

Management Discussion and Analysis

Economic Review

Global Economic Review

The global economy showed surprising strength in 2025, though the second half of the year was met with more caution. While early forecasts placed global growth at 3.3%, this was later settled at 3.2% as the year progressed. Global trade dynamics were heavily influenced by the introduction of Trump tariffs, which triggered a massive frontloading of purchases in the first half of the year as businesses sought to mitigate supply chain costs and beat effective dates. Despite these trade pressures and conflicts in West Asia, the economy was supported by a massive wave of investment in Artificial Intelligence. These AI advancements began to demonstrably improve productivity and corporate margins, helping to balance out the uncertainties in global trade.

Global inflation generally moved downward in 2025, but the progress was not uniform across regions. While tighter policies and cooling job markets helped lower prices in many areas, the trend was occasionally interrupted by energy price shocks caused by the conflict in West Asia. These shocks stabilised global

headline inflation at approximately 3.5% by the end of 2025, though specific emerging markets saw spikes closer to 4.4%, making the cost of living unpredictable in those regions. Despite these challenges, real household incomes began to improve, driven by a combination of falling inflation and steady wage growth. Central banks reached a turning point during the year. After a long period of high rates, many initiated measured rate cuts to support economic growth while remaining vigilant against a potential inflation rebound.

Global trade saw a healthy rebound in CY 2025, growing by 3.8%, its best performance relative to GDP in nearly a decade. While momentum was weak in the Eurozone and slowing in China, India and the US emerged as the primary drivers of global strength. Despite geopolitical conflicts disrupting energy and supply chains, the global economy remained resilient. India stood out as a top performer with an estimated real GDP growth of 7.7% in 2025-26.

Geopolitical Conflicts and Global Economic Environment

While the global economy remained resilient for most of 2025, the landscape altered dramatically following the escalation of conflict in West Asia on February 28, 2026. This event triggered the most significant energy disruption since the 1970s. The impact on the Strait of Hormuz was immediate: ship transits plummeted from 130 per day in February to just six in March 2026. This 95% collapse effectively blocked 20% of the world's oil and 25% of its liquefied natural gas (LNG), causing a massive shock to global energy prices.

The disruption extended far beyond fuel, hitting essential manufacturing materials and agriculture. The region is a global hub for fertilisers, accounting for roughly 30% of world urea and ammonia exports.

With the Strait closed, the supply of methanol, aluminium, and graphite also stalled, threatening both general manufacturing and the transition to green energy.

As a result, the strong trade growth of 4.7% seen in 2025 is expected to drop sharply to between 1.5% and 2.5% in 2026. These energy shocks are driving inflation back up and forcing businesses to become extremely cautious. To protect themselves, companies are now rushing to find alternative supply routes and are holding back on big investments until the situation stabilises.

Outlook

Looking ahead, the global economy is expected to follow a cautiously stabilising but uneven path. According to the IMF, global growth is projected at 3.1% in 2026 and 3.2% in 2027. This represents a slight deceleration from 2025, primarily due to trade and energy disruptions triggered by the West Asia conflict. While advanced economies are expected to grow at a restrained pace, emerging markets led by India will continue to anchor the majority of global output.

While inflation showed signs of cooling in early 2025, global headline inflation is projected to spike to 4.4% in 2026 due to recent energy price shocks. However, as supply routes stabilise and previous interest rate hikes take hold, inflation is expected to resume its downward path to 3.7% in 2027. Advanced economies are likely to reach their targets sooner, while emerging markets face more persistent pressure from high import

costs and currency shifts. Consequently, central banks are expected to maintain a balanced approach, gradually adjusting rates to support economic growth while keeping inflation under control.

Structurally, the global economy is being reshaped by two major forces: technological innovation and energy security. The adoption of AI and automation is driving productivity gains that help offset trade-related headwinds. Simultaneously, the recent energy disruptions have accelerated the push for 'green' manufacturing and low-carbon transition planning. While geopolitical volatility remains a key risk, the global economy is broadly positioned for a period of gradual recovery, supported by private sector adaptability and strategic shifts in global supply chain architecture.

Global Growth Forecast (%)

Particulars	2024	2025	2026 (P)	2027 (P)
World Output	3.3	3.4	3.1	3.2
Advanced Economies	1.8	1.9	1.8	1.7
United States	2.8	2.1	2.3	2.1
Eurozone	0.9	1.4	1.1	1.2
Japan	0.1	1.2	0.7	0.6
United Kingdom	1.1	1.3	0.8	1.3
Other Advanced Economies	2.2	3.0	2.6	2.2
Emerging Markets and Developing Economies	4.3	4.4	3.9	4.2
China	5.0	5.0	4.4	4.0
India	6.5	7.6	6.5	6.5
Emerging Markets and Middle-Income Economies	4.3	4.4	3.8	4.1
Low-Income Developing Countries	4.0	4.8	4.8	4.9

Source: World Economic Outlook, IMF, April 2026
Note: (P) stands for projections

Indian Economic Review

India sustained its position as one of the fastest-growing major economies in 2025-26, reinforcing its structural momentum despite a challenging global environment. Real GDP is estimated to grow at 7.7% according to the government estimates, a significant acceleration from the 6.5% recorded in the previous year. Nominal GDP reached INR 357.14 lakh crore, reflecting a growth rate of 8.0%. The services sector remained the primary engine of expansion, growing at 9.1%, while Private Final Consumption Expenditure (PFCE) rose to account for 61.5% of the GDP, its highest share since 2012, reflecting the exceptional resilience and durability of domestic demand.

The macroeconomic environment in 2025-26 was defined by a significant easing of monetary policy. Supported by cooling inflation, the RBI initiated a series of rate cuts throughout 2025, bringing the repo rate down to 5.25% by December 2025. This cumulative reduction of 125 basis points has substantially lowered the borrowing costs, providing a more cost-effective environment for capital-intensive expansions and R&D investments. While the RBI has maintained a 'pause' at 5.25% in its April 2026 review to guard against global energy shocks, the overall lower interest rate regime continues to support industrial momentum and domestic credit flow.

On the fiscal front, the government maintained its consolidation path, with the revised estimate for the fiscal deficit at 4.4%, moving towards the Union Budget 2026-27 target of 4.3%. Despite global volatility, India's Current Account Deficit (CAD) remained manageable at 1.0% of the GDP, bolstered by strong services exports and steady remittance inflows.

India's total exports reached a historic milestone of USD 860.09 billion in 2025-26, growing 4.22% from the previous year despite global volatility. This growth was primarily anchored by the services sector, which rose 7.94% to USD 418.31 billion, while merchandise exports reached USD 441.78 billion. Key sectors like engineering, electronics, and chemicals maintained steady momentum. Specifically, the pharmaceutical sector exports for April–February 2026 reached USD 28.29 billion (up 5.6%), with India now accounting for 20% of the global generic supply. Driving this long-term structural shift is the PLI Scheme, which has now realised investments of INR 1.76 lakh crore across 14 sectors as of March 2025. The scheme has generated INR 16.5 lakh crore in output and created over 12 lakh jobs, positioning India as a globally competitive manufacturing hub.





Outlook

India's economic outlook for 2026-27 remains resilient despite elevated global uncertainties arising from geopolitical tensions, trade fragmentation, volatile energy prices and global financial market volatility. The RBI has projected India's GDP growth at 6.9% for 2026-27, supported by strong domestic demand, sustained public capital expenditure and improving private investment.

Inflation has remained broadly under control, with headline inflation remaining below the 4% target in the recent period. The RBI has projected an average consumer price inflation of 4.6% for 2026-27.

Continued government emphasis on infrastructure creation and capital expenditure is expected to support investment activity across core sectors, including steel, engineering and construction. Improved corporate balance sheets, rising productive capacity and sustained public investments are expected to aid demand momentum across infrastructure-linked industries.

On the external front, foreign exchange reserves remain comfortable with around 11 months of import cover, while gross FDI inflows continue to remain encouraging, supported by increasing greenfield investments across finance and technology sectors.

Going forward, continued policy certainty, fiscal consolidation, structural reforms, ease of

doing business and focus on inclusive growth are expected to support India's medium-term growth trajectory despite external challenges.

ICRA has lowered its 2026-27 GDP growth forecast to 6.2% from 7.1% and raised its CPI estimate to 4.5% from 4.0%, assuming an average crude oil price of USD95/barrel for the fiscal. However, these estimates are subject to sizeable risks; a longer conflict with average crude oil at USD105/bbl could drag the growth below 6% and push inflation above 5%.

The International Monetary Fund (IMF) has raised India's growth forecast for 2026-27 to 6.5% from earlier 6.4%, as a sharp cut in US tariffs on Indian goods and a strong 2025-26 growth momentum are expected to offset the drag from the West Asian conflict. The IMF positions India as one of the few resilient economies in a global outlook that is increasingly shadowed by the conflict in West Asia.

A reduction in US tariffs on Indian goods, from 50% to 10%, has improved the trade outlook, and the 'carryover momentum' from a strong 2025-26 is expected to sustain activity into the next fiscal year. These positives, the IMF notes, are sufficient to offset the adverse spillovers from the ongoing war in West Asia.

Industry and Business Review

Global Pharmaceutical Industry

The global pharmaceutical industry is undergoing a structural transformation, supported by sustained innovation, changing disease profiles and broader healthcare access. Despite inflationary pressures and geopolitical uncertainty, healthcare systems have remained resilient, while demand for novel therapies supports industry growth.

Global medicine spending is expected to reach approximately USD 2.4 trillion by 2029, at a projected CAGR of 5–8%, driven by innovative therapies, established brand expansion and improving healthcare access in emerging markets. Growth remains varied, with mature markets experiencing moderation and emerging economies contributing a growing share of incremental demand.

Therapeutic innovation remains a key driver, with more than 1,000 novel active substances launched globally over the past two decades, including 394 in the last five years. However, access remains uneven, with developed markets leading in availability while low- and middle-income countries face greater constraints.

Biologics accounted for approximately 42% of new drug launches over the past five years, while specialty medicines for chronic, complex and rare conditions are expected to capture a growing share of pharmaceutical spending. The increasing adoption of biosimilars is also improving affordability and access.

Oncology, immunology and metabolic disorders remain key growth areas. Oncology leads global pharmaceutical spending, supported by continued innovation and treatment adoption, while rapid uptake of GLP-1 therapies for diabetes and obesity is reshaping metabolic care. Advances in neurology, including Alzheimer's and mental health treatments, are expected to support future growth.

USD 2.4 Trillion

Global medicine spending is expected to reach by 2029, with a projected CAGR of 5–8%

42% of new products are biologics

Biologics accounted for novel drug launches over the past five years, reflecting a growing shift towards advanced and specialty therapies.

Global medicine volumes have remained broadly stable, growing at approximately 0.8% annually and staying largely flat on a population-adjusted basis. Developed markets have higher per capita consumption, while Asia and Latin America see faster growth as access and healthcare awareness improve. Affordability and infrastructure constraints continue to limit access in parts of Africa and the Middle East.

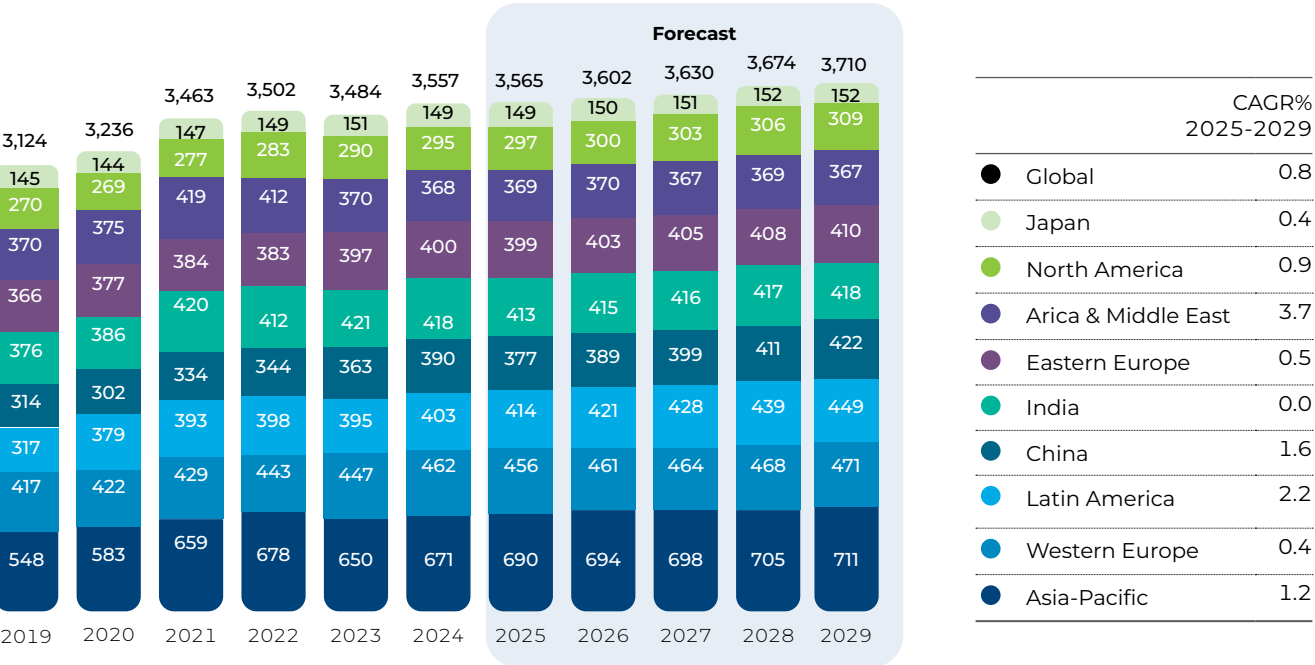
Spending growth is increasingly shaped by the product mix, with premium and innovative therapies driving value growth, despite moderate volumes. Developed markets benefit from product launches but face loss of exclusivity and pricing pressures, while emerging markets rely more heavily on generics and cost-effective alternatives.

Generics and biosimilars are improving access and helping contain healthcare expenditure, alongside a shift towards value-based pricing and outcome-focused reimbursement. Digital transformation is also reshaping the value chain, with data analytics, artificial intelligence and real-world evidence supporting drug discovery, clinical development, operational efficiency and patient outcomes.

The industry remains positioned for sustained growth, supported by innovation, broader access to novel therapies and evolving healthcare needs. Balancing affordability with therapeutic advancement will remain critical amid an increasingly complex healthcare environment.



Global Pharmaceutical Industry Growth: 2019-2029 (Defined Daily Doses in Billions)



Global Pharmaceutical Market (USD Billion)

Region	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%

Global Pharmaceutical Market: Share by Product Type

Region	Original Brands (%)		Non-original Brands (%)		Unbranded Generics (%)		OTC, Vaccines & Others (%)		Total (USD Billion)	
	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 see steady use, with nearly half facing biosimilar competition that is boosting access. Over time, spending is set to rise further, supported by medicines from established brands and new products.

Developed Markets: Pharmaceutical Spending and Growth

Region	(USD Billion)			
	2024	2020-2024 CAGR	2029	2025-2029 CAGR
Top 10 Developed Markets	1,194.5	8.2%	1,635-1665	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 5%–8% annually through 2029. Growth is primarily driven by an aging global population, increased access to complex biologics in pharmerging regions, and a surge in high-value therapies for oncology and obesity.

North America, holding a dominant 48% of global market value as of 2024, is led by the US, where robust biopharma investments fuel demand for biologics and rare disease treatments. While the Inflation Reduction Act (IRA) introduces pricing pressures, the region remains the primary hub for innovation, with hospital pharmacies leading and online channels expanding chronic care delivery.

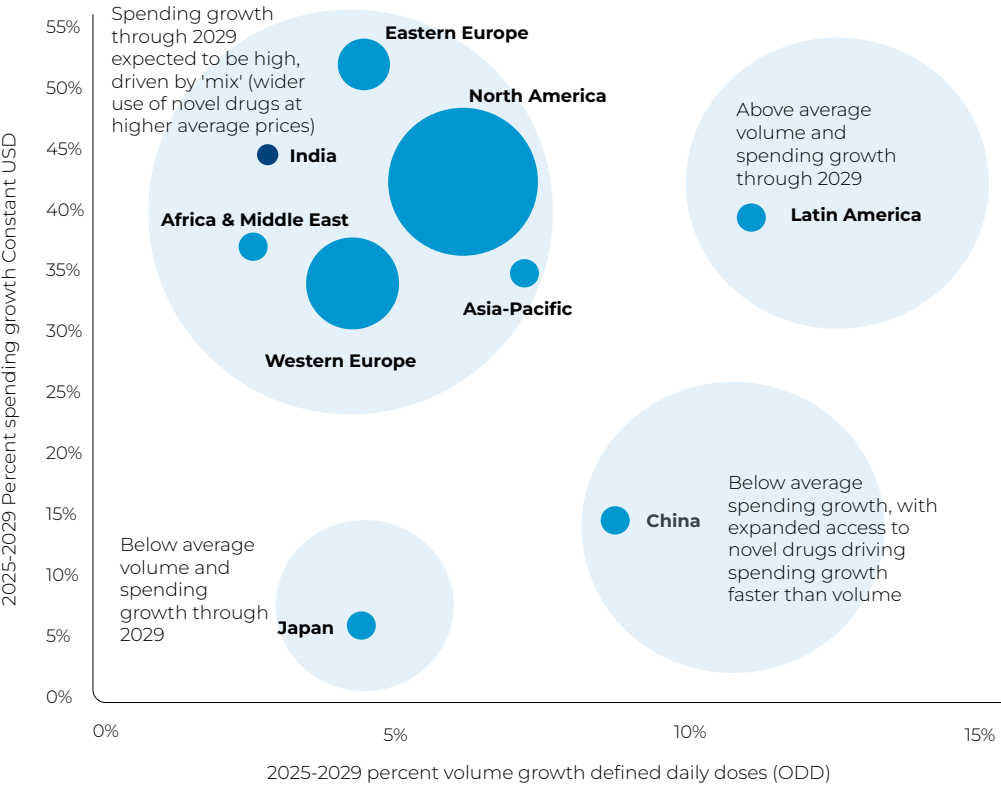
In Europe, steady growth is supported by standardised regulations and increased funding for specialty care. Germany, France, and the UK lead,

driven by high demand for specialty treatments and a rapidly maturing biosimilars market, which is increasingly used to balance healthcare sustainability with innovation.

Asia Pacific remains a critical growth engine, led by China, India, and Japan. China, the world's second-largest market, is projected to see spending reach USD 205-235 billion by 2029, as the National Reimbursement Drug List (NRDL) continues to broaden access to novel drugs. Japan's market remains stable, focused on elderly care and metabolic treatments amidst ongoing price revisions.

In Latin America, the Middle East, and Africa, growth is fuelled by healthcare reforms and local production. These regions are expanding through strategic biopharma investments and rising demand for both chronic and infectious disease treatments in underserved populations.

Spending and Volume Growth by Region



Megatrends for the Pharmaceuticals Industry (Global)

Precision Medicine & Biologics Dominance	AI-Driven Drug Discovery & Development	GLP-1 & Metabolic Medicine Revolution
Biologics, gene therapies, and targeted small molecules are redefining treatment across oncology, rare diseases, and immunology, with personalised medicine approaches rapidly displacing traditional one-size-fits-all therapeutic models.	Artificial intelligence is compressing drug discovery timelines, improving clinical trial design, and enhancing patient targeting fundamentally transforming how medicines are identified, developed, and brought to market.	GLP-1 receptor agonists have emerged as one of the most transformative drug classes in decades, reshaping treatment paradigms for obesity and diabetes, with the global obesity medicines market reaching USD 66 billion in 2025.

US Food and Drug Administration Approvals

In 2025, the US FDA's Center for Drug Evaluation and Research (CDER) approved 46 novel drugs and Center for Biologics Evaluation and Research (CBER) cleared 12, a notable increase from the 50 approved in 2024. This cohort was characterised by a surge in precision medicine, particularly in oncology and rare diseases, alongside innovative 'firsts' such as new oral antibiotic classes and advanced mRNA-based therapies. For 2026, approvals are projected to remain robust, with over 60 novel agents under priority review.

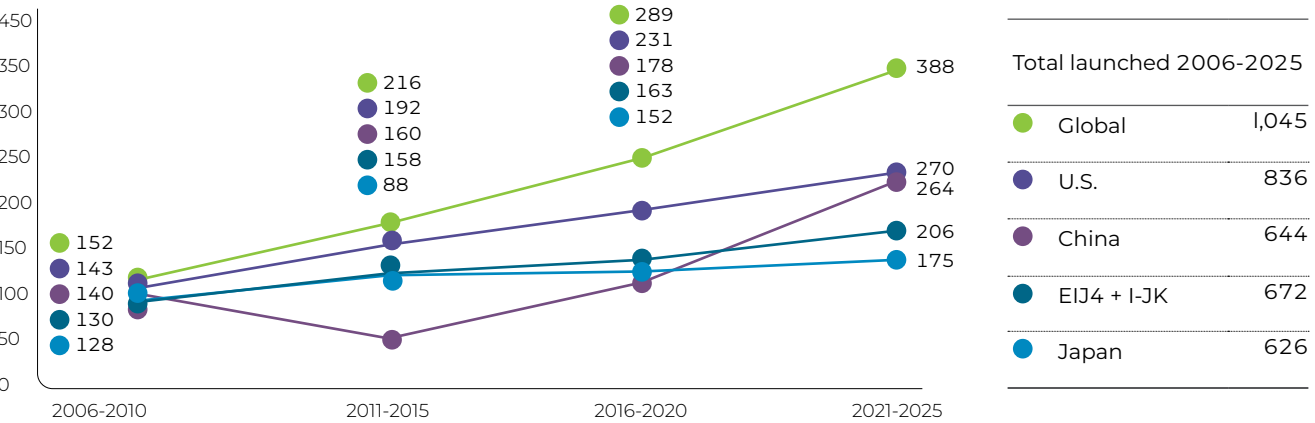
The ten-year period from 2015 to 2024 saw the FDA approve 184 drugs for India's top 20 drugmakers, reinforced by 38 post-approval acquisitions that expanded major pipelines. The US continues to serve as the primary global launchpad; 42% of US-launched

Novel Active Substances (NAS) over the last five years are still pending in major European markets, highlighting a widening global access gap. In contrast, only 6% of drugs first launched in Europe have not yet been introduced to the US market.

Regulatory evolution, including the implementation of the Inflation Reduction Act (IRA) pricing frameworks and new CAR-T safety standards, continues to reshape the landscape for both innovation and long-term affordability across global economies.

58
Novel drugs were approved by the FDA in 2025, with 60 approvals expected in 2026

Novel Active Substances Launched Globally and in Selected Countries, 2006–2025



Source: IQVIA Institute, Feb 2026.

Notes: Novel active substance (NAS) is defined as a medicine with at least one novel ingredient and is noted in the year it launches for the first time in the relevant geography. Fixed-dose combinations are NAS if one of the ingredients is novel, but would not be considered NAS if both are previously available alone or in other combinations. Emergency use authorisations (EUA) are counted as NAS in the year the medicine became available to patients and no exclusion is applied for approval type. COVID-19 vaccines are counted as NAS based on which of the 8 subtypes of vaccine technology was used to create them. Launch of NAS in each geography are counted independently, meaning the totals for each geography include different products, and the global is a representation of distinct first global launches.

Report: Global R&D Trends 2026: Advancing Innovation in a Changing Landscape. IQVIA Institute for Human Data Science, March 2026.

Drug Launch Pipeline

The global drug development pipeline has reached unprecedented levels, with over 23,000 active R&D programmes underway. The pipeline remains heavily weighted towards early-stage innovation, with approximately 18% in Phase 1, 16% in Phase 2, and 7% in Phase 3. Oncology and immunology continue to dominate therapeutic focus, now joined by a surge in metabolic health (specifically obesity). There are 72 New Active Substances (NAS) in late-stage development, with the top 20 pharmaceutical companies holding nearly 22% of these high-potential commercial assets.

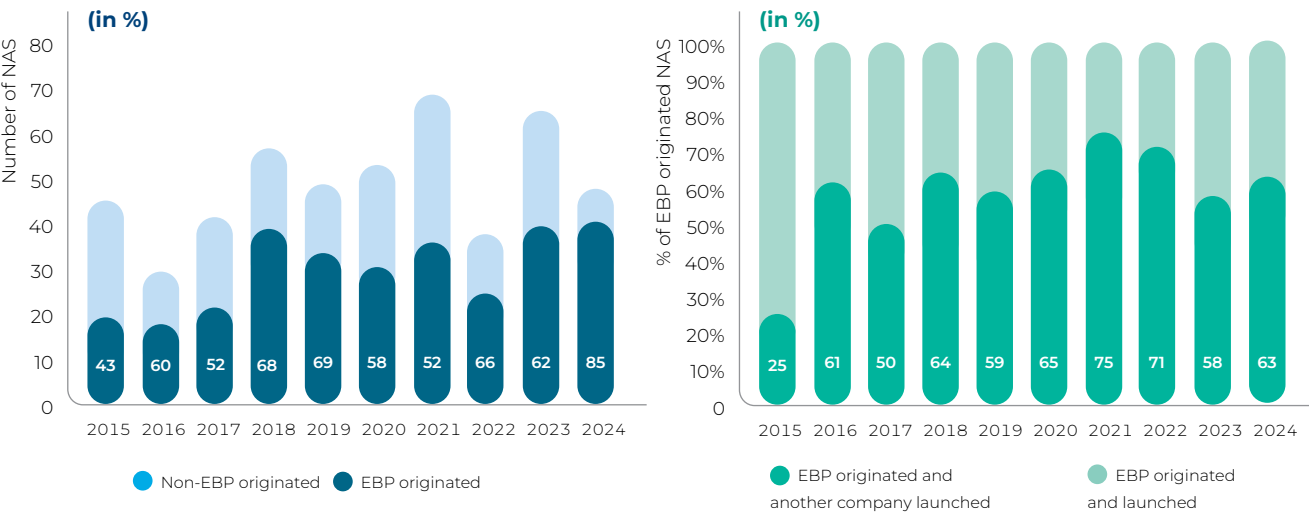
A defining shift in the industry is the rise of Emerging Biopharma (EBP) companies as the primary engines of innovation. In 2025, EBPs originated 85% of the 58 NAS launches, with a record 46 of those assets commercialised directly by the originating company rather than out-licensed to larger firms. Over the 2021–2025 period, EBPs accounted for 65% of

all global NAS launches, reflecting their growing capability to navigate complex clinical and regulatory pathways independently.

Despite this robust innovation, global access remains uneven. The US continues to be the dominant 'first-launch' market, accounting for 53% of global pharmaceutical value. In contrast, other developed and emerging markets often face lags of 18 to 24 months due to evolving pricing negotiations (such as the Inflation Reduction Act impacts in the US) and diverse reimbursement hurdles. This geographical disparity remains a critical challenge in ensuring that novel therapies reach patients globally in a timely manner.

85%
Of the 53 NAS launched in 2025 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Pharmaceutical R&D

Pharmaceutical R&D maintained its strategic centrality through 2025, with investment and dealmaking increasingly concentrated in high-value science, emerging biopharma, and AI-driven activity. While R&D funding in 2025 moderated slightly from the 10-year high of USD 102 billion recorded in 2024, it remained well above pre-pandemic levels, sustaining the multi-year rebound that has underpinned robust pipeline growth. Strategic partnerships within the biopharma sector intensified, highlighted by record-breaking deal volume between Chinese and international firms, where alliance funding reached USD 48.5 billion in 2025. This trend underscores a fundamental shift towards globalised innovation, where cross-border scientific integration is now a primary driver of R&D success.

The global pipeline continued to expand beyond a record 23,000 active programmes, anchored by oncology, obesity, immunology, and rare diseases as the dominant areas of clinical investment. Based on the current late-stage pipeline and historic success rates, an average of 70–80 NAS are projected to be launched annually over the next five years. However,

clinical trial starts recorded a modest decline across most therapeutic areas in 2025, reflecting a softening in global Phase I activity. Furthermore, end-to-end development timelines increased with inter-trial intervals rising by three months reversing efficiency gains seen in prior years and underscoring the persistent productivity challenge plaguing the sector.

Artificial intelligence has emerged as a structurally important enabler across the R&D continuum. AI capabilities are accelerating across discovery research, clinical planning, portfolio decision-making, and regulatory submissions, with AI-driven programmes demonstrating measurably improved success rates in 2025. The industry's increasing integration of AI alongside real-world evidence, adaptive trial designs, and strategic outsourcing reflects a broader commitment to compressing development timelines, improving attrition rates, and managing the rising cost of bringing novel therapies to market.

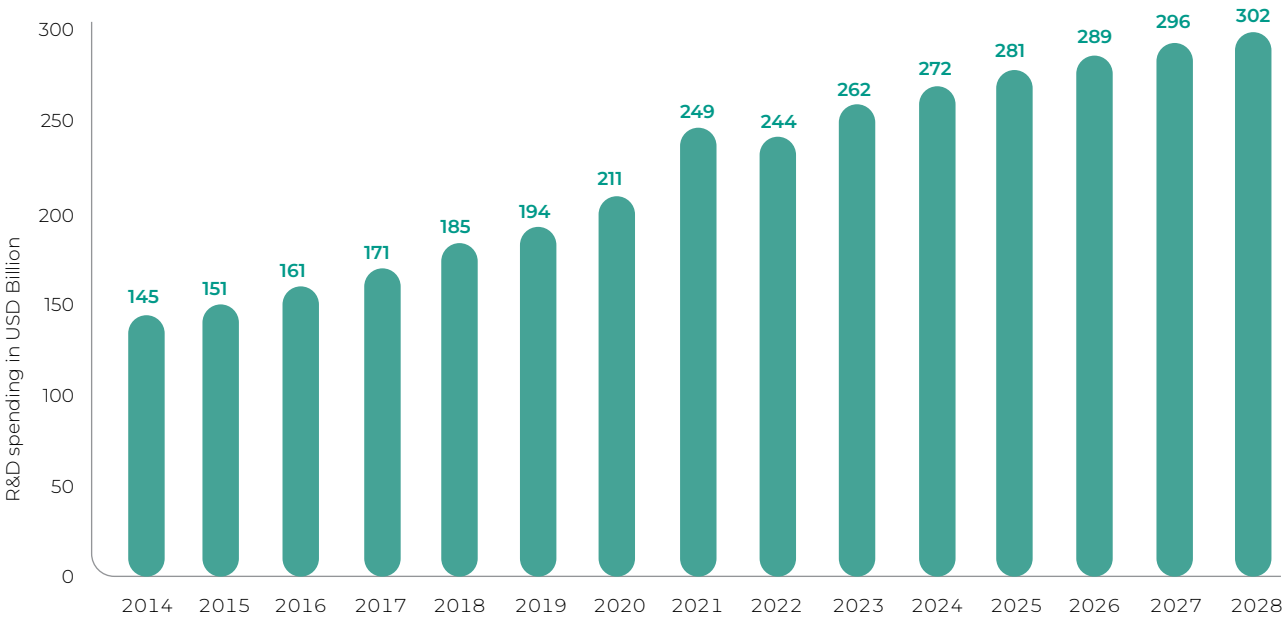
Indian Pharmaceutical Industry

India's pharmaceutical sector continued to strengthen its standing as the world's foremost supplier of affordable medicines through 2025, reinforcing its identity as the 'Pharmacy of the World.' India ranks third in terms of volume, meeting approximately 20% of global generics demand, with pharmaceutical exports to 191 countries in 2024, over 50% of which are directed to highly regulated markets such as the US and Europe. The sector is supported by over 3,000 companies and 10,500 manufacturing units, with an annual turnover of INR 4.72 lakh crore in 2024, and a USD 55 billion domestic market projected to reach USD 130 billion by 2030.

Affordable healthcare is becoming an expanding national reality through targeted government intervention. Under the Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP), a total of 17,610 Jan Aushadhi Kendras have been set up across the country, with 2,202 centres opened in 2025 alone. Up to November 2025, sales of INR 1,409.32 crore generated estimated savings of approximately INR 5,637 crore for citizens.

The Production Linked Incentive (PLI) scheme continues to serve as a transformative lever for domestic manufacturing. The PLI scheme for pharmaceuticals generated cumulative sales of more than INR 20 lakh crore, including INR 19 lakh crore in exports since inception through September 2025, with actual investments of INR 40,294 crore significantly exceeding the targeted outlay of INR 17,275 crore. The Union Budget 2025–26 allocated INR 5,268 crore for the Department of Pharmaceuticals, a 28.8% increase over previous estimates alongside INR 1,400 crore for mega bulk drug parks and INR 1,460 crore for medical device parks. Complementing these efforts, the Union Budget 2026-27 introduced the Biopharma SHAKTI initiative, positioning India as a future global biopharmaceutical manufacturing hub. Foreign investment flows into drugs and pharmaceuticals reached INR 13,193 crore in 2025 up to September, reflecting sustained international confidence in India's manufacturing base and regulatory framework.

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



Source: Statista

India is globally recognised as the 'Pharmacy of the World', a distinction firmly reinforced through 2025. The country remains the largest global supplier of generic medicines, accounting for 20% of the world's generic drug supply by volume, with exports reaching over 200 countries and 55–60% of UNICEF's vaccine requirements met by Indian manufacturers.

As highlighted in the Economic Survey 2025–26, the industry is actively transitioning from a volume-driven model toward a value-driven approach, with growing emphasis on complex generics, biosimilars, CDMO services, and

innovation-led growth supported by India's position as the country with the largest number of USFDA-compliant manufacturing facilities outside the United States. The sector has attracted cumulative FDI inflows of INR 2,10,940 crore from April 2000 to June 2025, with 100% automatic FDI permitted in greenfield ventures and up to 74% in brownfield projects, ranking the sector among India's top 10 most attractive for foreign investment. With the Biopharma SHAKTI initiative, expanding trade agreements, and a deepening biosimilars and API pipeline, India is well-positioned to advance its global pharmaceutical leadership in the years ahead.

Snapshot of Government Policies

Policies

Production Linked Incentive Scheme for Bulk Drugs (PLI 1.0)

Incentives	Eligibility	Scheme Tenure	Progress Update
Fermentation Products 2022-26: 20% 2026-27: 15% 2027-28: 54	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 the Production Linked Incentive Scheme is 2020-21 to 2029-30. Base year of the scheme is 2019-20.	- As of March 2026, 38 projects have been commissioned and are operational. - Total realised investment has reached INR 4,814 crore, surpassing the initial commitment of INR 4,330 crore. - Domestic capacity for 28 critical molecules has been established, significantly reducing import dependence for high-volume APIs.
Chemically Synthesised Products 2021-27: 10%			

Production Linked Incentive Scheme for Pharmaceuticals (PLI 2.0)

Incentives	Base Year	Scheme Tenure	Progress Update
The total financial outlay is INR 150,000 million allocated among 3 applicant groups based on revenue - Group A INR 110,000 million - Group B INR 22,500 million - Group C INR 17,500 million	Financial Year 2019-20	Financial Year 2020-21 to Financial Year 2018-29.	- Cumulative production by participants has crossed INR 7.5 lakh crore as of early 2026. - The current incentive rate for Category 1 & 2 products has moved to 8% for the April 2026–March 2027 cycle. - The scheme has successfully driven a surge in Biosimilars and mRNA technology investments within the private sector.

Bulk Drugs Park Scheme

Proposer	Incentives	Scheme Tenure	Progress Update
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.	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.	The scheme shall be operational during the period 2020-21 to 2024-25.	- Gujarat Park: Solvent recovery systems and steam generation units are currently in the testing/commissioning phase. - Andhra Pradesh Park: Secured final environmental clearances in January 2026 for expanded industrial zones. - Himachal Pradesh Park: Civil work for basic utilities (power sub-stations and water supply) is 85% complete.

Global Active Pharmaceutical Ingredients (API) Industry

The global active pharmaceutical ingredients (APIs) market is forecast to record a CAGR of 6.66%, from USD 219.7 billion in 2025 to USD 418.64 billion by 2035, over the projection period from 2026 to 2035. The Global Active Pharmaceutical Ingredient (API) market is expanding at a robust pace, with North America alone valued at USD 115.81 billion in 2025, representing 47.22% of the worldwide market, growing to USD 122.74 billion in 2026, at an average of 7.26% through 2034. This growth is driven by a rising demand for biopharmaceuticals, a strong surge in demand for cost-effective generic drugs, and technological advancements in API production. Increasing incidence of chronic diseases, rising adoption of biological drugs, and expanding government initiatives for innovative drug development continue to underpin the market momentum globally.

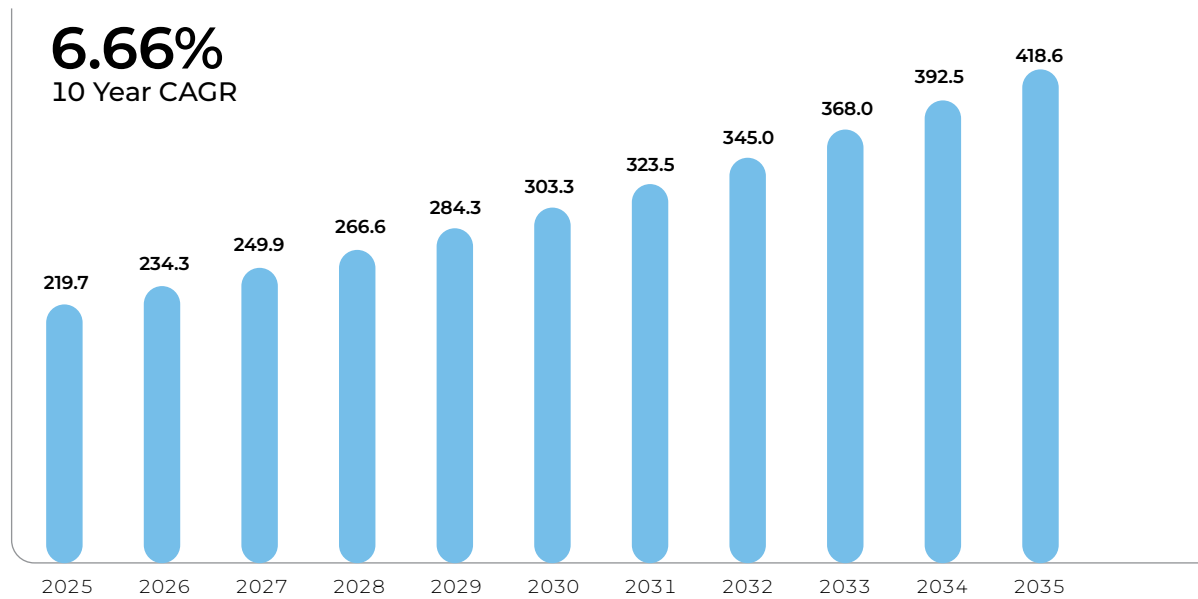
Regionally, North America dominated the global API market in 2025, accounting for 47.22% of the market

at USD 115.81 billion, driven by the rapid adoption of biological APIs and growing chronic disease burden. Europe represented 23.15% of the global market at USD 56.78 billion in 2025, supported by expanding R&D programmes across pharmaceutical and biopharmaceutical companies. Asia Pacific contributed 21.75% at USD 53.35 billion in 2025 and is projected to outpace North America and Europe, registering the highest CAGR through the forecast period, driven by lower labour costs, raw material availability, and favourable regulatory policies in China and India. Latin America continues to offer significant opportunities for API manufacturers, supported by rising generic drug adoption, increasing healthcare expenditure, and initiatives to strengthen regional pharmaceutical manufacturing. Non-regulated markets across Africa, the Middle East and parts of Asia remain attractive growth avenues, driven by expanding healthcare access, growing drug consumption, and continued reliance on imported APIs.



Growth by Market Segment

Active Pharmaceutical Ingredients Market Size 2025-2035 (USD Billion)



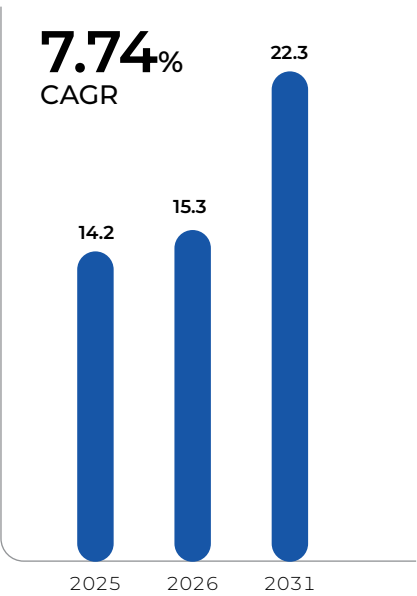
Source: <https://www.towardshealthcare.com/insights/active-pharmaceutical-ingredients-market-size>

Indian Active Pharmaceutical Ingredients (API) Industry

India's Active Pharmaceutical Ingredient (API) market continued its strong upward trajectory through 2025. The India API market is projected to grow from USD 14.77 billion in 2025 to USD 22.02 billion by 2030, at a CAGR of 8.31%, driven by the government's Production Linked Incentive scheme encouraging local manufacturing of critical APIs and Key Starting Materials, and India's push for self-sufficiency, particularly in antibiotics and cardiovascular drug segments. Synthetic chemistry anchors 72.80% of 2025 revenue, while biotech APIs logging a 9.18% CAGR are capturing incremental value as monoclonal antibodies, recombinant hormones, and mRNA vectors advance through late-stage development. Low- and medium-potency molecules accounted for 85.90% of the Indian API market in 2025, while high-potency APIs are expected to expand of 8.79% every year through 2031, reflecting the rising demand from oncology and complex therapy pipelines. India's cost-competitiveness, regulatory track record, and strategic positioning as a trusted alternative to China continue to attract global pharmaceutical companies seeking to diversify their API sourcing.

Active Pharmaceutical Ingredients Market Size 2025-2035

Market Size in USD Billion



Source: Mordor Intelligence

Megatrends for the API Industry (Global)

Rise of Biologics & High-Potency APIs	Supply Chain Localisation & China+1 Strategy	AI & Advanced Manufacturing Technologies
The rapid ascent of biologics, biosimilars, and high-potency APIs is displacing traditional small-molecule manufacturing as the primary growth frontier. Oncology, immunology, and rare disease pipelines are driving unprecedented demand for complex, precision-engineered active ingredients, with novel modalities such as antibody-drug conjugates, peptides, and oligonucleotides increasingly shaping the next generation of API development.	Geopolitical tensions and pandemic-era vulnerabilities have accelerated a fundamental restructuring of global API sourcing. Governments across India, Europe, and the United States are actively incentivising domestic production through PLI schemes, bulk drug parks, and reshoring subsidies, while global pharmaceutical companies are diversifying manufacturing footprints away from single-source dependency, creating significant opportunities for Indian and Southeast Asian API producers.	Artificial intelligence, continuous manufacturing, green chemistry, and process automation are collectively transforming the economics and operating models of API production. These technologies are compressing development timelines, improving yield efficiency, reducing environmental impact, and enabling more agile, cost-effective production at commercial scale, positioning early adopters to capture a meaningful competitive advantage in an increasingly innovation-driven API marketplace.

Megatrends for the API Industry (Indian)

API Self-Reliance & Import Substitution	Shift from Formulation-Led to API-Led Export Growth	Schedule M GMP Upgradation & Quality Compliance Drive
The rapid ascent of biologics, biosimilars, and high-potency APIs is displacing traditional small-molecule manufacturing as the primary growth frontier. Oncology, immunology, and rare disease pipelines are driving unprecedented demand for complex, precision-engineered active ingredients, with novel modalities such as antibody-drug conjugates, peptides, and oligonucleotides increasingly shaping the next generation of API development.	Historically, India's pharmaceutical export story was driven by finished formulations. The year 2025 witnessed a structural shift, with bulk drugs and drug intermediates accounting for 16.08% of India's total pharmaceutical exports, growing steadily alongside formulations. Indian companies are increasingly filing Drug Master Files with the USFDA for API molecules, building direct supply relationships with global innovators and generic manufacturers, and positioning India as a primary source, rather than a secondary supplier, in regulated API markets across the US and Europe.	The government's revised Schedule M GMP deadline for MSMEs extended to December 2025 is driving a nationwide quality compliance transformation across India's fragmented API manufacturing base. This is accelerating consolidation among smaller players unable to meet upgraded standards, while larger manufacturers are investing in continuous manufacturing, advanced quality control systems, and digital compliance mechanisms. This quality upgrade cycle, though challenging for smaller units, is fundamentally strengthening India's credibility as a globally trusted, regulation-compliant API supplier a critical competitive advantage as regulated market buyers tighten supplier qualification standards.



Global Contract Development and Manufacturing Organisation (CDMO) Industry

The Global Contract Development and Manufacturing Organisation (CDMO) market demonstrated strong momentum through 2025, driven by rising pharmaceutical outsourcing, increasingly complex biologics pipelines, and the growing need for specialised manufacturing capabilities. The global pharmaceutical CRO and CDMO market was valued at USD 254.65 billion in 2025 and is projected to grow from USD 277.16 billion in 2026 to USD 594.07 billion by 2035, registering a CAGR of 8.84% during the forecast period. As pharmaceutical companies continue to prioritise innovation over in-house manufacturing, CDMOs have emerged as indispensable strategic partners offering end-to-end capabilities spanning drug discovery, clinical development, and large-scale commercial production.

The biologics segment remains the most dynamic growth driver within the CDMO landscape. The global biologics CDMO market was valued at USD 25.32 billion in 2025, projected to record a CAGR of 7.14% through 2031, with fill-finish and packaging services accounting for 34.96% of market share and analytical and QC services expected to expand a 12.24% a year, reflecting the growing complexity and regulatory scrutiny associated with biologic drug manufacturing. North America controlled 34.12% of the biologics CDMO market in 2025, while Asia Pacific is set to grow fastest at a CAGR of 10.48% through 2031, underpinned by cost-competitive manufacturing hubs in India and South Korea and rapidly expanding biosimilars capacity. Both pharmaceutical and biotechnology firms are large innovators and emerging biopharmas. They are increasingly leveraging CDMO partnerships to reduce capital expenditure, accelerate time-to-market, and gain manufacturing flexibility across an evolving and diversified therapy pipeline.

7.14%
Expected CAGR through 2031

Asia Pacific Fastest Growing Market

Growth by Region

The US pharmaceutical CDMO market was valued at USD 39.13 billion in 2025, growing to USD 41.65 billion in 2026, and is projected to reach USD 72.98 billion by 2035 at a CAGR of 6.43% driven by rising R&D outsourcing, strategic mergers and acquisitions, and increasing demand for biologics and oncology therapies. North America retained its leadership position in the global CDMO market, commanding 37.95% of global market share in 2025, anchored by high-value biologics, gene therapy manufacturing, and a robust regulatory and innovation ecosystem.

Asia Pacific recorded the highest CAGR of 7.18%, driven by cost-competitive manufacturing capacity additions in India, China, and South Korea, with the region increasingly attracting complex biologics and sterile injectable manufacturing contracts from global pharmaceutical sponsors. The US BIOSECURE Act and broader China+1 supply chain diversification strategies are accelerating this reorientation, with India and South Korea emerging as primary beneficiaries of global CDMO capacity realignment. Meanwhile, Europe remains focused on quality compliance and strategic reshoring, with key investments from players including Lonza and Fujifilm reinforcing the region's biologics manufacturing infrastructure.

Indian Contract Development and Manufacturing Organisation (CDMO) Industry

India's CDMO industry continued its rapid expansion through 2025, cementing its position as one of the world's most strategically important pharmaceutical outsourcing destinations. The Indian CDMO market was valued at USD 8.52 billion in 2025 and is projected to reach USD 16.53 billion by 2034, averaging a growth rate of 7.39%, driven by increasing pharmaceutical outsourcing, cost-competitive manufacturing, and strong regulatory compliance credentials across global markets. India's pharma exports neared USD 30 billion through 2025, with CDMOs and Global Capability Centres identified as the primary drivers of the next phase of innovation-led growth.

Contract manufacturing services dominated the Indian CDMO market with a 53.8% share in 2025, driven by established API production capabilities and rising global demand for finished dosage forms and biologics outsourcing, with oncology accounting for 33.2% of the market share. The government's PLI scheme, the newly announced Biopharma SHAKTI initiative, and the INR 1 lakh crore Research, Development and Innovation scheme approved in 2025 are collectively accelerating investments in biologics, high-potency APIs, antibody-drug conjugates, and advanced manufacturing technologies.

Megatrends for the CDMO Industry (Indian)

Biologics & Advanced Therapy Manufacturing

India's CDMO sector is undergoing a decisive shift from small-molecule generics towards high-value biologics, biosimilars, antibody-drug conjugates, and cell and gene therapies. Companies such as Biocon Biologics, Shilpa Medicare, and Zydus Lifesciences are rapidly expanding biomanufacturing capacity, with ADCs recording a CAGR of 25% and cell and gene therapies at 45%. This transition is positioning India as a credible end-to-end biologics partner for global pharmaceutical companies, beyond its traditional identity as a low-cost generics manufacturer.

China+1 Strategy & Geopolitical Tailwinds

The sustained implementation of the China+1 supply chain diversification strategy continues to be the single most significant structural tailwind for India's CDMO sector in 2025. Geopolitical tensions, the BIOSECURE Act concerns in the US, and post-pandemic supply chain vulnerabilities have prompted global pharmaceutical majors to actively shift API and CDMO contracts towards India. With over 650 USFDA-approved manufacturing facilities, the highest outside the United States. India is uniquely positioned as the most credible, regulation-compliant alternative to China for long-term outsourcing agreements.

Government Policy & Innovation Infrastructure

Unprecedented policy support is transforming India's CDMO landscape from a cost-play to an innovation-driven ecosystem. The PLI scheme with a INR 15,000 crore outlay, the newly announced Biopharma SHAKTI initiative, the INR 1 lakh crore Research, Development and Innovation scheme, and purpose-built bulk drug parks in Gujarat, Himachal Pradesh, and Andhra Pradesh are collectively de-risking capital deployment and attracting global partnerships. Indian CDMOs are increasingly transitioning from transactional service providers to integrated co-development partners bundling discovery, clinical development, and commercial manufacturing under a single, end-to-end platform.

Hikal: Business Review of the Pharmaceutical Division

The Pharmaceutical division showed a strong operational recovery across 2025-26, successfully transitioning from early-year demand slumps to robust, technology-driven growth in the second half. For the full year, the division recorded a revenue of INR 10,210 million with an EBIT of INR 328 million, yielding an EBIT margin of 3.2%. Following a relatively soft first half, operating performance rebounded sharply in the final quarter, generating INR 2,916 million in revenue and INR 349 million in EBIT, a 12% margin for Q4.

This financial rebound was anchored by higher production throughput and strengthening demand across both generic APIs and CDMO projects. Average capacity utilisation across the main pharmaceutical manufacturing facilities in Panoli and Bangalore rose progressively, reaching 80% to 85% during the year.

To secure sustainable mid-to-long-term growth, Hikal significantly upgraded its technological and regulatory foundation:

Key capital investments made over the prior 12 to 18 months became active. This includes an expanded R&D infrastructure and Kilo lab in Pune (enabling single-location R&D and clinical trial material supplies), a state-of-the-art High-Potency Laboratory, and a new pilot plant at the US FDA-approved Panoli site designed for complex chemistry scaling.

The company shifted focus towards higher-value, differentiated products, accelerating development targets to five-six Drug Master File (DMF) filings annually, compared to its historical pace of 2-3 filings.

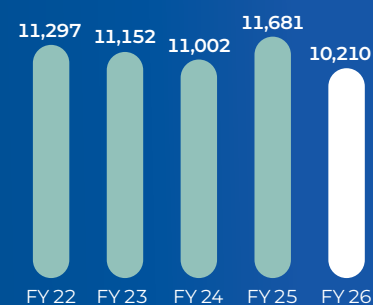
The Hikal management actively broadened its international commercial presence, establishing dedicated leadership and an upcoming office in Brazil, deepening innovator relationships in Japan, and actively pursuing new business streams in South Korea. Key product launches are slated for Japan and Brazil across 2026-27 and 2027-28.

Compliance frameworks saw significant strengthening, with all Corrective and Preventive Action (CAPA) plans regarding US FDA requirements nearing full completion, positioning the business for clear upcoming regulatory engagements.

Pharmaceuticals Performance Trajectory

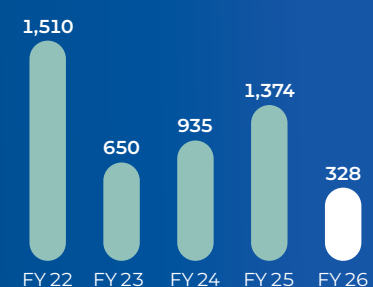
Revenue

(INR in Million)



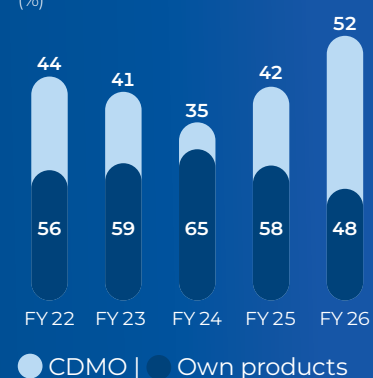
EBIT

(INR in Million)



Revenue Break-up

(%)



API

The API segment showed clear signs of stabilisation and steady demand recovery throughout 2025-26, driven by a return to normal ordering patterns from customers across both regulated and emerging global markets. As industry-wide destocking pressures eased, order volumes picked up, enabling higher plant utilisation rates across Hikal's primary production sites.

To protect margins against raw material volatility and increase long-term competitiveness, Hikal strategically shifted its product portfolio towards specialised, high-margin therapeutic areas. The company deepened its offerings in niche, complex categories, including oncology, central nervous system (CNS), gastroenterology, and antidiabetics.

This transition into complex, high-value chemistries was directly supported by several key infrastructure assets becoming fully operational during the year:

Upgraded laboratories provided the technical bandwidth to handle complex synthetic routes and scale niche molecules.

Located at the US FDA-approved Panoli facility, this pilot plant serves as a bridge between early R&D and commercial production, accelerating the timeline for customer sampling, process optimisation, and scale-up.

Commercial launch preparations were advanced for key API molecules in high-compliance markets, with targeted launches scheduled in Japan and Brazil across 2026-27 and 2027-28.

The API business moved past its normalisation phase, laying a stronger operational foundation to support higher-margin growth in upcoming fiscal years.

CDMO

Our Pharma CDMO segment recorded a notable acceleration in customer engagement throughout 2025-26, driven by global structural tailwinds and internal capability upgrades.

As innovator pharma companies increasingly seek supply chain resilience, cost optimisation, and geographic diversification, Hikal benefited directly from the 'China Plus One' outsourcing trend, which is driving global customers to move business to reliable Indian partners.

This favourable macro environment translated into a healthy surge in Request for Proposal (RFP) activities across different regulated markets. Importantly, several existing customer programs successfully advanced from early-stage development into commercial scale-up phases, providing Hikal with

significantly enhanced revenue visibility for the medium to long term.

Key strategic developments and infrastructure milestones in the CDMO business include:

Hikal fully operationalised its state-of-the-art High-Potency Laboratory and expanded R&D center in Pune. The expanded Kilo lab enables Hikal to provide end-to-end CDMO solutions, ranging from initial R&D to the supply of clinical trial materials (CTM), all from a single, centralised location.

The addition of the new pilot plant at the US FDA-approved Panoli facility has strengthened Hikal's ability to handle complex chemistries, rapid process development, and scale-up requests from global innovator clients.

The Company is actively investing in platforms for high-growth, innovation-led therapeutic segments, specifically High-Potency Active Pharmaceutical Ingredients (HPAPIs) and Antibody-Drug Conjugate (ADC) chemistries.

While HPAPI and ADC opportunities represent a 3-to-5-year scale-up trajectory, Hikal has mapped out its next major infrastructure milestone: a planned, dedicated HPAPI manufacturing facility in Pune targeted for commercial readiness over 2027-28.



Case Study

Accelerating Innovation in Specialty Chemicals: Taloja Kilo Lab

The commissioning of the Taloja Kilo Lab marks a significant step in strengthening Hikal's innovation capabilities in crop protection and specialty chemicals. The facility supports the development and scale-up of complex chemistries, bridging laboratory research and commercial manufacturing.

By enabling faster process development and scale-up, the Kilo Lab enhances our ability to serve global innovators seeking technically capable CDMO partners. It also strengthens Hikal's position across crop protection and specialty chemicals,

expands access to innovation-driven customers, and establishes a scalable platform for future commercialisation and high-value growth.

Value Created

- Expanded capabilities in complex process development and scale-up
- Strengthened position as a preferred CDMO partner
- Enhanced access to high-growth specialty chemical markets
- Established a scalable platform for future commercial manufacturing

Global Animal Health Industry

The global animal health market sustained strong momentum through 2025, driven by rising healthcare expenditure for both companion and production animals, increasing focus on disease prevention, parasite control, and animal productivity, and accelerating technological adoption and innovation across veterinary care. The global animal health market was valued at USD 40.1 billion in 2025 and is projected to reach USD 51.6 billion by 2034, growing at a CAGR of 2.73%. North America retained its leadership position with a dominant market share of 44.9% in 2025, underpinned by high pet ownership rates, strong regulatory frameworks, and significant R&D investment by leading pharmaceutical companies.

Pharmaceuticals dominate the product type at 57.0% in 2025, spanning parasiticides, anti-infectives, and chronic-disease therapies. Biologicals (21.6%) command premium pricing across vaccines and monoclonal antibodies in fast-growing prevention programmes. Governments implemented stricter regulations and expanded disease surveillance programs to monitor and prevent zoonotic disease transmission, while the livestock sector strengthened biosecurity protocols to prevent outbreaks and safeguard food safety standards. Advances in veterinary diagnostics are enabling early detection and rapid response to emerging zoonotic threats, while pharmaceutical companies continue to develop novel therapeutics and biologics for more effective disease management. Digital transformation spanning AI-driven diagnostics, disease monitoring platforms, and real-time data sharing continued to redefine care standards, while a collaborative One

Health approach between veterinary and human healthcare sectors advanced more integrated and effective disease management globally.

Growth by Regional Market Segment

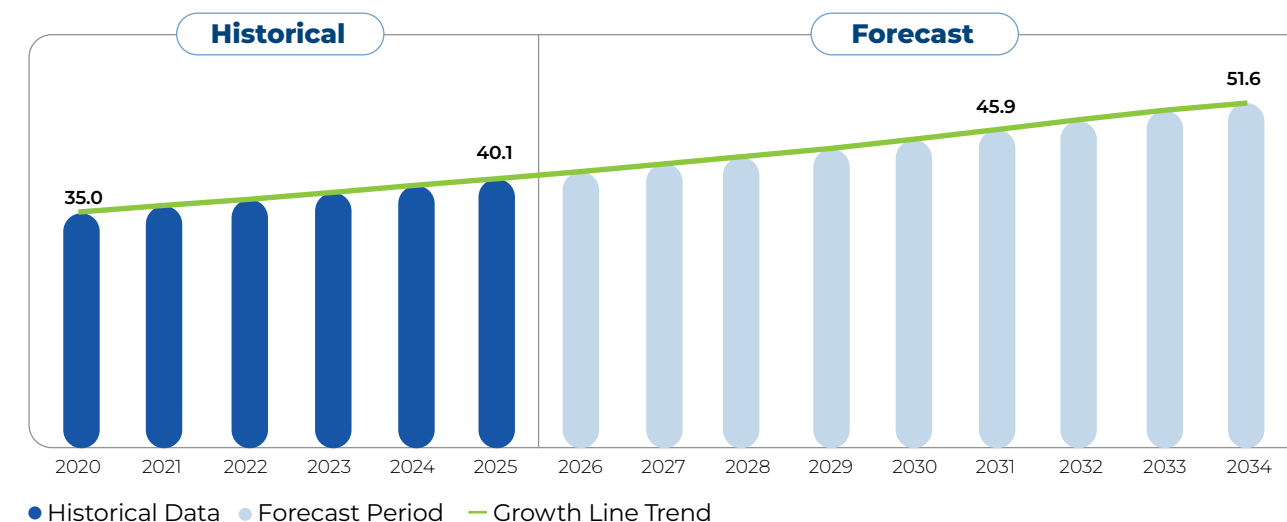
North America retained its leadership position through 2025, holding a dominant market share of 44.9% in 2025, driven by a growing number of pet parents seeking high-quality veterinary care, heightened awareness of zoonotic diseases, and strong government programmes supporting food safety and disease control. The US continued to anchor the region, supported by robust regulatory frameworks, widespread adoption of advanced veterinary technologies, and significant investment by leading pharmaceutical companies in research and development.

Rising meat and dairy consumption across Southeast Asia and Sub-Saharan Africa is driving biosecurity upgrades, creating demand for vaccines, parasiticides, and feed additives where multinationals have limited penetration.

Latin America, West Asia and Africa are recording steady growth, supported by expanding livestock sectors, rising awareness of zoonotic diseases, and increasing government investments in veterinary care and health products. Demand for livestock products and disease control measures remains a key growth driver across both regions, with healthcare reforms and improved access to veterinary services gradually strengthening market foundations.

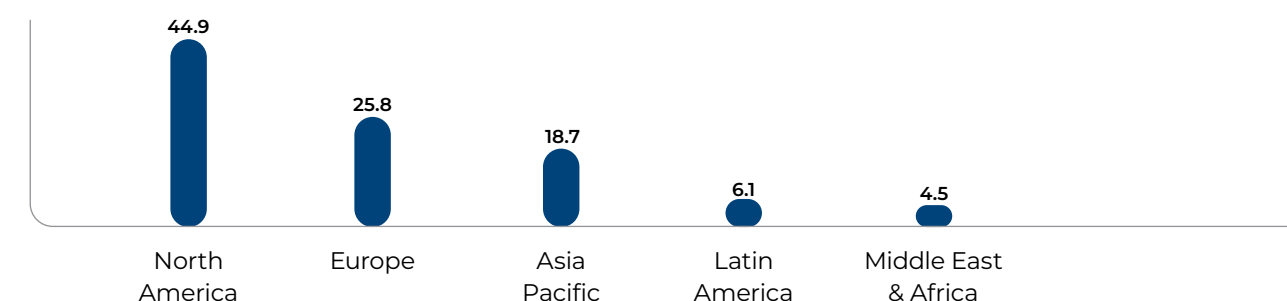
Animal Health Market 2020-2034

(USD Billion)



Animal Health Market: Regional Share Distribution (2025)

(USD Billion)



Indian Animal Health Industry

The Indian animal health market generated revenue of INR 92.62 billion in 2025 and is projected to reach INR 171.91 billion by 2034 at a CAGR of 7.11%, driven by a significant expansion in therapeutic treatments, evolving regulatory standards, and a rising focus on livestock productivity. The structural core of the market is heavily dominated by the veterinary pharmaceuticals segment, which accounts for approximately 42.55% of total industry revenue. The segment is further classified into parasiticide, anti-infective, anti-inflammatory, analgesic, and others. Commercial production animals represent 71% of this market, structurally anchored by India's position as the world's largest milk producer and third-largest egg producer.

Managing a national cattle herd exceeding 307.5 million head has created a massive, constant requirement for clinical intervention via small-molecule treatments, particularly anti-infectives and parasiticides, to safeguard yields and treat endemic bacterial and parasitic infestations.

On the product and policy front, the clinical urgency to treat food-borne conditions, mastitis, and zoonotic diseases has prioritised the deployment of potent therapeutic agents. Anti-infectives remain the largest product category within animal pharmaceuticals, serving as the front-line response to production-limiting infections in high-density dairy and poultry clusters. Concurrently, the demand for advanced, broad-spectrum parasiticides, covering both ectoparasites and endoparasites is expanding rapidly to combat climate-driven pest infestations that directly threaten bovine weight gain and milk output. This therapeutic momentum is closely aligned with the government's infrastructure initiatives, including the Pashu Aushadhi scheme, which prioritises the streamlined distribution of affordable generic medicines, essential therapeutic compounds, and anti-infectives through PM-Kisan Samridhi Kendras to optimise livestock health at the grassroots level.

This commercial and clinical shift towards advanced veterinary pharmaceuticals is further amplified by structural changes in urban markets and the companion animal segment. India's pet dog count is projected to reach 51.5 million by 2028, sparking a profound 'pet humanisation' trend that is reshaping veterinary pharmacology. Companion animal owners are increasingly demanding high-end, targeted therapeutics, including specialised oral parasiticides

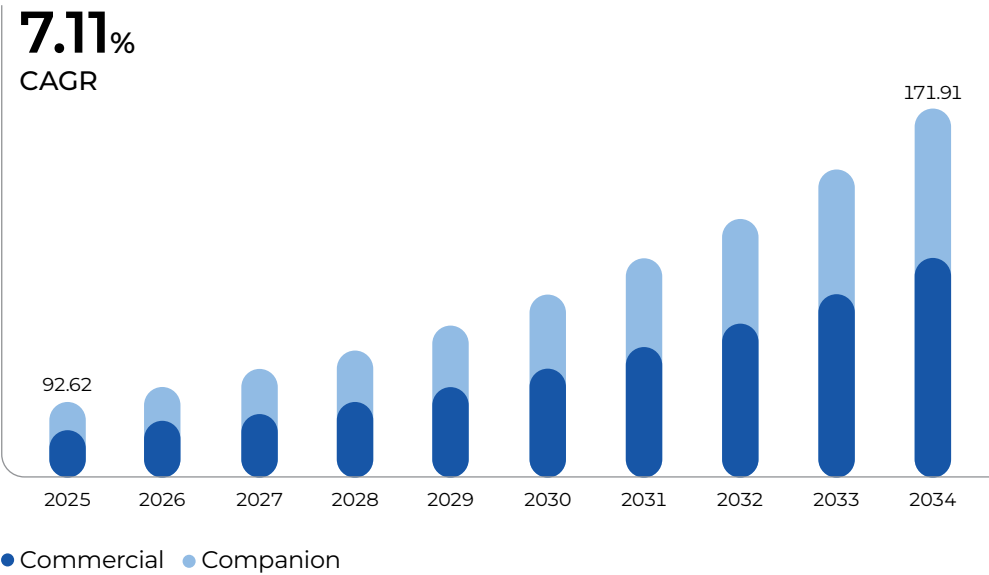
and advanced anti-infectives equivalent to human-grade specifications. This rapidly growing private prescription market, combined with the rising clinical necessity for specialised small-molecule therapies in livestock management, continues to pivot the Indian animal health industry away from generic biologics towards high-value, innovation-driven therapeutic chemistry.

Megatrends for the Animal Health Industry (Indian)

Pet Humanisation & Companion Animal Healthcare Boom	Government-Led Disease Control & Digital Livestock Management	Growing Demand for Parasiticides and Disinfectants
India's companion animal segment is undergoing a structural transformation, driven by rapid urbanisation, rising disposable incomes, and a generational shift towards pet parenting among millennials and Gen Z. Urban pet owners are increasingly treating animals as family members, driving demand for premium diagnostics, speciality nutrition, and advanced therapeutics reshaping what was traditionally a livestock-dominated market into a more diversified, value-driven ecosystem.	India is making unprecedented investments in animal disease control and digital veterinary infrastructure, marking a decisive policy shift from reactive treatment to proactive, technology-enabled prevention. Government-backed programmes are driving large-scale vaccination campaigns, mobile veterinary unit deployment, and digitisation of animal health records enabling real-time disease tracking and strengthening India's preparedness framework in alignment with global One Health standards.	The adoption of parasiticides and disinfectants continues to increase as animal health management and biosecurity practices gain greater importance. These products help control external and internal parasites, support disease prevention efforts, and contribute to improved animal well-being, productivity, and overall cattle health.

India Animal Health Market Forecast

Size, By Animal Type, 2025-2034 (INR Billion)



Hikal: Business Review of the Animal Health Division

The Animal Health business delivered sustained momentum throughout 2025-26, driven by increasing global outsourcing activity and deepening relationships with innovator companies. Global animal health players are actively prioritising supply chain resilience, cost optimisation, and multi-sourcing strategies to reduce their dependence on single geographic locations. This trend has positioned Hikal as a trusted, high-reliability dual-sourcing partner globally.

Key highlights and strategic achievements in the Animal Health division include:

Hikal successfully completed the product validation phase under its major multi-year global multinational contract and transitioned into full commercial production, marking a major milestone for the segment.

Commercial volumes are scaling progressively as Hikal continues to secure customer approvals and product registrations across key regulated markets, including Europe, the US, and Japan. Additional regional approvals are on the cards.

The business received a growing volume of inquiries and RFPs from both large global innovators and emerging, niche biotech companies across API and CDMO opportunities.

Strategically, Hikal is shifting away from commoditised products towards specialised, high-complexity molecules. This segment features lower competitive intensity, stronger customer retention, and higher long-term margin sustainability.

Supported by robust global demand visibility, strong quality compliance, and expanding customer programmes, the Animal Health segment is well-positioned to serve as a key long-term growth driver for the company.



Case Study

Strategic Partner for Complex Animal Health Solutions

Market Context

The global Animal Health (AH) sector is entering a phase of calibrated expansion, shaped by three structural shifts:

Megatrends

Heightened Compliance and Sustainability Mandates

Regulatory frameworks across the US, EU, and emerging markets are becoming more stringent, with a sharper focus on antimicrobial stewardship, environmental impact, and end-to-end traceability, increasing compliance complexity for manufacturers.

Acceleration in Outsourced Innovation-Led Manufacturing

Innovator companies are deepening partnerships with specialised CDMOs for complex, low-volume APIs and intermediates, particularly those involving advanced chemistry capabilities, multi-step synthesis, and stringent quality protocols.

India Strengthening Its Position in Global Supply Chains

India continues to gain strategic relevance as a reliable manufacturing hub, supported by cost competitiveness, technical expertise, and sustained diversification of global supply chains beyond China, especially in the post-pandemic landscape.

Hikal's Differentiated Response

Enhanced Capabilities in Complex Chemistry Platforms

Hikal Limited continues to strengthen its expertise in executing multi-step, complex synthesis with stringent impurity management, enabling it to address the rising demand for high-value, niche animal health APIs.

Global Regulatory Alignment and Compliance Excellence

With sustained investments in quality systems and regulatory infrastructure, Hikal remains well-positioned to cater to highly regulated markets such as the US, EU, and Japan, ensuring consistent compliance with evolving global standards.

Integrated Development and Manufacturing Solutions

Hikal's focus extends beyond manufacturing to include analytical development, process optimisation, and validation capabilities, allowing it to offer end-to-end CDMO solutions aligned with innovator expectations.

Strengthening Supply Chain Resilience through Backward Integration

By expanding in-house production of critical intermediates, Hikal enhances supply reliability, reduces external dependencies, and delivers cost efficiencies key priorities for global customers amid ongoing supply chain realignments.

Commitment to Sustainable and Responsible Manufacturing

The company continues to embed green chemistry principles, focusing on reducing environmental impact through optimised processes, lower solvent consumption, and improved resource efficiency, supporting customer ESG objectives.

Synergies across Business Verticals for Operational Excellence

Hikal leverages cross-functional expertise from its pharmaceuticals and crop protection segments, particularly in advanced chemistry, quality systems, and process innovation, to drive superior performance in its Animal Health business.

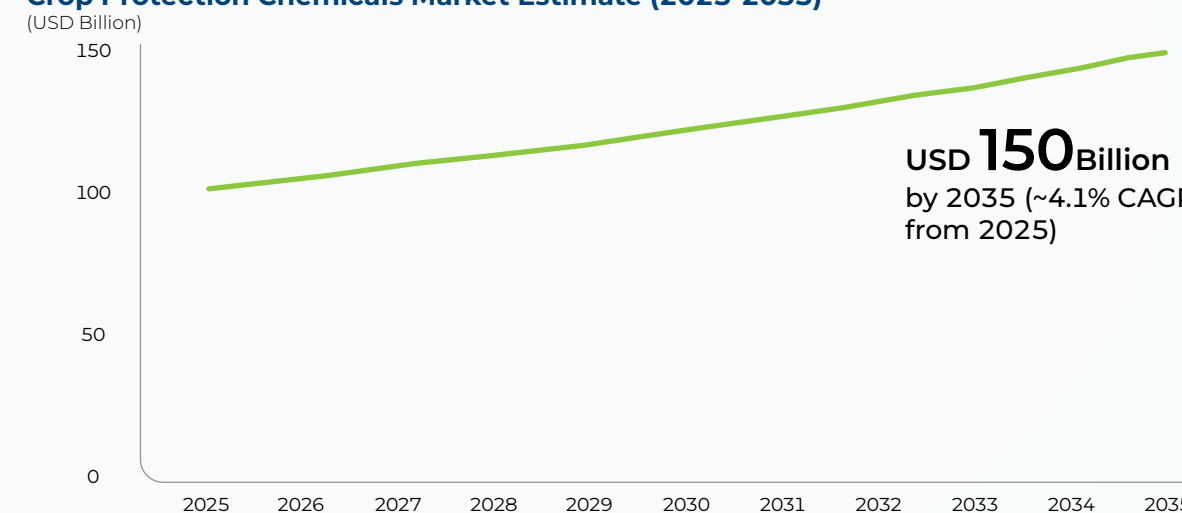
Global Crop Protection Industry

According to industry estimates and company disclosures, the global crop protection chemicals market continued to demonstrate steady growth momentum in 2025-26, supported by resilient agricultural demand and supply chain normalisation. The market is expected to expand at a moderate pace over the medium term, driven by structural factors such as rising food demand and the need to improve farm productivity. North America continues to remain a dominant region, supported by advanced farming practices and high adoption of crop protection technologies. Key drivers of this growth include the increasing global population, projected to approach 9.7 billion by 2050, alongside the pressing need to enhance crop yields from constrained arable land. Challenges such as soil degradation, climate variability, and evolving pest resistance are further accelerating the demand for effective crop protection solutions.

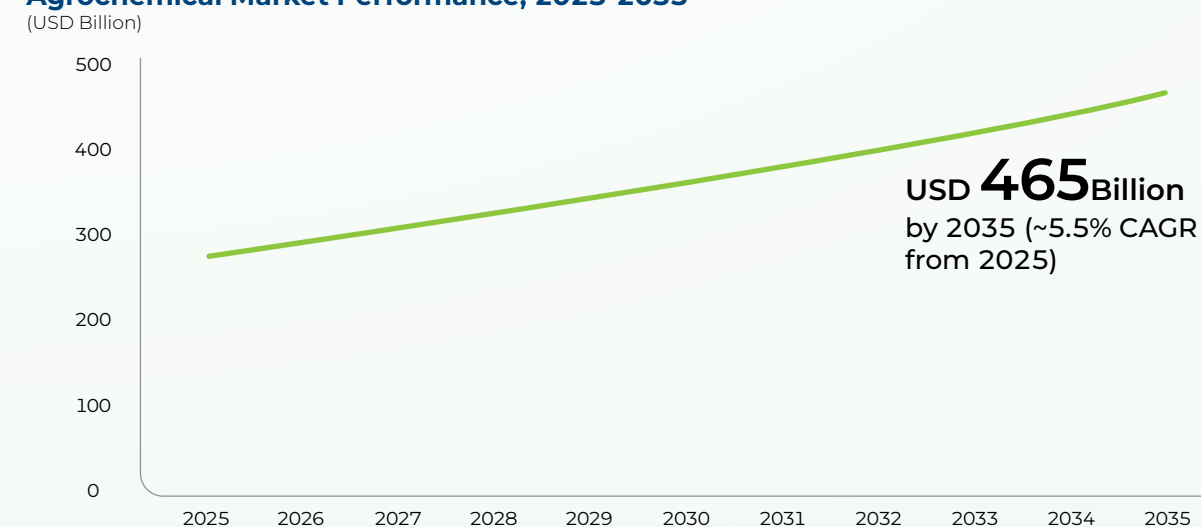
Technological advancements, including precision agriculture, improved formulations, and integrated pest management practices, are supporting industry expansion and efficiency improvements. Increasing policy support, greater farmer awareness, and a gradual shift towards sustainable and bio-based solutions are shaping the long-term trajectory of the sector.

In the United States, strong adoption of advanced agricultural technologies, genetically modified crops, and yield optimisation practices continue to drive demand. Heightened climate variability and pest intensity have reinforced the need for reliable crop protection solutions, supported by ongoing research investments and a progressively evolving regulatory environment.

Crop Protection Chemicals Market Estimate (2025-2035)



Agrochemical Market Performance, 2025-2035



MANAGEMENT DISCUSSION AND ANALYSIS

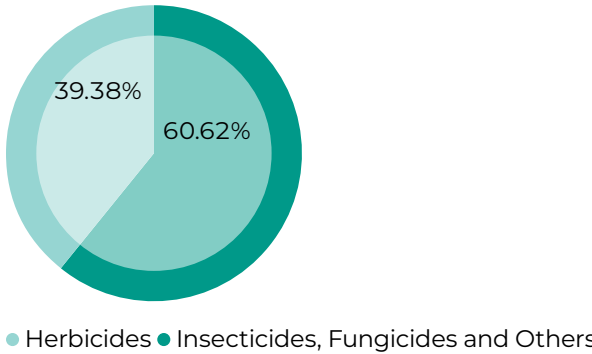
Growth by Product Type

Herbicides continue to dominate the global crop protection market in 2025–26, accounting for 41–43% of total demand. Their strong position is driven by the increasing need for effective weed management, as uncontrolled weeds can reduce crop productivity by nearly 25–30%. Expansion of cultivated land, coupled with the adoption of modern farming practices such as no-till and conservation agriculture, has further strengthened herbicide usage. In addition, the growing prevalence of herbicide-resistant weeds across key agricultural regions is reinforcing the need for advanced and combination herbicide solutions. Their broad-spectrum applicability across crops and geographies continues to make herbicides the preferred choice among farmers.

The herbicide segment is expected to average an annual growth rate of 4.5–5.5% over the medium term, supported by the growing need to enhance farm productivity, reversing weed-related yield losses. Increasing adoption of improved formulations, including selective and low-dosage variants, along with advancements in precision application technologies, is backing this demand further. Rising farmer awareness, coupled with global food security concerns, continues to act as a stimulant for this segment.

Insecticides remain critical for protecting crops from pest infestations, particularly in regions experiencing climate variability and rising pest onslaught. Fungicides play a vital role in managing fungal diseases, especially in high-humidity and intensive farming zones. Molluscicides are used to control snails and slugs in specific crop systems, while nematicides address soil-borne pests that impact root health and crop yields. Collectively, these product categories support integrated pest management practices, enabling improved crop protection, yield stability, and overall agricultural productivity.

Global Crop Protection Chemicals: Market Share, 2026



Growth by Region

North America dominates the global crop protection chemicals market in 2025–26, accounting for 40–42% of the pie. Growth is supported by large-scale mechanised farming, high adoption of advanced crop protection solutions, and a gradual shift towards bio-based products as regulatory scrutiny around chemical usage intensifies. The United States remains the key contributor, with steady growth driven by yield optimisation needs, climate-related pest attacks, and steady investments in agricultural innovation.

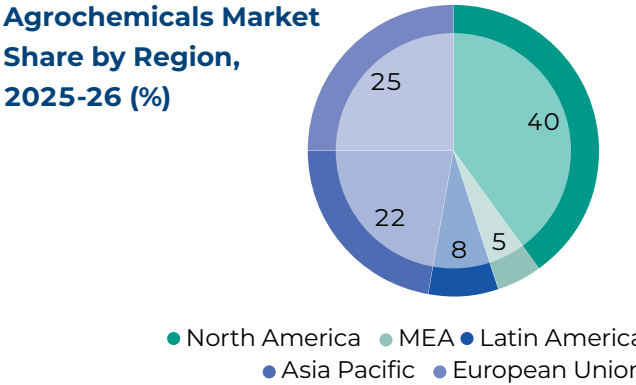
In Europe, the transition towards sustainable agriculture is accelerating, supported by policy initiatives under the EU Green Deal, which targets a significant reduction in chemical pesticide usage by 2030. This is driving increased adoption of biologicals, integrated pest management practices, and environmentally safer formulations across the region.

Asia Pacific remains the fastest-growing market for crop protection products, with a projected CAGR of 3–4%. This growth is driven by expanding agricultural activity in countries such as China and India, rising food security concerns, and continued dependence on crop protection chemicals to enhance productivity. Increasing awareness, government support, and gradual adoption of modern farming practices are further supporting regional demand.

Latin America, led by Brazil and Argentina, sees rapid adoption of precision agriculture technologies, including drones, satellite monitoring, and data-driven application methods. These advancements are helping optimise pesticide usage, improve efficiency, and reduce environmental impact while supporting higher output.

The Middle East and Africa are putting up steady growth, supported by increasing efforts to strengthen food security and agricultural resilience. Countries such as South Africa are adopting specialised crop protection solutions to address challenges of extreme weather conditions, water scarcity, and pest pressures, ensuring more stable and reliable crop production.

Agrochemicals Market Share by Region, 2025-26 (%)



Megatrends for the Crop Protection Industry (Global)

Climate Change Driving Higher Pest and Disease Recurrence Global warming, erratic rainfall, and extreme weather conditions are leading to more frequent and unpredictable pest and disease outbreaks. These changes are intensifying crop vulnerability and compelling farmers to rely more on crop protection solutions, particularly fungicides and herbicides, to safeguard yields and ensure crop quality.	Increasing Chemical Intensity with Modern Agricultural Practices The continued expansion of intensive farming practices, including monoculture cultivation and multiple cropping cycles, is driving higher usage of crop protection chemicals per hectare. The growing challenge of resistant pests and herbicide-tolerant weeds is further accelerating demand for effective active ingredients such as glyphosate, cypermethrin, and other advanced formulations.	Shift Toward Sustainable and Bio-Based Crop Protection Solutions The industry is witnessing a gradual but clear shift towards environmentally sustainable alternatives, including bio-pesticides and low-residue formulations. Regulatory pressures, coupled with increasing consumer awareness and ESG priorities, are encouraging manufacturers and farmers to adopt greener solutions alongside conventional chemicals.
Evolving Pricing Dynamics and Product Differentiation The crop protection market is experiencing widening price variation across products, driven by differences in efficacy, spectrum, and regulatory compliance costs. Premium, high-efficacy molecules are gaining traction in regions facing severe pest pressures, while cost-effective, widely used chemicals continue to dominate in price-sensitive markets, ensuring broad accessibility.	Technology Integration in Crop Protection Application Advancements in precision agriculture, including drone-based spraying, satellite monitoring, and data-driven decision-making tools, are transforming how crop protection chemicals are applied. These technologies are improving application efficiency, reducing wastage, and enabling targeted usage, thereby enhancing both economic and environmental outcomes.	

Indian Crop Protection Industry

India's crop protection chemicals market maintained demonstrate steady growth in 2025-26, supported by increasing agricultural intensity and evolving farming practices. The market is projected to record a CAGR of 4-5% over the medium term, driven by rising demand for higher crop productivity and improved farm outcomes.

As agricultural practices modernise, Indian farming is progressively adopting advanced and sustainable techniques. A significant share of cultivated land remains focused on oilseeds and commercial crops, creating strong demand for crop protection solutions. Farmers are increasingly adopting precision farming, integrated pest management (IPM), and data-driven approaches, particularly in high-value crops, to optimise yields and reduce input inefficiencies.

Key market trends include the growing adoption of precision agriculture technologies, rising demand for bio-based and environmentally sustainable products, and increased use of insecticides driven by persistent pest pressures across regions. There is also a visible shift towards targeted, technology-enabled crop

protection strategies aimed at enhancing productivity and reducing input costs.

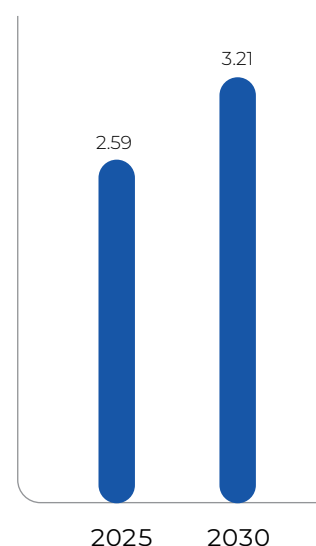
The market continues to face challenges from rising pest-related losses, driven by climate variability and changing pest patterns. Insecticides account for a significant share of overall consumption, as farmers address infestations from pests such as aphids, stem borers, and armyworms. Crop-specific challenges, including nematode infestations in staple crops like rice, continue to impact yields and contribute to economic losses across the agricultural value chain.

Despite these challenges, targeted and scientific interventions are delivering measurable results. The adoption of crop-specific solutions, improved formulations, and region-focused application strategies are helping reduce pest incidence and improve farm productivity. Increasing farmer awareness, supported by government initiatives and industry efforts, is further enabling the adoption of effective crop protection practices across India.

India Crop Protection Chemicals Market

Market Size in USD Billion

4.35%
CAGR



Hikal: Business Review of the Crop Protection Division

The Crop Protection business achieved a solid operational recovery in 2025-26, signalling an end to the severe industry-wide destocking and pricing pressures that had impacted the agrochemical sector over the preceding several years. Management noted that the worst phase of the global downcycle has now passed, leading to a steady rebound in customer order volumes and better capacity utilisation across manufacturing units.

For the full year 2025-26, the Crop Protection division reported a revenue of INR 6,916 million, with Q4 contributing INR 2,278 million to this. Full-year EBIT reached INR 514 million, representing an EBIT margin of 7.4%, while Q4 EBIT rebounded sharply to INR 389 million, delivering an impressive 17.1% margin.

Rebounding product demand and normalised ordering patterns delivered higher volume absorption on the shop floor. Combined with internal business excellence frameworks and operational improvements, this operating leverage helped expand margins despite raw material volatility.

At the same time, Hikal is actively pivoting away from basic commodity manufacturing towards structurally superior, higher-margin business arrangements. This includes securing deep contract manufacturing engagements, co-development R&D projects, and long-term supply agreements with global innovator companies, several of which were successfully onboarded during the financial year.

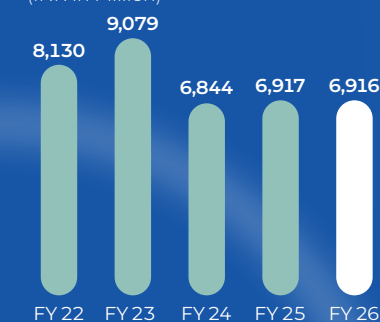


To optimise asset utilisation and build revenue resilience, Hikal is also leveraging its existing crop protection technology and plant infrastructure to expand into adjacent, high-value market segments, specifically Specialty Chemicals and Personal Care. Overall, the Crop Protection business enters the new financial year with a leaner cost structure, stronger innovator partnerships, and a diversified platform aimed at sustainable growth.

Crop Protection Performance Trajectory

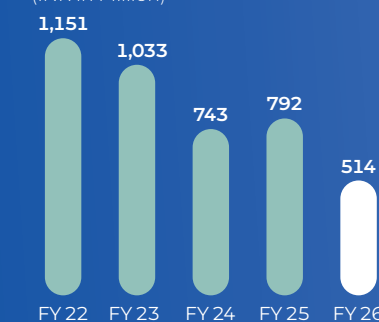
Revenue

(INR in Million)



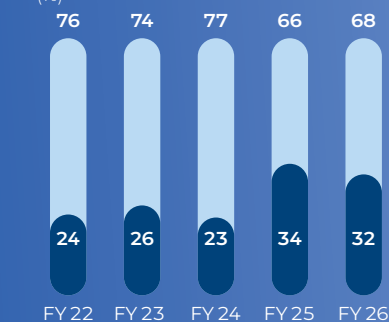
EBIT

(INR in Million)



Revenue Break-up

(%)



● CDMO | ● Own products

MANAGEMENT DISCUSSION AND ANALYSIS

Global Personal Care Industry

The global personal care products market was valued at USD 401.57 billion in 2025 with projection to scale from USD 425.50 billion in 2026 to USD 733.96 billion by 2034, at a CAGR of 7.05%. Asia Pacific dominated the personal care products market with a share of 34.52% in 2025. This growth is increasingly being shaped by the rise of 'conscious consumers' who prioritise sustainability, ethical sourcing, and clean-label preferences. Key market drivers include rapid urbanisation, rising disposable incomes, and an increasing ageing population that is fuelling demand for anti-ageing solutions.

Strategic focus is rapidly shifting towards Green Chemistry, as approximately 68% of manufacturers transition to bio-based and sustainable ingredient solutions to align with global environmental mandates. This shift is particularly evident in the demand for multifunctional ingredients now included in 66% of new formulations, which combine cleansing, moisturising, and protective properties to reduce formulation complexity.

Growth by Product Type

Skin care products continued to dominate the global personal care market in 2025-26, accounting for 31.9%-35% of total demand. Their leading position is driven by an intensified consumer focus on anti-aging, sun protection, and dermatological wellness, particularly among Gen Z and millennial demographics. The integration of advanced bioactive ingredients, coupled with the rise of personalised skincare solutions, has further strengthened segment growth. In addition, the growing awareness of environmental stressors and skin health is reinforcing the need for high-performance and protection-oriented formulations. Their essential role in daily grooming routines across all geographies continues to make skincare the primary choice for consumers and innovators alike.

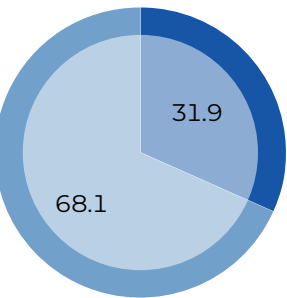
The skincare segment is expected to maintain its dominance over the medium term, supported by technological advancements in biotechnology and the ongoing shift toward clean-label products. Increasing adoption of multifunctional ingredients, which combine cleansing, moisturising, and protective properties, is further supporting demand by reducing routine complexity for the consumer. Rising hygiene awareness, coupled with a global move towards sustainable and ethically sourced ingredients, continues to act as a key growth driver for this category.

Technological advancements, including AI-driven skin diagnostics, biotechnological active ingredients, and personalised formulation platforms, are fundamentally supporting industry expansion and operational efficiency. Increasing regulatory focus on ingredient transparency, rising consumer grooming awareness, and a decisive shift towards sustainable and bio-based solutions are shaping the sector's long-term trajectory.

In the United States, strong adoption of premium anti-ageing therapies, wellness-oriented skincare, and advanced male grooming practices continues to drive robust demand. Heightened sensitivity to skin health and environmental stressors has reinforced the need for reliable, high-performance personal care solutions, supported by significant research investments from global innovators and a progressively evolving regulatory landscape focused on product safety and sustainability.

Hair care remains a critical subsegment, witnessing rapid expansion driven by demand for herbal, restorative, and anti-pollution products that target scalp health. Colour cosmetics play a vital role in self-expression, gaining significant traction through inclusive branding and diverse shade ranges that cater to global skin tones. Fragrances and oral care address essential personal grooming and hygiene needs with stable growth fuelled by innovations in long-lasting scents and sensitivity-focused treatments. Collectively, these product categories support holistic self-care practices, enabling improved individual wellbeing, aesthetic appeal, and overall market productivity.

Global Personal Care Products Market Share, by Type, 2026 (%)



● Skin Care ● Combined share of hair care segment and more

Growth by Region

Asia Pacific continues to lead the global personal care products market in 2025-26, accounting for approximately 34.52% of the total share. Growth is supported by a large youthful population, rising disposable incomes, and the rapid westernisation of beauty standards across major economies like China and India. China remains a massive contributor, with steady growth driven by an aging population seeking anti-aging solutions, while India is projected to reach a market valuation of USD 45.53 billion by 2026, fuelled by high grooming demand among its dynamic under-35 demographic.

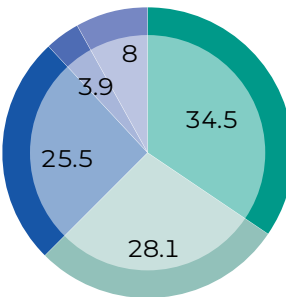
North America remains the second-largest market, valued at USD 120.29 billion in 2025, with an anticipated CAGR of 8.15%. The region's growth is underpinned by a sophisticated consumer base and a strong cultural emphasis on personal appearance and wellness. The United States is the primary driver, where high adoption of premium skincare and a well-developed e-commerce ecosystem accounting for over 16% of retail sales, continue to propel market expansion.

In Europe, the transition toward 'clean beauty' and sustainable consumption is accelerating, with the market projected to reach USD 108.87 billion by 2026. Consumers in key markets such as Germany and the U.K. are increasingly gravitating toward ethically sourced, cruelty-free, and eco-friendly products. This shift is driving manufacturers to innovate in sustainable packaging and bioactive ingredients to meet stringent regulatory standards and environmental expectations.

Latin America, led by Brazil and Argentina, is witnessing steady growth as a rising middle class drives demand for premium personal care products. The region is benefiting from the growing influence of social media, which heavily shapes product choices and accelerates the adoption of new beauty trends.

The Middle East and Africa region is experiencing expanding growth, supported by rising economic power and increased spending on quality personal care goods. Countries such as the UAE are emerging as key markets, where the rise of digital platforms and influencer recommendations is transforming traditional purchasing behaviours and driving sales through online channels.

Market Share (%)



● Asia Pacific ● North America
● Europe ● Middle East and Africa
● South America



Megatrends for the Personal Care Industry (Global)

Shift Towards Sustainable and Bio-Based 'Clean Beauty'	Technological Integration and AI-Driven Personalisation	Digital Transformation and the Rise of E-Commerce
The industry is undergoing a significant transformation driven by conscious consumers prioritising sustainability and ethical sourcing. Regulatory pressures and rising awareness of the potential adverse effects of synthetic chemicals, such as irritants and allergens are encouraging a decisive shift towards organic, natural, and cruelty-free alternatives.	Advancements such as AI-based skin diagnostics, bio-printed skin models for testing, and customisable beauty platforms are fundamentally transforming R&D and consumer engagement. These technologies allow for more effective delivery of active ingredients and tailored consumer experiences.	The emergence of sophisticated online retailing channels and influencer marketing is accelerating market reach and accessibility. E-commerce now represents approximately 30% of total industry revenue, allowing brands to connect directly with tech-savvy consumers through 24/7 order placement and tailored digital experiences.

Indian Personal Care Industry

India's personal care sector has entered a high-growth phase, characterised by a transition towards specialised hygiene, grooming, and advanced skin and hair health. The market is projected to reach a valuation of USD 45.53 billion by 2026, fundamentally underpinned by a robust personal care ingredients segment valued at USD 700.4 million in 2025 and

expected to grow to USD 1,128.7 million by 2035. This expansion is primarily fuelled by the country's unique demographic profile, where approximately 65% of the population is under the age of 35, creating a dynamic and youthful consumer base with an increasing inclination toward premium and natural formulations. Rapid urbanisation and supportive government incentives have further accelerated manufacturing expansion, positioning India as a primary driver of the Asia Pacific region's status as the fastest-growing global market.

The industry is also undergoing a significant digital transformation, with e-commerce and digital platforms driving a 25% year-over-year increase in regional sales. Modern consumption patterns are increasingly defined by a 14% rise in demand for herbal and organic skincare as consumers move away from synthetic chemicals in favour of safer, natural alternatives. Simultaneously, evolving social norms have catalysed a boom in the male grooming segment, which is the fastest-growing frontier with an estimated CAGR of 8.5%. These trends, supported by innovative retail digitisation tools like the Shikhar app, are broadening the market reach and ensuring that Indian consumers remain at the forefront of global personal care innovation.



Hikal: Business Review of the Personal Care Division

The Personal Care business is a key pillar of our diversification strategy, enabling us to expand into adjacent, high-growth markets by leveraging our existing manufacturing, R&D and process chemistry capabilities. We are initially focused on the skin and sun care segment, with a portfolio of second-generation UV filter active ingredients, and plan to expand into additional personal care categories over time.

During 2025-26, we completed our dedicated cGMP-compliant multipurpose manufacturing facility at Panoli, strengthening our ability to manufacture personal care products at scale. This is complemented by our Pune Research & Technology Centre, where a dedicated team of scientists is

developing new products and process technologies to support future growth. We also successfully validated products with prospective customers and undertook market outreach initiatives across India, Asia and Europe.

Our immediate priority is to establish Hikal as a trusted supplier of proprietary personal care products and build market share. Commercial operations are expected to commence in Q2 2026-27. Over the medium term, we plan to broaden our product portfolio, enter additional personal care categories and selectively build CDMO opportunities by leveraging our manufacturing and development capabilities alongside our growing market presence.



Hikal: Research and Technology Review



Elevating Capabilities

Hikal Limited continues to strengthen its commercial and technical capabilities to address evolving customer requirements and ensure seamless scalability from laboratory to pilot and commercial production. As a technology-driven partner across pharmaceuticals and crop protection, Hikal consistently invests 4-5% of its annual revenues in Research & Technology (R&T), with a strong focus on developing safe, efficient, and environmentally sustainable processes.

During the year, the company further leveraged its Reaction Calorimeter facility at the R&T Centre, equipped with advanced systems such as Mettler Toledo RC1mx, to enhance safe scale-up capabilities. This infrastructure enables precise evaluation of thermal profiles, including parameters such as MTSR, heat of reaction, and accumulation. The in-house capability has contributed to reduced development timelines, lower external dependency, and improved early-stage risk assessment in process development.

In addition, Hikal has continued to upgrade its laboratory infrastructure and invest in advanced analytical technologies to support complex chemistry

requirements, reinforcing its long-term commitment to innovation, quality, and customer-centric development.

Process Improvement

The R&T function remains focused on continuous process optimisation, including reduction of cycle times and improved solvent efficiency. Increased emphasis is placed on solvent recovery and recycling, aiming to minimise waste generation and reduce environmental impact while improving overall process economics.

Filings

The R&T team has maintained strong momentum in regulatory filings, including submissions and updates to US Drug Master Files (DMFs) and Certificates of Suitability (CEPs) aligned with European regulatory standards. Ongoing amendments and compliance enhancements reflect the company's focus on maintaining global regulatory readiness and supporting customer requirements across regulated markets.

Advancing Innovation in Animal Health APIs

Hikal made steady progress in expanding its Animal Health API portfolio. Multiple APIs developed by the R&T team have been successfully validated at the dedicated Animal Health manufacturing facility at Panoli, with additional validations underway. The company has also progressed on intellectual property creation, including patent filings related to novel process innovations, alongside contributions to scientific publications.

Further, development of novel chemical entities (NCEs) in the Animal Health segment is advancing, with one molecule in advanced process development stages and another progressing through early-stage development and customer engagement. These initiatives reflect Hikal's strategic focus on building a differentiated and innovation-led pipeline for long-term growth.



Embedding Green Chemistry in Animal Health API Development

Hikal embeds Green Chemistry principles across its Animal Health API development programmes, strengthening its commitment to sustainable and responsible manufacturing. During 2025-26, multiple APIs were progressed from development to validation, with plant-scale execution carried out at its dedicated Animal Health manufacturing facilities, including Panoli. These developments reflect a continued focus on reducing environmental impact through optimised reaction pathways, lower solvent consumption, and improved process efficiency.

In addition to ongoing API programmes, the company has further strengthened its sustainability-led approach by integrating process intensification techniques, solvent recovery systems, and waste minimisation practices at scale. Continued progress in validation of new APIs, along with advancement of novel chemical entities (NCEs), highlights Hikal's ability to combine innovation with environmental stewardship. The successful scale-up and validation of multiple molecules underscore its technical capabilities and reinforce its position as a reliable partner delivering high-quality, eco-efficient solutions for global Animal Health customers.

CDMO

Hikal Limited continued to strengthen its CDMO operations during 2025-26, with the successful execution of multiple complex batches in specialised reactor systems, including cryogenic conditions for customer projects involving highly reactive chemistries. The team demonstrated strong capabilities in safely handling sensitive and hazardous reagents, reinforcing its expertise in complex process execution. The CDMO business also witnessed continued traction through repeat orders for advanced chemistry projects, including Click Chemistry, with preparations underway for scaling up to larger commercial batches at Unit 2.

Innovation, Safety and Sustainability in Process Development

Scaling Click Chemistry with Safety

The company further advanced its capabilities in Click Chemistry, successfully scaling processes for commercial applications while maintaining stringent safety standards. This achievement underscores Hikal's leadership in adopting advanced chemistries in India, supported by robust safety protocols and engineering controls.

Process Development for a Flavouring Agent

The R&T team developed efficient and scalable synthesis routes for specialty and performance molecules, including flavouring and fine chemical intermediates. These developments are aligned with customer requirements and lay a strong foundation for future commercialisation and scale-up.

Greener Processes for Advanced Intermediates

Hikal continued to focus on sustainable process development by designing greener routes for advanced intermediates. Key improvements include the elimination of hazardous reagents, optimisation of Process Mass Intensity (PMI), and enhanced throughput, reflecting the Company's commitment to environmentally responsible manufacturing.

Strengthening Process Safety Infrastructure

The company further enhanced its process safety capabilities through the operationalisation and utilisation of its dedicated Process Safety Lab at the R&T centre. Equipped with advanced tools such as Reaction Calorimetry, DSC, and gas analysis systems, the facility supports early hazard identification, safe scale-up, and improved process reliability, managed by a specialised team of scientists.

Advancing Environmental Compliance – Zero Liquid Discharge (ZLD)

In line with regulatory requirements and sustainability goals, Hikal continues to maintain and strengthen its Zero Liquid Discharge (ZLD) systems across manufacturing facilities. Advanced effluent treatment infrastructure, including Ultrafiltration (UF), Reverse Osmosis (RO), Mechanical Vapor Recompression (MVR), and drying systems, ensures effective water recovery, minimal discharge, and full compliance with environmental norms.

Outlook

We will continue to align its R&T strategy towards a balanced mix of customer-led and in-house product development initiatives, with a strong emphasis on timely commercialisation. The focus remains on converting contract development engagements into long-term manufacturing partnerships across both the pharmaceuticals and crop protection segments, thereby strengthening revenue visibility and customer stickiness.

To enhance product competitiveness, the Company is intensifying its research and technology efforts towards improving yield per batch, reducing cost per batch and increasing the recovery and reuse of solvents and other supporting materials. These initiatives are supported by process optimisation, productivity enhancement and investments in advanced

technologies and digitalisation. Strategic collaborations further strengthen development capabilities and operational performance, enabling the Company to deliver high-quality, cost-effective solutions while maintaining healthy margins in a dynamic market environment.

Hikal remains committed to advancing sustainable manufacturing practices through the adoption of greener technologies and environmentally responsible processes. Ongoing efforts to reduce carbon footprint, improve resource efficiency, and optimise energy and solvent usage will play a key role in enhancing overall process efficiency while aligning with global ESG expectations and customer sustainability goals.

Financial Review

Abridged Consolidated Statement of Profit and Loss

Particulars	2025-26	2024-25
Total Revenue	17,126	18,598
EBITDA	2,328*	3,335
PBT	(782)	1,239
PAT	(487)	909

*before exceptional items

Revenue from Operations	EBITDA	PAT
Our total revenue registered a decrease of 7.91% YoY, reaching INR 17,126 million compared to the previous year's figure of INR 18,598 million.	Our EBITDA for fiscal 2025-26 stood at INR 2,328 million, marking a degrowth of 30.2% YoY, compared to the previous year's figure of INR 3,335 million, with margins at 13.6%	In 2025-26, our PAT decreased by INR 1,396 million, from INR 909 million to a loss of INR 487 million.
Commentary Revenue declined primarily due to subdued Pharmaceuticals performance in the first half, impacted by slower production and shipments following the US FDA-related compliance measures, alongside continued pricing pressure in Crop Protection amid the prolonged industry downcycle.	EBITDA declined in line with the weaker revenue performance, reflecting lower operating leverage, compliance-related production constraints in Pharmaceuticals, and continued pricing pressure in Crop Protection. Margin performance improved towards the end of the year, supported by better product mix, utilisation and operational efficiencies.	The decline in PAT was primarily attributable to exceptional charges during the year, including impairment of a multipurpose manufacturing facility at Panoli and provisions related to the new labour code. Excluding these exceptional items, PBT from operations remained positive at approximately INR 70 million.

Cash Flow Position	Commentary
As of 31 March 2026, the cash flow position remained strained. The Company generated INR 3,021 million from operating activities, an increase of INR 217 million from the previous year's figure of INR 2,804 million. The Company's investing activities resulted in a cash outflow of INR 1,453 million, primarily towards capacity expansion as part of Hikal's capex programme aimed at realising future business opportunities. Meanwhile, financing activities resulted in a cash outflow of INR 1,601 million, compared with INR 1,436 million in the previous year, reflecting higher financing-related outflows. As of 31 March 2026, the Company's closing balance of cash and cash equivalents stood at INR 96 million.	While operating cash generation improved during the year, cash flows remained constrained by continued investments in debottlenecking, regulatory upgrades and capacity expansion, alongside financing outflows. The Company continued to fund its targeted growth initiatives through a mix of internal accruals and debt.

MANAGEMENT DISCUSSION AND ANALYSIS

Debt Position	Return on Equity (RoE) and Return on Capital Employed (RoCE)	Capex
In 2025-26, the net-debt equity ratio has decreased to 0.56 compared to 0.59 in the previous year. The interest cost incurred during the current fiscal year was INR 621 million, indicating a decrease from the previous year's interest cost of INR 752 million.	The year 2025-26 saw a decrease in the Return on Equity (RoE) to (3.96%), compared to the previous year's figure of 7.41%. The Return on Capital Employed (RoCE) has also decreased from 9.73% in 2024-25 to 7.82% in 2025-26.	For 2025-26, we have allocated a total of INR 1,481 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		
The improvement in the net debt-to-equity ratio reflects the Company's continued focus on disciplined capital allocation and balanced funding of growth initiatives through internal accruals and debt. The lower interest cost further supported the reduction in financing burden.	The RoE declined due to the loss recorded during the year, while the RoCE was impacted by subdued profitability against the capital deployed for capacity expansion, regulatory upgrades and new growth platforms. The management expects these investments to support improved returns as the new capacities scale up.	The capex programme focused on debottlenecking, regulatory upgrades and expanding CDMO capabilities, with investments directed towards high-ROI opportunities. The programme also includes retooling existing assets to support Pharmaceuticals and Animal Health, strengthening capacity for future growth.

Consolidated Cash Flow Statement

(INR in million)

Particulars	As on 31 March 2026	As on 31 March 2025
Opening Cash and Cash Equivalents	129	126
Cash flows from:		
(a) Operating Activities	3,021	2,804
(b) Investing Activities	(1,453)	(1,365)
(c) Financing Activities	(1,601)	(1,436)
Closing Cash and Cash Equivalents	96	129

Key Financial Ratios

Particulars	As on 31 March 2026	As on 31 March 2025	Variance (%/bps)
Debtor Turnover	3.54	3.46	2
Inventory Turnover	2.20	2.62	16
Interest Coverage Ratio	2.86	4.00	(29)
Current Ratio	1.30	1.26	3
Net Debt Equity Ratio	0.56	0.59	5
Net Profit Margin (%)	(2.85)	4.90	(158)
Net Worth	11,990	12,622	(5)

Strategic Review

Project Pinnacle

Hikal Limited continues to drive its business transformation journey through Project Pinnacle, aimed at strengthening long-term growth visibility and operational resilience. Progressing through its advanced phase, the initiative is delivering sustained outcomes by enhancing supply chain agility, accelerating de-risking strategies, building differentiated capabilities, expanding global customer engagements, and strengthening the technology platform. The programme remains a key enabler in improving execution efficiency, supporting scalable growth, and aligning operations with evolving global market dynamics.

Our Strategic Ambitions



Hikal Achieves

EcoVadis Gold Rating



SCORE

84/100

Outstanding
Performance

TOP

5%

Of Companies
Globally

COMMITTED TO

Sustainable
Practices.
Responsible
Growth[Link to EcoVadis recognition](#)

Leadership in ESG

Hikal Limited remains committed to embedding sustainability across all aspects of its operations, in line with its purpose of improving lives and serving the community. As part of its ESG framework, the Company continues to identify improvement areas, strengthen governance practices, and actively engage with global rating agencies to benchmark and enhance performance.

Its sustainability efforts continue to be recognised through reputed global platforms, including EcoVadis and CDP, reflecting strong progress in environmental and social performance. ESG remains a core strategic priority, supported by a structured roadmap focused on reducing environmental impact, improving resource efficiency, and driving long-term value creation for stakeholders.



Manufacturing Excellence

The Company continues to invest in its manufacturing operations to optimise resource utilisation, enhance operational efficiency, and expand capacities through targeted capital expenditure and technology upgrades.

Competitive Advantage	We Use it
Its advanced GMP and non-GMP manufacturing facilities enable the Company to cater to diverse customer requirements across pharmaceutical, crop protection, and animal health segments.	- To ensure reliable and on-time delivery to customers - To sustain profitability while maintaining quality and ESG commitments

Case Study

HIBEX Productivity Challenge

The Company continues to drive operational excellence through the HIBEX Productivity Challenge, a company-wide capital efficiency initiative focused on delivering sustainable outcomes. The programme fosters organisation-wide participation and continues to deliver measurable improvements in:

- Enhanced asset utilisation and throughput
- Sustained profitability improvements
- Better asset returns through efficient and sustainable operations



Initiatives Undertaken

Capacity	Capability	Compliance
Commissioned Continued ramp-up and stabilisation of the animal health multi-purpose cGMP facility at Panoli Addition of Ongoing debottlenecking initiatives and targeted capex investments to enhance capacity and operational efficiency INR 1,517 Million Total capex	HIBEX - Strengthening of process safety capabilities through enhanced utilisation of the process safety lab - Continued implementation of self-managed teams (SMTs) across operations - Productivity improvements driven by automation and better material handling systems - Ongoing cost optimisation initiatives across key product categories	Regulatory Excellence - Manufacturing facilities continue to maintain high compliance standards with global regulatory requirements - Sustained focus on audit readiness and adherence to international quality benchmarks Sustainability - Continued implementation and optimisation of Zero Liquid Discharge (ZLD) systems across facilities, reinforcing commitment to environmentally responsible operation.



Research and Technology

Hikal Limited continues to leverage science and technology to deliver high-quality products and solutions while enhancing site productivity and overall business profitability. To support this, the Company is further strengthening its R&T capabilities through capacity expansion, investments in advanced laboratories, and deployment of sophisticated analytical and process development equipment.

Competitive Advantage	We Use it
R&T capabilities are anchored in a strong culture of innovation, research excellence, and cross-functional collaboration across business segments.	- To diversify the product portfolio through development of high-value and complex molecules - To improve profitability through process optimisation and efficiency enhancement - To create a differentiated value proposition by strengthening capabilities in complex chemistries and scalable technologies



Customer Centricity

At the core of the Company's strategy is a strong customer-centric approach focused on delivering superior experiences and long-term value. By combining custom manufacturing with development capabilities, the Company offers an integrated and differentiated value proposition supported by technical expertise and execution reliability.

Competitive Advantage	We Use it
Customer orientation is driven by a commitment to being a reliable, responsive, and innovation-led partner to global customers.	- To build long-term, value-accretive partnerships with customers - To deliver consistent service excellence and co-create solutions based on customer requirements - To strengthen customer engagement through continuous feedback and innovation-led interactions

Initiatives Undertaken

Key Account Management (KAM) Systems	Customer Roadshow
The Company continues to strengthen its Key Account Management approach across strategic customers to deepen engagement and enhance delivery excellence. As part of this initiative, the Company has: - Identified and prioritised key accounts based on current business scale and long-term potential - Defined structured roles and responsibilities to ensure seamless account management and execution - Established mechanisms to enhance customer satisfaction and ensure consistent service delivery	The Company continues to expand its global customer engagement through targeted interactions and strategic outreach initiatives across key markets including Japan, South Korea, Europe, the United States, and Latin America. These engagements provide opportunities to strengthen relationships with existing customers while building new partnerships with prospective clients, supporting long-term business growth and market expansion.



Supply Chain Management

Hikal Limited continues to strengthen its supply chain resilience amid ongoing geopolitical uncertainties, geo-concentration risks, and increasing ESG expectations. The Company is actively de-risking its supply chain through a combination of backward integration, diversified sourcing, strategic partnerships, localisation initiatives, and progressive digitisation, ensuring continuity and reliability across operations.

Competitive Advantage	We Use it
A resilient and de-risked supply chain enables the Company to effectively navigate global disruptions while ensuring uninterrupted supply to customers across key markets.	- To de-risk production processes while maintaining supply chain reliability - To sustain competitiveness during periods of global volatility and supply disruptions

Case Study

Reducing our Dependence on Imports

India continues to play a critical role in the global pharmaceutical ecosystem; however, reliance on imports for key starting materials (KSMs) and intermediates remains a structural challenge, particularly from concentrated geographies such as China. Strengthening domestic capabilities and improving supply chain transparency have therefore become key strategic priorities.

Aligned with this objective, the Company has continued to reduce dependency on single-source geographies by developing local vendor ecosystems and expanding sourcing partnerships. For select products, successful localisation efforts have improved supply chain flexibility and reduced exposure to external disruptions. These learnings are being scaled across the organisation to build a more robust, diversified, and future-ready supply chain.

Initiatives Undertaken			
Backward Integration	Alternate Sources and Partnerships	Localisation	Digitised and Integrated Supply Chain
The Company continues to expand backward integration for key starting materials, while increasing multi-sourcing across geographies to mitigate supply risks and enhance reliability.	The Company continues to build strategic partnerships with suppliers across India, Europe, Japan, and Korea to ensure supply security and reduce geographic concentration risks.	Efforts to strengthen domestic sourcing have been accelerated through development of local vendor partnerships, supporting supply chain flexibility and reducing import dependence.	The Company is enhancing supply chain visibility through digitisation initiatives, including identification of critical risk areas, improved inventory planning, and development of real-time monitoring systems to strengthen responsiveness and operational efficiency.

Regulatory Compliance

Hikal Limited continues to uphold strong regulatory and compliance standards, with a sustained focus on green chemistry, safe engineering practices, and responsible manufacturing. The Company remains committed to investing in processes, systems, and infrastructure that enable safe, efficient, and environmentally responsible operations in alignment with evolving global regulatory requirements.

Competitive Advantage	We Use it
Its manufacturing facilities continue to maintain compliance with leading international regulatory agencies, including the US FDA, PMDA (Japan), European authorities, and other global regulatory bodies, reinforcing its credibility as a trusted partner.	- To create shared value while ensuring long-term business sustainability - To align operational practices with global standards and broader societal and environmental well-being



Key Regulatory Approvals

Integrated Management Systems across All Sites

Risk Management

Hikal Limited ('Hikal' or 'the Company') operates across research services, active ingredients and intermediates for global pharmaceutical, crop protection, animal health and specialty chemicals companies. With multi-site GMP and non-GMP manufacturing operations, a growing CDMO pipeline and expanding global customer relationships, the Company operates in a complex and dynamic risk environment.

The Company's Enterprise Risk Management (ERM) framework provides a structured approach to identifying, assessing, mitigating, monitoring and reporting risks across its business divisions and functional areas. The framework is aligned with ISO 31000:2018, the COSO ERM Framework (2017 edition) and applicable Indian regulatory requirements, supporting risk-based decision-making and the achievement of sustainable growth objectives.

Risk Management Objectives

The Risk Management Policy is designed to support risk-based decision-making by providing the organisation with a clear view of its overall risk exposure and enabling it to define its risk appetite. The framework considers events both within and outside the Company that could affect its business and is aligned with its current business profile, future growth objectives and potential new business opportunities.



Identify and manage material risks

Ensure that all current and future material risk exposures are identified, assessed, quantified, appropriately mitigated and managed through adequate and robust risk management systems.



Ensure regulatory compliance

Ensure compliance with applicable regulations, including those related to ESG, through the adoption of best practices.



Strengthen business continuity

Ensure business continuity and sustainable growth with financial stability.

Risk Management Process

Hikal follows a continuous and consistent risk management process encompassing assessment, mitigation, monitoring and reporting across the organisation. Senior executives, under the guidance of the Vice Chairman and Managing Director, are responsible for monitoring management processes and outcomes relating to the identification, assessment and management of risks. The process is tailored to the Company's business requirements and draws on the ISO 31000 and COSO ERM frameworks.



Key Risk Areas

The Company's risk management framework focuses on mitigating risks across the following key areas:

- Financial Risk
- Environment, Health & Safety (EHS), including Natural Disasters
- Regulatory Risk
- People Risk, including employee skill retention, succession and fraud
- Supply Chain and Vendor Management Risks
- Cybersecurity and Technology Risks
- Business Strategy and Product Risks, including IPR, Quality and R&D risks
- Reputation Risks
- Geopolitical Risk, including war risk
- Business Continuity and Disaster Recovery (BCP & DR)

Stages of Risk Management

Broadly, the risk management process comprises the following stages:

- Risk Appetite Statement**
 A formal Risk Appetite Statement (RAS), approved by the Board, establishes the level of risk the Company is willing to accept in pursuit of its objectives. The RAS is reviewed annually.
- Risk Assessment: Identification, Analysis and Evaluation**
 Risks and their probable causes are identified based on their potential to affect the Company's objectives. Identified risks are evaluated against predefined risk weightages to assess their potential impact and probability of occurrence. The resulting risk assessment provides a prioritised list of risks for further action by Risk Owners. A structured emerging-risk identification exercise is also conducted at least annually.
- Risk Treatment: Mitigation Plan**
 Appropriate mitigation measures are developed and implemented based on the Company's defined risk appetite. Risk Owners coordinate the implementation of mitigation plans to reduce and manage identified risks.
- Monitoring, Review and Reporting**
 Identified risks and the effectiveness of mitigation measures are continuously monitored. Risk movement is assessed through a probability-impact risk matrix, supported by critical Leading Indicators, including Key Risk Indicators (KRIs), and Lagging Indicators, including Key Performance Indicators (KPIs). Risks and risk management initiatives are reported to the Risk Management Committee.
- Communication, Consultation, Training and Awareness**
 The Chief Risk Officer, together with Risk Owners and Risk Champions, conducts regular risk management training to strengthen awareness and encourage employees to contribute to effective risk management. External experts may be engaged where required. The Company is also strengthening its risk-aware culture through mandatory risk induction for new employees and contract workers, annual risk refresher programmes, specialised training on emerging risk areas and recognition of risk-aware behaviour.

Risk Governance

Hikal has established a structured risk governance framework with clearly defined responsibilities across the organisation. The framework follows the Three Lines of Defence model:

First Line: Business Units, Operations, Functional Teams and Site Heads

Responsible for day-to-day risk identification, assessment, control operation and mitigation.

Second Line: Chief Risk Officer, ERM Function, Compliance, EHS, Quality Assurance and IT/Cybersecurity

Responsible for establishing frameworks and methodologies, monitoring and challenging the first line, and providing risk analytics.

Third Line: Internal Audit and, where applicable, External/ Statutory Auditors

Provides independent assurance on the effectiveness of risk management and internal controls.

Risk Evaluation

Risk Evaluation Matrix (Likelihood x Impact)

The Company evaluates risks based on their probability and potential impact. The resulting risk score determines the risk category and corresponding level of ownership and oversight.

Almost Certain (5)	5	10	15	20	25	Risk Score	Risk Category	No. of Risk	Risk Owner
Likely (4)	4	8	12	16	20	20-25	Catastrophic	9	Board of Directors/ Management Committee
Possible (3)	3	6	9	12	15	15-19	Significant	3	
Unlikely (2)	2	4	6	8	10	10-14	Moderate	2	Management Committee/ Functional Heads
Rare (1)	1	2	3	4	5	4-9	Low	4	Functional Heads
Probability/ Impact	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)	1-3	Negligible	2	

Risk Score Mapping

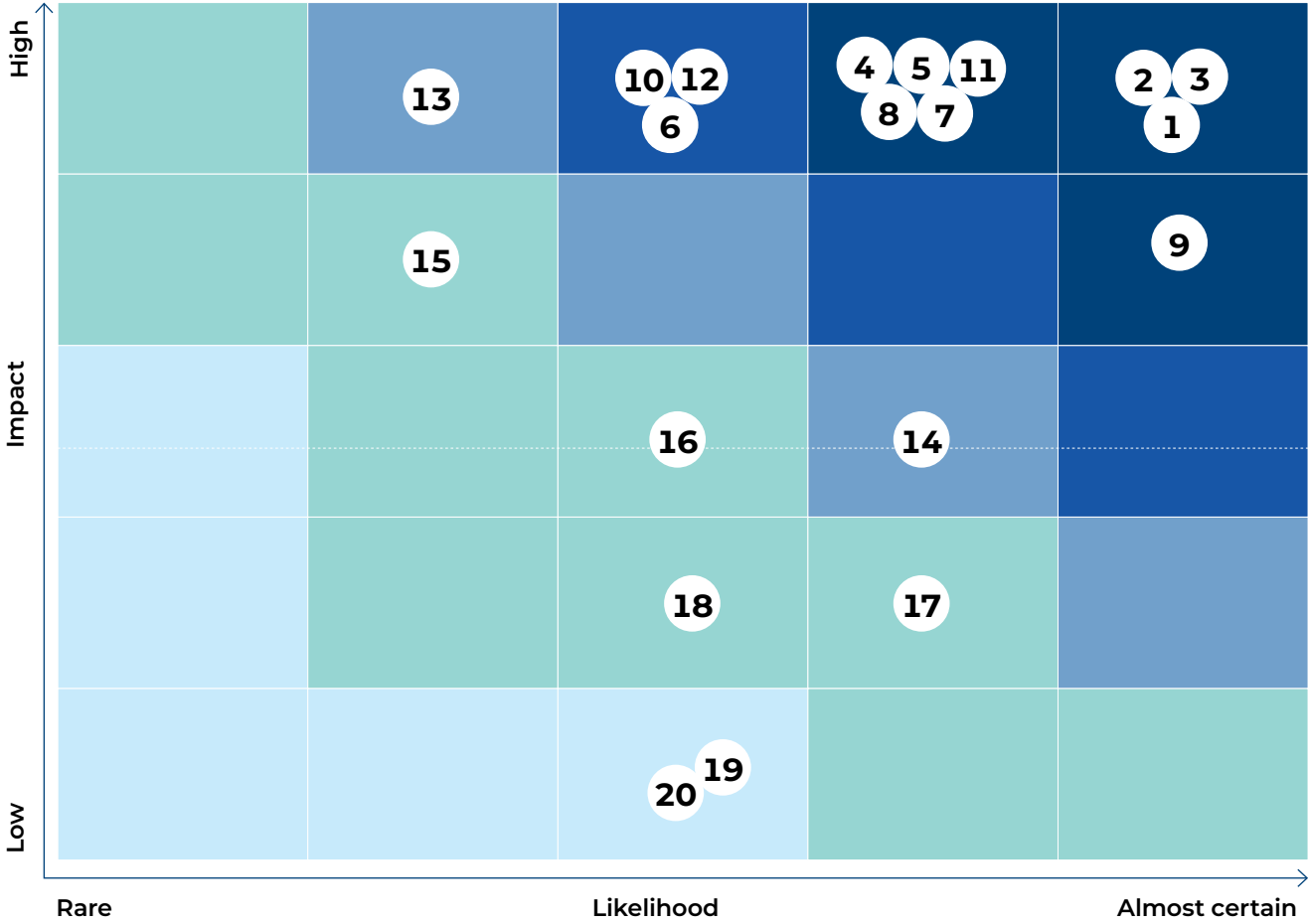
Very High (5)	5	10	15	20	25
High (4)	4	8	12	16	20
Medium (3)	3	6	9	12	15
Low (2)	2	4	6	8	10
Very Low (1)	1	2	3	4	5
Likelihood / Impact	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)

Risk Profile

Hikal Limited continues to strengthen its risk monitoring framework using Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs). Regular reviews are conducted in collaboration with Risk Champions to assess emerging risks and ensure continuous dialogue on mitigation strategies. The Company also incorporates inputs from the Management Committee to reassess and prioritise risks dynamically.

As a result of this structured and ongoing evaluation process, the Company maintains a comprehensive risk register comprising multiple identified risks across business functions. These risks are categorised based on their potential impact and likelihood, enabling focused mitigation and effective resource allocation to safeguard business continuity and long-term growth.

Hikal Risk Map



- 1

Geopolitical
- 2

Frequent USFDA updates
- 3

Capital project cost and schedule overruns
- 4

Increasing competition
- 5

Key products and customers' dependence
- 6

PCB consents and hazardous waste guidelines
- 7

Crisis and Risk Management
- 8

High employee attrition rate
- 9

R&T project timeline and budget
- 10

Unsafe practices
- 11

Regulatory non-compliance
- 12

Dependence on China
- 13

Cyber attack
- 14

Monopoly and limited suppliers
- 15

Geopolitical
- 16

Natural disaster
- 17

Increasing interest rate
- 18

IT-DRP
- 19

Unutilised GST input credit
- 20

Foreign exchange volatility

Risk Descriptions and Profile

S. No.	Risk Description	Risk Profile
1	A US-Iran conflict could disrupt energy supply chains, raise feedstock prices, and create macroeconomic instability, affecting costs, logistics, and business profitability	
2	Issues arising from USFDA inspection may adversely impact company revenue, reputation etc.	
3	Capital investment may not yield the anticipated outcomes	
4	Challenge in achieving revenue growth from non-Gaba and new products (Pharma division)	
5	Difficulty in achieving revenue growth from existing products and meeting budgeted targets for new products (Crop division)	
6	Non-complying with PCB consent and hazardous waste guidelines	
7	Ineffective Crisis Management leading to business disruption, reputational damage, and financial loss	
8	Attrition level is high in junior & middle management cadre due to high demand	
9	Risk of underutilisation of R&T facilities and resources, resulting in disproportionate cost allocation to a limited number of active projects and potentially impacting the long-term sustainability and growth of the business	
10	Unsafe practices and deployment of workforce (Company and Contractor) in non-specified areas leading to accidents	
11	Delays in regulatory approvals and meeting compliance requirements pose challenges to the rapid growth of the business	
12	Any geographic risk in China may significantly affect Hikal's operation, as 35% of sales depend on Chinese supplies	
13	Exposure to a cyber-attack in the absence of updated security measures	
14	Relying on monopoly or limited suppliers for raw materials may lead to increased purchase prices and disrupted supplies	
15	Business uncertainty or loss of receivables due to transacting business in countries where political and economic conditions threaten trade	
16	Business disruption or loss arising from natural disasters (such as floods, earthquakes, cyclones, fire, or other extreme events) that may damage facilities, disrupt the supply chain, or halt production	
17	Increase in interest rates may adversely impact profitability due to higher borrowing cost	
18	Failure or inadequacy of the IT Disaster Recovery Plan (DRP) may result in the organisation's inability to restore critical IT systems and data within acceptable timelines following a disaster, leading to operational disruption, financial losses, and reputational damage	
19	Unutilised GST input credit in Maharashtra	
20	The adverse impact due to Foreign Exchange volatility	

Risk Profile:  Increase in Risk Profile  Decrease in Risk Profile  Same as last year

Human Resources

Hikal Limited recognises its people as a key driver of long-term growth and operational excellence. During 2025-26, the Company further strengthened its human capital through focused initiatives across inclusion, employee well-being, capability building, and workplace safety.

The Company maintained a strong emphasis on diversity and equal opportunity through structured platforms such as employee engagement forums, leadership connect initiatives, and inclusive workplace programmes. Employee wellness remained a priority, supported by ongoing health and well-being initiatives and engagement platforms designed to promote physical and mental wellness across locations. Recognition frameworks continue to reward high-performing individuals and teams, fostering a culture of performance and excellence.

Capability development remained a core focus area, with continued investments in training across technical, behavioural, and digital domains. Learning initiatives, including digital platforms, were leveraged to enhance functional expertise, leadership capabilities, and compliance awareness across all levels. Safety performance was further strengthened through structured interventions, periodic drills, and enhanced monitoring systems to ensure a safe working environment.

The Company continues to uphold its commitment to human rights through robust governance practices, awareness programmes, and strict adherence to policies on ethics, anti-discrimination, and fair labour practices. Grievance redressal mechanisms and employee engagement processes remain integral to fostering a transparent and inclusive work environment.

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 2025-26. 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 2025-26, as mandated by SEBI Regulations and the Companies Act, 2013, with satisfactory performance noted for all these controls.