

TRANSCRIPT OF THE 33RD ANNUAL GENERAL MEETING OF HIKAL LIMITED HELD AT 11:30 A.M. IST ON THURSDAY, SEPTEMBER 2, 2021, THROUGH VIDEO CONFERENCING/ OTHER AUDIO-VISUAL MEANS

Rajasekhar Reddy:

Good morning Ladies and Gentlemen!

I am Rajasekhar Reddy, Company Secretary of the Company. I welcome all of you to this 33rd Annual General Meeting of the members of Hikal Ltd, being held through Video Conferencing or Other Audio Visual Means, as permitted by the Ministry of Corporate Affairs and SEBI.

The notice of AGM dated 6th May 2021, was sent by e-mail on 7th August 2021, to all those shareholders whose email addresses were registered with either the Company or the Share Transfer Agent of the Company or their respective depository participants.

I would like to take you through certain points regarding the participation and voting at this meeting.

The shareholders have been provided with the facility to join the meeting through VC/ OAVM. All the members joining this meeting, are by default placed on mute mode to avoid any background noise or disturbance and to ensure smooth and seamless conduct of the meeting.

The remote e-voting facility was provided to the shareholders, which was open from 30th August 2021 to 1st September 2021. During the Question & Answer session, only those speakers who have registered in advance with the Company would be able to speak. The moderator will announce the names of the registered speaker shareholders and unmute them.

Each speaker will be given 3 minutes time and I would request each speaker to adhere to this time limit, be brief and raise only those queries which have not already been raised by any other shareholders. While speaking, I would request the speakers to use either, ear-phones so that everyone can hear them clearly without any disturbance from the background noise. Please ensure that the wi-fi is not connected to any other devices and no other background applications are running, to have a good video and audio experience.

The speaker shareholders are requested to switch on the audio and video while speaking. If the shareholders are unable to join for any reason, the shareholders are advised to switch off the video and speak through audio mode only. In the event of any connectivity related issue at speaker shareholder's end, the next speaker shareholder will be asked to speak. When the connectivity is improved the previous speaker shareholder will be called back to speak. During the meeting, if the members face any technical issue, he or she may call the helpline number of CDSL as mentioned in the notice of the AGM.

I now handover the proceedings to the Chairman.

Thank you very much!

Jai Hiremath:

Thank you Rajasekhar!

Good morning to all the directors who are joining this meeting from various locations through video conferencing / other audio-visual devices.

Good morning to all the shareholders. I hope all of you and your family members are safe and healthy. On behalf of the Board of Directors, I extend a warm welcome to all the shareholders to this 33rd Annual General Meeting of the members of the Company.

This meeting is held through Video Conferencing or Other Audio Visual Means, as permitted by MCA and SEBI.

As the requisite quorum is present, I now call the meeting to order.

I, Jai Hiremath, Chairman of the Board, hereby state that I am participating in this virtual Annual General Meeting from the Registered Office of the Company, at Mumbai.

Now, I request the other directors who are present to introduce themselves by stating their full name and location from where they are attending this meeting

Baba Kalyani:

Good morning, everybody!

I am Baba Kalyani, Non- Executive Director, of the Company, I am participating in the Annual General Meeting from my office in Mundhwa (Pune).

Thank you!

Kannan Unni:

I am Kannan Unni, Independent Director of Hikal, I am the Chairman of the Audit Committee and Nomination and Remuneration committee of the Board. I am participating in the Annual General Meeting of Hikal from Coimbatore.

Thank you!

Ranjit Shahini:

Good morning everyone!

I am Ranjit Shahani, Independent Director of the Company. I am participating in this Annual General Meeting from Mumbai.

Thank you!

Sugandha Hiremath:

Good morning everyone!

I am Sugandha Hiremath, Non-Executive and Non- Independent Director of the Company. I am participating in this Annual General Meeting from the Registered Office of the Company, at Mumbai.

Thank you!

Shivani Bhasin Sachdeva:

Good Morning everyone!

I am Shivani Bhasin Sachdeva, Independent Director of the Company and I am participating in this Annual General Meeting from Mumbai.

Thank you!

Mr. Sameer Hiremath:

Good Morning everyone!

I am Sameer Hiremath, Joint Managing Director & CEO of Hikal. I am participating in this AGM from the Registered Office of the Company, at Mumbai.

Thank you!

Mr. Ravindra Kumar Goyal:

Good Morning everyone!

I am Ravindra Kumar Goyal, Independent Director of the Company. I am participating in this Annual General Meeting from Pune.

Thank you!

Jai Hiremath:

I thank all the directors who are present here.

Mr. Vinayak Pujare, partner of SRBC & Co. LLP, Statutory Auditors and Mr. Ashish Bhatt, Secretarial Auditor, Mr. Kuldeep Jain – Chief Financial Officer of the Company and Mr. Rajasekhar Reddy – Company Secretary of the Company are also attending this virtual meeting.

Mr. Ashish Bhatt, Practicing Company Secretary is also appointed as Scrutinizer to scrutinize the e-voting process for this AGM.

Since, there is no physical attendance of the members, the requirement of appointing proxies is not applicable. The registers as required under the Companies Act, 2013 are available for inspection in electronic mode.

Since the notice of the AGM, along with the audited financial statements for the year 20-21 together with the directors' report and auditors' report, has already been sent to all members, with your permission, I take the notice convening the meeting as read.

Since the reports of the statutory auditors and secretarial auditors are unqualified, these reports need not be read at the AGM.

As the Chairman's speech is part of the Annual Report, I take the same as read by you all. Now we move on to the question and answer session.

Rajasekhar Reddy:

Each speaker will be given 3 minutes time and I would request each speaker to adhere to this time limit, be brief, and raise only those queries which have not already been raised by any other shareholders.

All the questions and queries will be addressed together, once all the registered speakers have completed their remarks and questions.

May I now request the moderator to announce the name and unmute the first speaker shareholder?

Mr. Bimal Kumar Agarwal!

Moderator – Sir not available

Rajasekhar Reddy:

Ok! We move on to the next.

Hiranand Kotwani!

Moderator – Not available

Rajasekhar Reddy:

Mr. Yusuf Yunus Rangwala!

Moderator – Not available sir

Rajasekhar Reddy:

Ms. Celestine Elizabeth Mascarenhas!

Moderator – Sir not available

Rajasekhar Reddy:

Ms. Lekha Satish Shah!

Moderator – Sir not available

Rajasekhar Reddy:

Ms. Yachna Bhatia:

Moderator – Sir available. She's asked to unmute please.

Yachna Bhatia:

Hi .am I audible?

Rajasekhar Reddy:

Yes

Yachna Bhatia:

So I had already sent the list of questions in advance, do you want me to read those on?

Rajasekhar Reddy:

It would be better if the other shareholders are also able to hear that.

Yachna Bhatia:

Okay. So my first question was if you can give us qualitative colour on the growth in your CDMO pipeline, how are you seeing the queries from your customers today say versus a year or two back? and how do you see the CDMO contribution changing you know 3 years from now, do you see it significantly increasing at both pharma and agrochemical segment?

The voice seems to be echoing.... Okay.

My Second question was what is the capacity utilization of the current facility, is it 90% odd? And what is the maximum topline you can achieve from your existing capacity plus the 400 crores capex in progress which is you know balance 150 crores from last year plus new capex of 250 recently announced. And what are the broad commissioning timelines for this capex if you could elaborate, so I read in a meeting call its about 400 crores by September'22 to be commissioned but if you can just elaborate on the timelines in a little more detail.

Third question was can you give an outlook on likely capex spend for next 3 years?

Fourth question is the annual report mentions about inorganic opportunities, can you elaborate which areas would you like to pursue, again a qualitative sense of that.

Fifth question, what do you think is the trajectory of Gross Margins for us from the current 49%-50% level. Do you see this touching 55% say in three to four years from now. Can that be an aspirational number to look at?

Sixth is what are your aspirations for Hikal say next three to five years in terms of both topline and operating margins? On the EBIDTA level can be aspire to reach 28 to 30 percent which is in line with other players in the industry and what are the aspirations in terms of ROCE and ROE.

Seventh is what are the top three risks or concerns that you have in mind which could hinder these aspirations. And the last question is what percentage of your raw materials is sourced from China? Is it around 30% and do you intend to, you know, bring this down significantly over the next there years, do you see this as a major risk and are you diversified in terms of the supplier mix you have?

Thank You!

Rajasekhar Reddy:

Mr. Gautam Tiwari

Moderator – Sir not available

Rajasekhar Reddy:

That is the list of shareholders who have registered to speak at this AGM, now Sir you please take the proceedings forward.

Jai Hiremath:

So, since lot of these questions have to do with the operations and profitability, I will ask Sameer to speak on ...give you the replies

Sameer Hiremath:

I have listed down all the questions, I think you have sent them in advance, so thank you for that.

The first question was about the growth of the CDMO pipeline and what is the CDMO contribution to the top line, how is it going to change for three years from now in both our crop and pharma business.

So, I would like to tell you that there is an encouraging response from our customers with a healthy pipeline of products and orders owing to the China + 1 strategy. A significant rise in RFPs can also be observed in our current business for both our division in pharma and in crop, which gives an idea that the CDMO business will grow in the coming years.

The mix for CDMO at present stands at 70:30 for crop protection and same in pharma is at 40:60 which will also stabilize at about 50:50 going forward. So, as a Company we will move toward 50-50 split between CDMO and our own products going forward for both the different parts of the business.

The current capacity utilization is close to 90%, the new CAPEX should give us 1.5x the investment value. Realization will start between H1 and H2 of the next financial year or some may start by the end of this year.

What is the outlook of the CAPEX spent for next three years? It is around 100-150 Crores per year depending on the customers and the pipeline projects that we envisage and we acquire going forward.

Regarding inorganic opportunities, we are open for inorganic options across various businesses, primarily we are looking at areas of technology for acquiring new technology we are looking at inorganic options.

What do you think of the trajectory for the gross margins from the current 50% levels? Where do you see it stabilizing three years from now?

For the new products we have been targeting a gross margin of minimum 50 % and going forward we will move up from current target margins for new products at 50% level towards the 52-53% and beyond to 55% levels in the next few years.

What are the aspirations for Hikal in next 3-5 years in terms of top line operating margins?

The Company has a lot of deliberations set targets for achieving a high teens growth over the next few years YoY, with an annual improvement of minimum 100 basis points in EBIDTA margins. We have a lot of operational excellence initiatives and all the new product that we are acquiring we are acquiring at a better margin profile. Thus, looking at achieving a 24-25% EBIDTA margins over the next 4-5 years is we are targeting and idea would be to get even higher than that going forward.

When combined with the value unlocking as part of the capital expansion plans and the 10-year multi-product order that we have won from a large multinational Company. This augurs well for the Company and helps utilize the capabilities developed over the last decade.

Our aspirations in terms of ROCE and ROE, we are currently having ROCE at about 16% and ROE at about 15% in FY'21 and year on year we are looking at improving this going forward as new the assets that we are putting in place will have minimum asset turnover ratio of 1.5:1, so this will help improve our ROCE margins.

What are the top three risks, concerns that can hinder this plan?

Currently, I mean, the COVID third wave, fourth wave, if there are some lockdowns or disturbances, it could affect the production. Increasingly stringent regulatory & environmental compliance norms are critical for our industry. And, supply chain risks, especially due to logistics, container movements, raw material prices, are the three risks that we look at going forward.

What is the percent of your raw materials currently sourced from China, where do you intend to be in three years from now?

Currently sourcing from China is about 30% of our total spent and we aim to reach less than 20% over the next few years.

We have put in place several measures and several plans have already begun implementation for doing this like backward integration, localization and number three we are working with Resilient Supply Chain and multiple suppliers in Europe and in rest of the world to reduce our dependency on China.

That's it.

Thank you!

Jai Hiremath:

Thank you, Sameer. I hope that answers all your questions, I think we answered each and everyone. But in case if you have any further questions please write to the Company's email id as given in the notice of AGM and our team will respond to you.

We will now proceed to the resolutions.

We have 8 (Eight) resolutions for approval at this Annual General Meeting, which have been elaborated in the Notice of the AGM dated 6th May 2021.

Members who have not cast their vote through the remote e-voting, may cast their vote at the meeting today.

The e-Voting window will remain open for 15 minutes after the closure of this meeting and will be disabled thereafter. Result of the voting will be announced within the statutory timelines, and the same will be intimated to the stock exchanges and will also be posted on the websites of the Company and CDSL.

I once again thank all the directors and shareholders for attending this meeting.

I would like to thank our stakeholder for their continued faith in Hikal which has helped us come through, this very difficult period/year, which of course affected virtually the whole world. I would also like to thank our customers, all our suppliers and business partners for collaborating with us and of course all our HIKAL employees for their unwavering efforts in achieving our BOLD ASPIRATIONS. I am sure we can continue to count on your support.

With your permission, all the Directors including myself will log out.

With this, I declare the meeting as concluded and I wish all the shareholders and their families a very healthy and safe future.

Thank you very much!