

Hikal Limited: Operations Back on Track

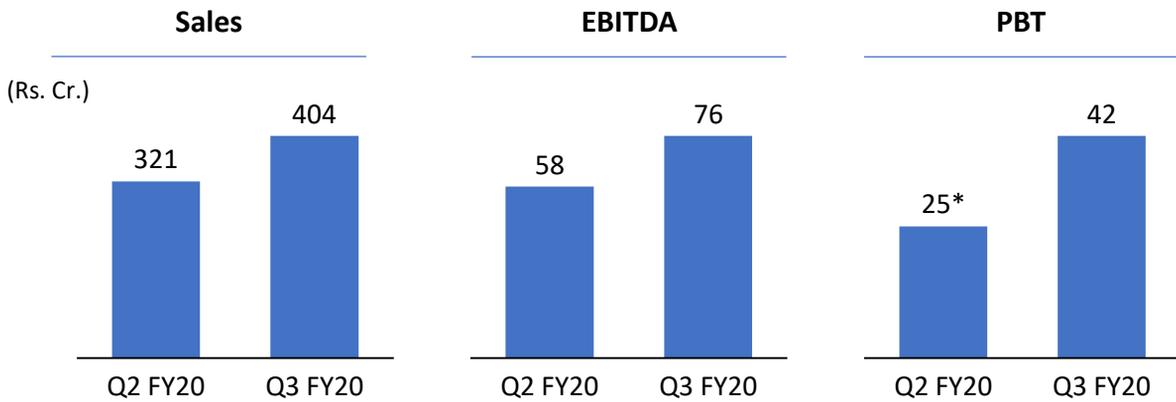
9M FY20 Revenue of Rs. 1,128 Crores

9M FY20 EBITDA of Rs. 203 Crores; EBITDA Margin of 18%

9M FY20 PBT* of Rs. 104 Crores; YoY growth of 3%

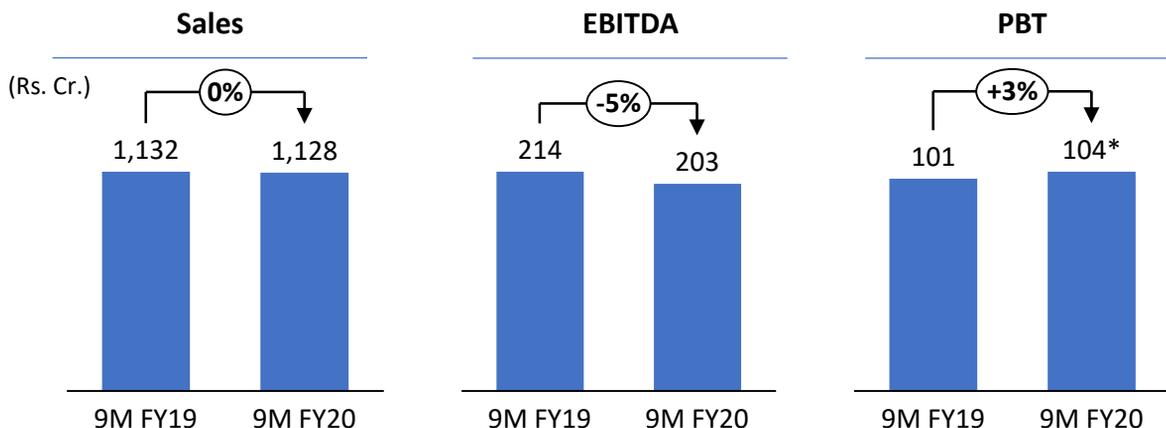
Mumbai, February 5, 2020: Hikal Ltd., a preferred long-term partner for leading global life sciences companies, announced its financial results for the quarter and nine months ended 31st December, 2019.

Q3 FY20: Performance Back on Track



Despite sub-optimal performance in Q2FY20 due to certain force majeure events, we have delivered a 9M FY20 performance inline with 9M FY19 performance

9M FY20: Performance



* - PBT before Exceptional Item

Segmental Performance for the 9 months ended 31st December, 2019

- **Crop Protection sales at Rs. 468 crore** as compared to Rs. 452 crore in the corresponding period of the previous year
- **Pharmaceutical sales at Rs. 661 crore** as compared to Rs. 680 crore in the corresponding period of the previous year

Update on various issues that impacted Q2 FY20 performance:

- Crop Protection Division Revenue was impacted due to following:
 - NGT (National Green Tribunal) order of reducing water supply by 50% impacted whole of Talaja MIDC industrial area
 - ✓ *Talaja MIDC has restored 100% water supply as per the directive of Honorable Supreme Court from late evening on 25th October, 2019 and production levels have normalized*
 - Impact of heavy flooding resulting in temporary plant shutdown at Mahad
 - ✓ *The Operations have resumed, and the production levels have normalized*
- Pharmaceuticals Division Revenue was impacted due to following:
 - Volume of few products were affected due to increased finished goods inventory at Customer's end
 - ✓ *The volume off-take resumed in the current quarter (Q4) and is being currently ramped-up to meet demand*
 - Multi-purpose Plant shutdown to increase capacity at Bangalore facility resulting in lower production
 - ✓ *The increased capacity has been commissioned and has started to contribute to our sales in the current quarter (Q4)*
- Exceptional Item
 - Payment of Customs Duty of Rs. 15.42 crores related to past imports of Raw Materials at an Export Oriented Unit post GST implementation
 - ✓ *The Company is working with customers to finalize the adjustment mechanism*

Credit Ratings:

- ICRA Limited reaffirmed Company's credit rating:
 - Long Term Rating: ICRA A (Stable) [Single A; Outlook: Stable]
 - Short Term Rating: ICRA A1 [A One]

US FDA Inspection:

- Jigani, Bangalore
 - Received Establishment Inspection Report (EIR) on November 4, 2019 from the US FDA for API Unit located at Jigani, Bangalore for the inspection conducted in July 2019
 - The inspection resulted in one minor FDA Form 483 which was closed out immediately
- Panoli, Gujarat
 - Received Establishment Inspection Report (EIR) on December 12, 2019 from the US FDA for manufacturing facility located at Panoli, Gujarat for the inspection carried out during the month of September 2019
 - The Inspection confirmed the site to be complaint with the principles and guidelines of Current Good Manufacturing Practices (cGMP)
 - The Inspection concluded with 'Zero' 483 observation and the EIR has classified the facility under NAI (No Action Indicated) for cGMP compliance

Commenting on the results, Jai Hiremath, Chairman & Managing Director, Hikal Ltd. said,

“This quarter has been in line with our expectations where we managed to maintain a quarterly average revenue run rate of Rs. 400 crore and maintained our operating margin above 18%. This performance has been achieved despite the disruption in operations at our Taloja facility till October end, which was due to the curtailed water supply at Taloja MIDC Industrial Area as per the NGT order. We are happy that our efforts to ramp-up production has paid-off and our operations are back on track at our manufacturing facilities across both divisions.

We are also pleased with the outcome of the US FDA audit at both the manufacturing facilities of Pharmaceuticals Division. For our Bangalore facility, we have received the EIR and there was 1 minor 483 observation which has already been closed out, whereas our Panoli facility in Gujarat successfully cleared the audit with ‘Zero’ 483 observations and the facility has been classified under NAI (No Action Indicated) for cGMP compliance. These successful audits are a proof of our commitments towards Quality, Regulatory Compliance and Operational Integrity.

The prevailing health situation in China may impact Raw Material supply for the industry during the current quarter and early part of next financial year however, we continue to work on our de-risking strategy by developing an alternative non-Chinese supply base. This has also fast-tracked the shifting of customers to non-Chinese suppliers like us as we see new enquires coming our way.

Based on our strong pipeline of new projects and customers, we will continue to invest in new capacity at both of our divisions and our current capex plans are on track. We have recently completed validation of new products in the Pharmaceutical and Crop Protection division which enable us to utilize the new capacity better and put us on path to deliver growth in the next year.”

About Hikal Limited

Hikal is a reliable long-term partner to companies in the Pharmaceuticals, Crop Protection, and Specialty Chemicals industry. The company is in the business of supplying research services, active ingredients and intermediates, manufactured using stringent global quality standards, for its global customers. Hikal's advanced manufacturing facilities have been inspected and approved by leading multinational companies in the Crop protection and Pharmaceutical sectors. The Crop protection facilities are located at Taloja and Mahad (Maharashtra). Hikal's R&T facilities are located at Pune. The Pharmaceutical manufacturing facilities are situated in Jigani (Bengaluru) and Panoli (Gujarat). Hikal is the first Indian life-sciences company to receive the Responsible Care® certification governed by the International Council of Chemical Associations (ICCA).

Safe Harbor Statement

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, the progress and results of research and development, potential project characteristics, project potential and target dates for project related issues are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. The company assumes no obligation to update forward-looking statements to reflect actual results changed assumptions or other factors.

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