

## Directors' Report

To,

The Members,

The Directors are pleased to present the 33<sup>rd</sup> Annual Report with the Audited Accounts for the financial year ended 31 March 2021.

### 1. FINANCIAL RESULTS

₹ in million

	2020-21	2019-20
Turnover	17,254	15,110
Profit before interest & depreciation	3,278	2,769
Interest	362	524
Profit before depreciation	2,916	2,245
Depreciation	852	825
Profit before taxation before exceptional item	2,064	1,420
Exceptional item	-	154
Profit before taxation after exceptional item	2,064	1,266
Provision for taxation		
- Current tax	796	347
- Deferred tax liability/(assets)	(63)	75
Profit after tax	1,331	844
Reserves and surplus	9,088	7,919
Dividend on equity share	148	197
Tax on dividend	-	41

### 2. COMPANY PERFORMANCE

The Company achieved revenue of ₹ 17,254 million in FY 2020-21, 14.19% higher than that of ₹ 15,110 million in the previous year. The sales of the pharmaceutical business recorded a growth by 19.48% to ₹ 10,596 million, while the sales of the Crop Protection saw a growth by 6.51% to ₹ 6,608 million.

The EBITDA margins stood at around 19%, growing in line with the turnover from ₹ 2,769 million in the previous year to ₹ 3,278 million in FY 2020-21. Absolute EBITDA also increased by 18% amounting to ₹ 509 million. The Profit before Tax (PBT) went up by 63% from ₹ 1,266 million in the previous year to ₹ 2,064 million in FY 2020-21. Profit after Tax (PAT) witnessed a growth of 58% from ₹ 844 million in the previous year to ₹ 1,331 million in FY 2020-21. The Earning per Share (EPS) also increased from ₹ 6.85 in the previous year to ₹ 10.80 in FY 2020-21.

The free cash generated by the Company out of operations is healthy and growing in line with the turnover. The Company is incurring substantial capital expenditure for growth in the Pharmaceutical and Crop Protection businesses to augment capacities for existing products and to create capacities for new products, as well as investments in Research & Technology.

The Company has prudently been funding the growth Capex with a mix between internal accruals and long-term loans. In doing so, the Company ensures that it maintains a healthy liquidity position and that its financial gearing and debt service coverage are at comfortable levels.

The Current Ratio of the Company is at a healthy 1.17 for FY 2020-21, as against 1.14 in the previous year. The Debt to Equity Ratio improved from 0.71 in the previous year to 0.61 in FY 2020-21, while the Debt Service Coverage Ratio (DSCR) strengthened from 1.61 in the previous year to 1.94 in FY 2020-21.

ICRA reaffirmed the Long-Term Rating of the Company during the FY 2020-21 as "A" with a positive outlook, while the Short-Term Rating was also reaffirmed as A1. The rating reflects the comfortable liquidity position and the overall strong financial health of the Company.

### 3. EXPORTS

Exports for the year 2020-21 were ₹ 11,822.62 million (69% of total sales) as compared to ₹ 11,089 million (74% of total sales) in the previous year. We diversified our customer base, which included more local customers who, in turn, re-exported our manufactured products.

### 4. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis on the Company's operations is provided in a separate section and forms a part of this Annual Report.

### 5. BUSINESS RESPONSIBILITY REPORT

The Company's Business Responsibility Report, in terms of Regulation 34 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, (Listing Regulations), is provided in a separate section and forms a part of this Annual Report.

### 6. DIVIDEND

The Board declared an interim dividend of 50% (previous year: 50%), which was paid to shareholders in March 2021, and recommended a final dividend of 50% (previous year: 10%) for the year 2020-21. If approved by the shareholders, the dividend for the financial year 2020-21 shall aggregate to 100% (previous year: 60%).

### 7. SHARE CAPITAL

There has been no change in the Company's paid-up share capital during the current financial year. The paid-up equity share capital as on 31 March 2021, stood at ₹ 246.6 million. During the year under review, the Company did not issue shares with differential voting rights nor granted any stock options or sweat equity. As on 31 March 2021, none of the Company's Directors held instruments convertible into equity shares of the Company.

### 8. ANNUAL RETURN

The Annual Return of the Company, as required under Section 92 of the Companies Act, 2013, read with the Rules framed thereunder, in the prescribed Form MGT-7, will be uploaded on the website of the Company [www.hikal.com](http://www.hikal.com).

### 9. SUBSIDIARY ACCOUNTS

The Company has one subsidiary viz. Acoris Research Limited. A statement containing the salient features of the Financial Statements of the Subsidiary in the prescribed Form AOC-1, attached as "Annexure A" to this Report. The Company will provide the Financial Statements of the Subsidiary and the related information to any member of the Company who may be interested in obtaining the same. The financial statements of the subsidiary will also be available for inspection in electronic mode. Members who wish to inspect the same are requested to write to the Company by sending an email to [secretarial\\_agm@hikal.com](mailto:secretarial_agm@hikal.com). The Consolidated Financial Statements of the Company, forming part of this Annual Report, includes the Financial Statements of the Subsidiary. The Financial Statements of Subsidiary are also hosted on the website of the Company [www.hikal.com](http://www.hikal.com).

### 10. DIRECTORS

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013, and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

The Board at its meeting held on 6 May 2021, proposed the appointment of Mr. Jai Hiremath as the Executive Chairman and Mr. Sameer Hiremath as the Managing Director of the Company, along with their remuneration, effective from 1 October 2021, for the approval of the members of the Company, at the ensuing Annual General Meeting.

In accordance with the provisions of Section 152 of the Companies Act, 2013, and the Company's Articles of Association, Mrs. Sugandha Hiremath (DIN - 00062031), Director, retires by rotation at the forthcoming Annual General Meeting (AGM), and being eligible, offers herself for re-appointment. The Board has, in its meeting held on 4 February 2021, appointed Mr. Ravindra Kumar Goyal (DIN- 03050193) as an Additional Director of the Company, in the category of Independent Director for a term of three years with effect from

4 February 2021, subject to the approval of the members of the Company at the 33<sup>rd</sup> Annual General Meeting. The Board proposes appointment of Mr. Ravindra Kumar Goyal as an Independent Director of the Company for a term of three years w.e.f. 4 February 2021. In the opinion of the Board, the Independent Director appointed during the year possesses the integrity, expertise and experience (including proficiency) required to contribute to the quality and better governance of the Board processes.

During the financial year, Mr. Shivakumar Kheny resigned as an Independent Director of the Company w.e.f. 4 February 2021, due to personal reasons. The Board places on record its appreciation for his invaluable contribution and guidance during his tenure as an Independent Director.

Details of the number of Board meetings, held during 2020-21, are mentioned in the Corporate Governance Report, which forms a part of this Annual Report.

## 11. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, like composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed. In a separate meeting of Independent Directors, performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company was evaluated, taking into account the views of Executive Directors and Non-Executive Directors. The Board of Directors expressed their satisfaction with the evaluation process.

## 12. WHISTLE-BLOWER POLICY

The Company has a Whistle-Blower policy to report genuine concerns or grievances. The Whistle-Blower Policy is posted on the Company's website [www.hikal.com](http://www.hikal.com).

## 13. REMUNERATION AND NOMINATION POLICY

The Company has a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel, and Senior Management of the Company. The Remuneration and Nomination Policy of the Company is attached as "Annexure B" to this Report. This policy also lays down criteria for selection and appointment of Board members. The details of this policy are explained in the Corporate Governance Report and uploaded on the Company's website [www.hikal.com](http://www.hikal.com).

## 14. RELATED PARTY TRANSACTIONS

All related party transactions, entered during the financial year, were at an arm's length basis and in the ordinary course of business. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the Company's interest at large.

All related party transactions were placed before the Audit Committee and also the Board for approval.

The policy on Related Party Transactions, as approved by the Board, is uploaded on the Company's website [www.hikal.com](http://www.hikal.com).

## 15. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There were no significant and material orders passed by the regulators/courts that could impact the going concern status of the Company and its future operations.

## 16. RISK MANAGEMENT

The Company has a robust business risk management framework in place to identify and evaluate all business risks. The Company recognises risk management as a crucial aspect of the Company's management and is aware that identification and management of risk effectively is instrumental to achieving its corporate objectives.

The Company has identified the business risks, and the business heads, who are termed as risk owners, to assess, monitor and manage these risks on an ongoing basis. The risk owners assess the identified risks and continually identify any new risks that can affect the business. Different risks such as technological, operational, maintenance of quality, reputational, competition, environmental, foreign exchange, financial, human resource, and legal compliances, among others, are assessed on a continuous basis. The Risk

Management Committee and Audit Committee review and submit to the Board of Directors their findings in the form of risk register at regular intervals. At the Board meetings, the members have a detailed discussion to assess each risk and the measures that are in place to lower them to acceptable limits.

The strategies are reviewed, discussed and allocation of appropriate resources is done as and when necessary. The risk management program, internal control systems and processes are monitored and updated on an ongoing basis. A built-up mechanism has been established to identify, measure, control, monitor and report the risks. Business heads are responsible for rolling out the risk assessment and management plan within the organisation.

## 17. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of the internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiary. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby, strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee.

The Audit Committee actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen them. The Company has a robust management information system, which is an integral part of the control mechanism.

During the year, a thorough audit of the internal financial controls was carried out by an independent firm of chartered accountants.

## 18. KEY MANAGERIAL PERSONNEL

During the financial year Mr. Sham Wahalekar retired from the position of Company Secretary and Compliance Officer of the Company w.e.f. 5 August 2020, and from the position of the Chief Financial Officer of the Company w.e.f. 5 November 2020. Mr. Rajasekhar Reddy was appointed as the Company Secretary and Compliance Officer of the Company w.e.f. 5 August 2020, and Mr. Kuldeep Jain was appointed as the Chief Financial Officer of the Company w.e.f. 5 November 2020.

Pursuant to the provisions of Section 203 of the Act, following were the Key Managerial Personnel of the Company as on 31 March 2021:

Mr. Jai Hiremath, Chairman & Managing Director

Mr. Sameer Hiremath, Joint Managing Director & CEO (Whole-time Director)

Mr. Kuldeep Jain, Chief Financial Officer

Mr. Rajasekhar Reddy, Company Secretary

## 19. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS BY THE COMPANY

The details under Section 186 of the Companies Act, 2013, are given in the Note No. 52 to the notes to the financial statements.

## 20. DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors state that:

- (i) In the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule III to the Companies Act, 2013, (the Act), were followed and there are no material departures from the same;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31 March 2021, and of the profit of the Company for that year;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) The annual accounts have been prepared on a going concern basis;
- (v) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) The Directors have devised a proper system to ensure compliance with the provision of all applicable laws and that such systems are adequate and are operating effectively.

## 21. AUDITOR

At the 31<sup>st</sup> Annual General Meeting held on 1 August 2019, S R B C & CO LLP, Chartered Accountants, Mumbai, (FRN: 324982E/E300003), were appointed as the Statutory Auditors of the Company to hold office from the conclusion of 31<sup>st</sup> Annual General Meeting of the Company till the conclusion of the 36<sup>th</sup> Annual General Meeting to be held in the year 2024.

The Auditor's report prepared by S R B C & CO. LLP, to the members on the accounts of the Company for the year ended 31 March 2021, does not contain any qualifications, adverse or disclaimer remarks. No fraud has been reported by the Auditors to the Audit Committee or the Board.

## 22. COST AUDITOR

The Company has re-appointed M/s. V. J. Talati & Co., as the Cost Auditor to carry out the audit of cost accounts for the financial year 2021-22. The requisite resolution for ratification, of remuneration payable to Cost Auditors for the year 2021-22, by the shareholders has been set out in the Notice of AGM. The cost audit report for the financial year 2019-20 was filed with the Ministry of Corporate Affairs, Government of India, on 31 August 2020.

## 23. SECRETARIAL AUDITOR

The Board has appointed M/s. Ashish Bhatt & Associates, Practicing Company Secretaries, to conduct the Secretarial Audit for the financial year 2020-21.

The Secretarial Audit Report for the financial year ended 31 March 2021, is annexed to this report as "Annexure C". The Secretarial Audit Report does not contain any qualifications, reservations, or adverse remarks.

## 24. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website [www.hikal.com](http://www.hikal.com).

### Policy Statement:

As a socially responsible corporate member of the world community with long-term relationships, we believe that the future of our business is best served by respecting the interests of society at large. Through our efforts, we shall strive to improve the living standards of the community. Our CSR activities shall aim to make a difference to the lives of the needy, underprivileged members of society, including children, women and senior citizens, and the environment.

The key philosophy of all CSR initiatives of the Company is guided by three core commitments of scale, impact and sustainability. The Company has identified six focus areas of engagement which are as under:

- Health: Affordable solutions for healthcare through improved access, awareness and sanitation
- Education: Access to quality education, training, skill enhancement, enhancement of vocation skills
- Environment: Environmental sustainability, ecological balance, conservation of natural resources
- Protection of national heritage, art and culture: Protection and promotion of traditional art, culture and heritage
- Overall development activities in surrounding areas of Hikal's manufacturing sites for the benefit of society
- Contribution to Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development or welfare

## Implementation of the CSR Program:

1. Project activities identified under CSR are to be implemented either by personnel of the Company or through a registered trust or a registered society.
2. The duration of each project/program shall depend on its nature and intended impact.

The Company will also undertake other need-based initiatives in compliance with Schedule VII of the Act. During the year, the Company has spent ₹26.88 million on CSR activities. Pursuant to the provisions of the Companies Act, 2013, the Company should have spent ₹ 25.81 million (being 2% of the average net profits of the last three financial years), during the financial year 2020-21.

The Annual Report on CSR activities is annexed herewith marked as “Annexure D”.

## 25. PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

Pursuant to the provisions of the Prevention of Sexual Harassment of Women at Workplace (prevention, prohibition and redressal) Act, 2013, (“POSH Act”), the Company adopted a ‘Policy on Appropriate Social Conduct at Workplace’. The policy is applicable for all employees of the organisation, which includes corporate office and manufacturing units, among others. The policy is applicable to non-employees as well, i.e. business associates, vendors, and trainees, among others.

A Complaints Committee has also been set up to redress complaints received on sexual harassment as well as other forms of verbal, physical, written or visual harassment.

During the financial year under review, the Company did not receive any complaints of sexual harassment and no cases were filed under the POSH Act.

## 26. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND (“IEPF”)

- Transfer of Unclaimed Dividend to IEPF

During the year under review, dividend amounting to ₹ 154,375/- that had not been claimed by the shareholders for the year ended 31 March, 2013, was transferred to the credit of IEPF as required under Sections 124 and 125 of the Act.

- Unclaimed dividend as on March 31, 2021

The Shareholders are requested to lodge their claims with the Registrar and Share Transfer Agents of the Company i.e. Universal Capital Securities Pvt. Ltd., for unclaimed dividend.

Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31 March, 2020, on the website of the Company [www.hikal.com](http://www.hikal.com). The same are also available on the website of the IEPF Authority [www.iepf.gov.in](http://www.iepf.gov.in).

- Transfer of Equity Shares

As required under Section 124 of the Act, during the financial year 14381 Equity Shares, in respect of which dividend has not been claimed by the members for seven consecutive years or more, were transferred by the Company to the IEPF Authority. Details of such shares transferred have been uploaded on the website of the Company [www.hikal.com](http://www.hikal.com). The same are also available on the website of the IEPF Authority [www.iepf.gov.in](http://www.iepf.gov.in).

## 27. SAFETY AND ENVIRONMENT

The Company continued to maintain the highest standards in environment, health and safety. The Company has become the first Indian life sciences company to receive the Responsible Care certification. It is applicable to all manufacturing and research sites of the Company. Continuous training and awareness programs for the employees are undertaken on a frequent basis.

## 28. DEPOSITS

The Company did not accept any deposits and as such there were no overdue deposits outstanding as on 31 March 2021.

**29. EMPLOYEES**

The Company considers its human capital as an invaluable asset. The Company continued to have cordial relationships with all its employees. Management and employee development programs and exercises were conducted at all sites. Employees had various team building exercises and were sponsored for various external seminars and other developmental programs to enhance their skill sets. The total workforce of the Company stood at 2,308 as on 31 March 2021, including 1,528 permanent employees.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms a part of this Report. Further, the Report and the financial statements are being sent to the members, excluding the aforesaid statement. In terms of Section 136 of the Companies Act, 2013, the said statement is open for inspection. Any member interested in obtaining such particulars may write to the Company Secretary at [secretarial\\_agm@hikal.com](mailto:secretarial_agm@hikal.com).

**30. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

In accordance with the requirements of Section 134(3)(m) of the Companies Act, 2013, read with rule 8(3) of the Companies (Accounts) Rules, 2014, a statement showing particulars with respect to Conservation of Energy, Technology Absorption and Foreign Earnings and Outgo, forming a part of the Directors' Report, is given in the enclosed "Annexure E" which forms a part of this Report.

**31. CORPORATE GOVERNANCE**

A report on Corporate Governance, along with a certificate from the Auditors of the Company, regarding the compliance of the requirements of Corporate Governance, as stipulated under the provisions of Regulation 34 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, is annexed to this Annual Report.

**32. SECRETARIAL STANDARDS**

The Company has complied with the applicable Secretarial Standards, issued by the Institute of Company Secretaries of India, during the Financial Year 2020-21.

**33. ACKNOWLEDGEMENTS**

The Board of Directors place on record their appreciation of the contribution and sincere support extended to the Company by our bankers, financial institutions and valued customers and suppliers.

The Board also places on record its appreciation for the impeccable service and generous efforts rendered by its employees at all levels, across the Board, towards the overall growth and success of the Company.

**34. CAUTIONARY STATEMENT**

Statements in the Board's Report and the Management Discussion and Analysis describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in Government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

For and on behalf of the Board of Directors

**Sd/-**

**Jai Hiremath**

Chairman & Managing Director

DIN: 00062203

Date: 6 May 2021

Place: Mumbai