

Ladies and Gentlemen,

I extend a warm welcome to you all for the 21st Annual General Meeting of your company. At the outset, I would like to thank you for sparing your time to attend this meeting. I am sure; you all must have received the Annual report, Director's report along with the Audited accounts for the year ending March 31, 2009 and had the opportunity to study it.

Opportunities

The Indian economy during the financial year 2007-08 registered a GDP of 9%. That growth slowed to **6.7% in 2008' 09** due to the global financial crisis. Whilst India was affected by the slowdown in the world economy, it fared better than some of its Western counterparts. Indian stock markets have taken a hit and so have the growing service and manufacturing sector.

However, India's economic success is not entirely dependent on growth in the West, and at worst India will witness a slower growth rate.

2008-09 saw many global chemical companies, either filing for bankruptcy or being bought out by their competitors. To name a few, giants such as Lyondell Bassell filed for Chapter 11 in the chemicals sector and Ranbaxy was bought by Daiichi Sankyo in the pharmaceuticals sector.

India continues to gain a foothold in outsourcing for both the manufacturing and services sector. The global Life Sciences manufacturing outsourcing opportunity is estimated at over US \$20 billion and is expected grow rapidly over the next few years.

The availability of world class facilities and quality products at competitive prices continues to drive the potential for companies such as Hikal in the contract manufacturing and research space.

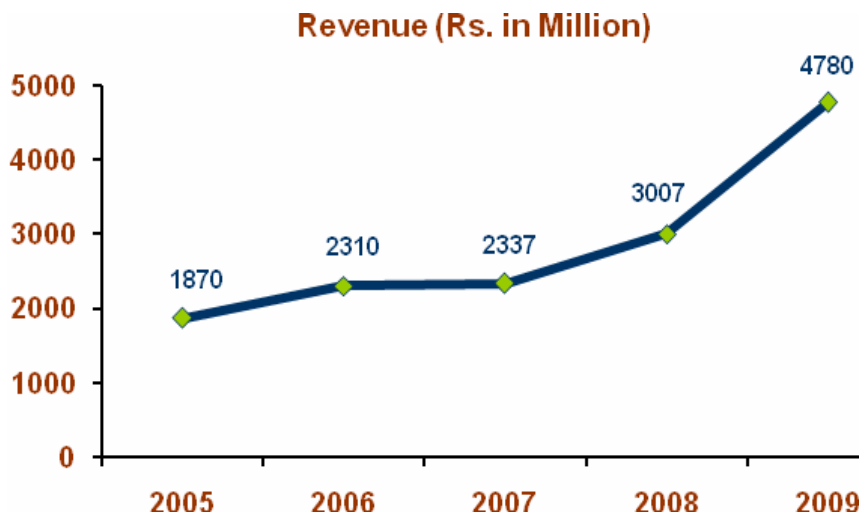
Beset by rising R&D costs, reducing margins and a decreasing number of drug approvals, Western pharmaceutical and agrochemical companies are facing a crisis that calls for effective solutions in order to secure long-term profitability. This is an opportunity for Indian contract manufacturing companies. India is emerging as an increasingly attractive R&D and manufacturing outsourcing destination for foreign pharmaceutical / crop protection companies.

2008 saw the crop protection industry enjoy a healthy growth level. Much of this growth can be attributed to the high commodity prices. It is forecast that these levels of growth will not continue into 2009. However, that being said, Hikal is clearly well positioned as a contract manufacturer to take advantage of increased outsourcing opportunities from multinational companies who are faced with pricing pressures.

There are some concerns going forward, such as the volatility of the Indian rupee and the effects of the ongoing financial crisis. Severe Inventory corrections and destocking by the multinational innovator companies will result in lower offtake by customers. While interest costs have come down, liquidity still remains an issue as the western economies are still facing a recession. The next six to twelve months will be a tough environment for most Indian companies, after which we believe the economic situation will improve.

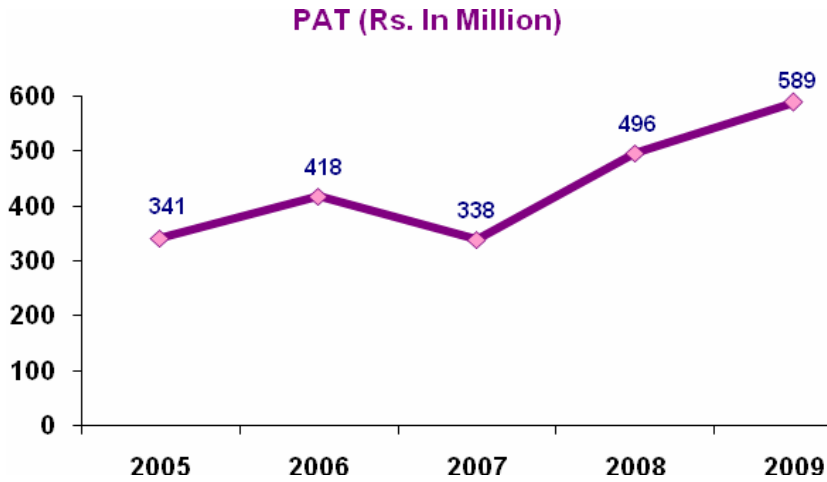
Performance

The year 2008 - 09 has witnessed substantial growth with turnover increase to Rs. 478 crore from Rs. 301 crore in the previous year, an **increase of 59%** (Please see Turnover graph)



The net profit “**before exceptional items**” for the year was Rs. 87 crore compared to **Rs. 42** crore in the previous year and increase **of 107%**. This was mainly due to substantial increase in the Pharma business. Profit after tax increased to Rs. 59 crore from Rs 50 crore the previous year, a growth of 19%.

(Please see Profit after tax graph).



The increase in turnover is mainly attributable to the Pharmaceuticals business, which registered a whopping 83% growth over the previous year. This growth was a result of additional requirements of existing products from our customers. Our expansion in capacities at our USFDA site in Bangalore enabled us to support the increased customer requirements of our existing products.

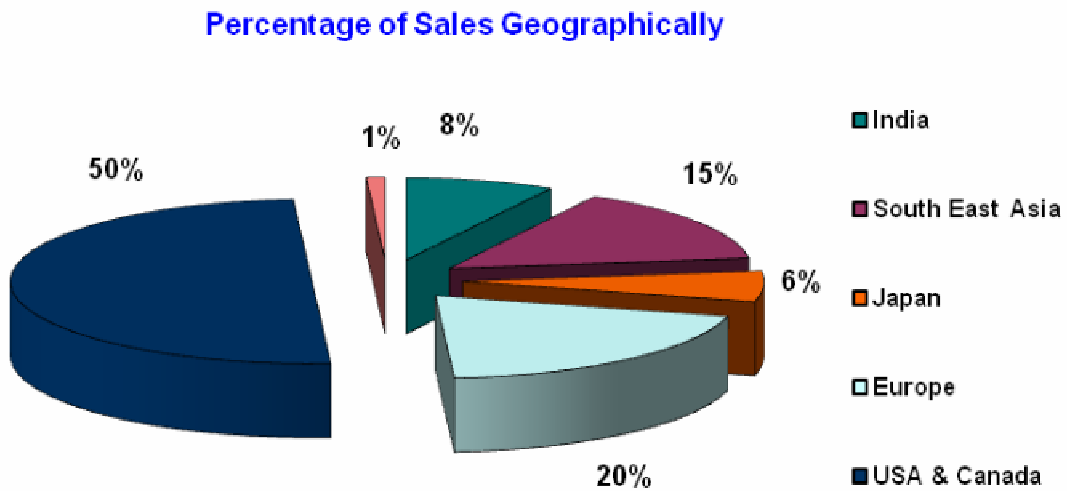
Exports

Our exports for the year were Rs. 439 crore as against Rs. 246 crore in the previous year. A growth of 79 %. (Please see Exports graph).



92% of the company’s total turnover is from exports of which 50% is to the US market and 20% to Europe. Japan is growing market for Hikal which currently accounts for 6% of the total exports.

(Please see the geographic sales graph)



The company has completed its significant investment in new plants and the expansion of its existing facilities to cater to the increase in demand in both divisions.

Foreign Exchange

The “exceptional item” includes a foreign exchange “loss” of Rupees 26 crore, compared to an “income” of Rupees 10 crore last year. The foreign exchange loss is mainly on account of expiring options contracts during the year. The company had taken foreign exchange cover accounting for approximately 30-40 percent of its annual exports at approximately Rs. 42 / \$ when the rupee was Rs 39 / \$. Unfortunately, the Rupee depreciated to Rs 51 against all forecasts by bankers. The company has adequate long term supply contracts and orders in hand which will cover the exposure that may arise from mark to market losses.

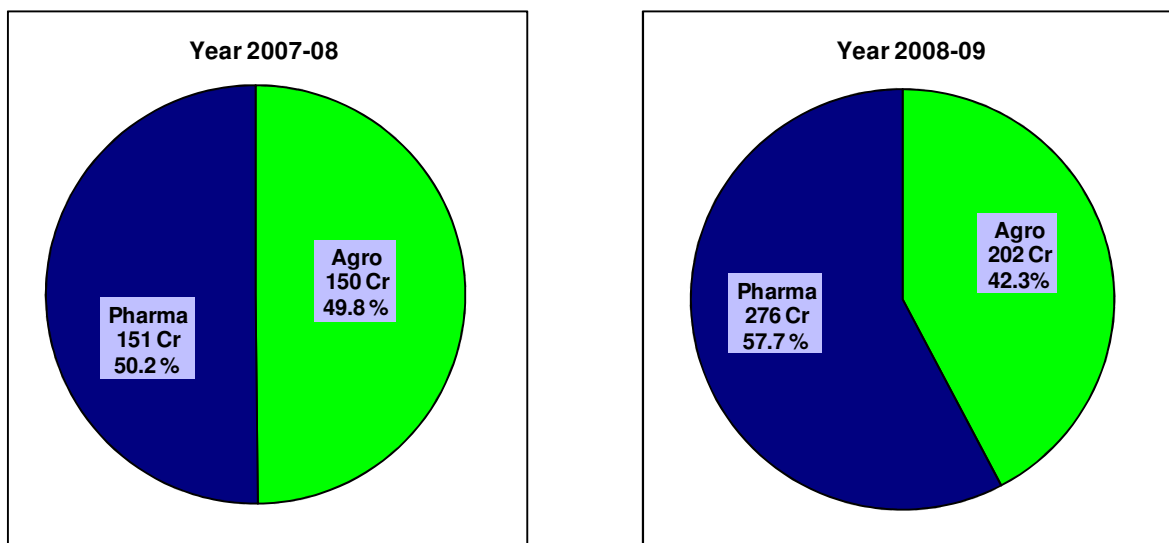
Dividend

Hikal has indeed generated good profits and positive cash flows for the year 2008 '09. According to the new Accounting Standards (AS11) Hikal needs to provide for the full future “mark to market” unrealized / notional losses from its foreign exchange contracts spread over 3 years. Accounting standards do not allow the company to pay dividend if the losses are not provided fully. We expect this years profit to be adequate to cover the mark to market losses and should the rupee not depreciate further, we will be in a position to declare a dividend.

Segment Sales

We have continued to outperform on growth as well as profitability. Our investments in increased capacity and business development efforts are translating into higher revenues. We are focusing on improving profitability by sweating our assets and improving capacity utilization as well as driving growth from our higher margin facilities. At the same time, the long-term nature of our contracts has kept our company in good stead.

(Please see Business split graph)



SEGMENT SALES

Operations

As far as Hikals' operations are concerned, let me first brief you about our Pharmaceuticals business.

Pharmaceuticals

For the year 2008-09, the revenues of the Pharmaceutical division stood at Rs. 276 crore as compared to Rs. 151 crore in the previous year; thereby registering a growth of 83%.

(Please see the pharmaceutical turnover graph)



We attribute this growth to the increase in demand for our products by our API customers. The long-term supply agreements signed with Pfizer and Alparma yielded a higher turnover due to additional requirements by these customers.

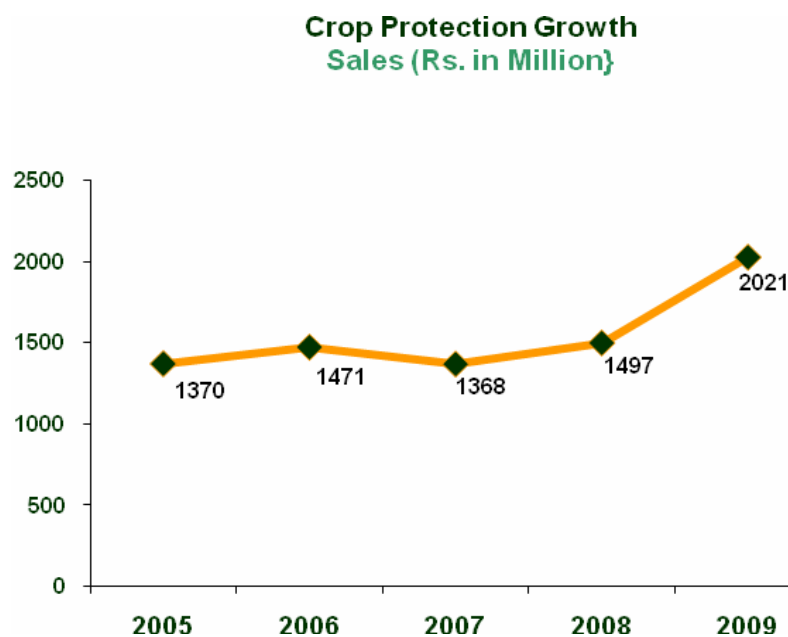
This was made possible through our capacity expansion that we completed at our US FDA approved site in Bangalore over the last 18 months.

We plan to file 3-4 new US DMF's for new products this year.

Crop Protection

For the year 2008-09, the revenues of the Crop Protection division stood at Rs. 202 crore as compared to Rs. 150 crore in the previous year; registering a growth of 35%. The company continues the process of rationalizing its product portfolio on an ongoing basis by eliminating products with lower contribution margins and replacing them with higher margin products.

(Please see the crop protection turnover graph)



Hikal has commenced the commercial manufacture of an on patent molecule for a leading multinational company. This is a major achievement for the company as a leading contract manufacturer for global innovator companies.

Marsing & Co. A/s

The global monetary crisis in Europe took its toll on our subsidiary Marsing & Co. We took a decision to shut down the operations of Marsing. The deteriorating business conditions caused by the unprecedented financial crisis were a major area of concern. Banks in Europe were strapped for funds which led to an impossible situation of effectively managing the cash flows of the company. In turn, customers of the company were delaying or defaulting on payments which ultimately resulted in the decision to close down the business. We have written off our investment of Rs. 65 crore in 2008-09.

As per the scheme of amalgamation sanctioned by the Bombay High Court this item has been debited to P&L and an equivalent amount has been deducted from general reserve.

Research and Development

Hikal has always had a strong focus on Research and Development. Hikal decided to expand its outsourcing services to chemical R&D offerings for the industry by setting up Acoris Research Limited as an exclusive dedicated R&D unit. Acoris has been operational since January of 2009. The combination of innovative route development for target molecules and ability to provide experimental quantities of Acoris combined with the proven large-scale manufacturing capabilities of Hikal is an attractive proposition for multinational companies looking to outsource.

India, with its vast talent pool, track record in technology and international regulatory compliance makes it a preferred destination for capturing a significant proportion of this business opportunity. In this respect, Acoris is

well positioned to offer services in contract R&D having the capabilities of Western R&D facilities with an Indian cost structure.

Environment, Health and Safety

Hikal is committed towards the safety and health of its employees, the community and the environment. Its intention and goal is conveyed to each employee through a well defined Corporate Environment Health and Safety (EHS) policy. All the four manufacturing sites are certified for ISO 14001 for environmental standards and OHSAS 18001 for Safety & Health.

We have set up a zero discharge waste water treatment facility at our USFDA site in Bangalore where all our waste water is being recycled thereby consuming less natural resources. Our solvent recovery unit in Bangalore reduces the environmental damage by re-using spent solvents in our processes.

Each operating unit is responsible for conducting its business in a manner consistent with Hikal's Corporate EHS policy. Hikal's adherence to high standards of Environment Health & Safety has been recognized by our customers who have similar standards and requirements. We continue to invest in the latest technologies to reduce the environmental footprint of the company.

Way forward

Our business model of supplying end to end solutions which include research along with manufacturing to our customers has been successful. We have incorporated several of our service offerings spanning across the entire

agrochemical and pharmaceutical research and development process. The ability to partner with a single provider of pharmaceutical research and development services from early stage research through commercial production is of significant benefit to our customers. We continue to work on process efficiencies. We believe these measures will help the Company maintain its competitive edge during the current challenging economic environment.

The outlook for the coming years is encouraging.

Mr. Sameer Hiremath will present last quarters results which shows that the growth in turnover and profit continues.

Corporate Governance

I would like to emphasize once again that we are committed to good Corporate Governance. You will notice from the Balance Sheet that we have further improved the quality of disclosures to our stakeholders. Our endeavor will be to convey as much information as we can, keeping in mind the confidentiality agreements with our multinational partners.

Before I conclude, I would like to thank our stakeholders, our employees, customers, bankers & investors without whose support we would not have been where we are. I would like to especially thank the Hikal Management and its employees for their dedication and efforts, and I am sure they will continue to do so, in the challenging years ahead.

Lastly, I would like to thank you all - the shareholders of Hikal for the confidence you have placed in the Board of Directors and I look forward to your continued support in the coming years for the growth and progress of your company.

Thank you

Jai Hiremath

Vice Chairman