

Navigating Challenges, Embracing Excellence



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Dear Stakeholders,

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Financial Performance

For the financial year 2023-24, we achieved revenues of INR 17,870 Million and a net profit of INR 695 Million. Despite global macroeconomic pressures and a challenging market environment, including inventory buildup and intense price competition from China in the crop protection market, our EBITDA increased to INR 2,694 Million in 2023-24 from INR 2,625 Million in 2022-23.

In light of our performance, our Board of Directors has recommended a final dividend of 30%. Along with an interim dividend of 30% declared in February 2024, the total dividend for 2023-24 stands at 60% of face value (INR 1.2 per share).

Pharmaceutical Division

In the Pharmaceutical division, revenue remained at INR 11,002 Million in 2023-24, compared to INR 11,152 Million last year. However, EBIT improved significantly to INR 935 Million in 2023-24 from INR 650 Million in 2022-23.

Under our Active Pharmaceutical Ingredient (API), we have focused on aggressive business development that aims at boosting our sales in the next two years. This segment saw increased volume off-take due to higher demand from existing customers and expansion into new geographies. This coupled with stabilised raw material prices, enhanced our margin profile.

The Contract Development and Manufacturing Organisation (CDMO) segment received numerous Request for Proposals (RFPs) from global innovators and emerging pharmaceuticals, with multiple products in the advance stages of discussion. We have a robust pipeline of early to mid-phase projects showing promising prospects with two novel chemical entities (NCEs) in phase 3 clinical trials and two products at the production stage in the food ingredient segment.

We have achieved a 20% cost improvement across three generic APIs. Our API facility in Panoli, Gujarat, successfully passed a US FDA audit in 2023-24 with 'No Action Indicated' (NAI), also known as 'Zero 483' observations. This result highlights our commitment

20%

**COST IMPROVEMENT ACROSS
THREE GENERIC APIS**

to regulatory compliance. These achievements highlight our strategic focus and resilience in a competitive market.

Crop Protection Division

Our Crop Protection division revenue stood at INR 6,844 Million and EBIT stood at INR 743 Million in 2023-24. The global crop protection industry faced significant challenges, including subdued demand due to inventory buildup and intense price competition due to over capacities. We remain optimistic about market stabilisation towards the end of the calendar year 2024, with recovery expected to begin thereafter.

We are committed to seizing new opportunities and reinforcing our position with global innovator companies. Through de-risking and optimising our supply chain, we are enhancing operational efficiencies. These efforts guarantee a reliable supply of essential raw materials and help maintain stable pricing.

By implementing comprehensive HIKAL business excellence (HIBEX) initiatives, we are fortifying our operations, reducing costs, and improving our capacity to meet customer demands efficiently and consistently.



Project Pinnacle 1.0 unlocked momentum in the supply chain, de-risking strategy, developing differentiated competencies, the acquisition of new customers globally and the building of a distinctive technology platform. ”

Animal Health Division

In our Animal Health business, progress continues in developing a portfolio of products under a long-term agreement with an innovator animal health company. During the third quarter, commissioning of our new multipurpose animal health facility in Panoli, Gujarat was completed.

Validation of four products has been successfully carried out, as per schedule, with validation of several other products currently underway and scheduled for completion in the upcoming few quarters. These validation batches are the initial step toward product registration and subsequent commercialisation. This progress solidifies our positioning in meeting the growing demands of the market.

Business Transformation – Project Pinnacle

Under our strategic transformation initiative, Project Pinnacle, we have made significant strides in sustaining growth across our diverse businesses. Building on the success of Project Pinnacle 1.0 in 2022-23, we have re-aligned our business segments as growth pillars for Project Pinnacle 2.0, laying the foundation for long-term value creation.

We are taking strides towards a leadership position in ESC, evidenced by our EcoVadis bronze rating, under Project Pinnacle 1.0. We also published our first Sustainability Report along with BRSR release. Implementing a product-specific cost improvement programme,

we have secured a best-in-class cost position, and our de-risking strategy led to the development of alternate suppliers across our product portfolio, significantly reducing our dependence on China.

Project Pinnacle 1.0 unlocked momentum in the supply chain, derisking strategy, developing differentiated competencies, the acquisition of new customers globally and the building of a distinctive technology platform. Moving forward, our focus shifts to capitalising on front-end opportunities and building a robust pipeline for continued success.

Research and Technology

In our efforts to create just the right chemistry, we invested 4.5% of our sales in Research and Technology during 2023-24. During the financial year, we achieved significant milestones in the development and validation of Animal Health APIs, conducted at our state-of-the-art manufacturing facility in Panoli.

Additionally, we have expanded our regulatory footprint with multiple DMFs filed across different regions, further solidifying our presence in the pharmaceutical market. Furthermore, our ongoing investment in infrastructure, such as enhancing process safety capabilities and implementing Zero Liquid Discharge (ZLD) systems, demonstrates our commitment to innovation and environmental responsibility.

I am delighted to announce that our strategic focus centres on the backward integration of key raw materials and the development of sustainable processes, reflecting our dedication to environmental responsibility and operational efficiency. We have inaugurated an enhanced process safety lab and implemented Self-Managed Teams (SMTs) across our business verticals. This strategic move strengthens our supply chain resilience and enhances our competitiveness in the market, positioning us for sustained success in the evolving business landscape.

Creating Shared Value

We are collectively committed to excellence and the relentless pursuit of growth and innovation that serves as the cornerstone of our recent endeavours. Initiatives like 'Quality Week' and 'Safety Month' underscore our unwavering dedication to excellence across all operations, reflecting our organisational ethos. We believe that excellence is an ongoing journey of improvement ingrained in our culture, driving us to uphold the highest standards in product quality, workplace safety, and process refinement. As we strive to achieve our Pinnacle goals, excellence remains fundamental to our success, inspiring us to surpass expectations and set industry benchmarks.

Our identity as Hikalites is defined by our diligence on excellence, exemplified by our participation in prestigious global exhibitions. Moving into the second phase of the 'HIBEX Productivity Challenge', a Hikal Business Excellence initiative, I extend gratitude to all teams for their dedicated efforts and contributions to our Company.



Through our CSR initiatives under 'Srijan,' we strengthen our connection with the communities we serve and foster social development. We launched an 'Integrated Watershed Development' project in Mahad to eradicate water scarcity for 5,000 residents in the local village. We also initiated a 'Bicycle Library' project for the New English School in Taluka, Mahad, to address the commute challenges faced by students from tribal families and donated 59 bicycles to the school.

Progressing towards Sustainability

We regard ESG as a powerful differentiator for us. By prioritising our environmental responsibilities, we have set ambitious sustainability goals based on material issues and are progressing toward achieving them. We have identified critical ESG issues and implemented an ESG platform with clearly defined GHG reduction targets aligned with the Science-based Targets initiative (SBTi). Additionally, we continuously assess our ESG readiness and performance against industry standards to ensure we remain on track.

Our commitment to reducing emissions is evident in our targets: we aim to reduce Scope 1 and 2 emissions by 30% by 2027-28

compared to 2022-23 levels, with a strategy for Scope 3 emissions currently under development with a global energy management company. Moreover, we plan to increase our share of renewable energy to 80% by 2027-28, a significant rise from 56.4% in 2022-23. These efforts are complemented by our goal to reduce total waste disposal by 30% and the water consumption rate by 15% by 2027-28.

Diversity and inclusion are integral to our ESG strategy. Women represent 21% of our corporate office, and we have plans to significantly increase this number, over the next five years. Our dedication to a sustainable future has been recognised with a bronze rating from EcoVadis, and we are committed to further improvement, aiming to achieve a gold rating by 2025. We also became a United Nations Global Compact (UNGC) signatory during 2023-24 which reiterates our commitment towards ESG.

By focusing on these strategic ESG initiatives, we are not only enhancing our sustainability performance but also setting a benchmark in the industry. Our holistic approach ensures we contribute positively to the environment while driving long-term value for our stakeholders.

Future Ahead

We aspire to establish ourselves as a sustainable company driven by technology and focused execution, with a paramount commitment to customer satisfaction. Strategically positioned to leverage the global shift in supply chain to India, we are confident in our ability to ascend to new heights in the upcoming years.

As we look ahead to 2024-25, we aim to strengthen our foundation for accelerated future growth. Despite persistent market challenges, we are confident that our robust measures will navigate us through uncertainties, ensuring sustained long-term growth and profitability.

In conclusion, I extend sincere appreciation to our stakeholders for their valuable support and heartfelt gratitude to our dedicated employees, valued customers, trusted bankers, and loyal shareholders for their commitment and solidarity during challenging times. Let us persevere in our pursuit of excellence and continue to achieve new milestones on our journey of growth and success.

Warm regards,

Jai Hiremath
Executive Chairman