

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategy

Strategic
Pillars**Capitalising on
Strengths**

We, at Hikal, have charted strategic pillars, which take advantage of our growth engines, to enable value creation and achieve our growth targets. These strategic pillars are based upon maintaining our competitive advantage in the market, and expanding them.



SP1: ESG



Our pillar of ESG relies upon increasing our natural capital, social and relationship capital in an efficient governance structure. This leads to alignment of our well-being with the collective good.

[Read more on 66](#)

SP2: Compliance



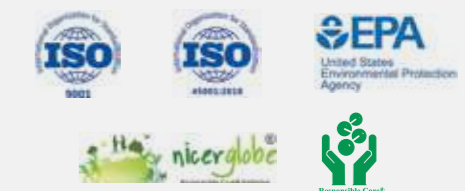
We, at Hikal, understand the importance of regulations and strive to ensure we do business safely and responsibly. Our compliance relies on our commitment to green chemistry and green engineering.

Competitive Advantage

Our production plants are compliant with international agencies like the USFDA, PMDA, EU and other global agencies.

How we use it:

- We use it to maintain business sustainability
- We use it to align our interests with collective well-being

Key Regulatory Approvals**Key Pharma Regulatory Approvals****Integrated Management Systems
across all sites**

MANAGEMENT DISCUSSION AND ANALYSIS

SP3: Customer Centricity



Our business strategy relies on creating a unique value proposition for our customers. We strive to provide cost-effective quality products, manufacture them with excellence using our technical capabilities, improve our downstream supply considerations, and ensure we satisfy the highest ethical standards.

 **Competitive advantage**

Our customer orientation relies on our commitment to being a reliable partner for our customers

 **How we use it**

- We use it to deepen our relationships and provide better products
- We use it to maintain long-term relationships with our clients

 **Initiatives undertaken**
Key account management (KAM) systems

This year, we have further integrated KAM into our business to develop deeper strategic relationships. As part of our KAM, we have:

- Started to integrate customer feedback and insights into our business, to make the customer a key focus point
- Started to manage our customer's journey by defining account maps internally
- Integrated a mechanism for real-time issue resolution

SP4: Research and Technology



Our aim is to harness science and technology to create world-class, sustainable products and solutions for customers, and enhance productivity of our sites and profitability of our businesses.

We are investing in captive production for greater cost efficiencies. We are also expanding capacities and investing in new laboratories, lab equipment to deliver new cutting-edge products.

 **Competitive advantage**

Our R&T capabilities rely on our Company's culture of innovation, research, and collaboration and our research facilities

 **How we use it**

- We use it to diversify our product portfolio, by entering niche products
- We use it to imbibe a culture of innovation

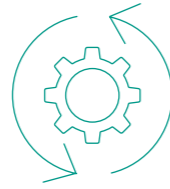
 **Initiatives undertaken**
We enhanced our chemistries and technological capabilities by improving the manufactured capital around our intellectual capital

- 2 new synthetic laboratories at our R&T Centre, Pune
- The improvement in the capacity of synthetic laboratories gives us additional capacity to work with synthetic chemical compounds for our products as well as for our CDMO business
- Constructed a new Mini Plant at our R&T centre in Pune
- An additional Mini Plant gives us the ability to test the commercial scalability of a product faster and thus, take advantage of opportunities



MANAGEMENT DISCUSSION AND ANALYSIS

SP5: Manufacturing Excellence



Our pillar of manufacturing excellence relies on capacity, capability, and compliance. We remain committed to an expansion of capacity through self-funding. This year, we undertook several initiatives to ensure our existing and future capacities are used as efficiently as possible.

Competitive advantage

Our competitive advantage of manufacturing excellence relies on our large capacity and enhanced capabilities

How we use it

- We use it to provide competitive and high-quality products
- We use it to keep our costs low and throughput high

A key initiative for enhancing our capabilities is the Hikal business excellence initiative or HIBEX, which focuses on:

- Increasing throughput
- Improvement in people's efficiency
- Improvement in solvent recovery

HIBEX is an operational excellence initiative for all of our business units, which takes into account all the business functions and goals for each department.

2000+ Tonne/Year

SCALE PRODUCTION OF KEY MOLECULES

Initiatives undertaken
Capacity**Addition of:**

- A new API production block at Jigani Unit 1
- 2 APIs have been validated
- A new production block at Jigani Unit 2
- Used for production of APIs, CDMOs and intermediates

\$90 million

CAPEX FOR ASSETS

4,100 M³

CAPACITY

Capability**HIBEX:**

- Lean Six Sigma Principles
 - 120 people trained and additional 200 people to be six sigma trained by next year
- Implementation of self-managed teams (SMTs) at Unit 1, Jigani site
- 20% production increment for one pharmaceutical product facilitated by automation and efficient material handling
- Achieved 20% cost improvement across 3 generic APIs

Capability**Planned Approvals**

- Unit 2, Bangalore and Panoli, Gujarat for extension into API manufacturing
- Additional multipurpose plant at Panoli, Gujarat

SP6: Supply Chain Management



As evident from the disruptions that stemmed from the recent past, supply chain risk is substantial and a threat to profitability. Our strategic pillar of supply chain management relies on backward integrating, finding alternative sources and partnerships, localisation, and digitisation. During the year, we undertook some efforts to de-risk our business from supply chain shocks.

Competitive advantage

Our supply management strategy relies on our risk management framework

How we use it

- We use it to de-link and de-risk our production process and keep our supply reliable
- We use it to remain competitive during times of global business shocks

Initiatives undertaken
Backward Integration

- We have initiated backward integration for KSMs, and started multi-sourcing from diverse geographies to mitigate disruption

Localisation

- We have started to develop connections with local vendors to initiate and expand supply chains within India

Alternate Sources and Partnerships

- We have started partnerships with suppliers in India, Europe, Japan, and Korea for supply chain security
- New partners developed for domestic strategic sourcing

Digitised and Integrated Supply Chain

- We have started identification of weak links in our supply chain for improvement
- We have started building up inventory and building real-time network visibility

CASE STUDY

Reducing our Dependence on a Single Geography

An substantial portion of our supply chain risk arises because of concentration of our supply chain towards a single geography. Considering the global pharmaceutical industry, China supplies a substantial portion of KSMs, APIs and Intermediates to the rest of the world. As part of our supply chain initiatives, we have been able to reduce dependence on China for one of our key product by developing local vendors. This is how we aim to benchmark management of supply chain risk for rest of our products.

Share of Procurement from China for a Product (%)

