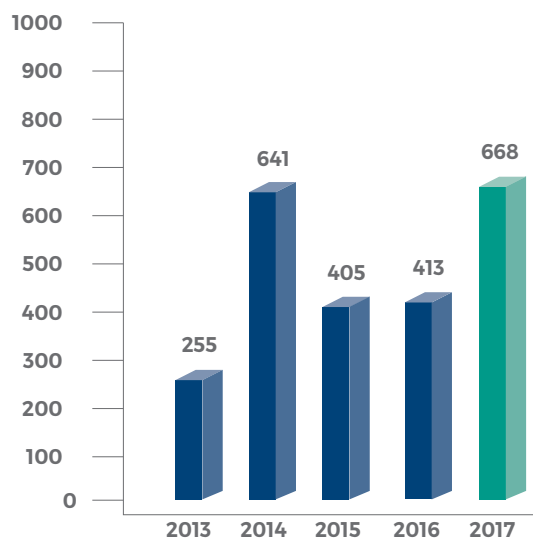
President and Joint Managing Director



TURNOVER (₹ in Million)

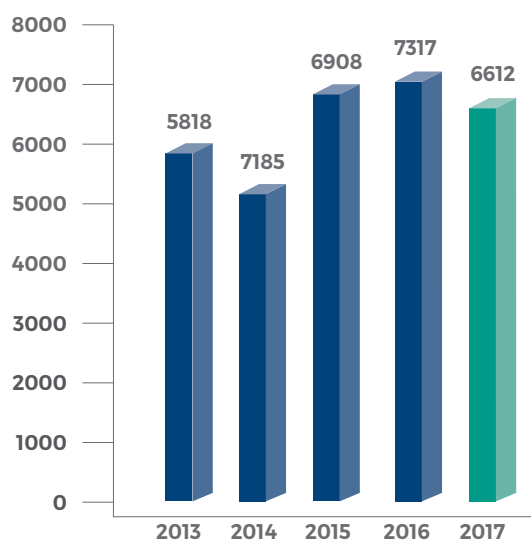


PAT (₹ in Million)

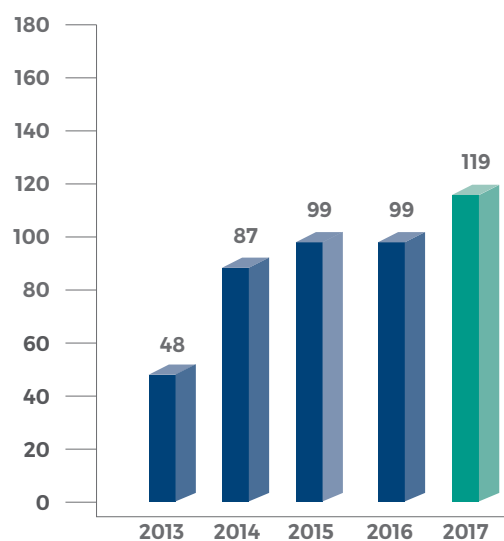


Financial Highlights	₹ in Million		Growth
	March 31, 2017	March 31, 2016	%
Turnover	10,139	9,256	9.54
Operating profit (PBIDT)	2,008	1,828	9.85
Finance costs	488	622	-
Gross profit	1,520	1,206	26.04
Depreciation and amortisation expenses	693	673	-
Profit after tax	668	413	61.74
Paid-up equity share capital	164	164	-
Earnings per share on face value of ₹ 2/- (EPS)	8.13	5.03	-
Cash earnings per share on face value of ₹ 2/- (EPS)	16.53	13.22	-
Dividend per share ₹	1.20	1.00	-
Payout (including tax)	119	99	-

EXPORTS (₹ in Million)



DIVIDEND (₹ in Million)



BOARD OF DIRECTORS

Jai Hiremath is the Founder and Chairman of Hikal, and has over 36 years of experience in the fine chemicals and pharmaceuticals industry. He developed Hikal into one of the leading global development and manufacturing companies. A Chartered Accountant from the Institute of Chartered Accountants in England and Wales, he is a 2004 alumnus of Harvard University, USA. His contribution to the industry has been recognized on global forums. In 2005, he was awarded Chemtech Business Leader of the Year Award (Chemicals). Mr. Hiremath is the past President of the Indian Chemical Council (ICC), and the former Chairman of the Chemicals Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI). He is a board member of Novartis India Ltd and National Safety Council (NSC) of India. He recently retired as a board member of the Drug, Chemical and Associated Technologies Association (DCAT) headquartered in New Jersey, USA.

Baba Kalyani is the Chairman and Managing Director of Bharat Forge Limited, the flagship company of the US\$ 2.5 billion Kalyani Group. Mr. Kalyani is a mechanical engineer from the Birla Institute of Technology & Science, Pilani, Rajasthan. He did his MS at the Massachusetts Institute of Technology, USA. He was awarded the Padma Bhushan by the Government of India, and the Chevalier de l'Ordre National de la Légion d'Honneur (Knight of the National Order of the Legion of Honor) by the French government for his contributions toward enhancing relations between India and France. Mr. Kalyani is also a member of the Indo-German Chamber of Commerce, Chairman of the Indo-Japan Chamber of Commerce and Industry, and a member of the Advisory Committee of Robert Bosch GmbH, Germany.

Sameer Hiremath is the President and Joint Managing Director of Hikal Ltd. He oversees the day-to-day operations of the company which includes Research & Technology, Manufacturing Operations to Sales & Marketing. He has over 20 years of experience in technical plant operations, business development and corporate strategy. He has held several key positions at Hikal, including that of Executive Director. He holds a degree in Chemical Engineering from Pune University and an MBA and MS degree in Information Technology from Boston University, USA.



Jai Hiremath



Baba Kalyani



Sameer Hiremath



Kannan Unni



Prakash Mehta



Shivkumar Kheny



Sugandha Hiremath

Kannan Unni is one of the pioneers in crop protection with over 50 years of experience in the crop protection and animal health industry. Mr. Unni worked in multiple capacities in Hoechst, AgrEvo, Aventis CropScience and Bayer CropScience Group. He was the Chairman and Managing Director of Bilag Industries, a 100% Bayer CropScience-owned company. Mr. Unni has technical and commercial experience in the agricultural and animal health businesses, having worked in a variety of roles. He is a graduate in Agriculture and holds a degree in Business Administration from Jamnalal Bajaj Institute of Management, Bombay and a Diploma in Marketing from IMEDE, Switzerland.

Prakash Mehta is the managing partner of Malvi Ranchoddas & Co., Advocates & Solicitors, a leading law firm in Mumbai. He brings extensive experience in corporate and commercial legal matters. Mr. Mehta is on the board of several listed and unlisted companies in India. He is a member of the Managing Committee of The Bombay Incorporated Law Society. He holds a degree in law from Mumbai University.

Shivkumar Kheny is a seasoned entrepreneur who has rich experience across industries. His business interests include real estate, steel and infrastructure development. Mr. Kheny is on the board of several reputable companies, some of which are listed on the Bombay Stock Exchange.

Sugandha Hiremath has more than 35 years of experience in the financial industry. She is an active participant in the Audit Committee at Hikal and also serves as an independent director on the board of several companies.



Dr. Wolfgang Welter



Dr. Axel Kleemann



Amit Kalyani

Dr. Wolfgang Welter has over 38 years of experience in the crop protection and fine chemicals industries. Prior to retirement, Dr. Welter was a board member responsible for industrial operations and quality, health, safety, environment at Bayer CropScience AG for six years. He has in-depth experience in manufacturing operations at Aventis CropScience in France.

Dr. Axel Kleemann has in-depth knowledge and experience in research and development, production, engineering and drug safety. He was the Director of Corporate Organic Research of Degussa AG (now Evonik Industries) for over 10 years. He was appointed a member of the management board of Asta Medica AG with responsibility for research and development, production, engineering and drug safety till 2000. Besides being a board member in various organizations and scientific societies in Germany, Dr. Kleemann is Chairman of the Board of Directors of Protagen AG since 2001, and a member of advisory boards of several biotech and fine chemicals companies. He is the co-author of the standard reference book, *Pharmaceutical Substances* (5th edition and online version), as well as a member of the editorial board of *Ullmann's Encyclopedia of Industrial Chemistry*. He holds a Ph.D. in Chemistry from Goethe University, Frankfurt am Main, where he is honorary Professor of Chemistry.

Amit Kalyani is a member of the management board and Executive Director of Bharat Forge Limited (BFL), flagship company of the US\$ 2.5 billion Kalyani Group, a global technology-driven leader in metal forming. He is a key member of the company's strategic planning and global business development initiatives. He holds a Bachelor's Degree in Mechanical Engineering from Bucknell University, Pennsylvania, USA. He is also a graduate of the Owner/President Management Program at Harvard Business School.