



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

