



HIKAL

ANNUAL REPORT 2019

EMBRACING
NEW TECHNOLOGIES

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A quality that defines a great company is how it responds to change. At Hikal, we embrace the changing world as we create, innovate and lead with technology.

As developments over the past few years have shown, we are in a time of unprecedented technological growth which shows no signs of slowing down. This has caused disruption on a global scale as the impact of new, cutting-edge technology is beginning to be seen now in every industry.

We are developing and utilizing new technologies to move aggressively and strategically to help our clients disrupt rather than be disrupted. We have been able to capture new growth opportunities in a very competitive environment.

The landscape of chemical manufacturing is changing globally. Greater emphasis is laid on leveraging sophisticated technology to improve productivity of existing plants. As part of our strategy to be a leader in technology, we are implementing Industry 4.0.

By making our manufacturing processes more cost-effective, customizing solutions for complex products and by specializing in developing innovative technologies we have been able to expand our abilities to help our customers and have delivered value for all our stakeholders.

We believe that in our journey of transformation by embracing new technologies we are creating and providing superior alternatives to existing products and services.

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CHAIRMAN'S MESSAGE

Dear Shareholders,

2018-19 was a momentous year at Hikal with the highest ever revenues and profits. Our sales grew by 22% to ₹ 15,896 million and our net profit grew by 34% to ₹ 1,031 million. This growth was achieved despite several challenges we faced during the year which included the constant disruption of supplies and the increase in cost of raw materials originating from China.

The Board has recommended a total dividend of 60% - 30% interim and a final dividend of 30% on the expanded capital after the bonus shares were issued (maintained at 60% as the previous year). In the past two years, our shareholders have more than tripled to about 30,000, which has increased the liquidity of our stock. Our Stock price appreciated 26% during the year.

Hikal's crop protection division grew by 19% from ₹ 5,473 million to ₹ 6,505 million. The growth in sales was a result of increased demand of our existing products and the launch of several new products. Our R&D has developed new crop protection products which will be introduced in the coming years. Our biocides business has shown significant growth and new products are in the pipeline.

Hikal's pharmaceutical division grew by 25% from ₹ 7,528 million to ₹ 9,391 million. The growth in the pharmaceutical business was a result of increased penetration of our product portfolio in existing and new markets combined with the launch of new products. We filed 2 new DMFs, 1 VMF and 1 CEP during the year.

Hikal's EBITDA increased by 23% and we have maintained a healthy margin of 19%, despite the significant increase in raw material costs. Our balance sheet has become stronger as our Debt Equity Ratio is now 0.83 as compared to 0.91 last year and our return on capital employed has increased from 12.9% to 15.3%. We continue to reduce the overall cost of our borrowings and are targeting to bring this down further. We received a credit rating upgrade to an 'A' and expect this to further improve this financial year.

Hikal's continued focus on developing new technologies has started to yield dividends. We continue to expand our R&T capabilities and manpower and have filed and received several process patents during the year. We are combining technology and science with a focus on creating more sustainable and efficient processes for products while reducing their environmental impact. This we believe is a key differentiator for Hikal.

Hikal's strategy focuses on sustainable growth and profitability and we are investing in opportunities where we see growth. We are in the midst of a significant capital expenditure program which will meet the growing demand of our existing products as well as our new products. We are funding this capital expenditure through our internal cash flows as well as bank borrowings.

In the past few years we have invested in developing our Human Resources to make Hikal the 'Best Employer' and a 'Great Place to Work'. We have also been working with the local communities in the areas in which we operate and have contributed to their social welfare and well-being. In recognition of all our efforts, we were conferred with several prestigious awards which include, 'National Best Employer Brands 2018', 'Significant Achievement in HR Excellence' by CII, 'ET Now CSR Leadership Award' for Best Corporate Social Responsibility Practices by the World CSR Congress and were nominated to the list of top 100 companies in India that can be called as a 'Great Place to Work'.

We are a Responsible Care® Certified company and have a strong focus on compliance, quality and integrity. Our track record of

quality audits from the regulatory authorities of various countries and leading multinational companies has been excellent. We continue to maintain high standards of safety and environmental control.

Operational excellence will be our key focus area for this year and will make us more efficient thereby improving our margins even further.

The outlook for our business looks promising in the coming years. Developing and adapting new technologies and innovation will allow Hikal to be more competitive in the fast-changing market environment.

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

We look forward to a successful 2019-20.



Jai Hiremath

Chairman and Managing Director



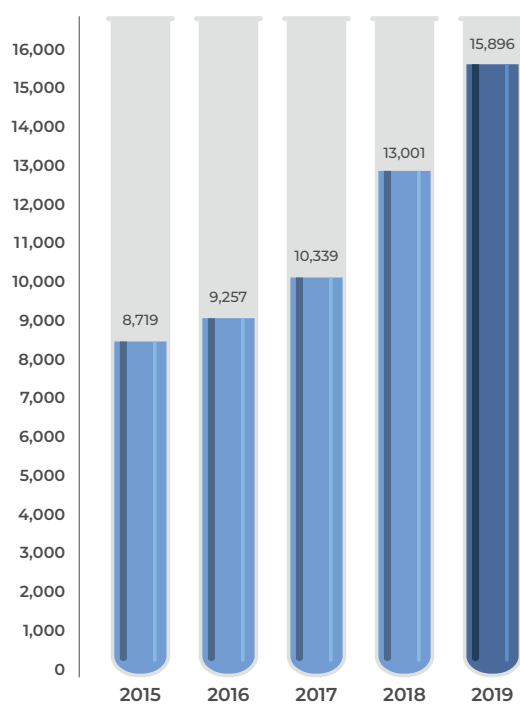
PERFORMANCE AT A GLANCE



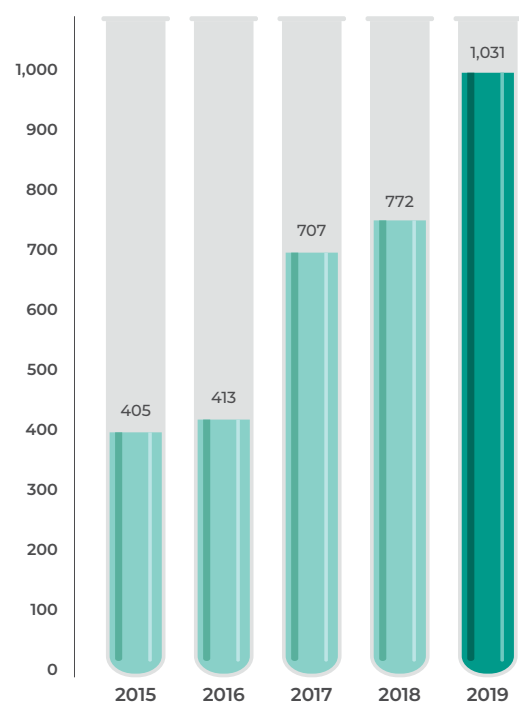
Sameer Hiremath

Joint Managing Director & CEO

TURNOVER (₹ in Million)



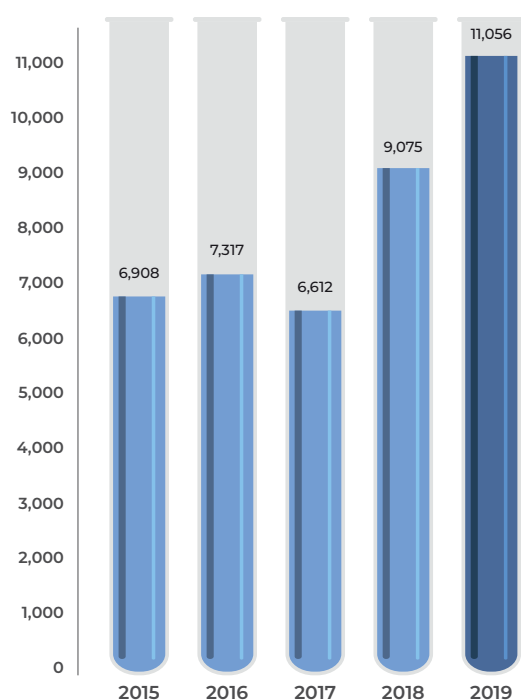
PAT (₹ in Million)



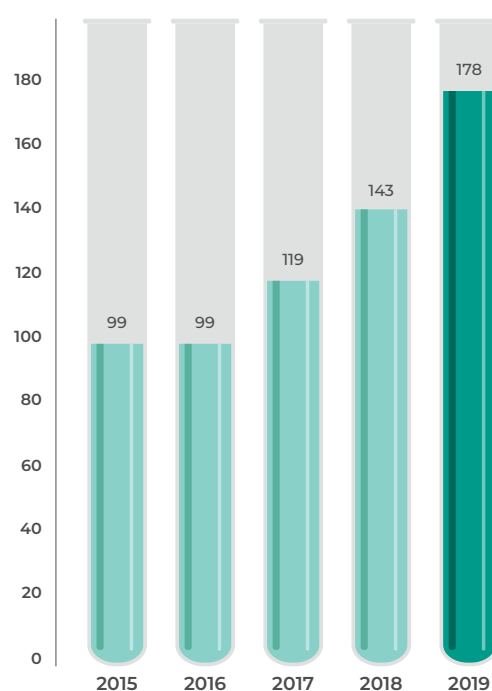
Financial Highlights	₹ in Million		
	March 31, 2019	March 31, 2018	Growth
Turnover	15,896	13,001	22 %
Operating profit (PBIDT)	2,981	2,418	23 %
Finance costs	584	491	-
Gross profit	2,397	1,927	24 %
Depreciation and amortisation expenses	929	856	-
Profit after tax	1,031	772	34 %
Paid-up equity share capital	247	164	-
Earnings per share on face value of ₹ 2/- (EPS)	8.36	6.26*	-
Cash earnings per share on face value of ₹ 2/- (EPS)	15.89	13.21	20 %
Dividend per share (in ₹)	1.20	1.20	-
Payout (Including tax)	178	143	-

*The earnings per share (EPS) have been restated to give effect of bonus shares allotted on 26 June 2018

EXPORTS (₹ in Million)



DIVIDEND (₹ in Million)



BOARD OF DIRECTORS



Jai Hiremath is the Founder and Chairman of Hikal and has over 38 years of experience in the fine chemicals and pharmaceuticals industry. Mr. Hiremath 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 across global forums and in 2005, he was presented the 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 served as a board member at the Drug, Chemical and Associated Technologies Association (DCAT) headquartered in New Jersey, USA. He is a board member of Novartis India Ltd.



Baba Kalyani is the Chairman and MD of Bharat Forge Ltd., the flagship company of the USD 2.5 bn Kalyani Group. He received his B.E. (Hons) in Mechanical Engineering from the prestigious Birla Institute of Technology & Science, Pilani and subsequently, earned his Master of Science in 1972 from the Massachusetts Institute of Technology, Boston,

USA. Mr. Kalyani has been conferred with the highest civilian awards from many countries which include, Padma Bhushan by the Government of India, Cross of the Order of Merit (Germany), Commander First Class of the Royal Order of the Polar Star (Sweden), Knight in the Order of the Legion of Honour (France). The Prime Minister of India also nominated Baba Kalyani as the Co-Chairman of the India-Japan Business Leaders' Forum in the year 2013 and as the Co-Chairman of India-Sweden Business Leaders' Roundtable in the year 2016. Mr. Kalyani is also an active member of the US-India CEO's Forum, Indo-French CEO's Forum, Indo-UK CEO's Forum and India-Israel CEO's Forum. Mr. Kalyani in 2018 has also been appointed as a Member on the Prime Minister's Science Technology and Innovation Advisory Council.



Sameer Hiremath is the Joint Managing Director and 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 22 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. Sameer was recently conferred the 'Business Leader of the Year' award by the World Federation of Marketing Professionals and World Federation of Human Resources Professionals in association with Business Television India.