

Hikal Limited: Challenging Q1 FY23; Expect a step-wise recovery in the upcoming three quarters

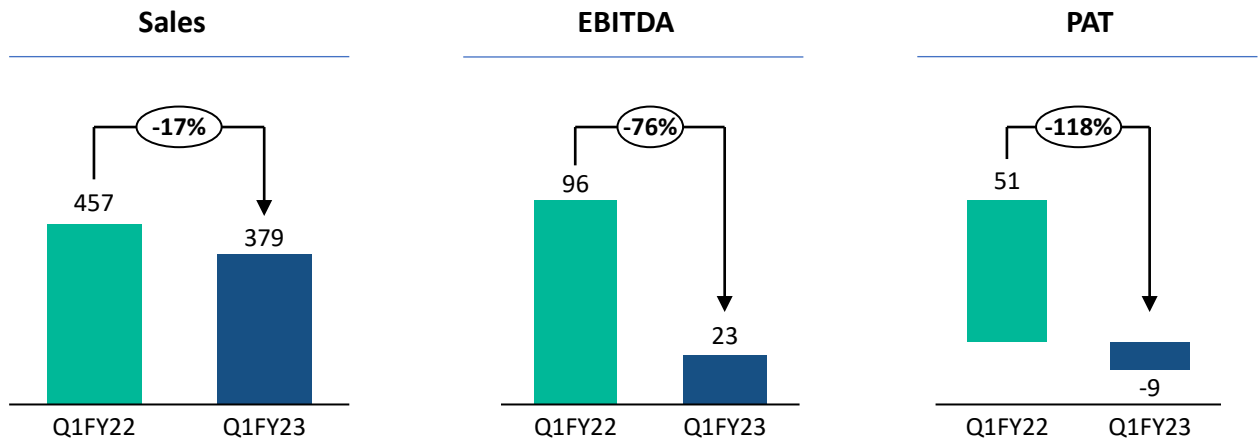
➤ Q1 FY23 Highlights

- ✓ Revenue of Rs. 379 crore; YoY de-growth of 17%
- ✓ EBITDA of Rs. 23 crore; YoY de-growth of 76%
- ✓ PAT stood at Rs. (9) crores
- ✓ Hikal's long term credit rating is maintained at A+ by ICRA

Mumbai, August 10, 2022: Hikal Ltd., a preferred long-term partner for leading global life sciences companies, announced its financial results for the quarter ended 30th June 2022

Q1 FY23 Performance:

(Rs. in crore)

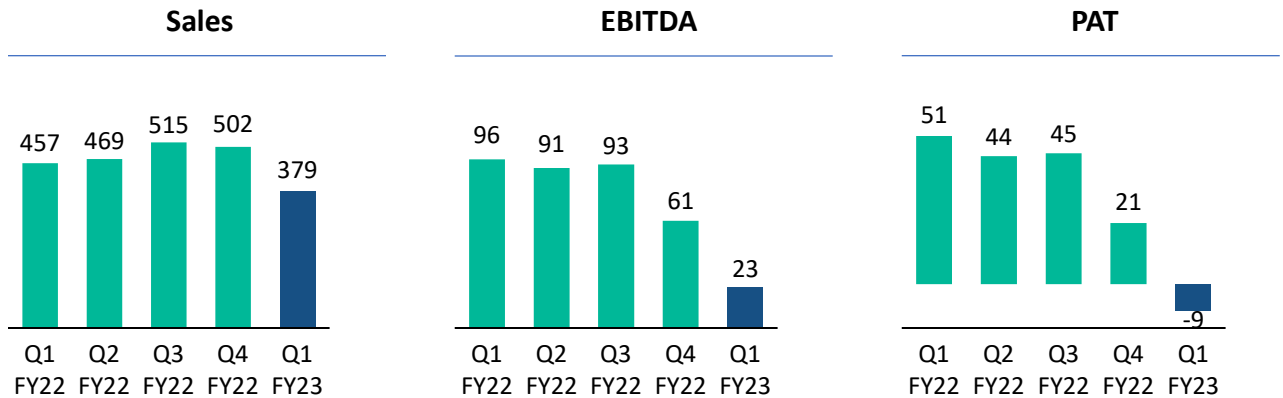


Key Highlights

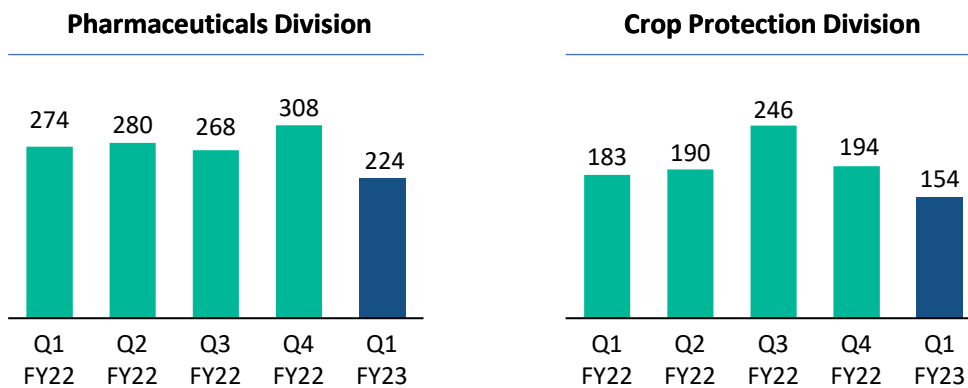
- Channel inventory correction by the Pharma customers
- Disruption in operations for the Crop Protection business
- Increased input raw materials, solvent and energy costs
- Increased depreciation on account of assets additions
- Marginal increase in finance costs in view of interest rate hikes

Consolidated Quarter Performance:

(Rs. in crore)



Segmental Performance for the quarter ended 30th June 2022



➤ **Pharmaceutical sales de-grew 18% YoY and stood at Rs. 224 crore** as compared to Rs. 274 crore in Q1 FY22

- This de-growth is predominantly due to channel inventory correction at customers' end
- Business excellence initiatives have resulted in reduction of costs to absorb some of the impacts of higher input prices
- Key wins for CDMO business for potential future growth
 - Orders received for intermediates for a COVID drug from a Global innovator company
- Increased penetration in Latin America and Middle east market for the API Generics business

➤ **Crop Protection sales de-grew by 15% at Rs. 154 crore** as compared to Rs. 183 crore in Q1 FY22

- This de-growth is predominantly due to disruption in operations at Taloja
- Higher forecast from existing global innovator companies
- Demand continues to remain strong
- Significant increase in inquiries from existing as well as new customers
- Construction of new multipurpose plant is on-track at Panoli. Expected to commission in the second half of FY23.

Commenting on the results, Jai Hiremath, Executive Chairman, Hikal Ltd. said,

“We had a challenging quarter where we witnessed significant headwinds in both our businesses. Our Pharmaceutical business witnessed a de-growth of 18% and revenue stood at Rs. 224 Crores in Q1 FY23, predominantly due to channel inventory correction at customers’ end. Additionally, this quarter we experienced margin pressure on account of higher input costs which have started easing out and a positive impact on margins is expected to be visible in the coming quarters. We expect the demand for our own products business to improve in the coming quarters. We continued to receive several new inquiries from global innovator companies for the partnerships in the CDMO business segment and successfully secured few projects from global innovators, which have a potential to turn into significant incremental revenues in the coming years. We have a healthy pipeline of new products and are confident of capitalizing on our product mix going forward.

In the Crop Protection business, revenue stood at Rs 154 Crores in Q1 FY23. Due to disruption in operations of our Taloja plant we lost production capacity for a significant part of the quarter. However, we utilized the time effectively by undertaking our annual preventive maintenance. Our plant is now fully operational, and our operations team is committed to make up the production loss to the best extent, over the next three quarters. We are on track for building our new multipurpose plant for launching new products, which is expected to come on stream by the end of this financial year. On the CDMO front, we continue to receive numerous new inquiries from both existing and new customers. We are working on several new products for global innovator companies. With the demand remaining robust in the market, we are very positive towards our growth story in the Crop Protection business.

With the ongoing Russia Ukraine war, supply chain continues to be a concern for the overall industry. We continued to see a rise in the input costs of raw materials, solvents, utilities and fuel which has affected our margins. Our focus is to passthrough these increases in the input costs to our customers and optimize the fuel mix. We expect the prices of some of our key raw materials to soften in the upcoming months, which will improve our overall margins and profitability. We continue our efforts on cost improvement projects as well as to improve operational efficiency within our business excellence program to partly absorb the higher input costs. We will continue developing alternate domestic suppliers to mitigate the supply chain disruptions prevailing in present market on account of global geopolitical situation.

Considering the uncertainties prevalent in macro environment, most global companies are looking for supply chain diversification (China-plus-one strategy). We are witnessing numerous inquiries from on potential collaborations, and we are well positioned to capture the influx of opportunities. In addition, we are also seeing significant traction in our emerging Animal Health business with enhanced inquiries. As part of our 10-year multi-product project with a global innovator, process development of several active ingredients is on-track, and a dedicated asset for Animal health business is under way which is expected to be commissioned by end of FY23.

Our transformation journey, “Pinnacle Program” is witnessing good momentum across both businesses. We have taken various initiatives across the company to make Hikal to go from ‘Good to Great’. This will help reach our bold aspiration of driving profitable as well as sustainable growth.

We are optimistic about our growth story. We expect a step wise recovery in the upcoming three quarters with tailwinds supporting us and are confident of coming back to our profitable growth trajectory by end of FY23.”

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, Mahad (Maharashtra) and Panoli (Gujarat). 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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