

CELEBRATING



YEARS OF CHEMISTRY

ANNUAL REPORT 2018





On July 9th, 2018 we celebrate 30 years of Hikal. This is a significant milestone for our company. These 30 years of growth are not something we accomplished alone. A heartfelt thank you to all our past and present business partners as Hikal celebrates this milestone anniversary. Reflecting back, I remember not only the factories we have built, the products we developed but also fondly remember the people we have worked with. Hikal has been fortunate with many enduring relationships and partners, most of whom are still with us today. I'm very proud of the talent we have developed who have been a tremendous asset in providing our clients and partners with consistency, reliability and quality. Looking back, we have accomplished a lot together, looking ahead our future is bright, and I am confident we can and will certainly achieve a lot more.

**Jai Hiremath**

Founder and Chairman



Chairman's Message	4-5
Performance at a Glance	6-7
Board of Directors	8-11
Management Committee	12-15
Scientific Advisory Board	16-17
Sustainable Growth	18-19
MDA	20-69
Corporate Information	70-71
Directors' Report	74-96
Report on Corporate Governance	97-107
Auditors' Report	108-112
Financial Statements	113-215



## CHAIRMAN'S MESSAGE

### Dear Shareholders,

2017-18 has been our best year at Hikal, a year that yielded us with record revenues and profits. Our sales grew by 26% to ₹ 13,001 million and our net profit grew by 9% to ₹ 772 million. The growth was achieved in spite of the several challenges we faced during the year, particularly in the disruption of supplies and the cost increases in raw materials originating from China.

Based on our future outlook and expected strong cashflows, the Board has recommended one bonus share for every two equity shares.

The Board has recommended a total dividend of 60%- 35% interim and a final dividend of 25% on the expanded capital after bonus issue (maintained at 60% as the previous year). In the past three years, the number of shareholders has almost tripled to about 19,000, which has increased the liquidity for our shares in the market.

Our crop protection division grew by 29% from ₹ 4,233 million to ₹ 5,473 million. This is due to the growth in sales of our existing products and owing to the introduction of our new products. We successfully commissioned a new project for a leading innovator company and this business is expected to grow. Our R&D has developed new crop protection products to be introduced in the coming years. Our biocide business showed significant growth and new products are in the pipeline.

Our pharmaceutical division grew by 23% from ₹ 6,106 million to ₹ 7,528 million, via a growth in sales of our existing products and the introduction of new products. We filed 3 DMF's and 2 CEP's.

We have been able to maintain our EBITDA margin at 19%, in spite of significant raw material cost increases, through operational excellence. Our Debt Equity Ratio has further improved to 0.91 as compared to 0.95 last year. We have brought down the overall cost of our

borrowings and are targeting to reduce this further, as we are expecting an improvement in our current credit rating of “A-”.

We have a strong focus on compliance, quality and integrity, and an excellent track record on quality audits from the regulatory authorities of various countries and leading multinational companies. We have maintained high standards of safety and environment control.

We continue to place great emphasis on our Research and Technology (R&T) and have invested 3.4% of our sales. We have expanded our R&T capabilities and manpower, and have added new technologies to our tool box. Furthermore, we have filed a number of patents during the year. Our change of business model - from being a CDMO to selling our own products which we developed in our R&T, is yielding results.

We are making significant capital expenditure in the coming year to meet the growing demand for our existing products as well as our new products. We will finance this from internal accruals and partly from bank borrowings.

I am proud to inform you that this year we complete 30 years of operations, which is a significant milestone for any organisation. Hikal has shown sustained growth in both our businesses: crop protection and pharmaceuticals over the years (See page 18-19).

I am pleased to announce that Ranjit Shahani, former Vice Chairman of Novartis India, has joined our board as an Additional Director. His vast experience will be very beneficial to our operations. Professor Axel Kleemann who served on our board for several years has decided to retire however, he will continue to be a valued member of our Scientific Advisory Board.

The outlook for the business looks promising and we are expecting to grow in a sustained manner in the coming years.

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

We look forward to a successful 2018-19.



Jai Hiremath  
Chairman and Managing Director





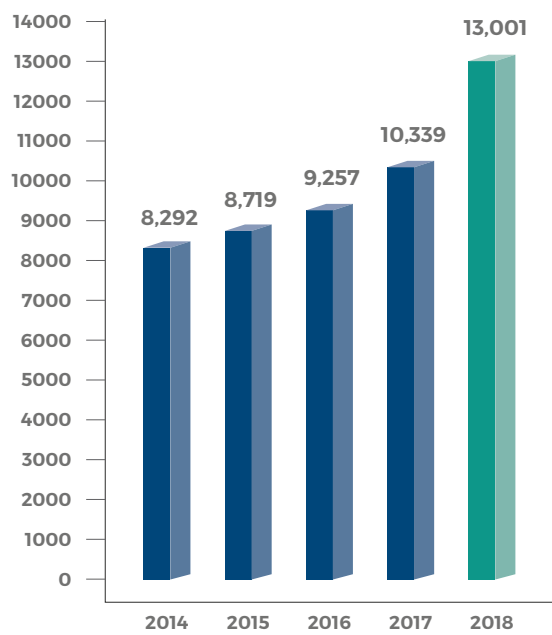
## PERFORMANCE at a GLANCE



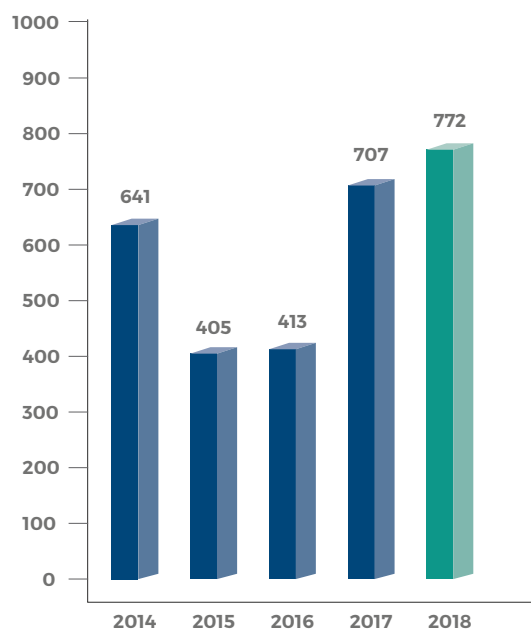
**Sameer Hiremath**

Joint Managing Director & CEO

**TURNOVER (₹ in Million )**

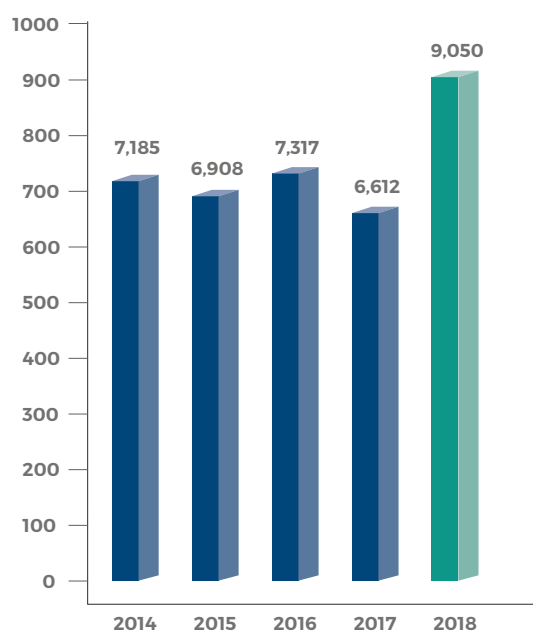
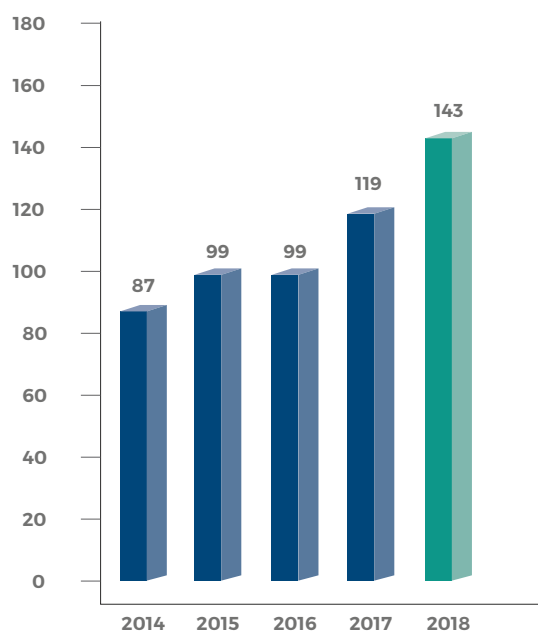


**PAT (₹ in Million )**





Financial Highlights	₹ in Million		Growth
	March 31, 2018	March 31, 2017	%
Turnover	13,001	10,339	25.74
Operating profit (PBIDT)	2,463	2,006	22.78
Finance costs	491	483	-
Gross Profit	1,972	1,523	29.48
Depreciation and amortisation expense	856	693	-
Profit after tax	772	707	9.19
Paid-up equity share capital	164	164	-
Earnings per share on face value of Rs.2/- (EPS)	9.40	8.55	-
Cash Earnings per share on face value of Rs.2/- (EPS)	19.81	16.98	-
Dividend per share (in Rs)	1.20	1.20	-
Payout (Including tax)	143	119	-

**EXPORTS (₹ in Million )**

**DIVIDEND (₹ in Million )**


## BOARD of DIRECTORS

**Jai Hiremath**, Founder and Chairman at Hikal, has over 37 years of experience in the fine chemicals and pharmaceuticals industry. Mr. Hiremath developed Hikal into one of the leading global development and manufacturing companies in its sector. A Chartered Accountant from the Institute of Chartered Accountants in England and Wales, he is a 2004 alumnus of Harvard University, USA. In 2005, he was presented the Chemtech Business Leader of the Year Award (Chemicals). In ancillary appointments, he also served as 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 recently retired from the Drug, Chemical and Associated Technologies Association (DCAT) headquartered in New Jersey, USA. He is a board member of Novartis India Ltd and of the National Safety Council (NSC) of India.

**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 Joint Managing Director and the CEO of Hikal Ltd. He oversees the day-to-day operations of the company which includes Research & Technology, Manufacturing Operations and Sales & Marketing. He has over 21 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 in Information Technology from Boston University, USA.



Jai Hiremath



Baba Kalyani



Sameer Hiremath