May 19, 2025

BSE Ltd.,
P J Towers,
Dalal Street,
Mumbai - 400 001.
Scrip Code: 524735

National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra-Kurla Complex, Bandra,
Mumbai - 400 051.
Symbol: HIKAL

Dear Sir/Madam,

Subject: Transcript of Earnings call for quarter and the financial year ended March 31, 2025.

In continuation to our letters dated May 06, 2025 and May 14, 2025 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call to discuss the financial and operational performance for the quarter and the financial year ended March 31, 2025, held on Wednesday, May 14, 2025.

Kindly take the information on record.

Thanking you,

Yours sincerely,
for **HIKAL LIMITED**

RAJASEKHAR REDDY CHINTAKINDI
Digitally signed by RAJASEKHAR REDDY CHINTAKINDI
Date: 2025.05.19 18:05:05 +05'30'

Rajasekhar Reddy
Company Secretary & Compliance Officer

Encl.: As above

Hikal Limited

Q4 & FY25 Earnings Conference Call

May 14, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th May 2025 will prevail.

MANAGEMENT: **MR. SAMEER HIREMATH – MANAGING DIRECTOR**
MR. ANISH SWADI – SENIOR PRESIDENT, BUSINESS TRANSFORMATION AND ANIMAL HEALTH
MR. VIMAL KULSHRESTHA – PRESIDENT, CROP PROTECTION DIVISION
MR. KULDEEP JAIN – CHIEF FINANCIAL OFFICER
MR. MANOJ MEHROTRA -- PRESIDENT, PHARMA BUSINESS

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of Hikal Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Hiremath, Managing Director of Hikal Limited. Thank you, and over to you, sir.

Sameer Hiremath: Thank you very much. Ladies and gentlemen, good afternoon, and a very warm welcome to all of you. We extend our gratitude to all of you for participating in our Q4 and FY 2025 results conference call. We are pleased to provide you with an update on the progress made by our company. We trust that you have had the opportunity to review our earnings release, investor presentation and the financial statements for the quarter and financial year ended 31st March 2025. These documents can be accessed on both Hikal's website and the stock exchanges website.

I am Sameer Hiremath, Managing Director of Hikal Limited, and I'll be leading the discussion and presenting the financial results and the outcome on the business. Joining me on this call, I have Anish Swadi, Senior President, Business Transformation and Animal Health; Kuldeep Jain, Chief Financial Officer; Manoj Mehrotra, President, Pharma Business; Vimal Kulshrestha, President of our Crop Protection business; and Strategic Growth Advisors, our Investor Relations Advisors.

Talking about our Q4 and FY '25 performance, the year has been a year of strategic recalibration and focused execution for our company. Amidst the global headwinds and uncertainties, we took decisive steps to strengthen our core businesses, optimize and streamline our operations and prepare your company for long-term accelerated sustainable growth.

The backdrop remains complex, marked by geopolitical uncertainty, supply chain recalibration and persistent cost pressures. The global pharmaceutical industry is positioned for renewed momentum and growth, building on the steady recovery seen throughout FY25.

In the Crop Protection sector, while competitive pricing, especially from China remains a significant headwind, this sector is undergoing a major strategic shift led by the innovator customer companies, which are expected to stabilize by next financial year, that is in FY '26-27.

In Q4 FY '25, our revenue amounted to INR552 crores with an EBITDA of INR123 crores, reflecting an EBITDA growth of 71% on a sequential basis. On a Y-o-Y basis, EBITDA increased by 31% and EBITDA margins improved by 410 basis points to 22.4%.For the full year

FY '25, revenue stood at INR1,860 crores. EBITDA stood at INR328 crores, which is a margin of 17.7%, an increase of 270 basis points compared to the previous year.

In the Board meeting concluded this morning, the Board of Directors has recommended a final dividend of INR0.80 per share, that is 40%, along with an interim dividend of 30% declared in February 2024. The total dividend for FY '25 stands at INR1.40 per share, which is 70% of face value. In Q4 FY '25, we have successfully improved our margin profile due to operating leverage and focused cost improvement initiatives.

Our API business growth is driven by an uptick in volume, as well as increased offtake of new molecules. We are actively strengthening our product portfolios as we see a positive trend in new registration coming through in various geographies and different customer rebates. In the CDMO business, we have several projects progressing towards development and validation stages while maintaining an increased RFP inflow.

Moreover, in the Animal Health Division, our project under the long-term agreement with the innovator is advancing as per plan with a validation of eight products completed successfully. Additionally, we are engaging with multiple innovator customers and are observing a significant positive momentum, which contributes to a very healthy pipeline going forward.

The Pharma business is showing growth momentum and our expectation for FY '26 is a revenue growth of about 15% and a corresponding increase in EBIT margins. The Crop Protection sector consumption has started to exhibit signs of stabilization. Strategic transitions across innovator companies and our customers are driving the industry transition by focusing on the rebalancing of portfolios, product innovation and deepening relationship with key stakeholders.

We are seeing traction on new chemical entities and new inquiries from our existing and new CDMO customers. As most of you are aware, the Crop Protection business globally has faced multiple headwinds over the last 12 to 18 months. As we have anticipated these challenges, as I mentioned in the earlier calls, we have taken several steps to mitigate the risk and drive future growth in our Crop Protection business.

Number one, we have established a Specialty Chemicals portfolio in which we have developed several products, which we will begin launching by the second half of this financial year. The benefit of this is that we will use the existing Crop Protection assets to improve the capacity utilization and building operational leverage.

Number two, we are actively engaged with several of our innovator CDMO customers in several projects that are in advanced stages of process development, scale up and commercialization. These are expected to get launched from the next financial year, that is FY '27 onwards. Based on the above strategic initiatives, although we expect muted growth in FY 2026, we expect growth to resume in FY 2027.

As we look ahead, I am confident in the resilience of both our businesses added on to our Animal Health business and our Specialty Chemicals portfolio that we have, this will drive long-term sustainable growth for your company. We are very well positioned to capture the global opportunities across various markets and deliver long-term sustainable value to all our stakeholders.

With that, I would like to hand over to Manoj, who will provide an overview of the Pharmaceutical Division's performance. Over to you, Manoj.

Manoj Mehrotra: Thank you, Sameer, and good afternoon, ladies and gentlemen. I'll start with the financials of the Pharma business. For quarter 4 FY '25, our Pharmaceutical business reported revenue of INR351 crores and EBIT of INR55 crores. For the full year FY '25, revenue stood at INR1,168 crores and EBIT of INR137 crores. EBIT grew of 47% on Y-o-Y basis. This is a significant increase of 327 basis points on Y-o-Y basis on the back of operating leverage.

This momentum reflects our continued efforts in operational excellence, expanded customer base and improved capacity utilization. The CDMO segment continues to be a key strategic driver for us. We have a healthy pipeline of development programs from global pharma innovators and specialty chemical companies.

On the API side, our API business continues to demonstrate quarter-on-quarter over growth, reflecting both market demand and the effectiveness of our commercial strategies. In parallel, we are enhancing our value proposition through an active product development agenda. Our current pipeline comprises 8 to 9 differentiated products with plans to commercialize 2 to 3 launches each year.

This steady cadence ensures we remain competitive in a fast-evolving pharmaceutical landscape where innovation, speed to market and regulatory alignment are critical. We are focused on strengthening our position in high-growth therapeutic areas and niche complex API segments to create differentiation and long-term customer relationships in global markets. Our marketing footprint is expanding in markets like Japan, Latin America, Korea, Middle East and Southeast Asia.

In the CDMO vertical, in quarter 4 FY '25, we witnessed improved offtake from key innovator clients and momentum building in our CDMO business. Inquiries are rising, particularly for early-stage molecules as innovators increasingly seek reliable, high-quality development partners with backward integrated supply chains. Several promising discussions are advancing towards development and validation.

Our key starting material projects for two new chemical entities are progressing well in Phase III trials with their respective partners. These programs are expected to transition to commercial scale in 2026-27, supporting long-term growth. We are working on 12 to 15 additional new opportunities. Meanwhile, our food ingredient project remains on track and is expected to reach peak revenue within the next 2 to 3 years.

Overall, the Pharma business is on a growth trajectory as it adapts to changing market dynamics, regulatory environment and consumer demands. We are prioritizing technical innovation, cost efficiency, operational excellence, sustainability and to enhance profitability and revenue, setting the stage for a prosperous 2026 and beyond.

Now I would hand over to Vimal, who will provide an overview of the Crop Protection Division's performance.

Vimal Kulshrestha: Thank you, Manoj. Good afternoon all the participants of this earnings call. In Q4 FY '25, the revenue for our Crop Protection business stood at INR201 crores with an EBIT of INR36 crores and EBIT margin of 18%.

For the full year, revenue of Crop Protection business stood at INR692 crores with EBIT of INR79 crores and EBIT margin of 11.4%. We are actively engaging on CDMO opportunities with existing innovator companies as well as new customers and advancing promising discussions on new prospects.

Momentum continues to build across our CDMO portfolio, spanning both development and contract manufacturing. We continue to work on manufacturing excellence initiative to improve our margins in current competitive environment and, of course, Chinese competition.

Regarding our business vertical, own product vertical, we are actively expanding our product pipeline to drive growth. This includes targeting high potential opportunities that strengthen our portfolio and align evolving market needs. Our specialty products are gaining traction driven by customer demand for innovation, high performance and sustainable solutions. Regarding CDMO business vertical, our CDMO division is currently managing a robust pipeline of 8 active projects with both existing customers as well as new strategic customers.

These projects reflect increasing trust in our development and manufacturing capabilities, particularly for complex and on-patent molecules. By successful advancing these opportunities, we aim to reinforce our positioning as a preferred partner for global innovators and drive sustainable growth for our CDMO business over the medium to long term.

Additionally, we continue to invest in capacity, talent and technology to support scale of readiness and enhance our competitive edge in rapidly evolving outsourcing landscape. So for overall Crop Protection Division, we continue to see growing interest from our innovator companies seeking reliable partners with expertise in complex chemistry, regulatory compliance and scalable manufacturing.

This is particularly evident in Crop Protection space where agrochemical players are under increasing pressure to accelerate innovation, reduce environmental impact and navigate tightening regulatory framework.

Our strength in process optimization, backward integration, life cycle management and custom synthesis make us a preferred partner for companies looking to outsource high-value intermediates and actives. Through continued investment in R&D, adoption of precision and firm commitment to sustainability, we are well positioned to capture value in this evolving landscape.

Now I would like to hand over to Anish, who will provide an overview of our Animal Health business and business strategy.

Anish Swadi: Thanks, Vimal. First, I'd like to take you through the Animal Health business. We are making steady progress on the development of multiple APIs for our leading customer who is an Animal Health innovator under our long-term partnership.

The validation for several of the products are on track and are scheduled to be completed in the upcoming quarter, which we will support product registration efforts and pave the way for commercial launches in the next several quarters across key global markets. In parallel, we are actively expanding our footprint in the Animal Health segment by engaging with new clients on process development and synthesis of complex molecules for NCEs or new chemical entities.

Early-stage outcomes have been encouraging, reinforcing our position as a reliable partner for high-value differentiated chemistries. This segment continues to offer growth potential driven by rising global demand for veterinary therapeutics, increasing regulatory oversight and the shift toward innovation-led outsourcing in the Animal Health segment.

Moving on to our strategy. Our transformation initiative, Project Pinnacle is delivering tangible results, driving sustained growth across our diversified operations. We've made meaningful strides in expanding our geographic footprint, including our BD teams across the world, which will drive our front-end initiatives.

We have also deepened our commitment to ESG, embedding sustainability into all our core operations. We consistently are allocating 4% to 5% of our revenue towards R&D as we continue to develop innovative products and services that address the evolving needs of our clients and end markets.

These efforts, combined with the culture of continuous improvement, position us to stay ahead of the market shifts, strengthen our competitive advantage and reinforce our leadership in the industry.

As we enter our next phase of our strategic journey, we are sharpening our focus on the front-end capabilities to capture several high-value opportunities and further strengthen our business pipeline. This evolution places strong emphasis on talent development, cross-functional collaboration and fostering a culture of innovation.

Innovation remains to be a central driver as we accelerate our efforts in sustainability, digitalization through AI and product differentiation. We continue to focus on key priorities, including demand recovery, sustainable practices, technological breakthroughs and operational efficiency. Looking ahead, as a company, we remain confident in our ability to navigate the certain market complexities driven by disciplined execution, a strong innovation engine and a commitment to continuous improvement. Now I would like to open the floor to Q&A.

Moderator: The first question is from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Great set of results. So one question from my side. In your opening comments, you mentioned about overall growth outlook being very strong for '27, but you mentioned a muted '26. So can you elaborate what do you mean by that? Because in the previous calls, the growth was looking good for '26 as well. So has there been change in the customer contract or something? Can you help us understand?

Sameer Hiremath: Yes, I think there's no change. We spoke about 2 different segments. We expect healthy growth in the Pharma business, which is on track. In fact, it may even be more accelerated than what we spoke earlier. The Crop business is where we expect flattish numbers for next year and it to resume in FY '27.

Dhaval Shah: Okay. Okay. So yes, crop anyways, your guidance was that H2 of '26 is where you are expecting some sort of improvement?

Sameer Hiremath: That's right.

Dhaval Shah: Okay. Pharma, you are expecting what sort of growth in '26? We did INR1,170 crores this year.

Sameer Hiremath: I mentioned around approximately 12% to 15% growth for the year revenue in Pharma.

Dhaval Shah: In the Pharma . Got it. Got it. And in our P&L, the other expenses is INR133 crores. So any particular reason for such a large increase compared to the previous quarter like sequentially and year-over-year both?

Sameer Hiremath: Other expenses, INR133 crores? what are you looking at? Which number are you looking at?

Dhaval Shah: One minute.

Kuldeep Jain: So largely, our total other expenditures remain as it is as compared to last year. But for the quarter, it was increased a bit because we have taken certain additional repair maintenance due to some various customer audits. There was a sales increase. We have done certain shipment by year. So therefore, this would be up by INR10 crores, INR12 crores, yes.

Dhaval Shah: Yes, yes, exactly. That was a difference looking on a sequential basis, yes, the INR100 crores...

Sameer Hiremath: Yes. We have also made a provision for some doubtful debt, which is required as per the accounting standards.

Dhaval Shah: Okay. Understood. And over the next couple of years, how do you plan to reduce the dependency on fourth quarter, like fourth quarter is very heavy for us. How do you plan to normalize this seasonality? Is there any plans on that?

Sameer Hiremath: No, no, definitely, we are moving towards that. But once the product all get launched and validated, then there'll be more streamlining. A lot of the customers in the Q3 don't want to take inventory. So they push Q3 into Q4. So that's why there's a big push in Q4. there's a big focus on all organizations to reduce inventory in end of their financial year, which is December '25. So then they say, please ship it in January to us. So...

Dhaval Shah: Okay. And the last thing, how is the U.S. customer planning his business with regards to the tariffs? And what sort of conversations are going on? Like before this tariff, we had a big China

Plus One and now this tariff thing is there, which could be happening on Indian companies as well. So it's very complicated. So how is your negotiations and conversations going on?

Sameer Hiremath: So I'll ask Anish Swadi to take this here.

Anish Swadi: Yes. I think you said it right, Dhaval. It's very complicated right now. I don't think anyone really knows what the ultimate tariffs are going to be eventually because the government or the U.S. government has come up and said that there will be some tariffs. I mean they've specified on China, but it's all related to specific HSN codes.

So we're continuously monitoring the situation to see which products are subject to tariff, which products are not subject. We've done a total portfolio evaluation to see where we have a competitive advantage versus where we have a potential disadvantage. So we are ongoing monitoring the situation as we see it. But right now, it's -- we're not receiving any indications from customers that tariffs or prices are going to come down or further go up, vice versa.

Dhaval Shah: Okay. So the momentum in terms of RFQs, which were there up till before this entire tariff talks, the RFQs, the intensity and you were seeing a lot of inquiries, RFQs from the customer, that continues, right?

Anish Swadi: Yes, that continues because right now, that's not really subject to tariff, the volume, the values are not as high as when you talk about multi-scale or multiproduct commercial scale products. So those continue to happen because the fact is that everybody is looking at outsourcing and everybody is looking at -- I think the world is moving more towards protecting their own countries or their own areas.

So you'll see -- we've always talked about China Plus One, there's Europe Plus One, there's U.S. Plus One, right? And that's what it's shaping out to be. But again, there's a lot of uncertainty as we see it.

Moderator: The next question is from the line of Rohit Sinha from Sunidhi Securities.

Rohit Sinha: Yes. So just want to clarify that as you have mentioned for a muted growth for '26, I think here also a lot of our contracts are going to commission on FY '26. So we are anticipating a better growth in '26 in our numbers. So is that for the Crop Protection business? Or overall, we will be having a muted number and most of the numbers would be coming in FY '27?

Sameer Hiremath: No, I think the muted numbers were for Crop Protection. Pharma will grow, as I mentioned. I think the previous speaker also asked the same question. And I mentioned that we will show growth in the Pharma business, while Crop will be flattish compared to last year.

Rohit Sinha: Okay. Okay. And in the PL side, employee salary is slightly lower in this quarter. So is it because of some head change or just because of the AI implementation?

Sameer Hiremath: No, we've been able to optimize our personnel costs. Obviously, we've done a very detailed exercise over the last year to see which plants we can utilize and repurpose our people and put them into which assets and which sites.

So we've been able to -- yes, we've been able to do that, and we've looked at all our people. And we've done a lot of digitalization initiatives also. You rightly mentioned that. We have done some work on that, which is helping us improve our efficiencies and our productivity in our plants.

Rohit Sinha: Okay. Okay. So that means, I mean, some kind of cost optimization would be continued there. And secondly, as you have highlighted for that other expenses increased because of some audit charges related to the customers' approval or contract. So since going forward also, there are a lot of, I mean, contracts or approvals are pending. So then can we expect similar kind of other expenses to incur or it will get normalized?

Kuldeep Jain: Yes. Actually, what I mentioned, there was certain part which was required for the audit purposes, which will be one-off. As far as this provision for doubtful debts are concerned, this is also one-off, because as per the accounting standard, we have to keep changing the provision based on the timing of the delay in receivables. So these are not really some kind of a permanent kind of an expenditure. This will keep changing.

Rohit Sinha: Okay. One last question, sir, just on the capex side for FY '26 and '27, if you can highlight?

Sameer Hiremath: Pardon?

Rohit Sinha: Sir, capex for FY '26 and '27?

Sameer Hiremath: Yes. Like we have mentioned earlier also, we have a plan for almost INR200 crores kind of capex each year.

Moderator: We will take our next question from the line of Ajana Shah from Shah Investment.

Ajana Shah: A couple of questions from my end. To begin with, sir, if you could share your thoughts regarding our Pharma business? How do you envisage your FY '26 performance?

Sameer Hiremath: Yes, I think everybody seems to be asking the same question. I've already given a guidance of growth of 12% to 15% revenue growth, which we expect in FY '26. And that is going to be with more CDMO business and inquiries coming in. Yes.

Ajana Shah: Sure. And sir, since we've already mentioned the revenue guidance, any -- can you throw some light on the margin guidance as well?

Sameer Hiremath: Well, margin guidance will proportionately increase. If you look at the historical EBIT margin for last year, it will proportionately grow along with the growth in revenue because we also get some operational leverage benefits in the business.

Moderator: The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: Yes. Sir, first question is on the Animal Health business. So we've said that we have received validation for 8 products, if I'm not wrong. And we've also said that we are working with innovator and we are simultaneously working with other innovators as well. So is it that these 8 products also can be supplied to other innovators?

Or is it that for the other innovators, we have to develop new set of products and it will again have its own set of time lines in terms of validation batches as well as the commercial validation batches, et cetera. So if you can just throw some light on this.

Anish Swadi: Yes. So the 8 products that we've developed are for global supply. we are free to sell those products across the world to any customer that requires them. Towith regards to your question, whether they require validation, every customer needs to validate the product in their own formulation. So yes, they will require validation in their own formulation. So the stipulated time lines that we'll follow with our primary customer will apply to all secondary customers.

Rohit Nagraj: Fair enough. The second question in terms of the Crop Protection segment, this quarter, we've had a very strong set of margins. You've also alluded that next year, probably the business will be remaining flattish. But can we expect the margin improvement on a year-on-year basis for FY '26 for the Crop Protection business, given that I think from the raw material side, also, there could be some advantages which probably will reap during the course of FY '26? So just your views on this.

Sameer Hiremath: No, I don't think -- I think I've already mentioned this in my opening speech. We'll be flattish in terms of revenue and margins for the Crop Protection business. From FY '27 onwards, the margins will start coming back to historical crop margins in '22 and '23. Yes.

Moderator: The next question is from the line of Pranay Dhelia from Panchatantra Advisors LLP.

Pranay Dhelia: Thank you for a good set of numbers as shareholders. Two questions. One is on the ROE front and the ROCE front. We are at 7.3% ROE for this financial year and even the ROCE is at 9.9%. Do you see any improvement in FY '26?

Sameer Hiremath: Well, at the Pharma Division, definitely, there will be improvement. But the Crop Division, there will be a kind of a drag on that because depreciation charge will come in significantly.

Vimal Kulshrestha: We recently capitalized...

Sameer Hiremath: We recently capitalized a large asset in quarter 3. You must have seen the CWIP impact. So there will be a drag for next year because the Crop business, but it will get depressed next year actually. There will be a reduction next year.

Pranay Dhelia: So next year, you expect the ROE to go down further?

Sameer Hiremath: Slightly, yes. Slightly or same. Yes.

Pranay Dhelia: So that's, I mean, as low as probably the FD rate the government has to offer. And secondly, we've done INR91 crores in PAT this financial year. Our peak was about INR160 crores in PAT in 2022. And our revenue is about not more than 3%, 4% of 2022 peak revenue. Do we see us getting to those numbers by next year or year after? Because as you said, Pharma sees probably 15% -- 12% to 15% upside, Crop stays flat. So do we look to beat that? Do we -- are we doing better margin business now or it's still the same?

Sameer Hiremath: The Pharma business will grow quite a bit next year and second year. Crop will still take 1 more year for growth to start coming back from FY '27. So it will take some time to get back to...

Pranay Dhelia: So we are not looking to beat the peak profit anytime soon.

Sameer Hiremath: No, in the next 2 years, for sure, 2 to 3 years, we'll get there, but it will take at least 2 years. Yes.

Pranay Dhelia: Okay, fine. I'll fall back in the queue. If I can just squeeze one more question, if you permit. Our interest cost has gone up a little bit, but our debt has remained flat. So any reason for that?

Kuldeep Jain: Yes. Basically, we have the higher utilization of working capital in the middle period. Therefore, the interest cost in terms of absolute value, it's gone up, although we have the reduction in interest cost to the extent of 20 to 25 basis points.

Moderator: The next question is from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Now compared to FY '24, any new capabilities we have added as a company in our agrochemical, Pharma in terms of chemistry skills, looking at the various opportunities which are coming up? And anything -- if you would like to highlight on anything?

Sameer Hiremath: So we put high potency chemistry is what we are launching this year. High potency.

Dhaval Shah: Okay. So this -- so in terms of -- so once you've launched it, then you -- how long does it take for you to take it to the customer and start from like the launching stage till the revenue stage, generally, how it's been in the past? And what sort of revenue...

Sameer Hiremath: Sorry, yes.

Dhaval Shah: And what sort of revenue generally you get and what you look at for a new chemistry launch?

Sameer Hiremath: Well, I mean, if you look at the new NCEs that are coming out, more than 50% of the new NCEs are now high potent chemistry. So that is what we'll be attracting now to start the development work in our laboratories where we can do clinical stage materials. So that could start quite -- could start quite quickly. We will be commissioning that lab by the second half of this year and the work can be started by end of this financial year in the laboratories.

Dhaval Shah: Okay. Okay. So this will support the pipeline of NCE molecules which you have in your CDMO to continue. This will support your growth?

Sameer Hiremath: No. In fact, Dhaval, it will add on to the number of RFPs because today, we are not catering to the high-potency RFPs. Once we get these capabilities, even those RFPs, we could start to participate in and hopefully acquire those businesses as well. Yes.

Moderator: We will take our next question from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: Sameer, a couple of questions from my end. You -- in one of the past calls, you had mentioned that you -- in terms of pipeline when it comes to Phase III molecules, 2 of them are very promising, right? And they will probably materialize sometime in '26 or '27. Do you have any update to share on those molecules? How is the innovator, what is the sense that we are getting on innovator? Are they on track to be the blockbusters that we expect them to be?

Sameer Hiremath: Sure, Manoj, why don't you take that?

Manoj Mehrotra: Yes. So we have 2 molecules in Phase III. So one of them is definitely moving faster, and we may get some revenues in FY '26 in the coming year. But by and large, it will be launched in 2027. So you will see a good launch ramp-up in '27. The second one is still not crossed the clinical hurdle. It's still in Phase III, and we have to really wait and watch. But overall, if you see, there are a number of other programs also which are in Phase I, Phase II. So overall, we have a healthy pipeline of the CDMO kind of launch molecule KSMs.

Prolin Nandu: Sure. So just taking this a bit forward, is it fair to say that the growth numbers that you have mentioned for Pharma for FY '26 because of this promising pipeline, '27 should be much better than what we expect in '26?

Manoj Mehrotra: Yes, it will be in the same range, I'll say, at this point of time, 12% to 15%, because the base business also grows and some molecules which we have got more from a life cycle management perspective, they will also ramp up in the coming years. So I think it's a good number to have 12% to 15% growth consistently year-on-year. And the profitability also will change as per the new launches come. Objective is to move our portfolio more towards CDMO business, which has higher margins.

Prolin Nandu: Sure. Sameer, one question for you, right? Again, I'm quoting something that you mentioned in the past call, right, that when a client comes to India and probably he visits some of these companies, we are in that top 5, top 6 kind of list, right, when it comes to CDMO or maybe within CDMO also, the specific niche that, that client is particularly looking out for. Now if I think about your revenue, right, of, let's say, if I combine the Pharma and chemical CDMO revenue, we are close to INR950-odd crores, right?

So my question, Sameer, is that in terms of revenue, we might not be in top 5, right, in some sense. So in last 4, 5 years, what have been our learnings or how have we improved our success rate or funneling or whatever you want to call it in getting more and more NCEs, right, so that in next 5 years, we are just not in that top 5 list of -- when the client come, but also in terms of revenue, we are able to reach there. What has been our learning, right, which will help us for the next 5 years?

Sameer Hiremath: So 2 things. One is that we're getting closer to our customers. We have set up global offices now in North America, Japan and in Europe. That was not the case in the past. So that has been done last year in the last 6 months -- 6 months to 1 year. Secondly, we've also increased our offerings in our R&D center in Pune and our scale-up capabilities.

And we've invested significantly in that in the last 12 months, and we continue to invest in that with our new high-potency laboratory and new technology capabilities. I mean this has all been well planned out in the last couple of years. And this is attracting a number of RFPs, and I think that growth will accelerate significantly.

If you look at our Animal Health business, just to give you an example, 3 years ago, there was very few inquiries, then we got this big customer. After that, we got several new inquiries. You just did a couple of early wins and then it's the force multiplier effect. And people give you a lot of other businesses. All these customers, they kind of talk to each other and they see who are the good companies out there. So you do 1 or 2 good projects, then you can really ramp up the RFPs and your number of projects, and it's much easier to win new business.

The first ones are the hardest to win. I think we're overcoming that hurdle. And now the next ones will be much easier and will ramp up quite rapidly. So as I mentioned, we've got 12 to 15 products in advanced stages of development, commercialization in Pharma. In the past, it was 6 to 8, 8 to 9, we were talking about. We've already gone up more than 50% in the last 1 year. And this will increase and intensify as we go forward. Yes.

Prolin Nandu: Yes, Sameer. Can I push a couple of more questions if that's fine?

Sameer Hiremath: Yes, maybe one more. Yes.

Prolin Nandu: Sure, sure. Okay. Yes. So Sameer, my question would be on this -- you mentioned about the new laboratory that you are putting up, right.. Can you just slightly elaborate more for in a -- more in a generic term to help us understand as to why -- I mean, is it like 50% -- we are currently participating only in 50% of RFQs.

And now that once we have this capability up and running sometime by end of the year, the participation in RFQis it a fair thing? And what is this more? Can you just double-click a little bit to help us understand what is this new lab that you are talking about?

Sameer Hiremath: I don't think it will be double, but it will be quite a bit more. Whether it's going to be 30% more, 40% more, that only time will tell. But it's definitely -- this is more niche, high-potent chemistry, which is anticancer drugs, if you look at that, which we were not participating in the past.

And you asked a question what -- somebody asked a question about what are the learning, I think this is a technology toolbox offering. And the customers now also feel more confident of outsourcing high-potent chemistry to India, which was not the case a couple of years ago. This would typically go to European CMO companies when a lot of the new generation chemistry is now being looked at India, not only high potency, even peptides. Indian companies who have built a good credibility and track record are being considered as serious players and projects are being awarded to them.

So this is a laboratory. A laboratory high potency is almost like a mini manufacturing plant because you need very small quantities compared to a regular cardiovascular drug or a regular pain medication drug. This is very low dosage.

So the batch sizes are much smaller. And we could do early clinical trial material could be supported from this. It's like a mini pilot plant, I would say, laboratory cum mini pilot plant. Yes. It will be done from this laboratory, which will be operational by Q3 of this year.

Moderator: The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: Yes. Sir, in terms of the addressable market for Pharma and agrochem molecules that we are working on, if you can just give us a broader understanding of that? So maybe a molecule usually has an addressable size of maybe $20 million, $25 million. Just to get an understanding how much potentially maximum revenues that we can generate once the molecule is commercialized, both in Pharma as well as agrochemical separately?

Sameer Hiremath: Was your question regarding particular projects or the total addressable market size? Can you just elaborate?

Rohit Nagraj: So generally, when we are funneling our products, we must be looking at a particular market size. If that is too low, probably we may not be looking at that opportunity. So what is that we look usually for both Pharma and agrochemicals from a molecule perspective to work on?

Sameer Hiremath: Yes. So I'll typically say, I think we look at typical minimum size of at least $5 million a project. I mean, ideally, we want to look at even $10 million. And some of the products that we have in our portfolio have potential to get to even $20 million and beyond, $25 million. So I think INR50 crores, per molecule is what we look at peak and going -- some will go to INR100 crores and some will even go to INR200 crores and beyond per product.

Rohit Nagraj: Right. That's helpful. And second question, again, pertaining to that in terms of the success rate of a molecule from CDMO to commercialization, how has been it in the past, both if you have separate data for Pharma and agrochemicals?

Sameer Hiremath: Agrochemical, it's not as intense as a Pharma business. As a Pharma, it falls off as quite a bit from Phase I to Phase II to Phase III, right? So agrochemical more often than not, if you get a product under development, chances of it going to launch is very, very high. I mean, the chances of failure are very low. I would say chances of launch are more than 75% in the agrochemical space because registration on the stock studies are already done.

A lot of work is already done by the companies. In Pharma, we are doing more of the Phase II and Phase III work. They are not that much in the Phase I and lead work. So again, the probability of going to launch is more than 50%, I would say, in that. Yes.

Moderator: The next question is from the line of Vinay, who is an investor.

Vinay: Sir, what is the status of U.S. FDA observations, which we got in February?

Sameer Hiremath: We've responded to the FDA observations and all the observations have been responded by us. We're just awaiting the response.

Vinay: Sir, are they preserving nature or something we need to be looked at seriously?

Sameer Hiremath: Well, there was no data integrity issue at all in any of the observations. So we have given our responses, and we wait to hear back from the FDA. As of now, we cannot make any comments regarding that. Yes.

Moderator: Ladies and gentlemen, due to time constraints, we will take this as our last question. I would now hand the conference over to the management for closing comments.

Sameer Hiremath: Thank you, everyone, for joining our quarterly earnings call and our annual financial call for the year ended March 31, 2025. And thank you for your continued interest in our company. We appreciate your support as we navigate through the challenges of the global business environment.

As we conclude this call, we want to assure you we are here to address any further questions or concerns. Feel free to reach out to us or our Investor Relations partner, Strategic Growth Advisors. Once again, thank you for your participation. Goodbye.

Moderator: Thank you. On behalf of Hikal Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.