November 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 group call for quarter and the half year ended September 30, 2025.

In continuation to our letters dated November 10, 2025 and November 13, 2025 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings group conference call to discuss the financial and operational performance for the quarter and the half year ended September 30, 2025, held on Thursday, November 13, 2025.

Kindly take the information on record.

Thanking you,

Yours sincerely,
for **HIKAL LIMITED**

RAJASEKHAR REDDY CHINTAKINDI
Digitally signed by RAJASEKHAR REDDY CHINTAKINDI
Date: 2025.11.19 16:24:15 +05'30'

Rajasekhar Reddy
Company Secretary & Compliance Officer

Encl.: As above

Hikal Limited
Q2 FY26 Earnings Conference Call

November 13, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th November 2025 will prevail.

MANAGEMENT: **MR. SAMEER HIREMATH – VICE CHAIRMAN AND MANAGING DIRECTOR**
MR. ANISH SWADI – SENIOR PRESIDENT AND HEAD OF BUSINESS TRANSFORMATION AND ANIMAL HEALTH
MR. KULDEEP JAIN – CHIEF FINANCIAL OFFICER
MR. MANOJ MEHROTRA – PRESIDENT, PHARMACEUTICAL BUSINESS

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY26 Earnings Conference Call of Hikal Limited.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Sameer Hiremath: Thank you. Ladies and gentlemen, good afternoon, and a warm welcome to all of you. We extend our gratitude to all of you for participating in our Q2 and H1 FY26 Results Conference Call. We are pleased to provide you with an update on the progress made by our company.

We trust you have had the opportunity to review our comprehensive earnings release, investor presentation, and the financial statements for the quarter and half-year ended 30th September 2025. These documents can be accessed on both Hikal's website and the stock exchanges website.

I am Sameer Hiremath – Vice Chairman and Managing Director, Hikal Limited, and I will be taking you through the discussion and presenting the financial results.

On this call with me, I have Anish Swadi – our Senior President & Head of Business Transformation and Animal Health; Kuldeep Jain – our Chief Financial Officer; Manoj Mehrotra – our President and head of the Pharmaceutical Business; Strategic Growth Advisors, our Investor Relations advisors.

Talking about our Q2 FY26 performance:

If we look at the end market, the global chemical and life sciences industry is showing signs of a measured recovery. Demand visibility seems to be improving quarter-by-quarter, and plant utilization across key geographies is gradually strengthening.

At the same time, structural overcapacity, especially in the crop protection business in certain regions, continues to weigh in on pricing and evolving trade policies, adding volatility to procurement cycles and supply chains due to the uncertainties. Despite the external challenges,

Hikal's diversified portfolio and long-standing customer relationships provide us with the resilience to navigate near-term uncertainty.

The consolidated revenue for Quarter 2, FY26, stood at Rs. 319 crores, the EBITDA of Rs. 8 crores. We were able to maintain operational stability despite financials being affected by a short-term deferral of sales in our pharmaceutical business. Sales of certain orders executed towards the end of Q2 were booked in October 2025. This resulted in under-absorption of fixed costs during the quarter.

For H1 FY26, the revenue stood at Rs. 699 crores for the company with an EBITDA of Rs. 32 crores. While the first half has been impacted in our pharmaceutical business due to regulatory developments, the underlying fundamentals of both our businesses remain strong.

Despite the challenges faced in the first half of this year, we expect a strong recovery in Q3 and Q4 as mentioned in our last conference call, supported by improved demand visibility, higher capacity utilization, and the commercialization of new products which are being ramped up as we speak.

The pharmaceutical business revenue for the quarter stood at Rs. 190 crores with an EBIT margin of negative 9.2%. As you know, the Bangalore facility of Hikal received OAI status earlier this year in May followed by a warning letter in August 2025. This had delayed temporarily the off-take across both our generics and our CDMO businesses as customers conducted their own internal risk assessments. We have responded to these risk assessments with urgency and discipline, which have now been completed.

Two global remediation partners have been onboarded by our company and are now working alongside us to strengthen our internal quality systems to ensure our corrective actions meet the highest global standards.

Our CAPA implementation is well-advanced and we remain in active dialogue with the US FDA. These steps are not only addressing the observations but also reinforcing our systems for the long term.

Importantly, we are seeing continued engagement from our customers with all orders given at the beginning of the year intact and none of the customers cancelling any of our businesses. We expect and we are progressing now well to resumption in the supply which has begun from October 2026. (Erroneously spoken as 2026, it is to be read as 2025).

During the quarter, we have witnessed significant traction from key global innovators for strengthening future pipeline of complex chemistry molecules and we are getting several RFPs from new customers and existing customers as well.

We have also received positive traction from several global companies, from innovator companies for the CDMO business who have visited us in the last quarter, demonstrating our enhanced capabilities as we have progressed well towards strengthening our business relationships further. This will support enhancing our higher margin revenue in the mid- to long-term and strategically position us in the niche CDMO segments.

During the quarter, our Crop Protection segment revenue recorded sales of Rs. 129 crores with an EBIT of minus Rs. 10 crores. The margins remained under pressure due to the ongoing pricing challenges stemming from oversupply in the global market. However, volumes have started to recover in the crop division.

In our CDMO business, the financial performance remains muted as innovator customers are undergoing business segment restructuring and destocking of the supply chain, which is almost completed. Also, we see on the customer angle, there is a strategic shift towards next generation molecules and platforms. This presents a long-term opportunity for us for differentiated partnerships and co-development programs of which we have begun doing a few in the last six months.

To capitalize on these opportunities, we are augmenting our capabilities and increasing or prioritizing innovation through our portfolio realignment. In the near term, we anticipate a gradual recovery in the second half of this year for the crop division, with stable performance expected on a full year basis, which is similar to last year.

Beyond the crop protection business, we are also making steady progress in our specialty chemicals business, specifically the personal care division, which is a broader diversification strategy. We are expanding our collaboration with global customers on personal care ingredients, and we expect to commercialize two to three products in the second half of this financial year and ramp up the volumes in the next financial year. This segment continues to emerge as a growth driver. And we are committed to building a differentiated portfolio that aligns with evolving consumer preferences and global regulatory standards.

During this Quarter 2, we also inaugurated a state-of-the-art High-Potency laboratory, enhancing our capabilities in high-potency molecule development. We also commissioned a new kilo lab at our specialty chemicals site, strengthening our early-stage development and scale-up infrastructure. These investments reflect our commitment to innovation, technology, and long-term growth.

We reaffirm the recovery in H2 FY26, as mentioned in the last conference call, to cover the deferment gap from H1 FY26 while sustaining demand of second half of the year. We remain committed to structural strengthening of our compliance systems, diversifying our portfolio, and building long-term partnerships with global customer base.

Now, I will hand over to Kuldeep who will provide an overview of the financial performance.

Kuldeep Jain: Thank you, Sameer, and good evening, everybody.

Let me now take you through the financial performance of Hikal for Q2 and H1 FY 2026 and share key updates on our financial trajectory, capital allocation priorities and balance sheet strength.

For Quarter 2 FY 2026, our consolidated revenue stood at Rs. 319 crores. EBITDA for the quarter stood at Rs. 8 crores, translating to a margin of 2.6%. Lower than expected sales have resulted in under-absorption of fixed costs during the quarter.

For the half-year FY 2026, consolidated revenue reached Rs. 699 crores, and EBITDA for the same period was Rs. 32 crores, with a margin of 4.6%. Finance costs for the Quarter 2 FY 2026 was at Rs. 15 crores, which is a reduction of 13% and 20% on a Y-o-Y basis. Depreciation remained in line with last quarter.

Capital expenditure during the first half year stood at Rs. 65 crores, focused on debottlenecking, regulatory upgrades and expanding CDMO capacity. We are maintaining our full-year CAPEX guidance of Rs. 200 crores with a continued emphasis on discipline, capital allocations toward high ROI projects, aligned with our long-term growth strategy.

Our balance sheet remains healthy, with an improved debt-equity ratio of 0.55 versus 0.59 at the start of the year, driven by the improved debt profile and repayment during the first half of the year.

Now, I would like to hand over to Manoj, who will provide an overview on the Pharmaceutical Division performance. Manoj, over to you.

Manoj Mehrotra: Thank you, Kuldeep, and good afternoon, ladies and gentlemen.

Let me now walk you through the performance of our pharmaceutical business:

In Q2 FY '26, our pharmaceutical segment recorded a revenue of Rs. 190 crores and EBIT of Rs. (-17) crores. There have been disruptions in customer optic patterns, which were influenced by the recent US FDA Official Action Indicated (OAI) status at a Bangalore facility, followed by warning letters in August 25. Most customers have completed their risk assessments, and we have resumed deliveries which will ramp up significantly in H2 FY '26.

Following the US FDA inspection, our Bangalore facility received an OAI classification, and a subsequent warning letter dated August 22nd. We are actively addressing these observations through a structured, time-bound remediation program. In collaboration with global CGMP consultants, we are implementing corrective and preventive actions that align with international regulatory standards. The remediation plan is on track for completion by December 2025.

Our API business continued to penetrate across key markets, supported by our established portfolio and expanding market share in select molecules. This has further reduced our dependence on regulated markets and improved our resilience, navigating through volatility in trade policies and uncertainties driven by U.S. tariffs.

Our development pipelines remain robust, with eight to nine molecules currently under development are progressing well. We are on course to launch two to three new products annually, consistent with our medium-term strategy. As part of our risk mitigation efforts, we are progressing towards dual-side validation for all critical APIs.

In our CDMO business, the business continues to benefit from the structural momentum driven by positive global outsourcing landscape. We are observing a sharp uptake in early-stage RFPs, particularly in high-value small molecule and advanced intermediates. This demand is being driven by global innovators and emerging biotech firms who are looking to diversify the development and manufacturing away from single-region dependencies. While commercial scale-up timelines remain staggered, the quality and volume of engagements have significantly improved. Several projects are now transitioning from early development to pilot scale.

In the food and nutraceutical ingredients space, we are on track to scale operations and expect to reach peak output within the next 18 to 24 months. Our portfolio expansion efforts in this segment are progressing well. Additionally, key starting materials produced for global innovators have advanced into Phase III clinical trials with commercial launch anticipated in FY27. To support this momentum, we are investing a pilot scale capacity at our R&D center in Pune.

We have also inaugurated a new High Potent Active Pharma Ingredient lab, which enables us to enter the rapidly growing segments such as Oncology API market. Our R&D is now fully equipped to offer a broader suite of services to our innovative partners. Looking ahead, we expect API volumes to improve, supported by regulatory approvals across geographies, and deeper penetration into semi-regulated markets.

In CDMO segment, the pipeline is strong and diversified, with increasing engagement in both volume and technical complexity. Our near-term focus is to resolve outstanding points with the US FDA and restore full compliance. Over the medium to long term, we remain focused on developing new APIs for global markets and converting CDMO opportunities into sustainable business growth.

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

Anish Swadi: Thanks, Manoj. First, I would like to discuss the animal health business. We are seeing continued progress in our animal health business. Most molecules under the long-term supply agreement are now being delivered at small commercial volumes as registrations have started to come through across global markets.

At the same time, I am pleased to tell you that we have been awarded new development contracts for two molecules from global innovators. Additionally, we have submitted proposals for two new RFPs from different global innovators for their on-patent proprietary products. Our recent enhancement in the technology platform with HP API capabilities on the pharmaceutical business will also enable us to further diversify our offerings in the animal health and enter into niche segments.

We have built a strong long-lasting partnerships with innovators across the U.S. and Europe and are increasingly positioned as more than just a manufacturing partner. We are now being recognized for our diverse innovation, complex synthesis capabilities, regulatory compliance and agility.

We are also expanding into Tier-2 innovators, biotech customers and our own product portfolio selling into key geographies which will further diversify and strengthen the animal health division as a long-term growth driver.

Now, I would like to open the floor to Q&A.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Henil Bagadia from EquiCorp. Please go ahead.

Henil Bagadia: Sir, I have got a few questions. Sir, on the pharma and crop care both sides, a large part of our revenue actually does come from the legacy and old molecules which have got very low margins. So, as investors, how should we look at the mix? I mean, what is the mix right now between the legacy and the new molecules that you have launched in the last 3-4 years which do enjoy healthy margins? And how should we see the mix in FY27 and FY28 as the projects start actually picking up?

Sameer Hiremath: So, if you look at our total margin profile, the mix between CDMO and own, and I would categorize CDMO to be obviously higher margin business. So, our current CDMO business is about 50% of our revenue today. And our own business is also close to 50%. In that 50% of the own molecules, which is our generic API business, only we have a few commodity low-margin products, but we have a market leadership and volumes-based business. So, that covers our fixed costs to a very large extent with volumes. That is a volume play.

But we are launching several new generic APIs, which is in the new generation in the anti-diabetic portfolio. Which have started to come into play from next year onwards as they go off patent. And those will be a higher margin generic play. So, even though we have generics, there will be a segmentation between the generic plays. We have two, three molecules which have medium to low margins. I would not say very low margins. They are still reasonable margins. Because if you look at the fixed cost required, it is very low for this product, because already the plants are fully depreciated, and we are running at very high throughput for those molecules. So,

the EBITDA of those products, even though the contribution margin may be low, the EBITDA of those commodity products is pretty reasonable.

On the other hand, the generics new portfolio which is being launched, and we have got many products being launched every year, we are seeing that the new generics will contribute to almost 50% of our revenue going forward and my legacy will remain between 40% to 45% of our business.

The CDMO business, which is where we are very excited about, which has now become almost 50% of our total business, is in the ramp-up mode. Products which are in the development have moved into validation, as Anish mentioned and Manoj mentioned. We have eight to nine exciting projects in the different stages of ramp-up. And these will start driving up revenues and significant margin uptick in the pharmaceutical division in the next two to three years.

Henil Bagadia: So, just one clarification. There are some legacy molecules like Gabapentin, Pregabalin or Gemfibrozil or Pentoxifylline where we have got a very good share. So, there, as the new generic starts to ramp up in utilization, we will reduce the volumes here, right? And if the plants are fungible, probably with some de-bottlenecking and some reactor additions, etc., we can probably shift most of our own products to the new ones, right, if I am not mistaken?

Sameer Hiremath: See, Gabapentin is where we have market global market leadership. And it is still growing globally at 3% to 5% on a global basis. Being a market leader, we are not giving up that volume growth. But we reprioritize our customer mix to cater to the higher margin customers. So from the same aspect, we are re-looking at our product mix. If we produce the same amount of tonnage of Gaba year on year, the absolute margin from gabapentin will start improving. That's been our focus on products like Gabapentin and Pregabalin and Pentoxifylline.

There is no fresh CAPEX being done on that. The plants are old. They are depreciated. So even though, as I am repeating myself, the EBITDA is pretty reasonable and we are getting a very large market share in those products. And we are able to retain our presence in this. And this helps us enter into many new customers and makes a hook and an anchor to enter customers with this, having this fully backward integrated approach on these key molecules.

Henil Bagadia: Sir, on the new product that you said, which is mainly towards diabetes. Sir, I have two questions out there. Sir, if we see the two products that is in the DPP-4 category, which is the Vildagliptin and the Sitagliptin part.

So, there have been reports where we say once the GLP goes off patent, there will be a lot of suppliers, and it will probably cannibalize a huge part of the sales. And this DPP-4 used to be about $15 billion, $20 billion earlier. But right now, I mean, it is shrinking. The market is not growing. And as GLP goes off patent, it is subject to erosion on both price and market share level. So here, how do you see the opportunity as this is one of the products in our pipeline?

And on the other side, we have got good products on the SGLT2 inhibitor side, which is DAPA, CANA and EMPA gliflozin. So there, is got a niche on the cardio and the renal side because of which it can be used as a combi drug with the GLP-1s. So here, the market growth was expected to be around 7%-8%. But people are saying it is expected to even overshoot as the GLP goes off patent in terms of the combi usage. So, how do you see things on both sides as both the things are in our pipeline?

Sameer Hiremath: I will let Manoj, maybe you can answer that. Take that question.

Manoj Mehrotra: Yes, no, I think that is a good analysis. So, we have both kind of molecules, starting with Sitagliptin. We are also into the new generation molecules like EMPA, DAPA, Canagliflozin. So, we believe that being in all segments of all kind of treatment therapies for anti-diabetic and all kind of technologies, this will really help us to ramp up this business. So, we are getting ready for the future.

Yes, Sita, we are already there. DAPA, EMPA, we are already there. We have a DMF. We already have customer seeding. I think gliflozin has not taken off as much as DAPA and EMPA, but going forward, we believe we will have Dapagliflozin, EMPA and Canagliflozin. We are strongly positioned in all these three anti-diabetic. More because of the building block from a chemical side is common in all of them. And our portfolio approach for anti-diabetic therapy will really help us in gaining further market share in the global market.

Henil Bagadia: So, on the oral anticoagulant side, we have got a product called Apixaban which Pfizer and BMS have jointly developed it. So, in the recent government action, Pfizer has just reduced the price by 40%. So, how does that impact the market as such? Because it is due for off patent in 2028. So, do you see the CDMO inquiries coming in very hot? Because as they have reduced the price, they actually need it at low cost, and they can outsource it from low cost geographies like us. But at the same time, there are also trade barriers. So, how do we see the situation?

Manoj Mehrotra: No, we have two molecules in that category. One is Apixaban and Rivaroxaban.

Henil Bagadia: Apixaban and Rivaroxaban if I am not wrong.

Manoj Mehrotra: We have both DMF filed in these two categories, in these two products. So, we see good customer seedings out there. Yes, innovator, it takes time to get into innovators, although we are in touch with them for the key starting materials. But as the pricing pressure comes on these innovators, they start looking for generic version. That, in a way, we cannot really predict. But we have to wait for the right time and be in touch with them. As and when they decide to go for a generic version, we are there in front of them to position ourselves.

Henil Bagadia: But can Apixaban be a star product for us? Because it is just a $8-10 million product just right now before it is off patent.

Manoj Mehrotra: Yes, it will be, it will be. Only the API dosing is small here as compared to Sitagliptin and some other antidiabetics from an API perspective, but overall, the value will be high, in my view.

And coming to this innovator business, we have that Gabapentin case study, where we started supplying to the innovator right in somewhere around 2007-2008, where we had a better process and better cost than the innovator, and they came to us. Similarly, in Gemfibrozil happened. So, those opportunities do come, and we are rightly positioned that we will get into these opportunities as and when they come.

Henil Bagadia: Sir, lastly, before I get into the queue, Sir, Hikal has been very strong in a lot of process chemistries. I mean, we have got ammoxidation, fluorine chemistry, bromine chemistry, and a few others, which just a handful of CDMO players have globally. And I mean, we are one of the few who have all the processes, to the likes of Lonza or probably **Siegfried**. So, what is preventing us from getting all these high-value orders or high-potent molecules? Are we late in the race? I mean, how do we understand?

Because even a lot of Indian peers, much larger than us, who just have one or two chemistry specialized in that, they have got very, very large orders in the last 1.5-2 years. But I mean, for us, it is being in the commentary for the last two, three years. But I mean, it is not converting into very, very large orders. So, how should we actually see the situation? Is it that they have taken some large molecule orders, which is why enough opportunity is not left on the table? Or how do we actually see the situation?

Manoj Mehrotra: We are in touch with various innovators, and they are in the pipeline of development. The only issue is that there is lead time for regulatory filing, which is delaying these commercial launches. And as we mentioned in our commentary earlier that we have a few KSMs which will go into commercialization FY27 onwards. And ultimately, patent also has to expire.

Henil Bagadia: Sir, lastly also, if I could squeeze in one, will the current OAI or the warning letter have impact on any of the DMF filings or future filings we do with the US FDA?

Manoj Mehrotra: Yes, you can file DMF, but you may not get approval till the OAI is lifted. So, what we are doing, we are filing DMFs now from the Panoli side as well, because we know this will take some time. Maybe we can have the re-inspection of US FDA sometime in the middle of 2026 or early 2026, but there are always uncertainties. And that is the reason we have developed Panoli site approved by US FDA for APIs and which we passed successfully in May of 2023.

So, we will have two sites now for API filing. Number one, Bangalore. Number two, Panoli. We are also expanding our Pune site more for high-potent API manufacturing as well as having a pilot plant there. So, in the long term, we will get more and more de-risking of various sites so that this kind of situation can be handled.

Henil Bagadia: Sir, since you said high potent API, are we...

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for follow-up questions. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: I would like to understand regarding the footnote which talks about this Rs. 80 crores revenue. So, was there some accounting change during the quarter which we were not aware of? So, I am seeing this for the first time in a pharma company that during the quarter the auditor doesn't allow this revenue to be recognized. Can you just elaborate on this?

Sameer Hiremath: Yes, see, basically the sales, because of the FDA issue that many of the orders that were in the system, the sales took place towards the end of September. But the customer had asked us to hold on till the risk assessment was completed. So that resulted in the sales getting spilled over to the first week of October. Because of that they had to be reversed into the September numbers. All the reverses were taken in September. And all the sales subsequently happened in the first few weeks of October. And have been completed.

Dhaval Shah: So, all of these were related to the pharma division. So, it is only the September, so it is the entire full quarter sales, right, which would have happened? Or only the…

Sameer Hiremath: September sales. End of September sales.

Dhaval Shah: Only end of September. And you mentioned that none of the orders are cancelled after the warning letter received, right? So, did I hear it? Did I understand it correctly?

Sameer Hiremath: That's correct. I mentioned that in the last call as well. And I reaffirm that, that not a single customer has cancelled the orders. There has only been a deferment in the offtake. None of the POs that were in the system have been cancelled as well. They just asked us to pause. They re-looked at the risk assessment again in September post the warning letter. And they said, "Okay, now we are satisfied." From October onwards, the shipments have restarted. No, not a single cancellation.

Dhaval Shah: And in the last, the previous question, we mentioned about the re-inspection. So, it's been now, what, seven, eight months, right, since the time the OAI has been received. So, how do we understand? What is the next line of action now the US FDA has to take to remove? Because the customers are not canceling the order. And in certain molecules, we are important in the global supply chain. So, even the customer would be trying to help us and talk to US FDA. So, where are we in this? And where do you see at the earliest we can get this warning letter removed?

Manoj Mehrotra: I will answer that question.

Sameer Hiremath: Yes, Manoj, you can take it.

Manoj Mehrotra: See, the warning letter was received in August 22nd. Usually, they wait for six months, and they give you six months to complete all your CAPAs. We have given them a response of the warning

letter in September 11. Then we gave them one more update in end of October. So, we will keep giving them update every month to kind of give them a progress on our CAPAs.

But before six months, they really don't talk to you much because it is assumed that you will take six months to rectify the situation and ensure that CAPAs are implemented effectively. So, I think February is the right time to really approach them. And then if they believe that we are ready and we are able to convince them, then they come for a re-inspection. So, we will expect in maybe March, April, May, they should come for a re-inspection.

Dhaval Shah: So, the peak revenues in pharma division, what you have done in the past, so should we expect that by June quarter or September quarter next year, we should be back at those numbers or crossing those numbers?

Manoj Mehrotra: The warning letter actually does not bar you from your existing business. So, the existing mature approved products will continue now. Yes, there was a delay in September, which we explained, because the customers do their risk assessment post their warning letter. So, the volume will come back in H2 for the mature product.

The new product, yes, that they will kind of come after the re-inspection. But we see a strong recovery in H2 because all these mature products which we already have purchase orders, they will be executed now in Q3 and Q4.

So, on an annual basis, there will be no impact. And once we clear the re-inspection, then the new product sales will also start. But that is only for the U.S., which is 35% to 40% of our business. All other markets, the business continues as usual. Food product business continues as usual. It is only those specific, a few molecules, which we thought we launched early for U.S. customers, those will be impacted for some time.

Just to clarify, the mature business continues to U.S. and all over the world. New products continue to get approved in Europe, LATAM and other markets. Food business continues to go as usual.

Moderator: The next question is from the line of Shravan Vohra from Premier Capital. Please go ahead.

Shravan Vohra: Good evening to the management. Thanks for the opportunity. I just wanted to understand, get sense on this deferral that we have had. What was the nature? I know you clarified to the previous participant, but just any more details that you can share because it is a large number of Rs. 80+ crores.

Sameer Hiremath: Basically, this is what I just mentioned to the previous participant. My answer is the same that because of the customers asking us to do the risk evaluation, even though the orders of the system, if we are asked to ship them, we are asked to hold the material. And the material got delayed by a week or so in shipment. It went into the first week of October. So, we took a

decision to reverse these sales because of the accounting technicalities and they have been accounted already from the October sales. They have all come into October sales now.

Shravan Vohra: And previous quarter we had spoken about, and you mentioned in this press release also that we will make up for the revenue lost in 1H in second half. Previous quarter we had reiterated in our press release our outlook of, like, a double-digit growth in pharma for the year while crop being flat. So, do you think we can hold that guidance for F'26?

Sameer Hiremath: We are still hoping to get to those guidance numbers. We are working towards that target still, yes. See, Q2 only got deferred into October. What was said in the past, that is only change of one month or 15 days of deferral of sales. There is no other long-term impact on this.

Shravan Vohra: No, I understand that. Why I asked that was because in a full-year double-digit pharma, so like first half, we have had no growth in 1Q also. So, the ask rate becomes higher. So, that is why I just wanted to clarify the guidance because that is what we mentioned in the 1Q press release.

Just finally, anything you can highlight on the animal health side? F'27, we expected to ramp up in terms of revenue. Any progress other than what Mr. Swadi shared in his opening comments?

Anish Swadi: No, I mean, there is nothing else to add. I mean, the success of the validations, we are now supplying the pre-commercial quantities. We are waiting for all the registrations to happen so those pre-commercial go into full commercial, and that should happen over the next one or two quarters. So, that is positive.

As I mentioned also, is that we have been awarded two new development contracts, which we will go through the development process. These are for global innovators as well. So, that is a success that we have achieved this past quarter.

In addition to which, we have also been shortlisted for two new RFPs other than the ones that we have won. So, I think the development pipeline in the animal health business is strong. And we continue to be confident about delivering growth in that segment.

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

Pranay Dhelia: I hope that this is the worst of it that we have seen. Two questions quickly, if you may permit. One is that there is an increase in manpower cost. Is that justifiable with this kind of performance? We are seeing a surge in manpower cost rather than reduction in salary or some kind of incentive being disallowed to people who are not performing that well?

Sameer Hiremath: Well, we had to front-load some of the manpower costs because of the new assets that are coming on stream. So, we are building up new assets in our businesses based on the CAPEX. So, that is

why some of the front-loading of manpower costs has come. And we have onboarded business development people in the global markets.

And also, we have added on some additional manpower based on the new technology that we are putting in place in the R&D side. That being said, we have taken an exercise for rationalizing the manpower cost this year. And the initiative is underway. And by end of this year, we will see some optimization of cost in the manpower segment.

Just to reiterate, obviously, we are looking at this. We are not letting it slip away. It is front-loaded, but we will see some benefits towards the second half of the year.

Pranay Dhelia: My objective out here, sir, is pretty simply, the crop protection has yielded us nothing in the last five years, if I would say. If you look at the profit contribution, it is next to zero. So, I really don't know on what basis we are seeing manpower escalation or whatever in crop protection. Prudently, I would have expected some kind of reduction. That is what I have got to say more so to you. You are a better judge, but as you have reiterated in the past, shareholders for the past 5 years, I have seen close to, you would say, you know, 60% of our capital, which has been wiped out.

Obviously not a very hunky feeling, but there is not much that I can do. The disappointment is there. Hopefully you will improve. I have a lot of faith on the management and the way you people have worked in the past. But it is just that this just does not seem to be finishing, sir. Every time we hear the phrase long-term and everything, but just doesn't finish, sir. That is ironical. That's about it. Wish you all the best. I will again stay on as a shareholder, hoping that next quarter will be better, but just refuses to be so.

Moderator: The next question is from the line of Manoj from EquiCorp. Please go ahead.

Manoj: Sameer, my first question is, post the warning letter, whatever our plans were to introduce new molecules, if you can quantify the impact in the current year as well as if it goes further in the next year, then what could be the total impact on our business or the potential loss that we would see in terms of revenue?

Sameer Hiremath: Manoj, you want to take that?

Manoj Mehrotra: Yes, as I mentioned to the previous person who asked this question, that first is the mature products don't get affected. Yes, there is a deferment because of customers do their risk assessment. They have to come here, make sure that their specificities are being met and we have no chance, no possibility of any kind of batch failure or so.

Yes, the new products do get affected, but if you really see, say in this FY '26, we would not have really lost more than, say, Rs. 20 crores, Rs. 30 crores, which is very minimum if you see our Rs. 1,200 crores, Rs. 1,300 crores business.

FY27, yes, the new molecules are there, but we have the option of going them to Panoli. So, I don't see much material impact from a sales perspective. Where it really gets affected, yes, we had to take some GMP consultants. There is a fixed cost, as we mentioned in the last investor call, that, yes, Rs. 8 crores to Rs. 10 crores gets added in the fixed cost because we have to take some US-based GMP consultants who are helping us in the remediation plan. Some investments also we have made in the plant to make them more in line with the FDA requirements and more some shortcomings which were pointed out in the warning letter. And so those investments also we have made.

There is not a very big impact yet, but in terms of management time and resources to make sure you get your compliance back, that really takes a toll. And that is where all the attention is there. We also would like to come back in compliance with the US FDA. And also to say that we have other approvals, like we have approvals in Latin America, in Mexico, in Japan, and all other markets. It is only the U.S. which has this problem.

Manoj: But if it is a global customer, is there a possibility that we supply to the European arm and then eventually it goes into the U.S. market? I mean, does that route work or it doesn't work?

Manoj Mehrotra: No, no, that won't work. Because ultimately it is being consumed in the U.S. And the US FDA does not approve a new ANDA, a new filing. That route will not work. We have to be above board on these compliance matters.

Manoj: My other question is, Sameer, in terms of the RFPs, I mean, we have been talking about RFPs for past many quarters. There have been strong inquiries. And just want to understand, what has been the conversion rate in terms of the test and commercial batches? And is there a possibility if you can quantify in terms of the amount, I mean, how much you would have won in last at least 12, 18 months? If you can quantify?

Sameer Hiremath: Manoj, you want to take that?

Manoj Mehrotra: Yes, for the pharma business, our rate is usually between 15% to 20%, the RFP conversion ratio. And we are having many inquiries. But again, the time to convert is actually 6 to 12 months. And as Sameer mentioned in the earlier question that we have increased our BD presence.

We have hired one person in the West Coast of USA where she is actually going to many of the smaller mid-size and biotech kind of companies. So, we are getting good traction. We already have a breakthrough with one customer. A second one is also on the way.

And then we have hired a person in Europe who is also meeting several mid-size and large-size customers. I am sure over a period of time, first of all, the RFP generation or receipt of RFPs will improve. And then we will expect to improve the conversion ratio from, say, a level of 15%-20% to 20% - 25% as you get more familiar with this market and make sure that we stay cost-competitive.

Manoj: Manoj, the question is not the number of RFPs, right? 15%, 20% could be the rate. But as investors, we don't know. Is it RFP is for Rs. 10 crores, Rs. 20 crores, Rs. 50 crores, Rs. 100 crores, right? So, if you can quantify the total, I am not talking about RFP to RFP. But whatever we have won in the last 12-18 months.

Manoj Mehrotra: So, it is difficult to quantify at this point of time. Maybe we will provide more details in our investor presentation in the next call. We have seen several inquiries coming from both mid-size and small-size companies. I mentioned one or two of them already, which have been converted. So, this year itself, we will get around $4 to $5 million of development revenue from these customers.

Going forward they will scale up. Many of them are in clinical, so we really have to watch out whether they go to the market or not. There is always a rate of failure or rate of success which happens in these molecules. But yes, ideally, we will provide more details and we will do that.

Manoj: Another question on the high-potency lab that we set up. When do you see significant revenue coming from that initiative, actually? Because, I mean, if you look at one of our competitors, they took them three years just to start getting commercial supplies right from the development stage to supply.

Manoj Mehrotra: Yes. That is right. It will take two to three years. It will take two to three years. What we will get initially is development revenue from these small companies or innovator companies. But going to commercial, it will take three years. So, that is a cycle of business.

Manoj: One other question on the pharma itself, Manoj. If you look at our animal health customers, the large contract that we won, they are also a large pharma player. And they have a huge outsourcing from India, and you know the company who has grown significantly on the back of their business. Is there a potential for us to break into their pharma business or we have already broken into it? And if you can throw some light on that?

Manoj Mehrotra: Maybe Anish, will you like to answer that?

Anish Swadi: Yes, sure. No, certainly we looked at that and we are in active dialogs. The relationship that we have created on the animal health side is well known to the people on the human health side as well. And we are in active discussions with them. So, certainly the goal is to extend the success that we have had on one side to the other side.

Manoj: But something can happen over the next couple of years. I mean, at least some business start.

Anish Swadi: Yes, certainly we are hopeful and we are positive. Yes.

Manoj: And my last question on, Sameer, again, on the plant that we got repurpose, right? So, when do you see a business, significant business coming from that plant so that it takes care of the overheads, interest, depreciation, everything?

Sameer Hiremath: So, the repurposement is currently underway. The Phase 1 will be completed by end of this financial year. Then we move into Phase 2. We are doing the repurposement in phases. It is a very large asset as you know. So, it will be done between the end of Q4 will be the Phase 1 completion, followed by end of calendar year will be the Phase 2 completion for the entire repurposement. Some revenue will start from next financial year, but the major revenue will start coming in from the FY28 onwards, when the repurposement is done. It takes about one year to repurpose the plant.

Manoj: And this repurposement, I think, if I am not mistaken, you said some part was for the specialty chemical business and some part was for some other purpose, right?

Sameer Hiremath: Yes, it is going to become all pharma assets, completely pharma. We are repurposing into pharma fully. So, we are seeing a lot of opportunities and inquiries in our pharma business. And also, as Manoj said, we are dual filing now for all products between Jigani and Panoli. So, we need to create some capacity in Panoli for our new molecules, which are being filed by this year and next year. So, the commercial capacity will be required. So, this will be used for that.

Manoj: And my last comment, I have been an investor in Hikal for more than 12 years now. I have seen lots of ups and downs and not seen huge returns. I mean, I am just talking about personal level, right? And I have never seen this two successive quarter of losses. I mean, although we know about it, right? But in the last many, many years, because of some different reasons, we have suffered quite a bit, right?

And last time I also mentioned, despite that we have invested, whatever, Rs. 900 plus crores, plus current year, Rs. 200 plus crores will go, right? So, again, the return seems to be from FY28, right? I mean, FY27 would be better than '26, but not a big year. Just wanted to get your sense. I mean, how do you see FY '27, FY '28?

Sameer Hiremath: No, I think the focus right now is to get out of this FDA thing, compliance, inquiries are increasing, RFPs. FY27 will be like a transition year. And then FY28, we expect to start seeing the growth come back in the business.

Manoj: Thanks a lot, Sameer. And all the best. And hope that in a couple of quarters, we would see a lot more positive questions on the business and the performance.

Sameer Hiremath: Thank you for that. Appreciate it. Thank you.

Moderator: The next question is from the line of Henil Bagadia from EquiCorp. Please go ahead.

Henil Bagadia: Sir, I have a few questions regarding, sir, some of our peers have actually started into a specialty chemical side because of seeing the slowdown in the crop chem side. So, what was the reason why we have delayed? Because, I mean, a lot of our peers have actually got more strong on the specialty chemicals and probably they have reduced the turnover from the crop chem side. So, what got us to delay so much?

Sameer Hiremath: No, I don't think it was delayed. As you know, we have a pharma business which is larger than our crop business. And the focus has been in the last few years to invest in the pharma business where we created and to ramp up the animal health business. So, we are rationalizing our crop assets and then we are retooling some of the plants that I mentioned to the previous speaker to make the specialty chemicals.

So, it's not been a delay. I think we are not making huge investments in spec chem. We are retooling some of the existing assets to launch the spec chem business, but with the GMP in focus. The pharma focus in specialty chemicals is where we are going to play. We don't want to play in the commodity specialty chemicals business.

Henil Bagadia: In the specialty chemical, are we just seeing the HPC segment or are we seeing other segments? Because there is one chemical which was there on the agrochem side, which also has an industrial use. I think we are also doing that on the spec chem side. It is Durian or something. Even a little better margins than crop chem, but again, a high single to mid-teens, not some significant thing. So, are we seeing some projects which actually give us a very good niche or probably any other chemistry that we are seeing which can probably help us into this? Because we actually have got a lot of chemistries. We just need to fix it on certain niche products and try to just get customers there.

Sameer Hiremath: Yes, so I think we are looking at niche chemistry. As I mentioned, we are not doing commodity products. We are looking at this personal care segment for GMP manufacturing. I think that is going to be the differentiator for Hikal. And we are not trying to do the low-end, low-margin, commodity, large-volume. It is niche, medium-volume type of molecules for skincare products.

Henil Bagadia: So, is this a new set of customers or our existing pharma customers will take these kind of products?

Sameer Hiremath: Mostly a new set of customers are mostly FMCG, the cosmetic companies that will be our customers. And they have already visited us. Samples have been approved. A lot of seeding has happened in the last six to nine months. And now when this plant will be commercialized by end of Q4, the dispatches will start from next financial year to them.

Henil Bagadia: Sir, if you could also spend some time explaining the High Potent Lab that we have just set up. Are we doing something around the biotech side, the peptides or the fermentation chemistry, where we actually want to go significant on the onco? Because in the coming 5-7 years, decent-

sized large molecule onco products, molecules are actually going off patent. So, something around there where we actually see some opportunities?

Sameer Hiremath: Yes, so on the high potency lab, we are looking at the anti-cancer drugs to begin with. And we also have some peptide project that we started doing. There is also high-potency peptides. Manoj, right? I mean, we are looking at that as well. So, that will also be done. But that will be in Phase 2. I think Phase 1 is with anti-cancer drugs. Not only which are going off patent, but also from a CDMO offering.

What we found is that when we are getting the RFPs from our customers, many of the RFPs have a high-potency requirement. And we could not participate in many of those RFPs, especially on the ADC side and the PROTAC side. And now with this laboratory, we will be able to participate in those RFPs. So, the win rate, which Manu spoke about, can also increase because we will have a larger basket of RFPs to participate in.

Manoj Mehrotra: And also what we have seen, some of the peptides have application in cosmetics and specialty chemicals also. We are already doing one product there. So, overall, the technology offering will increase with this HPAPI lab.

Henil Bagadia: Sir, peptides and some fermentation chemistry products also have offerings in the fine fragrance and the extremely niche chemical side.

Manoj Mehrotra: Not fermentation as yet. Not fermentation as yet. But definitely HPAPIs, ADCs, linkers, peptides. That is the way we are going forward.

Henil Bagadia: So, lastly, if you just see Hikal story, we never used to be very, very strong in R&D, but we used to be very strong in the manufacturing side in terms of getting our cost in place and getting the chemistry as well as with least amount of impurities. So, right now, as we are getting more on the R&D side, are we actually trying to catch the buzz that we may have missed where a lot of our peers actually got advantage?

Because if we see India as a geography where a lot of pharma customers exit our large peers, they were actually masters in doing the R&D parts. On the CRDMO, they were actually good in the R&D part. And the manufacturing was not that strong, but still they were able to convert a large project. For us, manufacturing was strong, but R&D was not that powerful. So, with high potent lab as well as new hirings on the R&D side, are we trying to just close the gap so that we are back in the race with them?

Sameer Hiremath: No, I don't think, see, we are not catering to the basic contract research type of discovery. We are focusing on manufacturing led R&D, which is typically post-Phase 1. Late Phase 1, early Phase 2 is where we are getting involved in molecules. And so within a few months, we have to give kilogram quantities. Within six months, we have to give tens of kilogram quantities. So,

some significant amount of revenue can start. And then it can get launched within one to two years, once you get into the filings.

So, we are catering to that Phase 2 to launch type of R&D, where our process, manufacturing know-how and knowledge comes into play in the R&D. And we have been able to build some very interesting RFPs from global customers in different segments, pharma, human health, animal health, even personal care, which are some very interesting high complex niche products that we are doing.

And also on the crop protection side, we are now working on NCEs. So, there is the NCE pipeline in Hikal in Pune in the R&D center has changed and has increased substantially in the last two to three years and will continue to grow with our new offerings, our new laboratories and our capabilities.

So, the focus will be to get involved earlier in the development with our customers because their business is sticky in nature. Once you get into the filing before launch, the customer will stay with you and naturally progress with you to manufacture. And we have a very strong reputation on the manufacturing side. And we can take it all the way to commercial manufacturing. So, that is when we moved back a bit from being more on the manufacturing side. We moved back into the R&D scale now in the last few years.

Henil Bagadia: And lastly, if you could also allude and give more understanding, when you said on the crop protection side, you are actually focusing on getting on joint development projects with the customers. So, how do you actually see this entire story pan out? Because this is a very new thing that we might be doing. Or if we are doing it, it is probably on a very small scale. So, on the CDMO side, how does this actually pan out for us?

Sameer Hiremath: Yes, so, I mean, it is very prevalent in the pharma space. It is quite well known. In the crop protection space, the crop protection companies are now, because of the tremendous cost pressure that our customers are facing, in the past they were outsourcing manufacturing, and India was well known for crop protection CDMO manufacturing. There are some pretty large companies created in the last 10 years. But the R&D was not being outsourced into India.

Now we are seeing the similar trend as pharma, with the crop companies, that they are also looking at cutting their R&D budgets. So, R&D outsourcing also will increase in the crop protection space. And Hikal will be one of the players catering to this segment.

Henil Bagadia: Thanks a lot for the clarification, sir. And wish the team all the very best.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Sameer Hiremath for closing comments.

Sameer Hiremath: Thank you, everyone, for joining our quarterly and our H1 earnings call and for your continuous interest in our company. We appreciate all the support you have provided to us as we navigate through the challenges of the current global business environment.

As we conclude this call, we want to assure you that we are here to address any further questions or concerns. Please feel free to reach out to our Investor Relations partner, Strategic Growth Advisors. And once again, thank you for your participation. Goodbye, and have a very good evening. Thank you.

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