Management Discussion and Analysis

Economic Review

Global Economic Review

The global economy demonstrated resilience in 2024, navigating a complex environment marked by geopolitical tensions, widespread elections across more than 60 countries, including five major economies and evolving monetary policies. Despite these uncertainties, global output grew by 3.3%, staying above recession thresholds but below pre-pandemic trends.

Inflation began to ease, supported by tighter monetary policy and cooling labour markets. Real household incomes improved due to falling inflation and steady wage growth, although consumer confidence remained fragile. Interest rates saw a shift during the year, with central banks in both advanced and developing economies initiating rate cuts to support growth as inflation moderated.

Global merchandise trade also rebounded, expanding 2.9%, its strongest performance relative to GDP since 2017. However, growth remained uneven, with strength in India and the US, a slowdown in China, and weak momentum in the Eurozone. Geopolitical conflicts continued to disrupt energy flows and supply chains, underscoring persistent systemic vulnerabilities.

Geopolitical Conflicts and U.S. Tariff Actions

The global economic environment in 2025 remains challenged by a combination of ongoing geopolitical conflicts and trade tensions. Prolonged conflicts in Ukraine and the Middle East continue to disrupt global supply chains, particularly in energy and key commodities, while emerging flashpoints in Asia and Africa add further complexity to the operating environment.

In parallel, recent tariff announcements by the United States have introduced additional uncertainty for global trade flows and investment decisions. These policy shifts have contributed to a moderation in U.S. growth forecasts and are weighing on global business sentiment. Companies are increasingly cautious, with several delaying capital deployment amid policy unpredictability.

The combined impact of geopolitical instability and protectionist measures is likely to influence global inflation trends, supply chain realignments, and capital flows in the near to medium term. Businesses are expected to remain focused on risk mitigation, diversification, and supply resilience as these factors evolve.

Outlook

Looking ahead to 2025 and 2026, the global economy faces a cautiously optimistic but uneven path. According to the IMF, global growth is projected at 2.8% in 2025 and 3.0% in 2026. Advanced economies are expected to grow more slowly, while emerging markets may face varying recovery trajectories, reflecting the divergence in growth path.

Inflation is forecast to decline to 4.2% in 2025 and 3.5% in 2026, with advanced economies likely to reach targets sooner than emerging markets. Central banks are expected to continue adjusting their policies cautiously, balancing growth support with inflation control.

Additionally, the global push for sustainability and the energy transition is influencing capital flows and industrial policy, with many economies aligning public investment and regulatory frameworks towards low-carbon growth. Also, the adoption of AI and automation is expected to drive incremental productivity gains, supporting long-term competitiveness and economic resilience.

While downside risks remain, from geopolitical volatility to supply chain pressures, the global economy is broadly positioned for a period of gradual recovery, supported by easing inflation, renewed consumer demand, and evolving growth strategies across regions.

Global Growth Forecast (%)

Particulars	2023*	2024	2025 (P)	2026 (P)
World Output	3.2	**3.3**	2.8	3.0
Advanced Economies	1.6	**1.8**	1.4	1.5
US	2.5	**2.8**	1.8	1.7
Eurozone	0.4	**0.9**	0.8	1.2
Japan	1.9	**0.1**	0.6	0.6
UK	0.1	**1.1**	1.1	1.4
Other Advanced Economies	1.8	**2.2**	1.8	2.0
Emerging Market and Developing Economies	4.3	**4.3**	3.7	3.9
China	5.2	**5.0**	4.0	4.0
India	7.8	**6.5**	6.2	6.3
Emerging Market and Middle-Income Economies	4.4	**4.3**	3.7	3.8
Low-income Developing Countries	4.0	**4.0**	4.2	5.2

Source: World Economic Outlook, IMF, April 2025

Note:

[1]P stands for projections.

[2]For India, data and forecasts are presented on a fiscal year basis, with FY 2024/25 (starting in April 2024) shown in the 2024 column. India's growth projections are 6.5% in 2025 and 6.2% in 2026 based on the calendar year.

*Source: World Economic Outlook, IMF, April 2024

Indian Economic Review

India remained the fastest-growing major economy in 2024-25 and became the fourth-largest globally, with real GDP growth estimated at 6.5% by the National Statistical Office (NSO), moderating from 9.2% in the previous year. The slowdown was attributed to reduced government capital expenditure, sluggish private investment, and weak consumption demand.

Despite this moderation, the economy demonstrated resilience. Nominal GDP tripled over the past decade, reaching INR 331.03 trillion, supported by structural reforms, digitalisation, a stable banking system, and containing inflation. The Union Budget 2025-26 aimed to revive investment momentum through infrastructure spending, social welfare measures, and digital public infrastructure to stimulate domestic demand and promote inclusive growth.

India's total exports rose 76% over the past decade, reaching USD 825 billion in 2024-25, led by engineering goods, electronics, and pharmaceuticals. The pharmaceutical sector strengthened its global position as the third-largest producer by volume, with exports to over 200 countries. Drug and pharmaceutical exports alone grew by 98% over the decade to USD 30.5 billion, driven by strong demand for generics, APIs, and formulations. The United States remained the largest destination, accounting for nearly a third of India's pharma exports, followed by the European Union, UK, Brazil, and South Africa. Additionally, India achieved a record foodgrain production of 347 MT, with agri-exports accounting for 11.7% of total exports, driven by improved productivity and enabling policies.

Outlook

India's economic outlook for 2025 and 2026 remains among the strongest globally, as reaffirmed by the NSO and RBI, even as other major economies face downward growth revisions. India is projected to grow at a stable 6.5% in 2025-26, supported by resilient domestic consumption, particularly in rural areas, rising public and private investment, expanding FDI, and greater integration into global trade and supply chains. According to the NSO, growth will also be underpinned by sustained momentum in infrastructure development, a strong services sector, and steady performance in manufacturing and construction. Improving export competitiveness and a stable macroeconomic environment further reinforce India's position as one of the world's fastest-growing major economies.

The Union Budget 2025-26 introduced significant tax relief to boost consumer spending—raising the tax free income threshold to INR 12 Lakh (effective exemption up to INR 12.75 Lakh, including standard deduction), expanding rebates and deductions to increase disposable income for middle income and rural households. Concurrently, the RBI implemented a larger-than-expected 50 bps repo rate reduction, cutting the policy rate from 6.0% to 5.5%, alongside a 100 bps CRR cut, to ease lending costs and stimulate demand.

This outlook is supported by solid macroeconomic fundamentals and a wide-ranging reform agenda spanning infrastructure, innovation, and financial inclusion. Flagship programmes like Make in India and the National Infrastructure Pipeline are accelerating industrial development, while the digital economy continues to boost productivity and expand access.

India's appeal as an investment destination is further enhanced by improved ease of doing business, proactive economic diplomacy, and strategic global partnerships. The pharmaceutical sector is also emerging as a key growth driver, with the market projected to reach USD 130 billion by 2030, supported by rising healthcare demand and growing R&D investment.

While challenges such as geopolitical tensions, oil price volatility, rural distress, and climate-related disruptions remain, sustained policy discipline and ongoing structural reforms, particularly in governance, regulatory simplification, and labour flexibility, will be critical for long-term growth.

With its resilient economic base and clear strategic focus, India is well-positioned to sustain its trajectory and move toward its goal of becoming a developed economy by 2047.

India's Growth Forecast (%)

Perticulars	2022-23	2023-24	2024-25 (E)	2025-26 (P)
India's Growth Forecast	7.6	9.2	6.5	6.5

Industry and Business Review

Global Pharmaceutical Industry

The global pharmaceutical industry is undergoing a period of steady transformation, shaped by scientific innovation, demographic shifts, the rising prevalence of chronic diseases, and increasing digital adoption. In 2024, the global pharmaceutical market was valued at USD 1,654 billion and is projected to grow from USD 1,746 billion in 2025 to USD 3,529 billion by 2035, reflecting a CAGR of 6.49% over the forecast period (2025-2035). While mature markets such as North America, Western Europe, and Japan are expected to grow at a slower pace due to already high per capita consumption, emerging economies like India, China, Southeast Asia, and Latin America are set to drive the next phase of volume-led growth. Asia Pacific, in particular, is projected to be the fastest-growing region during this period.

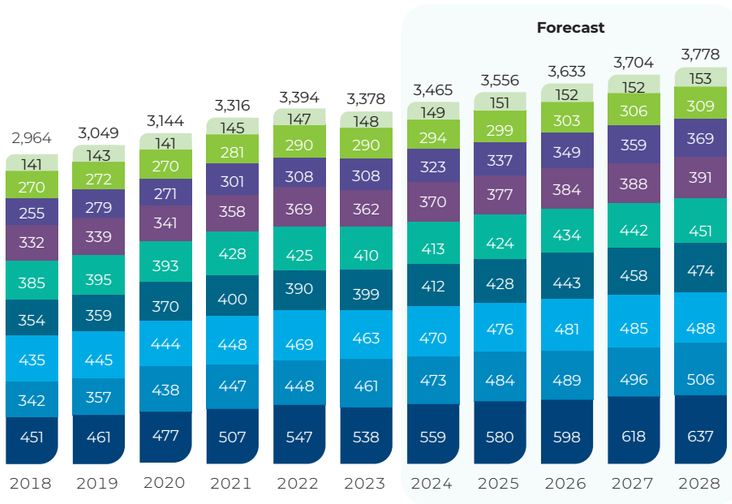
Multiple structural drivers are supporting this growth trajectory. These include an ageing global population, increasing incidence of chronic conditions, expanding healthcare spending by governments, and ongoing efforts to make medicines more accessible and affordable. Rising awareness and diagnosis rates in underserved regions, along with the introduction of low-cost OTC medications, are further contributing to global demand.

Therapeutic innovation remains a key growth driver, particularly in oncology and immunology, followed by mental health. The growing use of specialty medicines, along with the adoption of advanced biologics and small molecule therapies, continues to shape treatment patterns. A notable shift is being seen in metabolic care with the rapid uptake of GLP-1 drugs for diabetes and obesity, which are expected to significantly influence future usage trends. Fuelled by new brands and sustained investment in high-value therapies, overall spending remains robust across regions, despite pricing pressures and increasing reliance on confidential rebates in many markets.

Digital transformation is becoming integral to the industry's evolution. Pharmaceutical companies are increasingly leveraging AI, real-world evidence, and digital health platforms to streamline clinical trials, improve patient targeting, and optimise treatment delivery. These technologies are enhancing productivity, improving outcomes, and enabling faster response to patient needs.

At the same time, access and affordability remain ongoing challenges. High-income countries continue to consume twice as more medicines than low-income regions, where gaps in infrastructure, affordability, and distribution persist. In response, many healthcare systems, especially in developed markets, are adopting value-based pricing models, encouraging the use of generics and biosimilars, and exploring alternative reimbursement mechanisms to balance innovation with sustainability.

Global Pharmaceutical Industry Growth: 2018-2028



	CAGR% 2024-2028
Global	2.3
Japan	0.6
North America	1.3
China	3.7
Eastern Europe	1.6
Africa and Middle East	1.9
India	3.5
Western Europe	1.1
Latin America	1.9
Asia-Pacific	3.4

Global Pharmaceutical Market

(USD Billion)

Regions	2024	2020-2024 CAGR	2029	2025-2029 CAGR
Developed Markets	1,421.5	8.2%	1,945-1,975	5.5-8.5%
Pharmerging Markets	312.2	6.0%	375-405	3.5-6.5%
Other Markets	16.1	1.0%	18-22	2-5%
Global Pharmaceutical Market	1,749.8	7.7%	2,355-2,385	5-8%

Source: IQVIA 2025 report

Global Pharmaceutical Market – Share by Product Type

(USD Billion)

Region	Original Brands		Non-original Brands		Unbranded Generics		OTC, Vaccines and Others		Total	
Year	2024	2029	2024	2029	2024	2029	2024	2029	2024	2029
Developed Markets	1,091.6	1,555-1,585	120.6	135-165	124.6	120-150	84.7	95-115	1,421.5	1,945-1,975
Pharmerging Markets	88.4	115-135	106.3	120-140	41.1	40-60	76.5	80-100	312.2	375-405
Other Markets	4.4	3-7	8.4	8-12	0.8	0.7-1.1	2.6	2.5-3.5	16.1	18-22
Global Markets	1,184.3	1,685-1,715	235.3	270-300	166.5	170-200	163.7	180-210	1,749.8	2,355-2,385

Developed Markets

Medicine spending in developed markets is expected to reach USD 1,945 to USD 1,975 billion by 2029, driven by new and innovative treatments, even as generics and biosimilars increase competition. Immunology drugs are seeing steady use, with nearly half now facing biosimilar competition that is boosting access. Over time, spending is set to rise further, supported by medicines from established brands and new product launches.

Developed Markets – Pharmaceutical Spending and Growth

(USD Billion)

Region/Country	2024	2020-2024 CAGR	2029	2025-2029 CAGR
Top 10 Developed Markets	1,194.5	8.2%	1,635-1,665	5-8%
Other Developed Markets	227.0	7.8%	295-325	5.5-8.5%
Total Developed Markets	1,421.5	8.2%	1,945-1,975	5.5-8.5%

Growth by Region

The global pharmaceutical market is expanding across all major regions, with spending projected to grow by over 30% in North America, Europe, Asia Pacific, Latin America, and the Middle East & Africa. This growth is being driven by population expansion, rising healthcare needs, and increased use of high-value therapies.

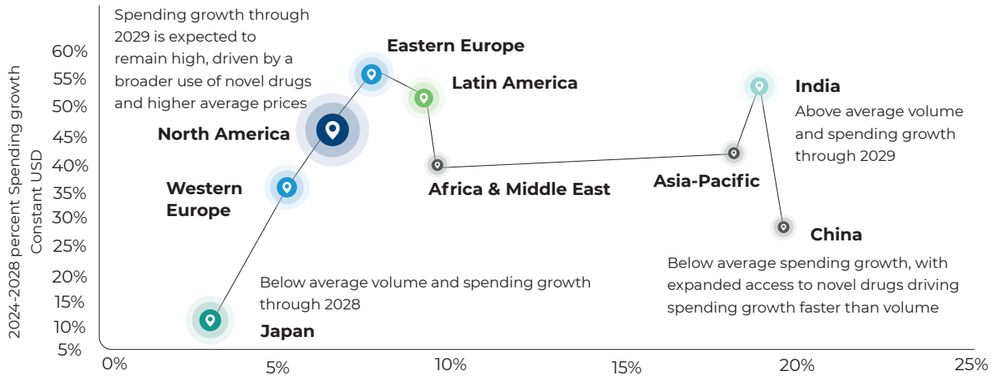
North America, holding 41.87% of the global market share in 2024, is led by the U.S., where high healthcare spending, strong policies, and robust biopharma investments fuel demand for biologics, oncology, and rare disease treatments. Hospital pharmacies dominate, with retail and online channels growing in chronic care.

In Europe, steady growth is supported by strong regulation and funding. Germany, France, and the UK lead the region, driven by demand for chronic and specialty treatments, biologics, and biosimilars.

Asia Pacific is the fastest-growing region, led by China, India, and Japan, backed by local manufacturing, growing clinical research, and broader healthcare access. China, the second-largest market, is set to grow volume by 8% and spending by 15% over five years, driven by access to novel drugs via the NRDL. Japan benefits from government support and demand for ageing and metabolic care.

In Latin America, the Middle East and Africa, growth is moderate and led by government initiatives, local production, and demand for chronic and infectious disease treatments, and are expanding through healthcare reforms and biopharma investments.

Spending and Volume Growth by Region



2025-2029 percent volume growth defined daily doses (DDD)

Source: IQVIA Market Prognosis, May 2025; IQVIA Institute, May 2025.

Notes: Spending growth in constant IJS$ and reflecting 5-year aggregate growth. Volume growth in defined daily doses (DDD) (see methodology).

Bubble size reflects projected spending in 2029 (see Exhibit 27 for relevant values).

Report: The Global Use of Medicines 2025: Outlook through 2029. IQVIA Institute for Human Data Science, June 2025.

Megatrends

Personalised Medicine and Genomics

The rise of genomic data has enabled the advancement of personalised medicine. Pharmaceutical companies are leveraging genetic insights to create therapies tailored to individual patient profiles. This approach not only enhances treatment effectiveness but also helps minimise adverse side effects.

Advances in Biotechnology

Biotechnology remains a key driver of innovation in drug development. Emerging biological therapies, including gene and cell therapies, are opening up new possibilities for treating conditions that have historically been difficult to manage.

Digital Health and Telemedicine

Digital technologies and telemedicine are transforming healthcare delivery, allowing patients to access medical advice and treatment remotely. Pharmaceutical companies are increasingly investing in digital health tools that support better patient outcomes and improve treatment adherence, particularly benefitting underserved and rural communities.

U.S. Food and Drug Administration's (FDA) Drug Approvals

In 2024, the FDA's Centre for Drug Evaluation and Research (CDER) approved 50 novel drugs never before marketed in the U.S., including gene therapies, RNA-based treatments, and CAR-T cell therapies, highlighting the agency's focus on precision medicine and expanding treatment options for previously untreatable conditions. FDA approvals are projected to increase to 70 in 2025, reflecting a sustained pipeline of innovation.

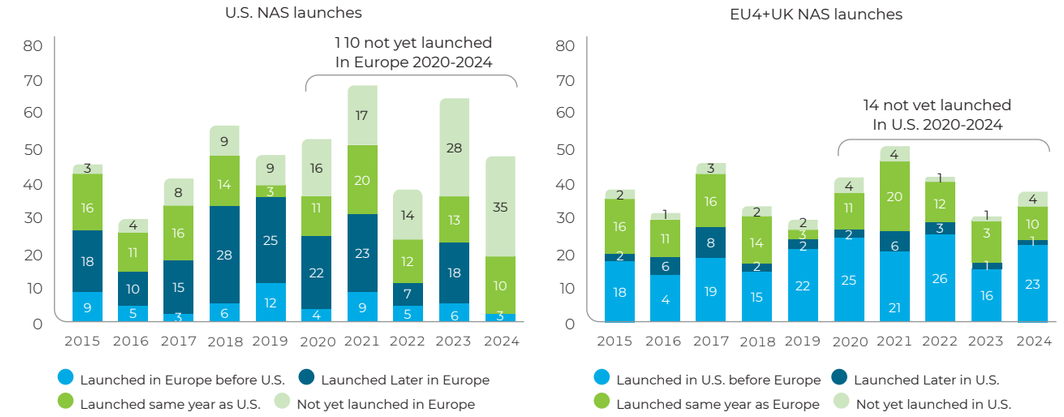
Between 2014 and 2023, the FDA approved 176 new drugs for the top 20 pharmaceutical companies, along with 33 post-approval acquisitions and 83 first-in-class launches, the majority in oncology. The U.S. remains the dominant first-launch market, with 40% of U.S.-launched NAS over the past five years still pending in key European markets—underscoring global access lags. Conversely, only 7% of Europe-launched drugs were not introduced in the U.S.

Regulatory complexity, along with evolving reimbursement and patent frameworks, continues to shape both innovation and accessibility, particularly in emerging economies.

50

Novel drugs were approved by the FDA in 2024, with 70 approvals expected in 2025

NAS Launches in the U.S. and EU4+UK, 2015-2024



New Drug Launches

The global drug development pipeline remains robust, with over 20,000 active programmes underway, 17% in Phase 1, 16% in Phase 2, and 6% in Phase 3. Among these, 69 New Active Substances (NAS) are in late-stage development, with oncology and immunology leading to therapeutic focus. Roughly 20% of late-stage pipelines of the top 20 pharmaceutical companies signal strong near-term commercial potential.

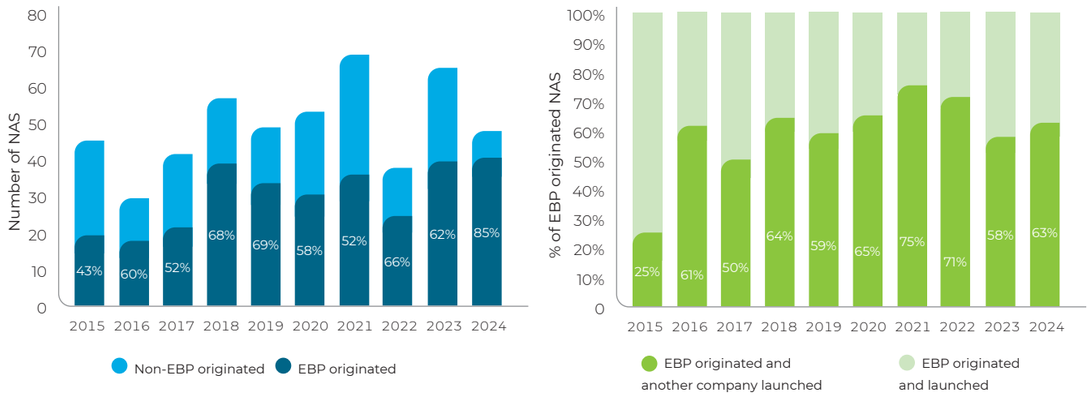
A notable shift is the increasing role of emerging biopharma (EBP) companies in bringing innovation to the market. In 2024, 85% of the 48 NAS launches originated from EBPs, with 41 of those launched directly by the originating company. Between 2020 and 2024, EBPs accounted for 59% of all NAS launches, marking a steady rise in their contribution to the global pipeline. EBPs are now progressing more assets through late-stage development, reflecting a reduced dependency on licensing to larger firms.

Globally, new drugs do not launch uniformly. The U.S. remains the most frequent first-launch country, while other markets often face delays of a year or more due to regulatory review cycles, pricing negotiations, and reimbursement hurdles. These delays contribute to ongoing disparities in timely access to novel therapies across geographies, especially between developed and emerging markets.

85%

Of the 48 NAS launched in 2024 originated from emerging biopharma (EBP) companies

Companies Originating and Filing FDA Regulatory Submissions for NAS and Percent of Launches by NAS Launch Year, 2015-2024



Source: IQVIA Institute. Jan 2025.
Notes: NAS Launches in the U.S. have been segmented by the originator, which is based on the company that filed the first patent. The segmentation laid out in Exhibit 2 is applied based on the revenue or R&D spend at the time of the patent filing. Launch company segmentation has been assessed by the FDA filing company, further verified by the status of that company in relation to acquisitions by other companies as the filing company does not often change retroactively to reflect new ownership.
Report: Global Trends in R&D 2025: Progress in Recapturing Momentum in Biopharma Innovation. IQVIA Institute for Human Data Science, March 2025.

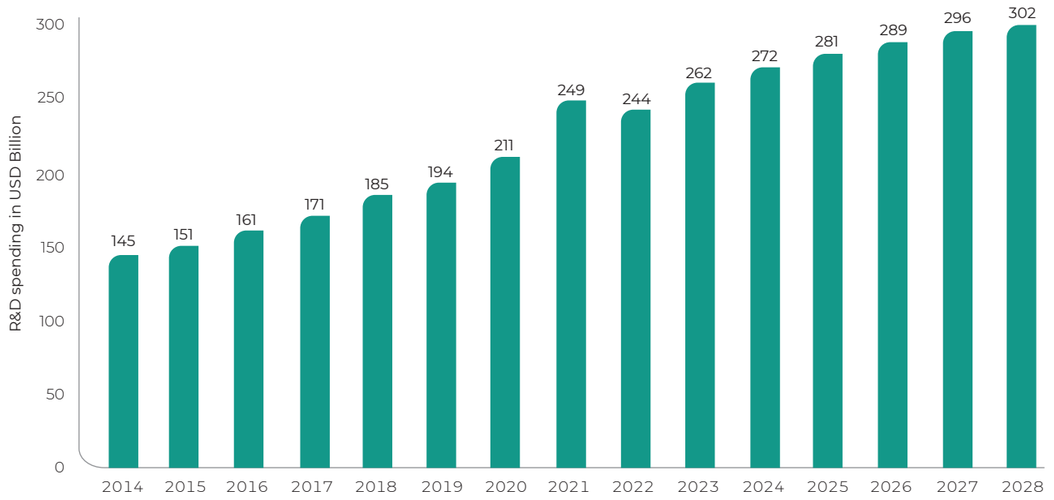
Pharmaceutical R&D

Pharmaceutical R&D remains central to industry growth, with global spending exceeding USD 244 billion in 2023, including over USD 80 billion by U.S. companies alone. Driven by ageing populations, chronic diseases, and patent expirations, firms continue investing heavily in new therapies, particularly in oncology, immunology, and rare diseases.

The global pipeline includes over 20,000 active drug programmes, supported by rising biopharma funding, stabilised clinical trial volumes, and improved Phase III success rates. Companies are increasingly using AI, real-world evidence, and outsourcing to speed up development and reduce costs.

Trial cycle times have stabilised in 2024, with inter-trial intervals improving significantly from pandemic highs. Drugs like semaglutide, adalimumab, and apixaban led spending in 2023, reflecting strong market uptake of high-impact therapies. Strategic initiatives, such as the USD 14 Million investment in the U.S. API Innovation Centre, highlight efforts to boost domestic capabilities and reduce supply chain dependence.

Total Global Spending on Pharmaceutical Research and Development from 2014 to 2028



Source: Statista

Indian Pharmaceutical Industry

India's pharmaceutical market is expected to grow to USD 38–42 billion by 2028, with a CAGR of 7–10% from 2024, driven by rising healthcare access, strong demand for acute and chronic therapies, and a robust generics ecosystem. The sector ranks 3rd globally by volume and 14th by value, contributing 20% of the world's generics and a large share of global vaccine supplies.

Affordable healthcare is becoming a national reality, with initiatives like PMBJP's 15,000+ Jan Aushadhi Kendras offering medicines at up to 80% lower prices. Production Linked Incentive (PLI) schemes are spurring domestic manufacturing of APIs, critical drugs, and medical devices, while bulk drug parks and upgraded labs are cutting costs and boosting self-reliance.

The industry's turnover crossed INR 4.17 Trillion in 2023-24, growing steadily at over 10% annually. With PLI-backed projects, improved insurance coverage, foreign investments of INR 12,800+ Crore, and widespread job creation, India's pharma sector is expanding and transforming lives at home and globally.

Positioning of India in the Global Pharmaceutical World

India is globally recognised as the 'Pharmacy of the World', supplying 20% of the world's generic medicines and a large share of UNICEF and WHO vaccines. Backed by a strong manufacturing base, skilled workforce, and globally compliant facilities, India has become the largest exporter of generics and a trusted partner in affordable healthcare delivery worldwide. Over the years, it has also emerged as a hub for APIs, biosimilars, and CDMO services, supported by proactive government policies and increasing foreign investment. With 100% automatic FDI permitted in greenfield ventures and up to 74% in brownfield projects through an automatic route, the sector ranks among India's top 10 most attractive for investors. This openness, combined with rising domestic value creation and a deepening innovation pipeline, positions India to expand its global pharmaceutical leadership in the years ahead.

Snapshot of Government Policies

Production Linked Incentive Scheme for Bulk Drugs (PLI 1.0)

Domestic Manufacturing of 53 KSMs / Drug Intermediates and APIs

Incentives

Fermentation Products

- FY 2022-26: **20%**
- FY 2026-27: **15%**
- FY 2027-28: **54**

Chemically Synthesised Products

- FY 2021-27: **10%**

Eligibility

Support under the scheme shall be provided only to manufacturers of critical KSMs/DIs and APIs registered in India subject to committed investment and minimum annual production capacity.

Tenure of scheme

Tenure of the Production Linked Incentive Scheme is 2020-21 to 2029-30. Base year of the scheme is 2019-20.

Production Linked Incentive Scheme for Pharmaceuticals (PLI 2.0)

Domestic Manufacturing of 53 KSMs / Drug Intermediates and APIs

Base Year

Financial Year 2019-20

Incentives

The total financial outlay is INR 150,000 Million allocated amongst 3 applicant groups based on revenue:

- Group A: **INR 11,000 Crore**
- Group B: **INR 2,250 Crore**
- Group C: **INR 1,750 Crore**

Scheme Tenure

Financial Year 2020-21 to Financial Year 2018-29.

Bulk Drugs Park Scheme

3 Bulk Drug Parks with Common Infrastructure Facilities

Tenure of the scheme

The scheme shall be operational during the period 2020-2021 to 2024-2025.

Proposer

The proposer shall be a State Government who can make only one proposal of Bulk Drug Park under the Scheme having a minimum area of 1,000 acres. For north eastern and hilly states the minimum area is 700 acres.

Incentives

INR 3,000 Crore for providing financial assistance for construction of Common Infrastructure Facilities in 3 Bulk Drug Parks with a maximum limit of INR 1,000 Crore.

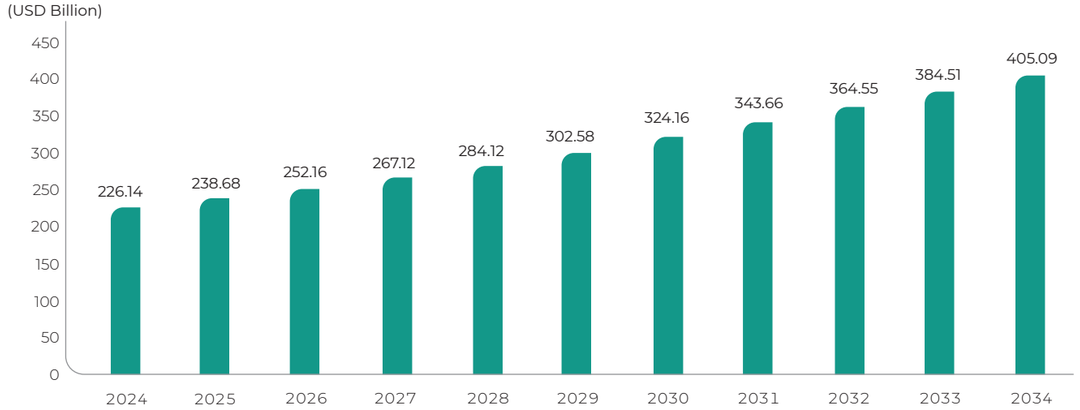
Global Active Pharmaceutical Ingredients (API) Industry

The global Active Pharmaceutical Ingredient (API) market is expanding steadily, projected to grow from over USD 260 billion in 2025 to more than USD 400 billion by 2030. Growth is driven by rising demand for generics, complex therapies, biologics, and biosimilars, alongside increasing chronic disease prevalence and patent expirations. Technological innovation, regulatory tightening, and supply chain localisation are reshaping the landscape.

Regionally, North America leads in innovation and biologics. Asia-Pacific, driven by India and China, dominates in volume and cost efficiency. Europe is focused on reshoring and quality. Latin America and MEA are seeing steady growth through rising healthcare needs and policy support.

Growth by Market Segment

Active Pharmaceutical Ingredients Market Size 2024 to 2034



The global active pharmaceutical ingredients market size is predicted to increase from USO 226.14 billion in 2024 to approximately USD 405.09 billion by 2034, expanding at a CAGR of 6.00% from 2025 to 2034.

Megatrends

Rise of Biologics and Specialty APIs

There is growing global demand for complex APIs used in targeted therapies, such as cancer immunotherapies and autoimmune drugs. Biologics and biosimilars are at the forefront of this trend, necessitating specialised infrastructure and advanced manufacturing techniques. This shift is reshaping the competitive landscape and pushing API players to invest in cell culture, recombinant technology, and monoclonal antibody production.

Onshoring and Supply Chain Diversification

The COVID-19 pandemic exposed the vulnerabilities of global API supply chains. In response, pharmaceutical companies and governments are localising manufacturing to reduce dependence on concentrated regions like China. This is leading to increased investments in domestic production hubs across the U.S., Europe, and India, and fostering API parks, PLI schemes, and regulatory fast-tracking.

Green Chemistry and Sustainable Manufacturing

Environmental concerns and tightening regulatory norms are accelerating the adoption of green chemistry principles in API production. Manufacturers are investing in technologies that reduce solvent usage, enable energy efficiency, and minimise hazardous waste, aligning with ESG goals and global sustainability commitments.

Indian Active Pharmaceutical Ingredients (API) Industry

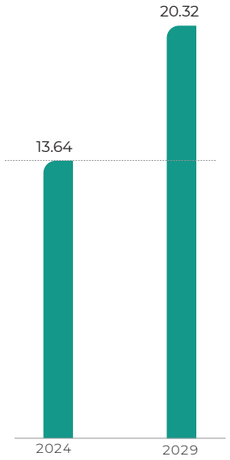
India's Active Pharmaceutical Ingredients (API) market is expected to grow from USD 13.64 billion in 2024 to USD 20.32 billion by 2029, at a CAGR of 8.31% (2024–2029), as per Mordor Intelligence.

In 2023-24 (April–January), India's drug and pharma exports reached USD 22.51 billion, marking an 8.12% YoY growth. In January 2024 alone, exports stood at USD 2.13 billion, accounting for 5.8% of total exports.

To boost local manufacturing of key starting materials (KSMs) and APIs, the Indian government is promoting domestic production through its Production Linked Incentive (PLI) scheme.

India Active Pharmaceutical

Ingredients (API) Market
Market Size in USD Billion
CAGR 8.31%



Source: Mordor Intelligence

Megatrends

Shift towards Self-Reliance and Reduced Import Dependency

India is actively working to reduce its reliance on Chinese imports, which currently account for over 70% of its API needs. Government initiatives like the Production Linked Incentive (PLI) scheme and investments in bulk drug parks are aimed at building a robust domestic API manufacturing ecosystem. This shift is strengthening local capabilities and supply chain resilience.

Rising Demand for Complex and Speciality APIs

There is growing demand for high-value, niche, and complex APIs such as oncology, cardiovascular, and central nervous system (CNS) therapies. Indian manufacturers are investing in advanced process technologies, R&D, and backward integration to develop differentiated products and enhance competitiveness in regulated markets like the US, EU, and Japan.

Increased Regulatory Alignment and Export Growth

Indian API manufacturers are aligning closely with global regulatory standards (e.g., USFDA, EMA, PMDA), enhancing trust and expanding export opportunities. The sector is seeing rising exports to regulated markets, supported by strong compliance, cost advantages, and a reputation for quality.

Global Contract Development and Manufacturing Organisation (CDMO) Industry

The global CDMO market is expected to grow at a CAGR of 7.2% from 2021 to 2026, driven by rising demand for specialised therapies and complex drugs. As pharma companies focus on targeted treatments, they increasingly rely on CDMOs for development and large-scale manufacturing support. The growing biopharma sector also fuels demand for advanced capabilities, especially in biologics and novel formulations. CDMOs with cutting-edge technologies are becoming key partners, helping reduce costs and speed up drug launches.

The market spans two main service areas, contract development (covering drug discovery and pre-clinical work) and contract manufacturing (for commercial production). Pharmaceutical and biotech firms are the primary clients, leveraging CDMO expertise to streamline operations and gain flexibility.

7.2%
Expected CAGR 2021-2028

Asia Pacific
Fastest Growing Market

Growth by Region

The U.S. CDMO market is expected to grow from USD 54.2 Billion in 2023 to USD 68.3 Billion by 2028, at a CAGR of 4.74%. China's CDMO market is set to expand from USD 27.1 Billion to USD 42.9 Billion over the same period, with a higher CAGR of 9.63%.

North America currently leads the global CDMO market due to its strong pharmaceutical and biotech industry and advanced clinical trial infrastructure. However, the Asia-Pacific region is expected to grow the fastest, driven by a rising domestic pharma market, skilled and affordable workforce, and government policies supporting CDMO growth.

Indian Contract Development and Manufacturing Organisation (CDMO) Industry

India's CDMO industry is expanding rapidly, with market size estimated at USD 7.9 billion in 2024, projected to reach USD 15.4 billion by 2033, growing at a 7.7% CAGR from 2025 to 2033. Another forecast anticipates the market doubling to USD 14 billion by 2028, driven by cost advantages over China and increasing demand from global pharma. Government support through PLI incentives and strong investments in biologics and tech platforms are accelerating this growth.

Although the proposed U.S. Biosecure Act has not been enacted, the underlying concerns around supply chain security continue to influence global sourcing decisions. This trend presents an opportunity for Indian CDMOs to position themselves as reliable, compliant, and cost-effective partners as global pharma seeks to reduce dependency on China.

Megatrends

Biologics and Biosimilars Drive CDMO Investments

Indian CDMOs are rapidly expanding capabilities in biologics and biosimilars, including mammalian/microbial expression systems and single-use bioreactors. Rising global demand for affordable, high-quality immunotherapies and monoclonal antibodies is pushing India to become a preferred destination for biologics manufacturing. Regulatory alignment with U.S. FDA and EMA is boosting trust and access to global markets.

Shift toward End-to-End Outsourcing

Pharma innovators increasingly prefer full-service CDMOs that can handle drug discovery, development, clinical trials, and commercial production. Indian CDMOs are responding by expanding into high-value areas like HPAPIs, sterile injectables, and complex generics. Tech integration, AI in drug discovery, automation, and real-time analytics, is improving speed, cost, and compliance.

Strong Capex and Policy Push

Major investments (e.g., Aragen's INR 2,000 Crore expansion) and PLI scheme support are accelerating infrastructure upgrades and capacity expansion. Government support, improved regulatory harmonisation, and global partnerships are positioning Indian CDMOs as strategic, long-term partners for pharmaceutical MNCs.

Hikal – Business Review of the Pharmaceutical Division

In 2024-25, our pharmaceutical business reported revenue of INR 11,681 Million and EBIT of INR 1,374 Million, marking a 47% y-o-y EBIT growth and a 327-bps margin improvement, driven by better capacity utilisation, operational efficiency, and a broader customer base.

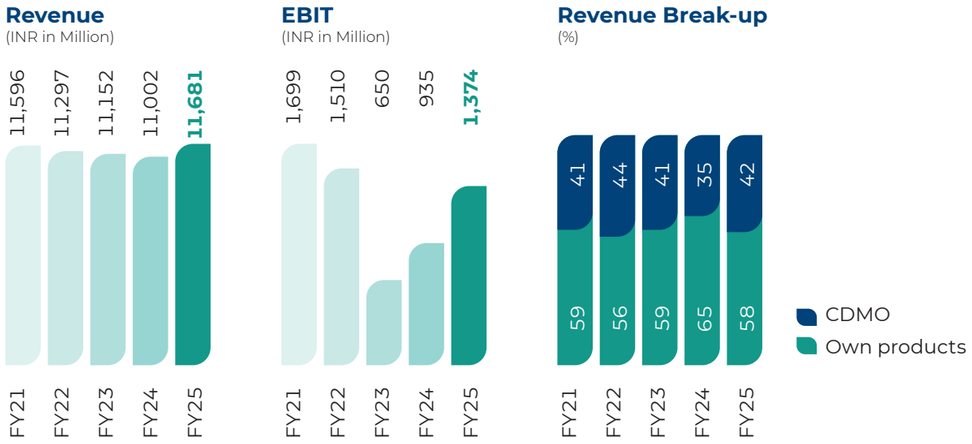
Despite ongoing geopolitical uncertainty, supply chain realignments, and cost pressures, the global pharma industry remains resilient, and we see strong momentum heading into 2025-26. We are actively working to reduce supply chain risks through backward integration, alternate vendor development, and localisation initiatives, while continuing to drive operational efficiency and margin improvement.

Our API segment experienced notable volume growth during the year, driven by increased demand from both long-standing clients and newly acquired customers. We continue to advance our portfolio expansion initiatives, which are beginning to yield results as product registrations started to come through across multiple geographies. These developments position us well for accelerated growth in the near term. Meanwhile, our CDMO business remains a key growth driver, with strong RFP inflows from global innovators and specialty chemical players. We are capitalising on the global China+1 strategy, which is driving increased traction in CDMO engagements. Several projects are progressing through development and validation stages. Additionally, our food ingredients project is advancing well and marks a strategic diversification into high-value, adjacent segments.

We are strengthening our presence in complex, high-growth therapeutic areas and expanding into key international markets such as Japan, Latin America, Korea, the Middle East, and Southeast Asia. We are also focused on expanding our capabilities at the R&T site to drive future business and revenue growth. Our focus remains on product innovation, regulatory alignment, and speed-to-market to build long-term customer relationships and ensure sustainable growth. We successfully cleared both the ANVISA GMP and PMDA audits at our Jigani facility, reinforcing our commitment to global quality standards. In addition, we completed 22 customer audits during the financial year 2024–25, reflecting continued trust and confidence in our operations. We also made progress on our regulatory pipeline, with eight DMF's filed in 2024-25 and registrations secured in key regulated markets including the EU, Japan, and Australia.

We are also advancing our digital and Industry 4.0 initiatives across manufacturing and R&D. These efforts are driving operational agility, enhancing quality, and creating longterm differentiation. Backed by these strengths, and with a strong pipeline of differentiated products, increased development activity, and a stable revenue mix in 2024-25, we are well-positioned for a stronger performance in 2025–26.

Pharmaceuticals Performance Trajectory



API

Hikal's API division's performance was led by strong volume growth, increased offtake of new molecules, and robust global contracts with major pharmaceutical companies.

The division remains focused on complex APIs and continues to expand its portfolio, supported by sustained investments in R&D. With 8-9 differentiated products currently in the pipeline and plans to commercialise 2-3 new APIs annually, we are strengthening our position in high-growth and niche therapeutic areas. This strategy is also helping deepen our market presence across Japan, Latin America, Korea, the Middle East, and Southeast Asia.

As part of our forward strategy, we will be investing in high-potency API (HPAPI) technology to serve the small-volume, high-value segment, marking a significant step into specialty and precision therapeutics.

CDMO

Our Contract Development and Manufacturing Organisation (CDMO) segment remains a key growth engine. We have a strong pipeline of development projects from global pharma innovators and specialty chemical companies. Inquiry levels are rising across both early- and late-phase programmes, as customers seek reliable partners with high-quality development capabilities and backward-integrated supply chains. We have also enhanced our technology platforms and capabilities to handle the complex chemistries required by innovator customers.

During the year, we strengthened customer relationships in North America and Europe, as global supply chain diversification trends prompted partners to seek more agile and dependable CDMO collaborators.

We saw an improved offtake from key clients, with several promising projects advancing toward development and validation stages. Additionally, our food ingredients project is progressing positively, reinforcing our diversification strategy and opening up new opportunities in high-value, adjacent sectors.

Global Animal Health Industry

According to Grand View Research, the global animal health market was valued at USD 62.89 billion in 2024 and is projected to reach USD 112.33 billion by 2030, growing at a CAGR of 10.46%. IMARC places it at USD 38.99 billion in 2024, expected to reach USD 51.33 billion by 2033, with a CAGR of 2.79%. North America led the market with a 44.9% share in 2024, driven by high pet ownership, quality veterinary care, and robust infrastructure.

Growth in the market is driven by rising concerns over zoonotic infections, which have led to increased investments in vaccines, diagnostics, and antimicrobial therapies. Governments are tightening regulations and expanding disease surveillance, while public campaigns are promoting responsible pet ownership and vaccination. The livestock sector is strengthening biosecurity to prevent disease outbreaks and ensure food safety.

Advances in veterinary diagnostics enable faster detection and response to emerging threats.

Pharmaceutical companies are actively developing new therapies and biologics to combat zoonotic diseases. Increased funding in veterinary research is accelerating innovation, and the integration of digital technologies is enhancing disease monitoring and real-time data sharing. A collaborative approach between veterinary and human healthcare sectors is also advancing One Health initiatives for more effective disease management.

Growth by Regional Market Segment

North America led in 2024 with a 35.7% share, driven by disease prevalence, advanced infrastructure, and strong policy support. The U.S. dominates with robust government programmes and widespread pet insurance adoption.

Europe ranks second, backed by high pet ownership, sustainable regulations, and EMA-led access initiatives. The UK leads with high pet insurance coverage; Germany sees steady growth with strong R&D and livestock base.

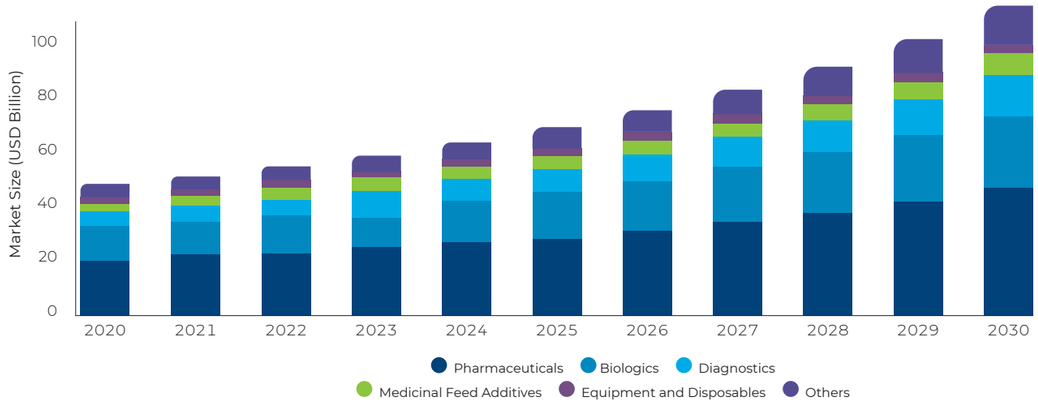
Asia Pacific is growing fast with rising R&D, affordable vet care, and government-backed disease control. India is expanding with increased funding, digitisation, and regulatory support for vaccine security.

Latin America benefits from healthcare reforms, rising awareness, and government support. Brazil drives growth with large pet ownership and a strong livestock industry.

The Middle East and Africa are growing due to disease outbreaks and food security needs. South Africa is focusing on poultry health and rabies control through targeted programmes.

Animal Health Market

Size, by Product, 2020 - 2030 (USD Billion)



Indian Animal Health Industry

The Indian animal health market is estimated at USD 1.97 billion in 2024 and is projected to grow at a CAGR of 13.9% from 2025 to 2030. Growth is driven by rising government support, increasing product launches, evolving regulations, a thriving startup ecosystem, growing R&D investments, and tech adoption.

Recent developments reflect this momentum. In + 2025, the Union Cabinet approved a revised Livestock Health and Disease Control Programme (LHDCP) with a budget of INR 3,880 crore (USD 453 Million). Key focus areas include mass vaccinations, mobile veterinary units, and the distribution of affordable medicines under the Pashu Aushadhi initiative.

India is also strengthening disease preparedness. In November 2024, the government launched a USD 25 Million animal health security project with G20 funding and support from the ADB, World Bank, and FAO. It aims to upgrade labs, modernise surveillance, and digitise data systems by 2026.

Progress on the regulatory front includes the removal of the outdated TABST vaccine test by the Indian Pharmacopoeia Commission in July 2024, aligning India with global best practices in animal welfare.

The country is also embracing digital solutions. In May 2024, the Department of Animal Husbandry signed an MoU with UNDP to use AI for vaccine tracking and to deploy UNDP's Animal Vaccine Intelligence Network (AVIN) to enhance livestock immunisation and insurance coverage.

Megatrends

Shifting Consumer Behaviour Driving Pet Care Premiumisation

India is witnessing a surge in pet ownership, particularly among nuclear families and urban youth. This shift is fuelling demand for premium pet nutrition, preventive healthcare, and responsible ownership practices such as spaying and neutering. Pet parents are increasingly prioritising regular check-ups, tailored diets, and wellness solutions, reshaping the animal health value chain.

Digital Acceleration Transforming Animal Health Access and Engagement

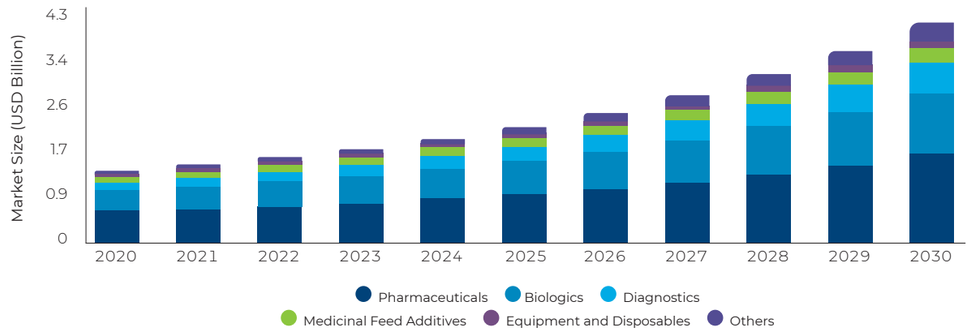
Digital adoption is rapidly transforming the sector, with tech-enabled startups leveraging IoT, e-commerce, and direct-to-consumer models. These platforms are improving awareness, access to care, and personalised pet solutions, driving the rise of digital-first animal health brands and services across urban India.

Government Focus Strengthening Veterinary Infrastructure and Innovation

Favourable government initiatives, such as increased funding, vaccination programs, and the launch of digital approval platforms like 'Nandi', are reinforcing the regulatory ecosystem and encouraging innovation. These efforts are critical to improving livestock health, boosting veterinary drug development, and supporting the sector's long-term growth.

India Animal Health Market

Size, by Product, 2020 - 2030 (USD Billion)



Hikal – Business Review of the Animal Health Division

Our Animal Health business continues to grow steadily, not merely as a manufacturer but as an integrated development partner to global innovators, supporting early-stage process development, validation, and lifecycle management of differentiated APIs. With strategic sourcing and backward integration for key intermediates, we help global animal health companies de-risk their supply chains while maintaining cost and quality controls. For animal health innovators navigating increased scrutiny on API traceability, we offer transparent supply chains, cGMP-compliant quality systems, and robust documentation, helping ensure market access and regulatory continuity.

With rising demand for pet care and livestock productivity, we are augmenting capacity and diversifying product platforms to support global growth in veterinary medicine.

We continue to enhance our digital manufacturing practices to improve yield, impurity control, and operational throughput, critical levers in API manufacturing. Our animal health operations also emphasise green chemistry, solvent recovery, and effluent management, aligned with the principle of protecting animal and environmental health together.

Under a long-term agreement with a leading innovator customer, we have successfully completed validation for eight products and are on track to complete a few more. These efforts support product registration and will enable commercial launches in global markets in the coming quarters. Our proven execution of technology transfer and rapid scale-up across multiple products has helped partners de-risk commercialisation and meet regulatory timelines globally.

This partnership has acted as a force multiplier—early wins brought new inquiries and opportunities from other innovator customers. As a result, we are now engaging with multiple global clients and building a healthy pipeline of high-value projects.

We are also expanding our capabilities into process development and synthesis of complex molecules. Early results have been encouraging and reinforce our reputation as a reliable partner in differentiated chemistries. With rising demand for veterinary therapeutics, tighter regulations, and a global shift toward innovation-led outsourcing, the Animal Health segment presents strong long-term growth potential.

Case Study

Strategic Partner for Complex Animal Health Solutions

Market Context

The global Animal Health (AH) sector is witnessing a structural shift, driven by three key trends

Regulatory Intensification

Global authorities are tightening norms, especially around antibiotics and parasiticides, raising the bar for quality, traceability, and documentation.

Shift to Specialised, Low-Volume APIs

Innovator companies are increasingly outsourcing the development and manufacturing of low-volume, high-complexity APIs requiring multi-step synthesis, creating opportunities for high-capability CDMOs.

India's Rising Strategic Role

India is emerging as a preferred destination for animal health API manufacturing post-COVID, supported by cost advantages and global supply chain diversification away from China.

Hikal's Differentiated Response

Platform Strength in Complex Synthesis

Hikal's ability to execute long synthesis chains with precise impurity control positions it well to deliver on the growing demand for specialised APIs.

Regulatory Readiness across Geographies

With deep regulatory intelligence and audit readiness, Hikal enables consistent supply to regulated markets including the US, EU, and Japan—aligning with the rising regulatory expectations worldwide.

High Standards Beyond Manufacturing

Hikal's robust focus on analytical method development, stability studies, and process validation ensures it delivers complete development support, not just manufacturing capacity.

Backward Integration for Supply Assurance

By synthesising key intermediates in-house, Hikal reduces reliance on imports from China and ensures a more reliable and cost-stable supply chain—highly valued by global customers seeking de-risked operations.

Sustainability-driven Process Innovation

Green chemistry routes that reduce solvent usage, minimise effluent, and enhance atom economy are embedded in Hikal's operations—supporting the ESG goals of animal health innovators.

Leveraging Cross-divisional Expertise

Hikal's Animal Health division draws upon capabilities built in its human pharma and crop protection businesses, particularly in complex synthesis, impurity profiling, and Quality-by-Design (QbD) implementation—to enhance delivery quality and efficiency.

Global Crop Protection Industry

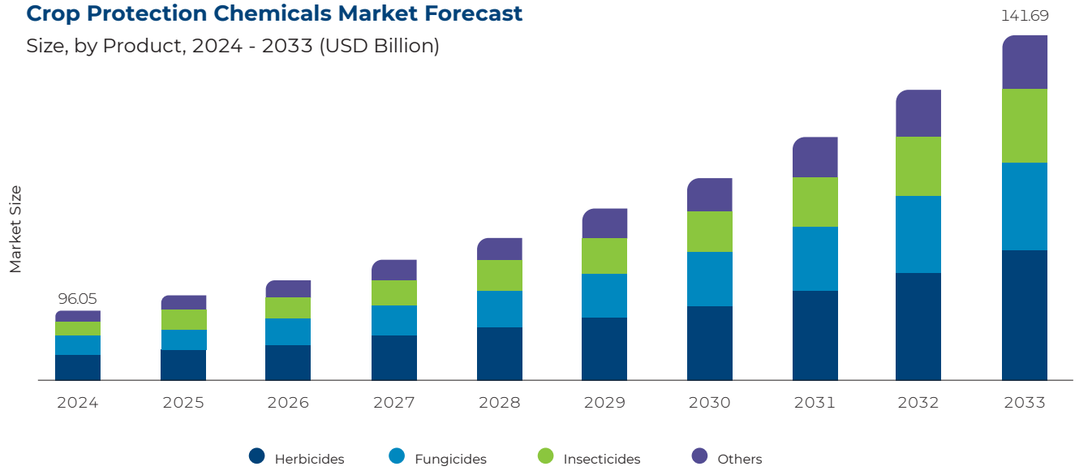
According to IMARC, the global crop protection chemicals market was valued at USD 96.05 billion in 2024 and is expected to reach USD 141.69 billion by 2033, growing at a CAGR of 3.96% (2025–2033). North America leads with over 39.9% market share in 2024. Key growth drivers include the rising global population, projected to reach 9.7 billion by 2050, and the need for higher crop yields from limited arable land. Soil degradation, climate-induced pest pressure, and changing dietary preferences are pushing demand for effective pest and disease control.

Technological advances like precision farming, improved formulations, and integrated pest management are supporting market expansion. Government support, increasing farmer awareness, and the shift toward sustainable, bio-based solutions are shaping the future of the industry.

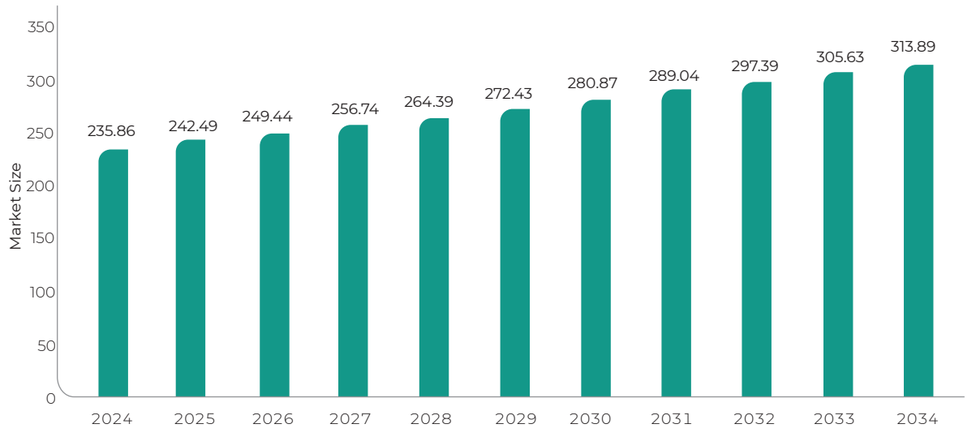
In the U.S., adoption of advanced farming technologies, GM crops, and a focus on maximising yield are major factors. Climate variability and increased pest outbreaks have raised the demand for reliable chemical solutions, backed by research investments and evolving regulatory support.

Crop Protection Chemicals Market Forecast

Size, by Product, 2024 - 2033 (USD Billion)



Forecasted Agrochemical Market Performance, 2024-2034 (USD Billion)



Source: Precedence Research

Growth by Product Type

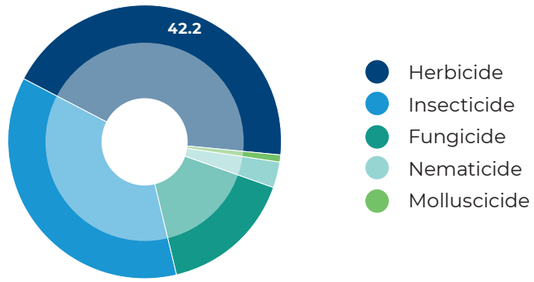
Herbicides make up about 42% of the global crop protection market in 2024. Their strong position is due to the need for effective weed control, as weeds can reduce crop yields by nearly 28%. The growth of farmland and modern farming practices has further driven herbicide use. Farmers also rely on herbicides to fight resistant weeds, which are becoming a bigger issue worldwide. Herbicides work well across different types of crops and weeds, making them a top choice.

The herbicide segment is expected to grow at a CAGR of about 5% from 2024 to 2029. This is supported by increasing weed-related crop losses and the need to improve yields. The rise of conservation agriculture, better herbicide formulations for resistant weeds, and new application technologies are boosting demand. Greater farmer awareness and rising food needs globally are also fuelling this growth.

Insecticides protect crops from insect pests, especially in areas affected by climate change.

Fungicides help manage fungal diseases, mainly in humid climates. Molluscicides control snails and slugs, and nematicides target soil pests that harm roots. Together, these tools support integrated pest management for better crop health and productivity.

Global Crop Protection Chemicals Market: Market Share by Function Segment (2024)



Source: Mordor Intelligence

Growth by Region

North America dominates the global crop protection chemicals market with over 41% share in 2024. Growth is led by large-scale farming and a shift to biopesticides as stricter EPA regulations take hold. The U.S. market alone is expected to grow at ~6% CAGR, reaching USD 40.1 billion by 2034.

In Europe, the move toward organic farming is accelerating, driven by the EU's Green Deal goal of cutting chemical pesticide use by 50% by 2030.

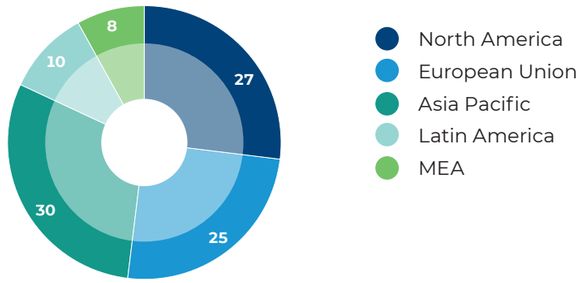
Asia Pacific is the fastest-growing region, with a projected CAGR of 3.07%. Growth is fuelled by large-scale farming in India and China, rising food security efforts, and continued reliance on synthetic pesticides.

Latin America, led by Brazil, is adopting precision agriculture tools like drones and satellite tech to optimise pesticide use and reduce environmental impact.

The Middle East and Africa are expanding steadily, with countries like South Africa using specialised chemicals to protect crops from extreme weather and ensure stable food production.

Agrochemicals Market Share, By Region 2024

(%)



Source: Precedence Research

Megatrends

Climate Change Intensifying Pest and Disease Pressure

Rising global temperatures, shifting rainfall patterns, and extreme weather are causing unusual outbreaks of pests and diseases. These disruptions are forcing farmers to increase pesticide use, particularly fungicides and herbicides, to protect yields and maintain crop health.

Rising Chemical Usage Due to Modern Farming Practices

The average global use of crop protection chemicals has risen to 117.9 kg/ha in 2022, driven by the expansion of monoculture farming and intensive agriculture. The need to control resilient pests and herbicide-resistant weeds is pushing up demand for products like glyphosate and cypermethrin.

Evolving Market Dynamics and Cost Differentiation

The market is witnessing increasing price variation among key crop protection chemicals, reflecting their spectrum, effectiveness, and regional demand. High-priced chemicals like cypermethrin are gaining traction for broad-spectrum pest control, while affordable options like malathion and mancozeb continue to dominate due to accessibility and wide usage.

Indian Crop Protection Industry

India's crop protection chemicals market is expected to grow from USD 2.59 billion in 2025 to USD 3.21 billion by 2030, at a CAGR of 4.35%.

As farming practices evolve, India's agriculture is increasingly adopting modern and sustainable techniques. About 20.8% of cultivated land is used for oilseeds, showing strong potential for crop protection solutions. Farmers are now using precision farming and integrated pest management, especially for commercial crops.

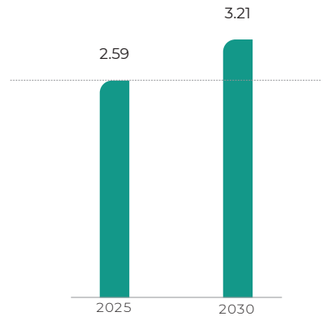
Key market trends include the rising adoption of precision farming and integrated pest management, growing demand for bio-based and sustainable solutions, increased use of insecticides driven by persistent pest pressures, and a shift towards targeted, technology-enabled strategies to improve farm productivity.

The market is facing growing pest-related losses. In 2022, pesticides accounted for 72.5% of the market, as farmers tackled pests like aphids, stem borers, and armyworms. Rice alone faces annual losses of USD 296.1 Million due to root-knot nematodes. Across all crops, 21.3% of yield losses are caused by plant parasitic nematodes, leading to economic losses of USD 1.58 billion.

Despite these challenges, targeted solutions are showing success. In Kodagu, Karnataka, strategic molluscicide use across 300 acres helped reduce mollusk infestations by 90%, improving outcomes for 40–45 plantations. Rising farmer awareness and the development of pest-specific products are helping improve productivity nationwide.

India Crop Protection Chemicals Market

Market Size in USD Billion
CAGR 4.35%



Source: Mordor Intelligence

Hikal – Business Review of the Crop Protection Division

The global crop protection industry continues to face pressure from overcapacity, low pricing, especially from China, and geopolitical uncertainties. Trade disruptions and input cost volatility have added to the challenge. While global prices remain subdued, inventory levels are easing, and volumes are beginning to recover. Domestic demand for select products is also picking up.

We expect the crop protection business to stay flat in 2025-26, with recovery likely from 2026-27. Innovator companies are rebalancing portfolios and focusing on product innovation and partnerships, which opens up long-term opportunities for us. In response, we are improving capacity utilisation, expanding into specialty chemicals, and launching new products in the second half of 2025-26.

In 2024-25, crop protection revenue stood at INR 6,917 Million with EBIT of INR 792 Million and margins at 11.4%. A favourable product mix and improving domestic demand supported profitability despite continued global headwinds.

Our CDMO business continues to gain strong traction. We currently have eight active projects with both existing and new customers. Several audits and technical evaluations were successfully completed. Commercialisation of products developed over the last 2–3 years has started contributing to revenue.

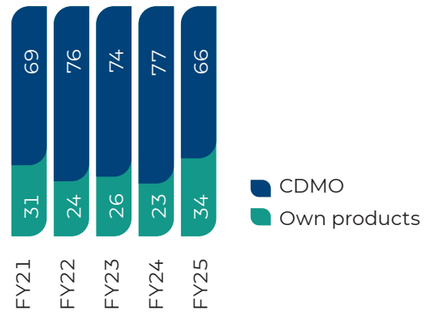
We continue to invest in capacity, talent, and new technologies to scale operations. Our expertise in complex chemistry, process optimisation, and regulatory compliance positions us as a trusted partner for global innovators. The CDMO pipeline remains strong, and we are focused on converting these opportunities into long-term growth.

Crop Protection Performance Trajectory

Revenue
(INR in Million)

EBIT
(INR in Million)

Revenue Break-up
(%)



Hikal – Research and Technology Review

Elevating Capabilities

We continued to enhance our commercial and technical capabilities to meet evolving customer needs and ensure scalability from lab to pilot to plant. As a technology-driven partner in pharmaceuticals and crop protection, Hikal invests 4-5% of annual sales in Research & Technology (R&T), with a strong emphasis on safe, efficient, and eco-friendly processes.

During the year, we commissioned a Reaction Calorimeter facility (May 2024) at our R&T Centre, equipped with Mettler Toledo RC1mx. This advanced tool enables safe scale-up by accurately determining thermal profiles, including MTSR, heat of reaction, and accumulation. By bringing this capability in-house, we are reducing outsourcing costs and development timelines, while strengthening our ability to assess thermal hazards early in the process development stage.

We also expanded lab infrastructure and invested in advanced analytical tools to support high-complexity chemistry, aligning with our long-term focus on innovation and quality.

Process Improvement

During process development, we focus on reducing cycle times and solvent usage by recycling recovered solvents, with the goal of minimising waste and its long-term environmental impact.

Filings

Our R&T team filed two US Drug Master Files (DMFs) and completed one Certificate of Suitability (CEP) to the European Pharmacopoeia, along with six CEP amendments and six US DMF amendments for the pharmaceutical segment.

Advancing Innovation in Animal Health APIs

As part of our portfolio expansion, we are making significant progress in developing Animal Health APIs. Several APIs developed by our R&T team have been successfully validated at our new Animal Health Manufacturing facility in Panoli, with validation for additional APIs currently underway. We have filed patent applications for three of these APIs, covering the innovative processes developed by R&T, and submitted related journal articles for publication.

Additionally, we have initiated the development of two Complex Chemistry Molecules in the Animal Health segment. For the one molecule, process development is ongoing at R&T, with validation planned at our manufacturing facility. The second molecule is being validated at the Kilo Lab, with initial customer supply in progress, followed by further process optimisation and commercial scale validation.

Embedding Green Chemistry in Animal Health API Development

We apply Green Chemistry principles in the development of our Animal Health APIs, reinforcing our commitment to sustainability. Several APIs were successfully developed alongside ongoing projects, with plant-scale validation completed at Unit 2. The completion of multiple API developments demonstrates our technical strength and consistent focus on environmentally responsible solutions that deliver both efficacy and positive environmental impact.

CDMO

During 2024-25, the CDMO team has secured a repeat order for a hazardous Click Chemistry project and are preparing for larger-scale batches at Unit 2. We also completed batches in a cryo reactor for a customer project, safely handling highly pyrophoric butyllithium solution.

Innovation, Safety and Sustainability in Process Development

Scaling Click Chemistry with Safety

We reached a major milestone by successfully developing and scaling Click Chemistry for large-scale application, becoming the first in India to do so with stringent safety protocols in place. This reflects our strong focus on both innovation and safe operations.

Process Development for a Flavouring Agent

Our team developed a robust synthesis route for a flavouring agent, laying the groundwork for future scale-up. This achievement reinforces our focus on delivering high-quality, customer-aligned solutions.

Greener Processes for Advanced Intermediates

We created an environmentally sustainable process for an advanced intermediate by eliminating hazardous reagents and enhancing both Process Mass Intensity (PMI) and throughput, demonstrating our commitment to greener and more efficient manufacturing.

Establishing a Process Safety Lab

A new Process Safety Lab was set up at our R&T centre, equipped with advanced tools such as Reaction Calorimetry, Gas Evolution Kit, HF-Cal, and DSC. A dedicated team of scientists oversees the lab to drive safe innovation and process reliability.

Zero Liquid Discharge (ZLD)

We undertook a project to achieve zero liquid discharge (ZLD) at our facility. We have successfully installed and commissioned a 30 KLD Ultrafiltration (UF) and Reverse Osmosis (RO) plant, along with a 10 KLD Mechanical Vapour Recompression (MVR) system followed by an Agitated Thin Film Dryer (ATFD).

Crop Protection

Our dedication to innovation and process optimisation has led to remarkable achievements this year.

Outlook

As part of our R&T strategy, we will continue to prioritise customer-recommended and in-house product developments, with a focus on effective commercialisation. Our aim is to convert contract development projects into long-term manufacturing opportunities across the pharmaceutical and crop protection divisions.

To enhance product competitiveness, we are implementing process improvements, productivity measures, and cost-reduction strategies. We continue to invest in advanced technologies and forge strategic partnerships to support these efforts.

Our commitment to newer, greener technologies will help reduce our carbon footprint, optimise resource use, and improve overall process efficiency.

Financial Review

Consolidated Abridged Profit and Loss Statement

(INR in Million)

Particulars	2024-25	2023-24
Total Revenue	**18,598**	17,846
EBITDA	**3,335**	2,694
PBT	**1,239**	954
PAT	**909**	695

Revenue from Operations

Our total revenue registered an increase of 4% YoY, reaching INR 18,598 Million compared to the previous year's figure of INR 17,846 Million.

Commentary

Deeper market penetration in geographies such as Latin America and Korea combined with entry into new businesses of animal health and specialty chemicals resulted in revenue growth.

EBITDA

Our EBITDA for the current financial year stood at INR 3,335 Million, marking a growth of 24% YoY, compared to the previous year's figure of INR 2,694 Million, with margins at 17.9%.

Commentary

Initiatives towards cost leadership and transition to high margin product mix have resulted in higher EBITDA margins.

PAT

In 2024-25 our PAT amounted to INR 909 Million, compared to the previous year's figure of INR 695 Million.

Commentary

Improved profitability and operating leverage has resulted in higher PAT.

Cash Flow Position

As of 31 March 2025, cash flow position is strained on account of market dynamics predominantly driven by increased account receivables by four days. The Company generated INR 2,804 Million from operating activities, a increase from the previous year's figure of INR 1,866 Million. The Company's investing activities resulted in a cash outflow of INR 1,365 Million, which was utilised to expand capacity as part of Hikal's ongoing capex programme aimed at realising future business opportunities.

Meanwhile, financing activities led to a outflow of INR 1,436 Million, indicating an degrade Cash Flow from the previous year's figures. As of 2024-25, the Company's closing balance of cash and cash equivalents stood at INR 129 Million.

Commentary

Improved cash flow on account of significantly high operating profit coupled with controlled capital expenses towards assets.

Debt Position

In 2024-25, the net-debt equity ratio has decreased to 0.59 compared to 0.67 in the previous year. The interest cost incurred during the current fiscal year was INR 752 Million, indicating an increase from the previous year's interest cost of INR 564 Million.

Commentary

Long-term debt repayment and capital expenditure was funded largely through the internal accruals resulted in improved debt equity ratio.

Return on Equity (RoE) and Return on Capital Employed (RoCE)

2024-2025 saw an increase in the Return on Equity (RoE) to reach 7.41% compared to the previous year's figure of 5.99%. The Return on Capital Employed (RoCE) has also increased by 204 bps from 7.69% in 2023-24 to 9.73% in 2024-25.

Commentary

Improved profitability on account of cost improvement initiatives and operating leverage has culminated in improved returns.

Capex

For 2024-25, we have allocated a total of INR 1,373 Million towards a Capex programme aimed at increasing capitalisation. The funds will be used to create multi-product plants that will benefit both the Pharmaceutical and Crop Protection divisions, as well as upgrade the infrastructure of existing production facilities.

Commentary

We anticipate that these new plants will reach full capacity utilisation within next 2-3 years. We are committed to the Capex investment for capitalising on long term growth opportunities such as emerging Animal Health business.

Consolidated Cash Flow Statement

(INR in Million)

Particulars	As on 31 March 2025	As on 31 March 2024
Opening Cash and Cash Equivalents	**126**	267
Cash flows from		
(a) Operating Activities	**2,804**	1,866
(b) Investing Activities	**(1,365)**	(1,737)
(c) Financing Activities	**(1,436)**	(270)
Closing Cash and Cash Equivalents	**129**	126

Key Financial Ratios

Particulars	As on 31 March 2025	As on 31 March 2024	Variance (%/bps)
Debtor Turnover	**3.46**	3.59	4
Inventory Turnover	**2.62**	2.66	1
Interest Coverage Ratio	**4.44**	4.78	7
Current Ratio	**1.26**	1.28	1
Net Debt Equity Ratio	**0.59**	0.67	12
Net Profit Margin (%)	**4.90**	3.90	26
Net worth	**12,622**	11,876	6

Strategic Review

Project Pinnacle

Project Pinnacle is our business transformation initiative designed to advance the next phase of our growth strategy and strengthen our operational pipeline. Now in its third phase, the project is continuing its results, driving sustainable growth through supply chain momentum, de-risking measures, differentiated capabilities, global customer acquisition, and the development of a robust technology platform.

Our Strategic Ambitions

- **Leadership in ESG**
- **Manufacturing Excellence**
- **Research and Technology**
- **Customer Centricity**
- **Supply Chain Management**

Leadership in ESG

In line with our purpose of improving lives and serving the community, we are committed to embedding sustainability across all aspects of our operations. As part of our ESG framework, we continuously identify areas for improvement and engage with global rating agencies to benchmark our progress.

Our efforts have earned us notable recognition, including a Bronze Medal from EcoVadis at an organisation level and inclusion in the CDP B List. Looking ahead, it will continue to be a strategic priority, supported by a defined roadmap to drive lasting environmental and social impact.

In 2024-25, we submitted the UNGC Communication on Progress (CoP) report and carried out BRSR limited assurance. We also initiated GHG Scope 1, 2, and 3 emission accounting for the current year as part of our commitment to submit near-term SBTi targets by the end of 2025-26. Implementation of the SBTi roadmap is already underway.

We made significant strides in energy sustainability, with 77% of our electricity consumption met through renewable sources. A comprehensive safety diagnostic study was conducted by a renowned consultant to enhance our inherent safety strategy at manufacturing facilities.

We are also embedding ESG considerations into our technology selection process for upcoming projects, such as, we adopted automatic vertical plate filters, electrically operated diaphragms, and water-based PU paints, technologies chosen for their lower environmental footprint.

Manufacturing Excellence

We invest in our operations to optimise resources, enhance operational efficiency, and expand capacity through new equipment.

Competitive Advantage

Our advanced GMP and non-GMP manufacturing facilities further enable us to meet diverse customer requirements across all business segments.

We Use it

- To ensure on-time delivery of our products to valued customers
- To maintain profitability without compromising our quality and ESG commitments

Case study

HIBEX Productivity Challenge

We launched the 'HIBEX Productivity Challenge', a Company-wide Capital Efficiency Programme aimed at holistic sustainable outcomes. This innovative micro-battle competition keeps every Hikalite engaged while delivering tangible results in:

- Increased asset throughput
- Sustained higher profitability
- Improved asset returns through sustainable operations

Initiatives Undertaken

Capacity

Addition of

Invested in debottlenecking CAPEX for capacity enhancement

Capability

HIBEX

- Inaugurated an enhanced process safety lab
- Implementation of self-managed teams (SMTs) across businesses
- 20% production increment for one pharmaceutical product facilitated by automation and efficient material handling
- Achieved 20% cost improvement across 3 generic APIs

Compliance

Planned Approvals

- ZLD (Zero Liquid Discharge) has been set up at R&T

Research and Technology

Our focus on leveraging science and technology enables us to deliver high-quality products and solutions while enhancing site productivity and business profitability. To support this, we are expanding capacities and investing in new laboratories and advanced equipment.

Competitive Advantage

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

We Use it

- To diversify our product portfolio by creating high-value new products
- To improve the profitability of our existing product portfolio
- To create a differentiated value proposition by developing capabilities across complex chemistries

Customer Centricity

At the core of our business is a customer-centric strategy focused on delivering exceptional experiences. By combining custom manufacturing with bulk development services, we offer a distinctive value proposition backed by broad and differentiated capabilities.

Competitive Advantage

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

We Use it

- To build meaningful and value accretive partnerships with our customers
- To provide exceptional customer service and innovate basis customer feedback to build loyalty and advocacy

Initiatives Undertaken

Key Account Management (KAM) Systems

We enhanced our KAM approach across multiple accounts to build deeper strategic relationships. As part of our KAMs, we have:

- Defined priority accounts basis current size and full potential
- Defined key roles and responsibilities to manage priority accounts and ensure delivery excellence
- Developed a mechanism to consistently ensure customer delight

Customer Roadshow

- Roadshow through strategic locations across the globe, including Japan, South Korea, Europe, the US, and Latin America
- It is an opportunity to engage with senior leadership from our existing esteemed clientele while forging new connections with potential customers
- It will help in paving the way for future partnerships that will be instrumental in realising our vision

Supply Chain Management

Amid rising geopolitical tensions, geo-concentration concerns, and growing ESG considerations, we are actively de-risking our supply chain through a combination of backward integration, alternative sourcing, strategic partnerships, localisation, and digitisation initiatives.

Competitive Advantage

A resilient, de-risked supply chain enables us to navigate global uncertainties while ensuring continuous supply to our customers.

We Use it

- To de-risk our production process, while keeping our supply chain reliable
- To maintain market competitiveness 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

Regulatory Compliance

We are committed to green chemistry and engineering and continue to invest in processes and systems that enable safe, responsible operations in line with global regulatory standards.

Competitive Advantage

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

We Use it

- To create shared value and maintain business sustainability
- To align our interests with collective well-being

U.S. FOOD & DRUG ADMINISTRATION

Key Regulatory Approvals

KFDA 식품의약품안전청 · Pmda · edqm European Directorate for the Quality of Medicines & HealthCare · Council of Europe · EPA

KOSHER CERTIFICATION SERVICE · famhp · Cofepris · Australian Government Department of Health and Ageing · ANVISA

ANMAT · CFDA · fssai · INFANCA HALAL

Integrated Management Systems across All Sites

ISO 9001 · ISO 45001:2018 · ISO 50001:2018 · ISO 14001:2015 · Responsible Care® Initiative

Responsible Care® · ecovadis · CDP

Risk Management

At Hikal, we believe that managing risks is a vital part of our overall strategy. It enables us to operate efficiently and meet our goals. We recognise that effective risk management is essential to achieving our objectives. That is why we proactively identify and mitigate potential risks.

This approach allows us to embed risk management into our Company culture. We consider it not just a requirement but vital for successfully navigating our business challenges.

Since implementing a structured risk management approach in October 2021, we have observed significant improvements in areas such as Supply Chain Management, Business Continuity Planning, Compliance, Financial Oversight, and Information Technology. This approach equips us to tackle challenges and accomplish our strategic goals.

Risk Management Objectives

To ensure that all our current and future material risk exposures are identified, assessed, quantified, appropriately mitigated, and managed, i.e., to ensure adequate and robust systems for risk management.

To ensure compliance with appropriate regulations, including those related to ESG, through the adoption of best practices.

To ensure business continuity and sustainable growth with financial stability.

Risk Management Process

An effective risk management process requires continuous and consistent assessment, mitigation, monitoring, and reporting of risk issues across the full breadth of the Company. All senior executives, under the guidance of the Managing Director, are responsible for monitoring management's processes and results in identifying, assessing, and managing risks. The risk management process adopted by us has been tailored to our business processes, with reference to ISO 31000 and the COSO ERM frameworks.

Hikal Limited's focus is on mitigating risks towards meeting the following broad objectives:

Financial
Achievement of revenue and profitability targets.

Environment, Health, and Safety (EHS)
Impact on environment and human safety.

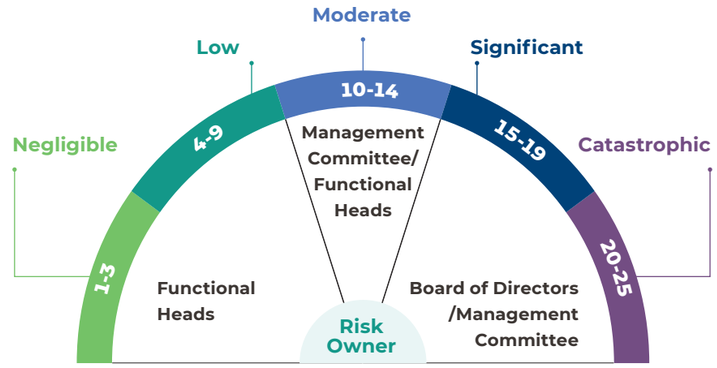
Regulatory Compliance
with regulatory requirements.

Employee Skill Enhancement and Retention
Maintaining employee satisfaction and retention rate.

Broadly categorising, the risk management process consists of the following stages/steps:

Risk Assessment (Identification, Analysis and Evaluation)

This involves identifying risks and likely causes that could affect the Company's objectives. Risk evaluation involves comparing the level of risk identified during the analysis process with the predefined risk weight to assess the potential severity of impact and the probability of occurrence.



Risk Treatment (Mitigation Plan)

The Company takes various measures to respond effectively to risks. This includes drafting and executing mitigation plans based on the Company's Risk Appetite, which is the amount of risk the Company is willing to accept to achieve its objectives.

Monitoring, Review, and Reporting

Monitor the movement of identified risks and the effectiveness of existing risk management measures. Report these risks and management measures to the Risk Management Committee.

Communication and Consultation (Training and Awareness)

The Chief Risk Officer, in collaboration with the Risk Owners and Risk Champions, conducts regular and mandatory training programmes on risk management, enabling each employee to contribute proactively to effective risk management. External professional help is also taken when necessary.

Risk Governance

Roles & Responsibilities

Risk Management Committee
Reviews and approves the Risk Management Policy

Chief Risk Officer
Assesses and monitors risks that the Company could potentially face

Management Committee
Identifies risks, develops risk mitigation plans, and implements risk mitigation strategies

Functional Heads
Implementation of mitigation plans under the guidance of the Management Committee

Risk Management Committee

Mr. Jai Hiremath
Executive Chairman

Mr. Sameer Hiremath
Vice Chairman and Managing Director

Mr. V. Ramachandra Kaundinya
Independent Director

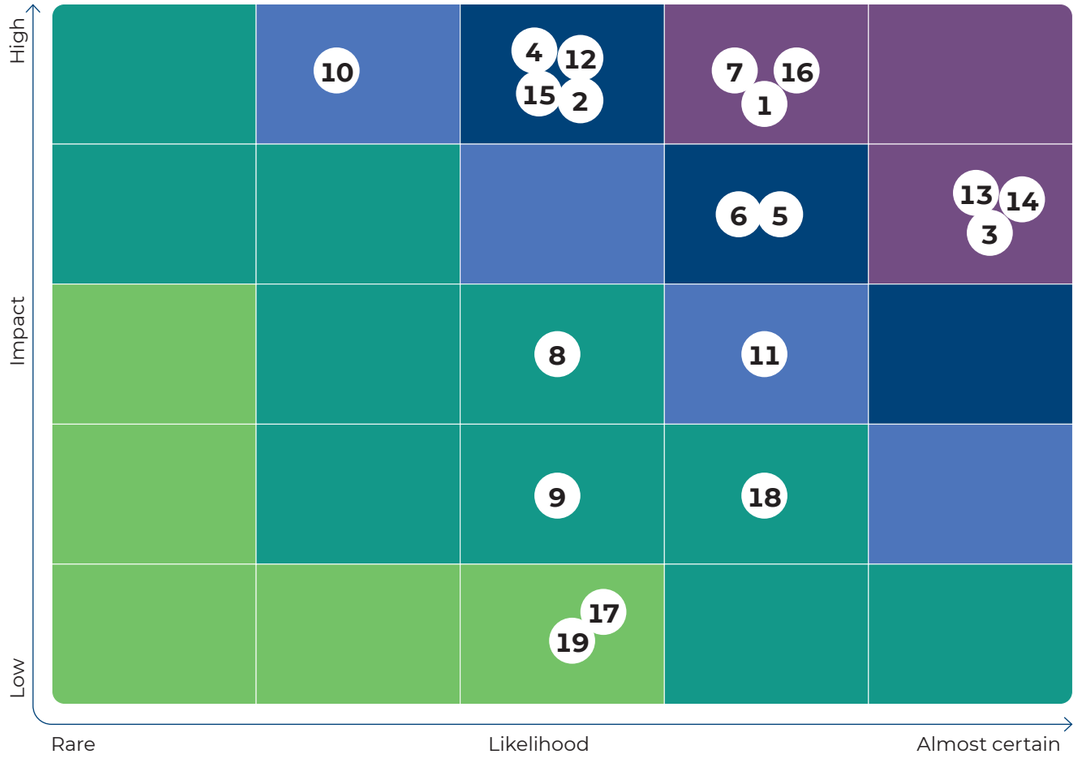
Mr. Ravi Kapoor
Independent Director

Mr. Anish Swadi
Senior President – Animal Health and Business Transformation

Risk Profile

We regularly monitor the identified risks using Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs). In our Group meetings with Risk Champions, we analyse and discuss each risk to encourage ongoing conversations about managing them. We reassess the risks based on feedback from the Management Committee. This continuous evaluation has resulted in Hikal's risk register listing 19 different risks, with six rated as catastrophic, six as significant, two as moderate, three as low, and two as negligible.

Hikal Risk Map



1. PCB consents and hazardous waste guidelines
2. Unsafe practices
3. Frequent USFDA updates
4. Regulatory non-compliance
5. Increasing competition
6. Key products and customers' dependence
7. Crisis and Risk Management
8. Natural disaster
9. IT-DRP
10. Geopolitical
11. Monopoly and limited suppliers
12. Dependence on China
13. R&T project timeline and budget
14. Capital project cost and schedule overruns
15. Cyber attack
16. High employee attrition rate
17. Unutilised GST input credit
18. Increasing interest rate
19. Foreign exchange volatility

Negligible **Low** **Moderate** **Significant** **Catastrophic**

Risk and Response

Risk Description	Action Taken	
Non-complying with PCB consent and hazardous waste guidelines	• Implemented an online monitoring system for effluent and boiler stack across all Hikal sites • A digital information Board providing updates on environmental and safety issues was installed at each facility's entrance • Quarterly EHS compliance audits were conducted of all sites	↓
Unsafe practices and deployment of workforce (Company and Contractor) in non-specified areas leading to accidents	• Safety programmes, including plant safety inspections, safety meetings, one-minute safety tips, and near-miss reporting, have been organised to ensure participation from all employee levels • Globally Renowned Consultant has been appointed to lead the safety culture transformation initiative	−
Issues arising from USFDA inspection may adversely impact Company revenue, reputation, etc.	We are currently reviewing our policies and procedures to ensure that all activities are in full compliance with USFDA requirements, and we expect to receive clearance from them soon	↑
Delays in regulatory approvals and meeting compliance requirements pose challenges to the rapid growth of the business	An effective governance system is established, ensuring that compliance status is regularly updated to the relevant authorities and corrective actions are taken promptly	↓
Challenge in achieving revenue growth from non-Gaba products	The pharma business expanded geographically into new countries. We have initiated transactions with numerous new customers over the past two years	−
Difficulty in achieving revenue growth from existing products and meeting budgeted targets for new products	We have strengthened several processes, including KAM, customer feedback, customer risk assessment, and salesforce utilisation, to address this risk	−
Crisis and Risk Management	A crisis communication plan was implemented, and training was given to all concerned, including business unit heads	−
Risk of business loss due to natural disasters	• On-site emergency plans were evaluated for all locations. Identified gaps were addressed. The effectiveness of on-site emergencies is ensured through periodic mock drills. • In addition, capital expenditures were allocated to each site to enhance preparedness for handling potential flood situations	↓
Lack of Disaster Recovery Plan (DRP) leading to revenue and productivity loss	• An IT DRP drill is conducted at regular intervals • The process is set up to store PLC programme backup in the cloud • The DR system for the ERP application has been developed	↓
Business uncertainty or loss of receivables due to transacting business in countries where political and economic conditions threaten trade	• The credit insurance policy was renewed with an adequate amount of coverage • The Company implemented Hikal's revised credit policy • The Company engages in secured transactions with high-risk countries	↓
Monopoly/ limited suppliers for raw materials	• Alternate vendors were developed to mitigate risk and reduce prices • We have nearly eliminated our reliance on monopolistic suppliers in the Crop division	↓
Any geographic risk in China may significantly affect Hikal's operation	• We are working to develop alternative vendors outside China whenever possible. Additionally, we are closely monitoring geopolitical shifts and ensuring our operations continue uninterrupted	−

Risk Profile: ↑ Increase in Risk Profile | ↓ Decrease in Risk Profile | − Same as last year

Negligible **Low** **Moderate** **Significant** **Catastrophic**

Risk Description	Action Taken	
Develop new (modified) products or services within the anticipated timeline and budget (R&T)	• The timesheet application has been developed, and the deployed resources' timing is logged in the timesheet • The Company is streamlining the process of estimating project costs	↓
Project Costs and Schedule Overruns	• The Company emphasises its 'Be one team' philosophy, and all relevant departments work in good coordination while following standard processes. Periodic project workshops are conducted to prepare mitigation strategies for identified project risks. • The Company ensures that budget revisions comply with the requirements of the DOA	↓
Exposure to a cyber-attack in the absence of updated security measures	We have IT protection systems, including SOC, Firewalls, Barracuda, CrowdStrike, Patches, and Zscaler. The responsible individuals are tasked with monitoring and addressing alerts as a priority for these protection systems	−
Attrition level is high in junior and middle management cadre due to high demand	The Company is centred around three main areas: culture, capability, and connection, also known as the 3Cs. The HR department is implementing specific initiatives in each area to ensure maximum impact. The Company has redefined its attrition matrix to control attrition better, resulting in an increased risk rating	↑
Unutilised GST input credit in Maharashtra	Unused GST input credit is steadily decreasing due to credit allocation to other states and the strict monitoring of sales and purchase transactions	↓
Increase in interest rate will impact profits	The interest rate has steadily increased over the past four years. However, it remains more favourable than the market rate. The Company has taken various measures to mitigate interest rate risks, including establishing relationships with new lenders to obtain competitive rates, ensuring sufficient line availability across all lenders, negotiating more favourable terms and pricing, and exploring alternative financing sources	↑
The adverse impact due to Foreign Exchange Volatility	The Treasury Department monitors Forex's position daily and reports to the Board every quarter	−

Risk Profile: ↑ Increase in Risk Profile | ↓ Decrease in Risk Profile | − Same as last year

● **Negligible** ● **Low** ● **Moderate** ● **Significant** ● **Catastrophic**

Human Resources

Our people are integral to our long-term growth and operational excellence. In 2024-25, we continued to strengthen our human capital through focused efforts in inclusion, employee well-being, learning and development, and workplace safety.

We maintained a strong emphasis on diversity and equal opportunity, with structured initiatives such as the Women's Forum, MD Connect sessions, and leadership engagement platforms. Our wellness programme Ojas and employee engagement platform Uday supported physical and mental well-being across locations. High-performing individuals and teams were recognised through the Parigyaan awards framework.

Skill development remained a key priority, with over 44,521 training hours delivered through technical, behavioural, and digital learning formats, including LinkedIn Learning. Programmes focused on safety, compliance, leadership, and functional capabilities were implemented across levels. Safety performance was further strengthened through structured interventions, including the 21-Day Safety Challenge, site-specific mock drills, and expanded digital reporting systems.

We upheld our commitment to human rights through robust governance mechanisms, awareness sessions, and policy enforcement. Grievance redressal, anti-discrimination measures, and adherence to global labour standards remain core to our people practices.

Internal Controls and their Adequacy

The Company is dedicated to maintaining an independent and objective internal audit function that operates across all sites and business units. The mission of Hikal's Internal Audit Department is not just a function but a crucial pillar of the Company's success. It plays a vital role in assisting management and the Board in achieving their objectives by employing a systematic and disciplined approach to evaluate and enhance the effectiveness of Hikal's governance, risk management, and internal control processes.

Objectives of Hikal's Internal Audit Department

- Assist the organisation in fulfilling its governance responsibilities
- Ensure the adequacy of controls within Hikal's systems and activities and bring any deficiencies to the attention of operational management and, ultimately, the Audit Committee or relevant authorities.
- Advise management on cost-effective controls for new or modified systems and activities.
- Identify opportunities to reduce costs through improved efficiency within systems and activities.
- Examine whether employees' actions comply with policies, standards, procedures, and applicable laws and regulations.
- Support management in developing risk management strategies for business risks.
- Assist management in standardising departmental processes.
- Stay updated with industry best practices and emerging trends.

The Internal Audit Department assesses the adequacy and effectiveness of internal control systems using a systematic and disciplined approach. It collaborates with management to challenge and enhance existing and proposed practices while suggesting ideas for process improvements.

The Management Committee ensures the establishment of internal controls that effectively comply with relevant laws and regulations. Procedures are in place for the timely detection of errors and fraud. Management is accountable for taking prompt and appropriate actions to address any control issues or risks that exceed acceptable limits.

The Internal Audit Department has completed all audits as per the audit plan for the fiscal year 2024-25. Audit reports were discussed with the management committee and audit committee on a quarterly basis, and appropriate actions were taken to address all audit findings.

Additionally, the Company has implemented an internal control system that includes entity-level controls, Information Technology General Controls, and financial and operating controls. Operational effectiveness testing of these controls over financial reporting was performed for the fiscal year 2024-25, as mandated by SEBI Regulations and the Companies Act, 2013, with satisfactory performance noted for all these controls.