August 22, 2017

Dept. of Corporate Services
BSE Ltd.
P J Towers,
Dalal Street,
Mumbai – 400 001.

BSE Scrip Code : 524735

Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (East)
Mumbai 400051.

NSE Symbol : HIKAL

Subject: Submission of the Annual Report for the Financial Year 2016-17 under Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

This is to inform you that the 29th Annual General Meeting of the Company was held on Thursday, August 10, 2017 at 3.30 pm at Centrum Hall A, 1st Floor, World Trade Centre 1, Cuffe Parade, Mumbai 400005.

The Annual Report for the Financial Year 2016-17 as required under Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 was duly approved and adopted by the Members as per the provisions of the Companies Act, 2013 and the said Annual Report is enclosed herewith for your information and records.

The Annual Report contains the Audit Report with unmodified / unqualified opinion on both the Standalone as well as Consolidated Accounts.

Please take the above intimation on your records.

Thanking you,

Yours faithfully,
For Hikal Ltd.

Sham Wahalekar
Sr. Vice President Finance &
Company Secretary

Encl: As above.

HIKAL

A CATALYST FOR CHANGE

ANNUAL REPORT - 2017

Our new identity reflects our journey of transformation.

As the landscape changes, our chemistry,

our offerings, and our people are adapting to the future.

Welcome to the new Hikal.

CHAIRMAN'S MESSAGE

Dear Shareholders,

2016 was an encouraging year during which we grew revenues and improved our profitability.

We achieved a significant milestone of crossing ₹ 10,000 million in sales revenue to ₹ 10,139 million as compared with ₹ 9,256 million in the previous year, a growth of 9.5%. Our net profits increased to ₹ 668 million, 62% higher than the previous year. This growth was achieved despite several challenges and volatility faced during the year. We streamlined operations and have taken steps to become a more agile company.

Based on our healthy cash flows, the Board recommends a total dividend of 60%, as compared to 50% in the previous year.

Our Crop Protection division grew by 15% from ₹ 3,561 million to ₹ 4,087 million. Sales of our existing products continued to grow in volumes. We launched several new products during the year which will add revenues and increase profitability in the years to come. A large contract manufacturing project for a leading innovator client was completed and the product has been successfully commercialized. We expect volumes to grow in the near future and contribute to incremental business as a result of the successful implementation of this complex project. Our diversification into biocides and specialty chemicals will yield new opportunities while we continue to add value through our own product portfolio under development. Our Pharmaceutical division grew by 6% from ₹ 5,692 million to ₹ 6,052 million. Though there has been an erosion in prices of some of our major products, we continue to build volumes of existing products while focusing on cost improvements through technology and scale. We will continue to drive growth through the development of our new product portfolio. We are investing in expanding capacity to launch new products while we debottleneck our existing plants to meet increased demand from our clients, both existing and new.

On the regulatory front, we are delighted with the outcome of the recent US Food and Drug Administration inspection which resulted in zero 483's at our primary active pharmaceutical ingredient (API) manufacturing facility at Bengaluru. It reflects our focus on compliance, quality, and integrity. Our commitment to maintaining the best standards from a quality and regulatory perspective will result in increased opportunities for the Pharmaceuticals division, results of which we are already experiencing. Several new clients are approaching us based on our track record of delivery and compliance, values and technical capabilities.

As part of our continued efforts to strengthen the balance sheet, we have divested our property in Bengaluru which was lying vacant, and the sale proceeds have been transferred to reserves, thereby further improving the cash flow and the net worth of the company. We have been able to maintain our earnings before interest, tax, depreciation, and amortization (EBITDA) margin at 20%, by process improvements and operational excellence initiatives. Our debt / equity ratio has further improved to 0.81 as compared with 0.89 last year, and we have successfully brought down the overall cost of our borrowings. We have made further improvements in reducing our working capital and will continue our efforts in the coming year. Our ICRA credit rating was upgraded to BBB+ this year and we expect a further improvement in the current year.

Our Research & Technology Division was awarded the prestigious Acharya P.C. Ray Award for the successful development and commercialization of innovative technology for a new product. Innovation and sustainability are key pillars of our strategy to deliver customized solutions to our global clients. We have strengthened and expanded our R&D capabilities across the company. This year we filed four drug master files (DMFs) and two certificates of suitability (CEPs). Client acceptance and interest for our products continue to be positive and we expect to launch a number of new products in the coming year.

We are focusing on quality and compliance to meet the US FDA, EU, and other global regulatory authority requirements. We are also investing in training to enhance our work culture.

Our Corporate Social Responsibility initiative, Srijan, across our sites, is creating value for our business and society by improving the health, environment, and sustainability of operations at our locations. These programs are directly enriching the lives of our colleagues and communities in which we operate.

Our strategy is to achieve growth balanced with our responsibility to the environment and society. We have set the company on a course of sustainable growth built on robust client relationships, trust and transparency, technology and innovation, and high-quality manufacturing. We remain committed to delivering on our long-term value proposition to our stakeholders.

I would like to express my gratitude and appreciation to our employees, clients, bankers, shareholders, and other partners for their confidence and support.

We look forward to a successful 2017.

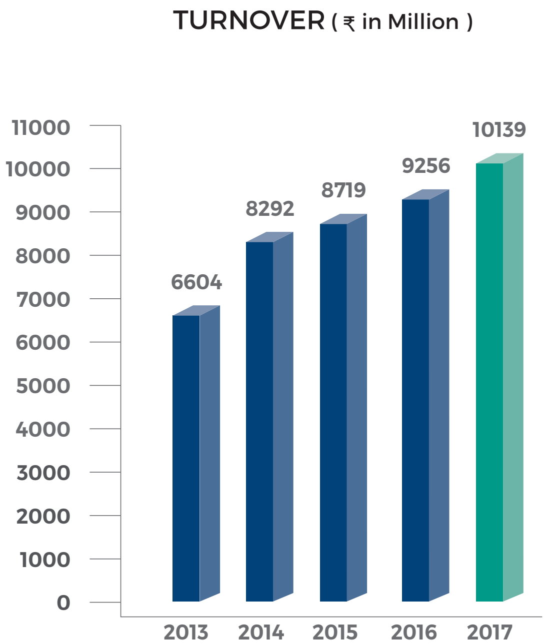
With regards,

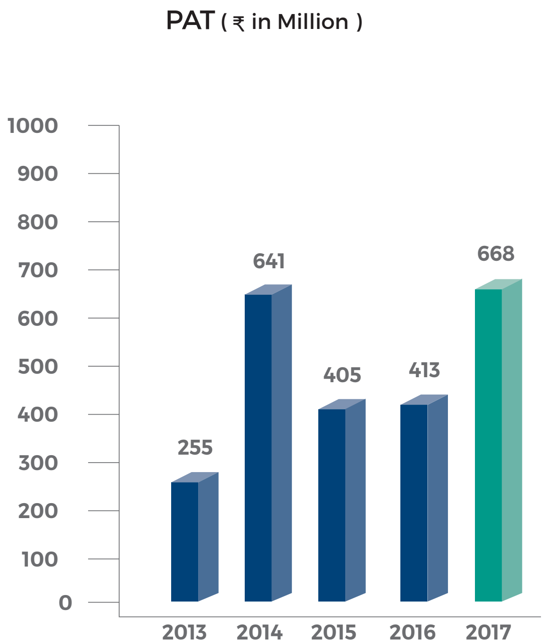
Jai Hiremath

Chairman and Managing Director

PERFORMANCE
AT A GLANCE

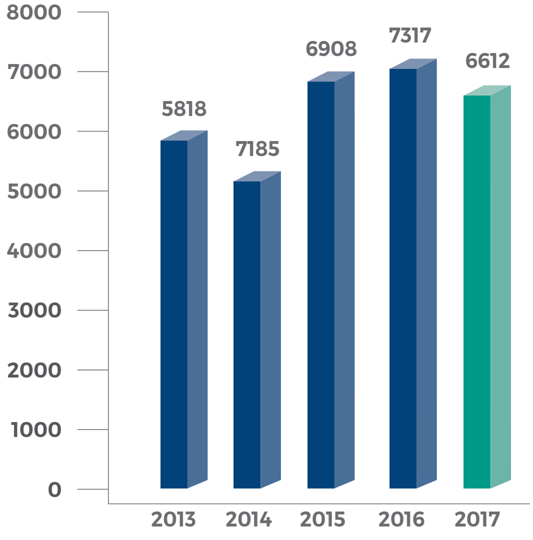
Sameer Hiremath
President and Joint Managing Director



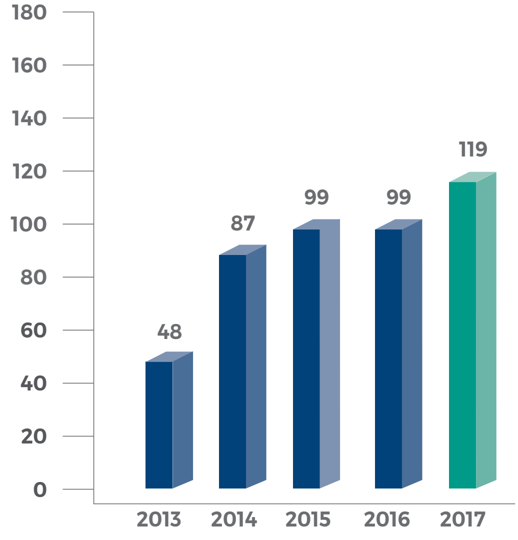


Financial Highlights	₹ in Million		Growth
	March 31, 2017	March 31, 2016	%
Turnover	10,139	9,256	9.54
Operating profit (PBIDT)	2,008	1,828	9.85
Finance costs	488	622	-
Gross profit	1,520	1,206	26.04
Depreciation and amortisation expenses	693	673	-
Profit after tax	668	413	61.74
Paid-up equity share capital	164	164	-
Earnings per share on face value of ₹ 2/- (EPS)	8.13	5.03	-
Cash earnings per share on face value of ₹ 2/- (EPS)	16.53	13.22	-
Dividend per share ₹	1.20	1.00	-
Payout (including tax)	119	99	-

EXPORTS (₹ in Million)



DIVIDEND (₹ in Million)



BOARD OF DIRECTORS

Jai Hiremath is the Founder and Chairman of Hikal, and has over 36 years of experience in the fine chemicals and pharmaceuticals industry. He developed Hikal into one of the leading global development and manufacturing companies. A Chartered Accountant from the Institute of Chartered Accountants in England and Wales, he is a 2004 alumnus of Harvard University, USA. His contribution to the industry has been recognized on global forums. In 2005, he was awarded Chemtech Business Leader of the Year Award (Chemicals). Mr. Hiremath is the past President of the Indian Chemical Council (ICC), and the former Chairman of the Chemicals Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI). He is a board member of Novartis India Ltd and National Safety Council (NSC) of India. He recently retired as a board member of the Drug, Chemical and Associated Technologies Association (DCAT) headquartered in New Jersey, USA.

Baba Kalyani is the Chairman and Managing Director of Bharat Forge Limited, the flagship company of the US$ 2.5 billion Kalyani Group. Mr. Kalyani is a mechanical engineer from the Birla Institute of Technology & Science, Pilani, Rajasthan. He did his MS at the Massachusetts Institute of Technology, USA. He was awarded the Padma Bhushan by the Government of India, and the Chevalier de l'Ordre National de la Légion d'Honneur (Knight of the National Order of the Legion of Honor) by the French government for his contributions toward enhancing relations between India and France. Mr. Kalyani is also a member of the Indo-German Chamber of Commerce, Chairman of the Indo-Japan Chamber of Commerce and Industry, and a member of the Advisory Committee of Robert Bosch GmbH, Germany.

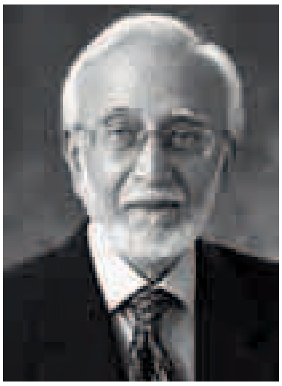
Sameer Hiremath is the President and Joint Managing Director of Hikal Ltd. He oversees the day-to-day operations of the company which includes Research & Technology, Manufacturing Operations to Sales & Marketing. He has over 20 years of experience in technical plant operations, business development and corporate strategy. He has held several key positions at Hikal, including that of Executive Director. He holds a degree in Chemical Engineering from Pune University and an MBA and MS degree in Information Technology from Boston University, USA.


Jai Hiremath


Baba Kalyani


Sameer Hiremath

Kannan Unni



Prakash Mehta

Shivkumar Kheny

Sugandha Hiremath

Kannan Unni is one of the pioneers in crop protection with over 50 years of experience in the crop protection and animal health industry. Mr. Unni worked in multiple capacities in Hoechst, AgrEvo, Aventis CropScience and Bayer CropScience Group. He was the Chairman and Managing Director of Bilag Industries, a 100% Bayer CropScience-owned company. Mr. Unni has technical and commercial experience in the agricultural and animal health businesses, having worked in a variety of roles. He is a graduate in Agriculture and holds a degree in Business Administration from Jamnalal Bajaj Institute of Management, Bombay and a Diploma in Marketing from IMEDE, Switzerland.

Prakash Mehta is the managing partner of Malvi Ranchoddas & Co., Advocates & Solicitors, a leading law firm in Mumbai. He brings extensive experience in corporate and commercial legal matters. Mr. Mehta is on the board of several listed and unlisted companies in India. He is a member of the Managing Committee of The Bombay Incorporated Law Society. He holds a degree in law from Mumbai University.

Shivkumar Kheny is a seasoned entrepreneur who has rich experience across industries. His business interests include real estate, steel and infrastructure development. Mr. Kheny is on the board of several reputable companies, some of which are listed on the Bombay Stock Exchange.

Sugandha Hiremath has more than 35 years of experience in the financial industry. She is an active participant in the Audit Committee at Hikal and also serves as an independent director on the board of several companies.


Dr. Wolfgang Welter

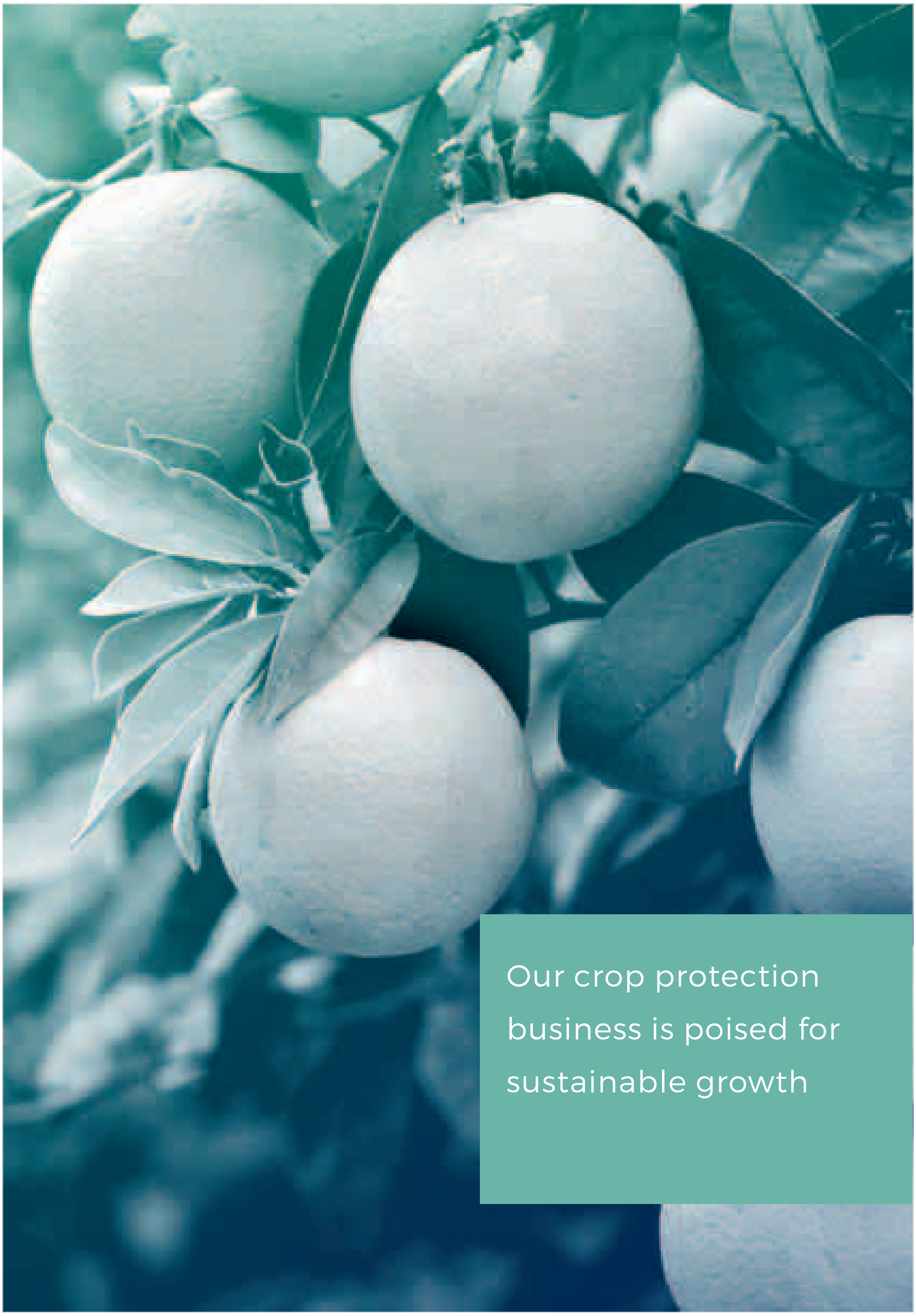

Dr. Axel Kleemann


Amit Kalyani

Dr. Wolfgang Welter has over 38 years of experience in the crop protection and fine chemicals industries. Prior to retirement, Dr. Welter was a board member responsible for industrial operations and quality, health, safety, environment at Bayer CropScience AG for six years. He has in-depth experience in manufacturing operations at Aventis CropScience in France.

Dr. Axel Kleemann has in-depth knowledge and experience in research and development, production, engineering and drug safety. He was the Director of Corporate Organic Research of Degussa AG (now Evonik Industries) for over 10 years. He was appointed a member of the management board of Asta Medica AG with responsibility for research and development, production, engineering and drug safety till 2000. Besides being a board member in various organizations and scientific societies in Germany, Dr. Kleemann is Chairman of the Board of Directors of Protagen AG since 2001, and a member of advisory boards of several biotech and fine chemicals companies. He is the co-author of the standard reference book, Pharmaceutical Substances (5th edition and online version), as well as a member of the editorial board of Ullmann's Encyclopedia of Industrial Chemistry. He holds a Ph.D. in Chemistry from Goethe University, Frankfurt am Main, where he is honorary Professor of Chemistry.

Amit Kalyani is a member of the management board and Executive Director of Bharat Forge Limited (BFL), flagship company of the US$ 2.5 billion Kalyani Group, a global technology-driven leader in metal forming. He is a key member of the company's strategic planning and global business development initiatives. He holds a Bachelor's Degree in Mechanical Engineering from Bucknell University, Pennsylvania, USA. He is also a graduate of the Owner/President Management Program at Harvard Business School.


Our crop protection business is poised for sustainable growth

MANAGEMENT COMMITTEE

Jai Hiremath is the Founder and Chairman of Hikal, and has over 36 years of experience in the fine chemicals and pharmaceuticals industry. He developed Hikal into one of the leading global contract development and manufacturing companies. A Chartered Accountant from the Institute of Chartered accountants in England and Wales, he is a 2004 alumnus of Harvard University, USA. His contribution to the industry has been recognized on global forums. In 2005, he was awarded Chemtech Business Leader of the Year Award (Chemicals). Mr. Hiremath is the past President of the Indian Chemical Council (ICC), and the former Chairman of the Chemicals Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI). He is a board member of Novartis India Ltd and National Safety Council (NSC) of India. He recently retired as a board member of the Drug, Chemical and Associated Technologies Association (DCAT) headquartered in New Jersey, USA.

Sameer Hiremath is the President and Joint Managing Director of Hikal Ltd. He oversees the day-to-day operations of the company which includes Research & Technology, Manufacturing Operations to Sales & Marketing. He has over 20 years of experience in technical plant operations, business development and corporate strategy. He has held several key positions at Hikal, including that of Executive Director. He holds a degree in Chemical Engineering from Pune University and an MBA and MS degree in Information Technology from Boston University, USA.

Sham V. Wahalekar (Senior Vice President – Finance & Company Secretary) has over 40 years of experience in finance and secretarial functions at Hikal. He has completed his M. Com. (Hons,) and holds a degree in Law. He is also a member of the Institute of Company Secretaries of India. He has extensive working knowledge of financial management and corporate law. He is responsible for finance, legal compliance and the corporate secretarial functions at Hikal.

Jai Hiremath

Sameer Hiremath

Sham Wahalekar

Manoj Mehrotra

Kumar Inamdar

Dr. Sudhir Nambiar

Manoj Mehrotra (President – Pharmaceuticals Business) has over 30 years of experience in the fine chemicals and pharmaceuticals industry. He did his B.Tech (Hons) in Chemical Engineering from IIT Kharagpur and MBA from XLRI, Jamshedpur. In his last assignment at Dr. Reddy's Laboratories, he was the global head of the Custom Pharmaceutical Services (CPS) business. Earlier, Mr Mehrotra worked in companies such as Thermax and SRF Limited. In SRF, his last role was strategizing and growing the fluoro-specialty business. He is responsible for strategy, sales and operations of the Pharmaceuticals division at Hikal.

Kumar Inamdar (President – Crop Protection Business) has over 27 years of experience in sales, marketing, procurement and general administration in the fine chemicals, agrochemicals and the medical device industry. He completed his BE in Chemical Engineering from Gujarat University and MBA from Pune University. He has worked in several companies including Tata Limited, Lupin and Bilag Industries. At Bilag, he started as a Purchase Manager responsible for procurement and advanced to the role of General Manager for commercial activities with the responsibility of sales and marketing. He was the Managing Director of Bilag from 2007 to 2012. At Hikal, Mr Inamdar is responsible for the strategy, sales and operations of the Crop Protection division and also oversees the procurement function for the company.

Dr. Sudhir Nambiar (President – Research & Technology) has over 26 years of experience in the area of process research, development of APIs, lifecycle management of molecules, process safety, regulatory and technology across several industries. He is a Ph.D. in Synthetic Organic Chemistry from the University of Louisville, Kentucky and he did his post-doctorate from the University of Montreal. He has completed the Senior Leadership program from Harvard Business School. In his last assignment at Dr. Reddy's Laboratories, he was the Senior VP & Global Head of API – R&D. Prior to Dr. Reddy's Laboratories, he was the Managing Director of AstraZeneca India Pvt. Ltd. where he was responsible for the day-to-day operations of the company as well as being accountable for research, business services, governance and administration. At Hikal, Dr Nambiar is responsible for the Research and Technology initiatives with a focus on driving innovation through chemistry.

Anish Swadi

Kumaar Priyaranjan

Anish Swadi (President - Strategy and Business Development) oversees the Corporate Strategy initiatives at Hikal. He is also responsible for Investor Relations and IT operations. He serves on the board of Rx-360, an international pharmaceutical supply chain consortium. Previously, he worked as an international Financial Portfolio Manager with Merrill Lynch in the US. Mr Swadi holds a Bachelor's degree in International Business and Finance from Ithaca College, New York, USA.

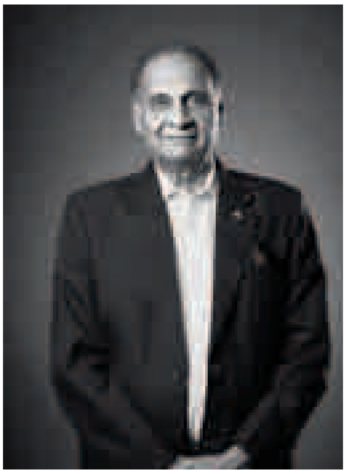
Kumaar Priyaranjan (Head - Human Resources) has over 26 years of experience as a human resources professional. He has worked at Indian Hotels Ltd., Transport Corporation of India Ltd, the RPG Group and Dr. Reddy's Laboratories. He holds a Bachelor of Science degree from Patna University. He received his Post-Graduate Diploma in Personnel Management and Industrial Relations from S.P. College of Communication and Management, University of Delhi and completed the Strategic Human Resources Management program from the Ross School of Management, University of Michigan, USA. Mr Priyaranjan brings with him a wealth of experience having worked in senior positions across several industries in India and overseas assignments. He is also an executive coach certified by Gallup, USA. He is responsible for human capital at Hikal.


Research and
Technology is the
core of our company's
sustainable
growth strategy

SCIENTIFIC ADVISORY BOARD

Dr. Axel Kleeman

Dr. Axel Kleemann has in-depth knowledge and experience in research and development, production, engineering and drug safety. He was the Director of Corporate Organic Research of Degussa AG (now Evonik Industries) for over 10 years. He was appointed a member of the management board of Asta Medica AG with responsibility for research and development, production, engineering and drug safety till 2000. Besides being a board member in various organizations and scientific societies in Germany, Dr. Kleemann is Chairman of the Board of Directors of Protagen AG since 2001, and a member of advisory boards of several biotech and fine chemicals companies. He is the co-author of the standard reference book, Pharmaceutical Substances (5th edition and online version), as well as a member of the editorial board of Ullmann's Encyclopedia of Industrial Chemistry. He holds a Ph.D. in Chemistry from Goethe University, Frankfurt am Main, where he is honorary Professor of Chemistry.



Dr. Goverdhan Mehta

Dr. Goverdhan Mehta is a globally recognized organic chemist. He is currently a National Research Professor, Eli Lilly Chair, School of Chemistry at the University of Hyderabad. He holds a Ph.D. in Organic Chemistry from Pune University and has conducted his post-doctoral research at the Michigan State and the Ohio State universities in the USA. He has been a CSIR Bhatnagar Fellow as well as the Director of the Indian Institute of Science, Bangalore and Vice Chancellor of the University of Hyderabad. He has mentored over a hundred doctoral and post-doctoral students and published nearly 500 research papers. He has over 50 prestigious awards and honors to his credit, nationally and internationally. He has been conferred D.Sc. by over a dozen universities in India and overseas. He was awarded Padma Shri in 2000 by the President of India and Chevalier de la Légion d'Honneur in 2004 by the President of France. Dr. Mehta was conferred the 'Order of Merit-Commander's Cross' (Bundesverdienstkreuz) by the President of the Federal Republic of Germany in 2016.

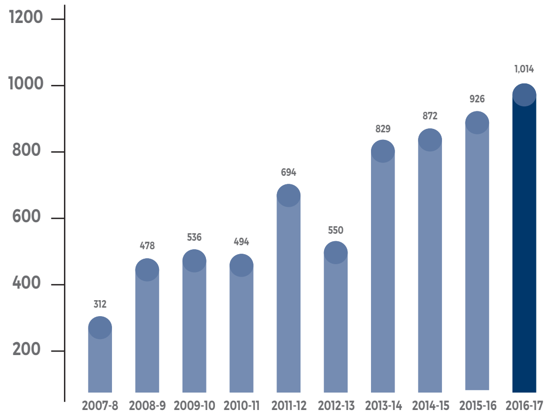
He is a Fellow of the Royal Society and several Academies and Societies around the world. He is a former President of the Indian National Science Academy and the International Council for Science (ICSU) and a member of the Scientific Advisory Committee to the Prime Minister of India.

Dr. K. Nagarajan has over 50 years of experience as a chemistry professional. He has held various positions as Head, Medicinal Chemistry, Ciba Research Center; Director, R&D, of Searle India, among others. He is a recipient of the Bhatnagar Prize in Chemistry and Lifetime Research Award from the Chemical Research Society of India. He spearheads the scientific research initiatives at Hikal. He is associated with several national research institutions such as the Central Drug Research Institute, scientific agencies such as the Department of Biotechnology and projects of the Ministry of Earth Sciences. Dr Nagarajan obtained his B.Sc. (Hons.) in Chemistry from Loyola College, Chennai and Ph.D. from the University of Madras. He is a post-doctoral Fellow from Wayne State University, California Institute of Technology, Pasadena, and Zurich University, Switzerland.

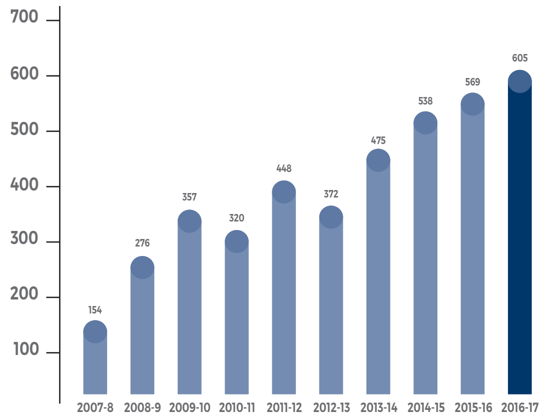
Dr. K. Nagarajan

SUSTAINABLE GROWTH

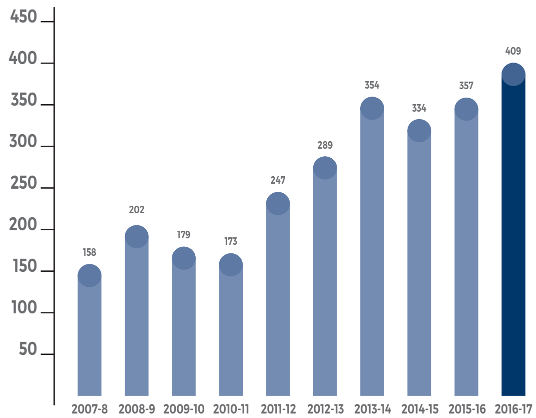
HIKAL REVENUE
(Sales ₹ Cr.)

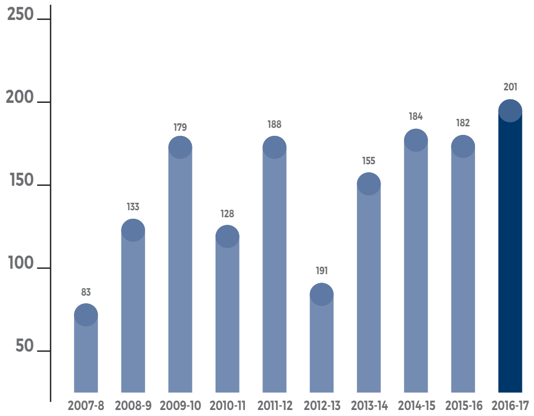


PHARMACEUTICALS REVENUE
(Sales ₹ Cr.)

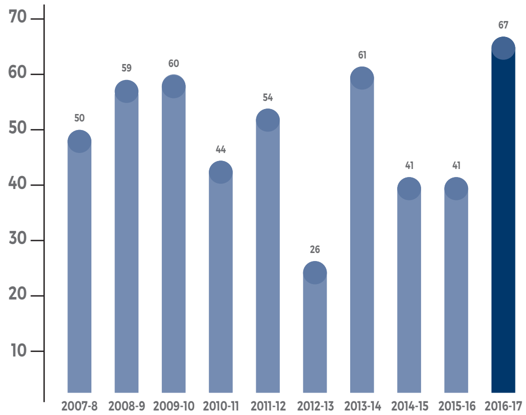


CROP PROTECTION REVENUE
(Sales ₹ Cr.)

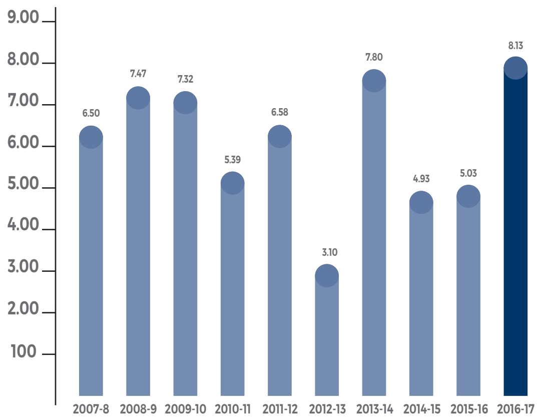




EBITDA
(₹ Cr.)



PAT
(₹ Cr.)



EPS
(₹ per share)

MANAGEMENT DISCUSSION AND ANALYSIS

Pharmaceuticals

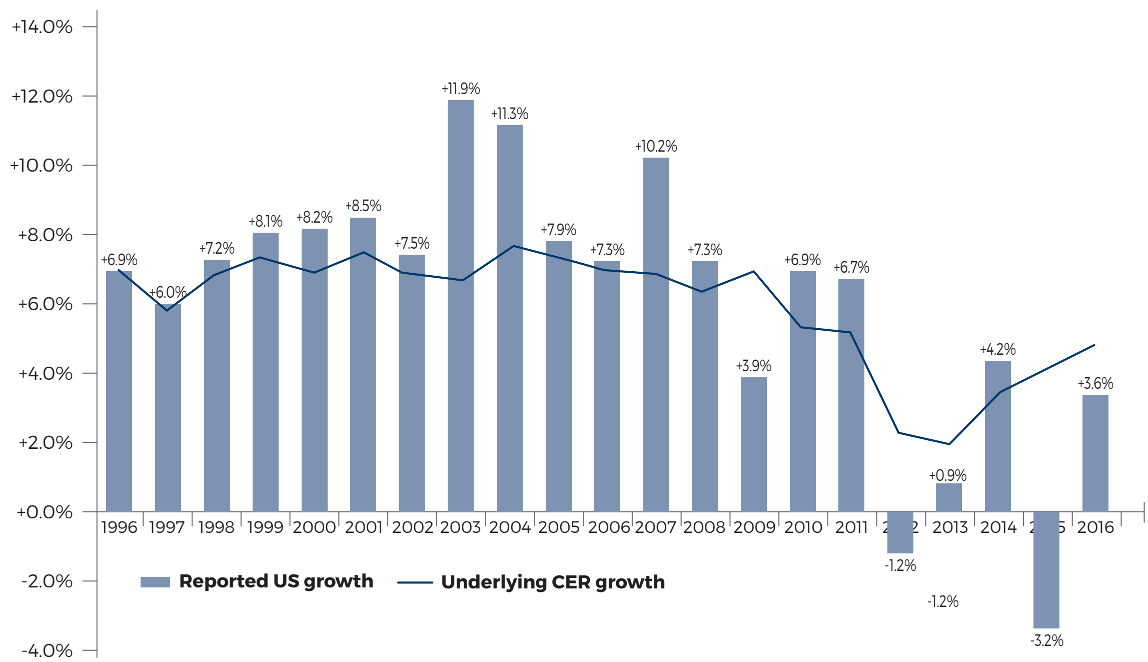
Industry Overview[1]

2016-17 was a very stable year for the global pharmaceuticals industry, with underlying growth close to +5% in spite of several challenges. This growth rate was achieved despite a background of considerable political uncertainty, government and media attention on drug pricing particularly in relation to older drugs, in addition to an increasing number of biosimilar approvals. However, we believe that innovation will win in the long term, as evidenced by robust sales growth in biopharmaceuticals (+8%), which was led by antibody-derived drugs (+15%), and explains significant investment in R&D.

Highlights for 2016[1]

The value of the global prescription drug market reached US$ 816 billion in 2016, representing underlying growth of 4.9%. The strength of the USD, particularly against the JPY, dented the reported figure by about US$ 12 billion. The US market was a key driver of growth, rising 5.6% to US$ 320 billion in 2016, from US$ 303 billion in 2015. This was due, in part, to the positive trend in new molecular entity (NME) approvals by the US Food and Drug Administration (FDA) over the last three years, although this was halted in 2016 with only 22 NME approvals by the FDA. Biopharmaceuticals (30+ vaccines) had reported sales of US$ 197 billion in 2016, with above average growth of +7.6%.

Global prescription drug market growth – 1996-2016[1]



1. Report by Hardman & Co Life Sciences Research

These drugs now represent 24% of the global drug market. Within this segment, the 61 approved drugs derived from antibodies registered sales of US$ 82 billion (+15.4%)

The biggest drug in 2016 was Humira (AbbVie) with ex-factory sales of US$ 16.1 billion (+14%). The top 10 drugs in the world represented 25% of the entire market. On a cumulative basis, the best-selling drug ever remains Lipitor (US$ 152 billion).

Investment in R&D is key to future success. The top 25 companies invested US$ 86 billion in pharma R&D in 2016, representing 20.5% of Rx drug sales. Average spend of the top 25 companies was US$ 5.7 billion – US$ 10.3 billion. Total R&D spend of the top 25 companies was US$ 86 billion out of a total estimated spend of US$ 120 billion by 37 companies.

Continuing rise of antibody-derived therapeutics[2]

In 2016, drugs derived from monoclonal antibodies were the fastest growing sub-segment of the market with growth of +15.4% to US$ 81.9 billion and have grown to represent 42% of biopharmaceutical sales and 10% of the global market for prescription drugs. The first, ReoPro (abciximab), was launched in 1995 and there are now 61 regulatory-approved mAb drugs in the market. These figures are expected to rise further in the coming years given the large numbers currently in clinical trials.

FDA approvals in 2016[3]

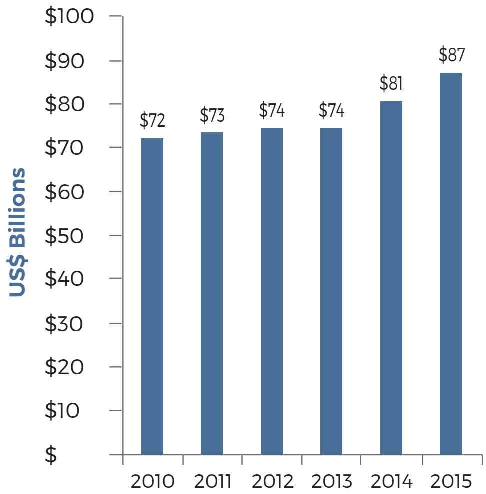
- Only 22 new molecular entities (NME) approved by FDA in 2016, down 51%
- 15 (68%) were small molecules and 7 (32%) were biopharmaceuticals, this compares with 33 and 12 respectively in 2015
- In addition, there were 633 generics approved in 2016, the highest ever total
- At the end of 2016, there were 29 NME filed, pending FDA review, compared with 20 at the beginning of 2016

Outlook[4]

The global pharma industry is expected to witness a rise in development of personalized medicine, with leading players — such as AstraZeneca, Pfizer, and Roche investing in research

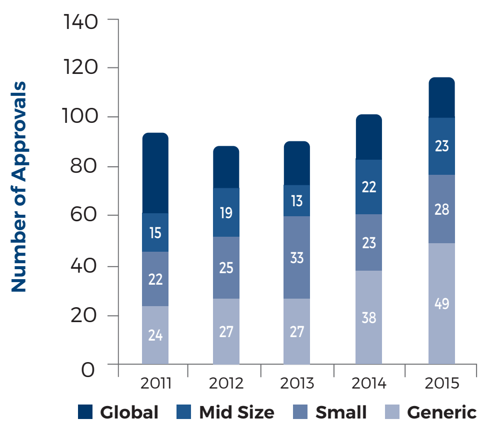
Use of technology apps, wearables, and analyzing

R&D Spending by Top 25 Bio/Pharma Companies[2]



Growing biologics pipeline driving up R&D spend

NDA Approvals by Sponsor Type[2]



Half of global bio/pharma approvals have been in-licensed or acquired

2. 2016 profile of Biopharmaceutical Research Industry by PhRMA
3. www.fda.gov.in
4. www.scripintelligence.com

Big Data is set to transform the industry into a digital pharma space.

Wearable devices, wireless gadgets, Big Data analytics, and cloud-based applications will rapidly evolve, promoting technology integration and boosting operational efficiencies in the global pharma industry.

As growth continues, rising concerns are also seen in terms of data integrity, data security, platform integrations, and the costs involved.

Growing concerns over high drug prices and rocketing existing prices have spurred a public outcry and regulatory investigations globally. It is likely to result in the launch of alternative financing models aimed at reducing payment pressure on end consumers.

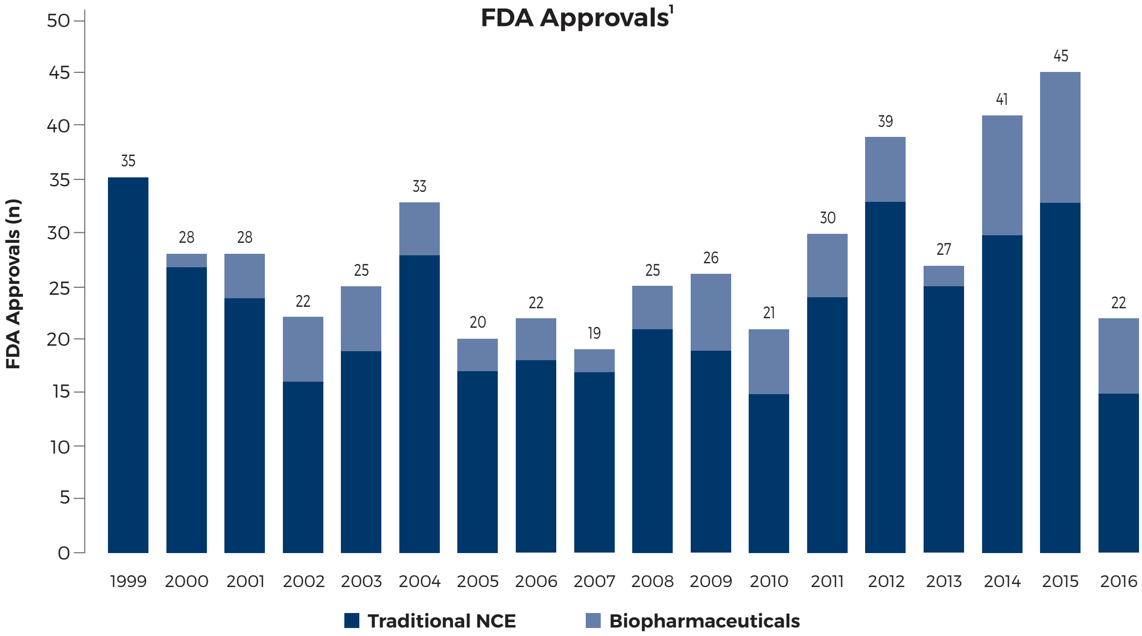
Upcoming trends include the advent of biosimilars in the US, rapid ascendance of specialty drugs globally, and a rise in collaboration among industry players.

Challenges for the global pharmaceutical industry [4]

Some of the challenges that the pharmaceutical industry faces include R&D (research and development) failures, changes in regulatory aspects, litigation, patent expiries, and foreign currency volatility.

However, the major challenge is drug pricing, which has been a source of global debate. As baby boomers age, the population over 65 is increasing. A higher incidence of lifestyle-related diseases is further fuelling the governments' healthcare expenditure.

The governments across the world are trying to curb these healthcare costs either by drug price revisions, seeking higher discounts and rebates to the manufacturers, or by promoting generic drugs.



Source: FDA; Washington Analysis Group; Hardman & Co Life Sciences Research

1. Report by Hardman & Co Life Sciences Research
4. www.scripintelligence.com

India Pharma Market Scenario[5]

The Indian pharmaceuticals market was valued at ₹ 1,046 billion (IMS, MAT, March 2016) and is expected to grow at a CAGR of 12-14 per cent over the next four years. It continues to be a highly fragmented and competitive market with a large number of players spread across therapeutic segments. Indian companies hold 2.5% share in the global market and are growing faster than the global market. The Indian pharmaceuticals market increased at a CAGR of 17.46 per cent in 2015 from US$ 6 billion in 2005 and is expected to expand at a CAGR of 15.92 per cent to US$ 55 billion by 2020. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and the sixth largest market globally in absolute size. Overall generic drug approvals given by the US Food and Drug Administration to Indian companies have nearly doubled to 201 in FY 2015-16 from 109 in FY 2014-15, an increase of 84% as per analysis by the FDA. The drugs and pharmaceuticals sector attracted cumulative foreign direct investment (FDI) inflows worth US$ 13.85 billion between April 2000 and March 2016, according to data released by the Department of Industrial Policy and Promotion (DIPP).

The sector witnessed increased scrutiny from the FDA in 2016 with the regulatory body issuing warning letters and import alerts to several large Indian firms, including Sun Pharma, Dr Reddy's Laboratories, IPCA, Indoco Remedies, Divis Labs among several others. This is emerging as one of the key challenges as it can potentially delay approvals and product launches in the US and other countries globally.

ADVANTAGE INDIA

2016

Market Value: US$110 billion

Strong demand

- Healthcare revenue in India is set to reach US$280 billion by 2020; expenditure is likely to expand at a CAGR of 17% over 2011-20
- Rising incomes, greater health awareness, lifestyle diseases and increasing access to insurance will contribute to growth.

Attractive opportunities

- Investment in healthcare infrastructure is set to rise, benefitting both 'hard' (hospitals) and 'soft' (R&D, education) infrastructure.
- India is the largest exporter of formulations with 14% market share and ranks 12th in the world in terms of export value. Double-digit growth is expected over the next 5 years.

2020F

Market Value: US$280 billion

ADVANTAGE INDIA

Quality and affordability.

- Availability of a large pool of well-trained medical professionals in the country.
- India has an advantage over its peers in the West and Asia in terms of cost of high-quality medical services offered.

Policy support

- The government aims to develop India as a global healthcare hub.
- Policy support in the form of reduced excise and customs duty, and exemption in service tax.
- Creation of new drug testing laboratories and further strengthening of the 31 existing state laboratories.
- National Health Insurance Mission to provide health benefits to people.

Compliance[6]

Data integrity was a focus area in the pharmaceuticals industry throughout 2016. Largely, it was a year when non-compliances made headlines — regulators were turned away by drug companies, contract research organisations (CROs) faced serious charges of data manipulation, and warning letters and import alerts were issued due to data integrity concerns.

5. ICRA report 2016 on Indian Pharmaceutical Industry
6 www.pharmacompass.com

Interestingly, non-compliances were not limited to India and China. The year also saw a lot of cross-border activity as EU regulators issued non-compliance notifications to American firms, while the FDA had issues with companies across Europe. In 2016, data integrity issues triggered more than one-third of regulatory actions. While the USFDA took maximum action against companies based in China, India led the pack when it came to non-compliance reports issued by European regulators. In 16 instances, the FDA determined that the issues were severe enough and the company was issued a warning letter and was also placed on the import alert list.

Hikal continues to maintain its strong regulatory track record

Safety and compliance are key principles of Hikal's operational strength. It was reflected during our sixth US FDA audit. Hikal's Jigani (Bangalore plant) underwent a routine inspection by the US FDA from November 14th to 18th, 2016. The inspection was closed successfully with zero 483 observations. Ensuring compliance to current regulatory standards and guidelines is critical for Hikal and its customers. This latest approval is testimony to the high standards of quality, regulatory compliance and operating standards at the company. Our culture of building quality into all we do is continuously reinforced at all our sites and across all levels in the organization which will enable us to capitalize on new opportunities in the near future.

In the last few years, Hikal has invested significantly in resources and infrastructure to ensure that we meet current regulatory requirements. Hikal also worked with external consultants to ensure that we adhere to FDA guidelines.

Operational Performance

- **Contract development and manufacturing organization (CDMO) business**

Market Data[7]

Demand for contract development and manufacturing services remained strong in 2016, but most of the service providers found the marketplace increasingly competitive.

The CDMO market size for the year has seen marginal growth at approximately US$ 58 billion.

Being first to market with the safest, highest-performing, most cost-effective products has become increasingly crucial to success for pharmaceuticals companies and is creating the need for highly efficient and responsive contract development and manufacturing organizations (CDMO's) that can serve as long-term partners. Access to novel technologies for addressing drug delivery challenges is also a business imperative.

Consequently, the primary reasons for outsourcing to CDMOs are changing. Initially, outsourcing activities were largely driven by the desire to reduce costs. It has changed significantly. Improving quality and efficiency, gaining competitive advantage and operational or technical expertise, and reducing the risk of supply shortages are the main business reasons for outsourcing. We believe that in 2017, outsourcing will focus on specialized technologies.

Despite the reduced level of spending in 2016, drug manufacturers continued to outsource a wide range of project types. CDMOs were used most frequently for the development and

7. Article - Changes in the Wind for the CDMO Market

manufacture of small-molecule APIs and final products, including both new chemical entities and generics. New biological entities were also outsourced. Projects related to biosimilars and over-the-counter (OTC) medicines were least likely to be outsourced.

Outsourcing partners were engaged in all phases of development, with phase I and II projects most common followed by pre-clinical, phase III and phase IV and post-launch projects. This trend is not surprising, given the high attrition rate for drug candidates as they move further along the development cycle.

Hikal CDMO Business overview

Hikal established and grew its strategic partnerships with various clients across the globe. Reliability, value-added technical expertise, and flexibility are the key focus areas for the company. We are fast, flexible, and agile as we bring together advanced scientific and technical capabilities and experience with responsiveness and innovation to accommodate the unique needs of each of our strategic pharmaceutical partners as they navigate the dynamic drug development process. Hikal's track record from a regulatory perspective has helped us attract and retain clients as cost alone is no more an important factor in selecting partners.

The Contract & Development business was down in terms of value growth as some of the contracted projects' volume went down and some of the expected projects were pushed to the next financial year. However, Hikal increased its global footprint by appointing dedicated personnel for different regions and undertaking marketing restructuring efforts to serve our clients better. This was also supported by a strong Project Management team along with a pre-sales team to identify new opportunities. Hikal invested in a proprietary project management system (Daksh) to ensure that all projects are delivered within the committed timeline and quality. It was implemented across the businesses with close to 100 people undergoing training. Hikal also identified several new opportunities for custom development and manufacturing of intermediates and active pharmaceutical ingredients (APIs). These initiatives are in various stages of development and semi-commercialization. We actively pursued opportunities for clinical molecules in phase II and III as well as lifecycle extension projects from innovator companies.

Several global mid-size and biotech clients for early stage molecules have been added for custom development projects. Projects are in various stages of clinical trials where some clinical development quantities have been supplied by Hikal. While the process of a new molecule approval is time-consuming and unpredictable, we continue to diversify with more products in the pipeline for select new clients.

Our long-term contract manufacturing agreement with a European innovator client to exclusively manufacture molecules commercially gained momentum last year. The molecules are performing well in the market and volumes have increased substantially. These products are expected to grow in the year to come according to the forecast received from our client.

Capacity Expansion

Hikal believes that significant investments in enhancing our manufacturing capabilities historically has resulted in cost efficiencies, and helped us consistently gain market share in an expanding market for our key products. Hikal plans to make additional investments (short as well as long term) to cater to our clients' needs.

We invested further to increase the capacity for one of our products that goes to an animal health company. It will accrue significant revenues in 2017-18 as the capacity goes up by over 50%. It was also supported by further modifications in existing blocks to de-bottleneck and improve existing capacities enabling higher throughput and scalability.

In addition to our kilo lab facility at Pune and Bangalore, Hikal's newly constructed GMP plant that became operational in September 2014 also received new investments for expanding and converting the plant into a full-scale API manufacturing facility for niche high value smaller volume products. We expect several projects in the coming year from our contract development pipeline which will utilize this capacity and investment effectively.

Hikal plans to invest further in the intermediate facility (Panoli) and convert this facility into an API plant that will cater to both the generic API and CDMO business. This will de-risk our business and add on flexibility to meet delivery requirements of our growing client base.

Hikal also plans to invest further in R&D with a separate solid-state chemistry lab that will help us better serve our customers with regards to physical properties of API and deliver a quality product quickly while meeting different and complex specifications.

- **Hikal API business**

Market Data[8]

The generic API market stood at US$ 11 billion for the year 2016. There was a global trend of increasing generic penetration rates for the year for generic usage, but still it was relatively low in many sizeable markets. The API volumes are likely to continue to increase in the coming years, but values are likely to be partially offset by price erosion. So, the net global growth projected will be at mid-single digits in the coming years.

2016-17 saw a high level of FDA violations related to quality or regulatory issues with plants in lower cost locations. The recent Generic Drug User Fee Act (GDUFA) legislation has augmented funding to increase FDA inspections of foreign pharma facilities, especially in emerging markets. However, this has also resulted in acceleration of FDA approval of Abbreviated New Drug Applications (ANDAs).

Hikal Performance

During the year, our generic API business registered a sales increase of over 40% as compared to the previous year. It was due to increasing demand for a few of our high-volume and niche products. However, in certain markets pricing pressure continued to be an issue during the year. Despite lower prices, our volume growth was approximately 200 tons as compared with last year. While pricing pressure is expected to continue, we plan to mitigate risks with cost rationalization in the areas of raw materials, lower inventories, streamlining the supply chain, improving processes and reducing overall utility costs.

Hikal had a successful US FDA audit this financial year receiving zero 483's. In the same year,

8. Article - How Is the Global Pharmaceutical Industry Doing

a number of large, well established companies in India as well as overseas faced many issues from the FDA (including import bans). Hikal believes it will have a huge impact on business as many clients are looking for companies who have an exemplary regulatory track record and quality mindset. Hikal has invested in both its sites to ensure that we meet FDA and other global regulatory standards and adhere to all guidelines and requirements on a continuous basis.

Hikal has a defined strategy to further establish and grow as a formidable generic API supplier. We identify products early in the pipeline for clients, use technology and innovative chemistry for a cost advantage in molecules that go off patent in the next three to five years, and develop new products for the long term.

Hikal filed four drug master files (DMFs) for this fiscal year which included both already generic and 'to be generic' products. Our three-pronged strategy for API development (already generic, to be generic and future generic) approach will help generate revenues for the short term as well as build a pipeline from a long-term perspective. Hikal continues to work on newer technologies and develop innovative processes that will differentiate us from other API suppliers. In the case of Pregabalin for which a DMF was filed in 2014, although the global product launch is expected in December 2018, revenues are gaining momentum with an early launch in the European Union and other semi-regulated markets where the product is off-patent .

Hikal will file DMFs with novel processes having identified six to eight new products for generic development. We will file five or six DMFs to develop a healthy pipeline of commercial APIs every year. The products selected will be a combination of client requirements and niche molecules where we have a definitive technology capability to gain market share backed by our expertise in advanced chemistry and backward integration.

Hikal has invested significantly in the generic API business both in terms of personnel and manufacturing capabilities. We have strengthened our R&D infrastructure by hiring experienced scientists and chemists at our Pune facility and commissioning four new chemical synthesis labs to accelerate our pipeline development work. Hikal will invest and build a dedicated solid-state chemistry lab to enable us to meet the requirements of complex APIs. Hikal is also evaluating niche technologies such as steroid chemistry and peptides as future areas of diversification based on some of our clients' requests.

Several cost rationalization initiatives were undertaken at our pharmaceutical manufacturing plants. We have undertaken process innovation for our legacy lifecycle extension products that are facing pricing pressure, while we continue to consolidate our market share.

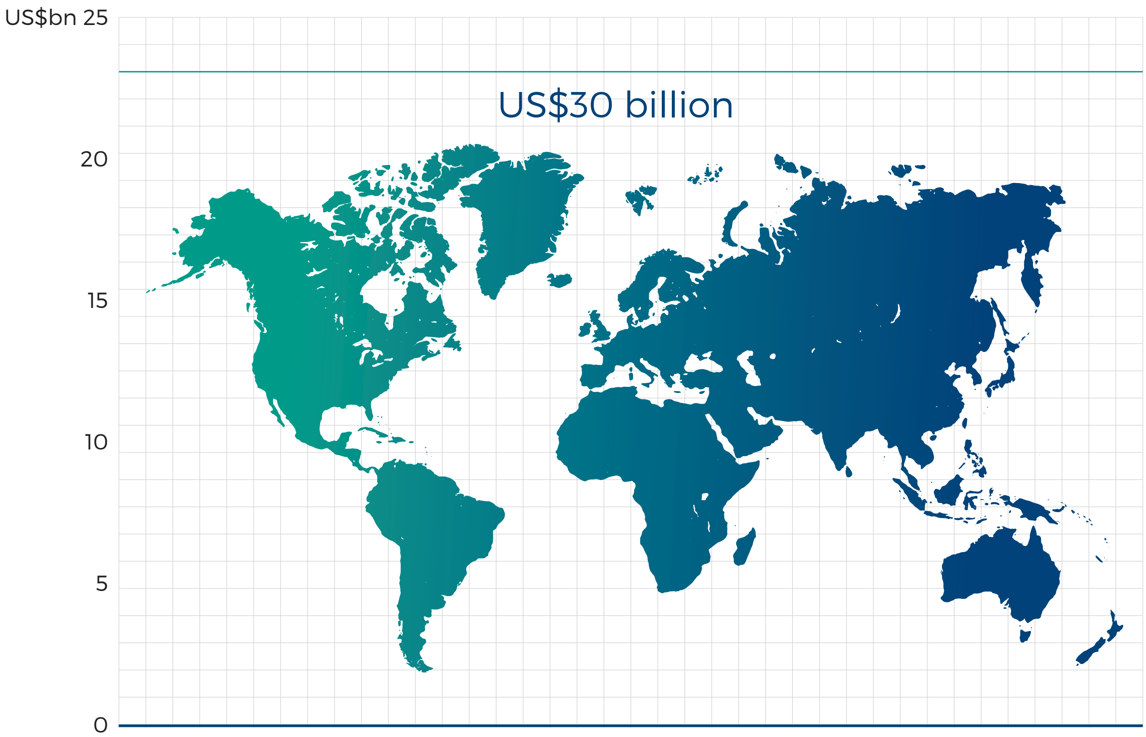
We are evaluating the expansion of our Panoli facility for API manufacturing. It will help de-risk our Bangalore plant for manufacturing final APIs. Our strategy of a two-site production base will enable us to cater to increased volumes and offer a wider range of products that are in various stages of development.

• Animal Healthcare

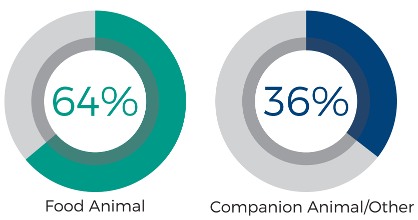
Market Data[9]

The global animal healthcare market reached an important milestone of sales value of US$ 32.7 billion in 2016 and is expected to reach US$ 45 billion by 2020, with a CAGR of 7% during 2017 - 2020. The global animal healthcare market is mainly driven by the increasing trend of pet adoption. Changing lifestyles in developing countries, such as India and China, has increased the adoption of pet animals, which in turn is supporting the growth of the animal healthcare market. Pet ownership is one of the major status symbols in developing countries. Cats and dogs are adopted by the people for psychological and therapeutic benefits. India's animal healthcare market is expected to witness the fastest growth, with a CAGR of 10.1% during 2016-2020. The booming trade in meat products and increasing meat consumption has led to an upsurge in the animal population within the region. There has been a considerable growth in zoonotic diseases,

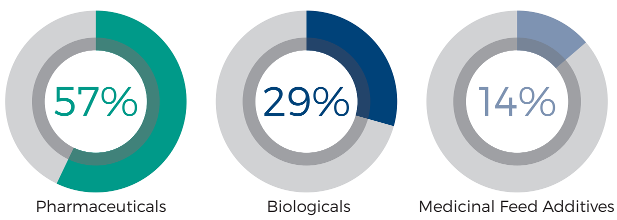
Global Animal Health Market



Species Sales Split



Product Group Sales Split



9. www.genericsbullet.com

due to the upsurge in the animal population, which has supported the growth of the animal healthcare market in the region.

The evolution of new diseases offers untapped opportunities for the animal healthcare market. To find enhanced solutions for prevailing and new diseases, companies in the animal healthcare market are increasing their research and development activities.

Hikal performance

Hikal has invested significant efforts in its animal health business in the current fiscal year and plans to continue in the coming years to capitalize on various opportunities. We started the financial year with only four clients in this segment and have been able to increase the client base to 10, with more expected in the coming years.

Hikal has developed four specific APIs in this segment and plans to file a veterinary DMF in 2017-18. We also plan to develop one or two new APIs each year and have our own portfolio of animal health products. As a strategy, we have looked at molecules used in common for both human health and animal health in order to develop a robust and diverse portfolio.

Hikal's future strategy and outlook

Despite a challenging market, increasing price pressures and regulatory hurdles, Hikal believes it can maintain its course of sustainable growth in the coming years. We have already charted our strategy to take the organization to the next level of growth.

Hikal will invest in the following areas in the future:

• Apart from increasing sales, Hikal plans to register sustainable growth by keeping a close look at earnings before interest, tax, depreciation and amortization (EBITDA), and return on capital employed (ROCE) and improve through the introduction of newer niche high value molecules

• Hikal will continue to invest in increasing capacity to improve its market share for old products as well as cater to requirements of new APIs being developed

• Safety and compliance remain a key priority for the next Financial Year

• Hikal will continue to invest in human resources as skilled manpower remains a key factor in our growth

• Enhancing the existing Project Management system linked to deliverables

• Hikal will focus on increasing the animal health business and building our own proprietary portfolio

• Our target is to file five DMFs in 2017-18 for our API portfolio

• Pre-formulation and formulation development as part of Research & Technology will be evaluated as a long-term strategy

• Newer technologies on the process side such as flow reactors, enzymatic processes to improve productivity and throughput will be implemented

Crop Protection

The Agrochemical Market in 2016[10]

The global chemical crop protection market decreased by 2.5% to reach US$ 49.9 billion, compared with US$ 51.2 billion in 2015. Many regional markets have shown signs of recovery after a heavy decline in 2015 as compared to 2014.

Adverse weather conditions in several markets, and low crop prices resulting in poor farm profitability restricted the volume growth of the agrochemicals market. High distributor inventory in many markets, glyphosate overcapacity, and low prices adversely impacted the performance of crop protection companies further. However, currency volatility did not greatly affect the value growth of the agrochemicals market in 2016 in dollar terms. When the impact of trade-weighted inflation and currency factors are excluded, in real terms the market declined in 2016 by 3.7%.

Some agrochemicals that are not related to crop cultivation are classified as non-crop agrochemicals. During 2016, the overall market value for agrochemical product usage in the non-crop sector increased by 3.3% to US$ 6.5 billion. Based on these results, the market for agrochemicals decreased by 1.9% to US$ 56.5 billion in 2016.

Market acceptance and usage of genetically modified (GM) crops to express herbicide tolerance and insect resistance is another factor that significantly impacts the conventional chemical crop protection market. Since their introduction, GM crops have become an important element in the crop protection crop input sector, particularly in the Americas and more recently in Asia. During 2016, the value of the market for these seeds increased by 3.1% to US$ 20.4 billion, predominantly due to a move back to maize cultivation in the USA, recovering some of the losses it incurred in 2015.

Market Performance 2016[10]

	2015 Sales (US$ mn)	2016 Sales (US$ mn)	% Change 2016/2015
Crop Protection Chemicals.	**51,210**	**49,920**	**-2.5%**
Non-Crop Agrochemicals	**6,322**	**6,532**	**+3.3%**
Total Agrochemicals	**57,532**	**56,452**	**-1.9%**
GM Seed	**19, 789**	**20,396**	**+3.1%**

10. Phillips McDougall: Agri Futura – March 2017

The Global Crop Protection Market in 2016

The table below shows the performance of the global crop protection market at the regional level in 2016 versus the previous year.

Regional Market Performance 2016[10]

Region	2015 (US$ mn)	2016 (US$ mn)	% Growth 2016/2015
NAFTA	9,356	9,462	+1.1
Latin America	14,052	13,123	-6.6
Europe	11,604	11,381,	-1.9
Asia	14,040	13,844	-1.4
Rest	2,158	2,110	-2.2
World	51,210	49,920	-2.5%

In 2016, the strongest market performance was recorded by NAFTA which benefited from better weather, but was held back by a weak farm economy and high distributor inventory in the USA. It registered a nominal growth of 1.1% to reach US$ 9.5 billion.

It was followed by Asia and Europe which were both held back by adverse weather events. The Asian market declined by 1.4% from US$ 14 billion in 2015 to US$ 13.8 billion in 2016. European markets recovered from a heavy decline of 16.4% registered in 2015. In 2016, the value of the European market reached US$ 11.4 billion, which was 1.9% lower as compared with its value in 2015.

Latin America showed the steepest decline as it suffered from low crop prices, high distributor inventory, and the continuing impact of El Niño weather patterns. The Latin American market declined by 6.6% to reach US$ 13.1 billion, which still is a slight recovery as compared with the 13% decline registered in 2015.

The table below shows both nominal, real growth (after elimination of currency and inflationary / pricing effects) and constant dollar growth rates (after elimination of currency effects only).

Regional Crop Protection Market Growth Rates 2016[10]

Region	Nominal $ Growth 2016/15 (%)	Real $ Growth 2016/15 (%)	Constant $ Growth 2016/2015 (%)
NAFTA	+1.1	+1.2	+2.7
Latin America	-6.6	-8.9	+1.7
Europe	-1.9	-1.2	+0.2
Asia	-1.4	-2.2	-0.8
World	-2.5	-3.7	+0.9

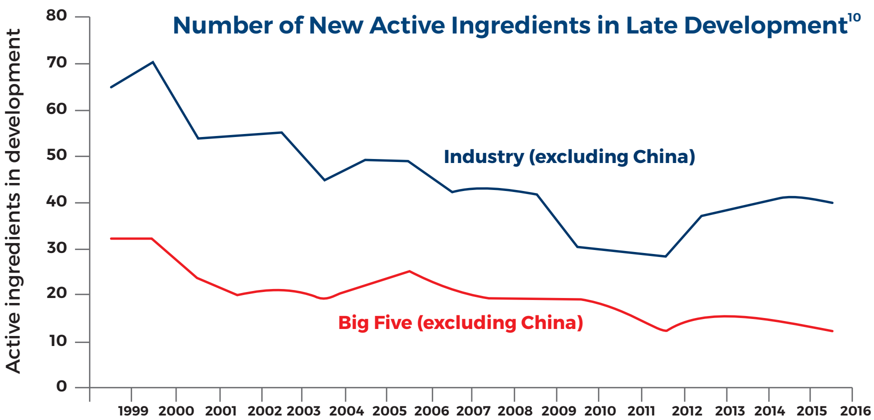
10. Phillips McDougall: Agri Futura – March 2017

Major Factors Affecting Market Performance in 2016[10]:

- Continuing weakness in crop prices
- Excess glyphosate capacity resulting in further price erosion
- Variable weather
  - Earlier start to US corn and soybean planting; good summer conditions
  - Improved rainfall in west USA
  - Continuing dryness in the 2015/16 season in Brazil
  - Dry cool summer in Northern Europe, with sporadic torrential rainfall
  - Better, but still weak monsoon in India and South Asia
- Full impact of 2015 CAP (Common Agricultural Policies) reform in the EU
- Limited increase in GM crop areas but seed prices weak

R&D New Active Ingredients in Development

40 new active ingredients have been found to be in the latter stages of development in 2016, 12 belonging to the top five leading companies in the industry and a further 20 by Japanese companies. As part of Hikal's strategy, we have diversified our target customer and market approach to different geographies where the opportunities are greater for success. Industry consolidation and several other factors have resulted in a reduction in the rate of new active ingredients being successfully developed in R&D. Although the rate of new actives being launched on the market has slowed, there is a positive sign on the number of new discovery projects which have remained constant on a moving average basis over the last several years.



Hikal Crop Protection

Despite the global conventional crop protection market recording a slight decrease in value, Hikal's Crop Protection division managed to achieve a significant growth of 14.7% in FY 2016-17. This growth can be attributed to the addition of new products to our crop protection portfolio and our strategic diversification into the biocides and specialty chemicals market. We ended the year with revenues of ₹4,087 million as compared with ₹3,561 million in the previous year.

10. Phillips McDougall: Agri Futura – March 2017

Further, we succeeded in significantly growing our top line as well as bottom line in the Crop Protection division despite most of our clients experiencing subdued financial performance. A trend observed in the last couple of years, wherein many of our clients slash their inventories in the first half of the year which results in low first half sales and high second half sales for us, continued this year too.

Sales of Thiabendazole – one of our biggest crop protection products – showed marginal growth this year. The product is extremely versatile and used in both crop protection to control mold and other fungal diseases in fruits and vegetables, as well as an anti-parasitic to control roundworms. It is also used in the materials protection industry to prevent fungal growth. We expect sales of Thiabendazole to remain stable in the near future.

One of the biggest developments for our Crop Protection division this year was the turnaround of our Mahad site. We built and successfully commissioned a new state-of-the-art plant at Mahad for one of our leading global innovator customers. This flexible plant has been designed to handle the large volume and complex manufacturing process of the molecule. With the successful commissioning of this project, commercial production started towards the end of FY 2016-17, and the volumes are expected to grow from FY 2017-18 onwards. Given the successful commercialization of this complex project, our client is considering Hikal with the additional production of an intermediate for this product. It will result in increased profitability of this product and will also provide additional revenue and profit through growth in volume sales.

An on-patent fungicide that we exclusively manufacture under contract for a global innovator saw a slight decline in volume terms due to destocking of inventory at the client's end. We do not expect it to be a long-term phenomenon and volumes are expected to increase significantly this year.

Last year, we commercialized a new broad-spectrum fungicide with preventative, systemic, and curative properties for foliar and soil-borne diseases in peaches, plums, apricots, other fruits and vegetables and lawns. We manufacture it exclusively for an innovator company in Japan. Its volume increased substantially this year and is expected to remain at these high levels for the next couple of years. Satisfied with our performance, the client is contemplating broadening the relationship by awarding us with several new products which will result in higher turnover and profitability.

Sales of a fungicide that is used to protect grapes, potatoes, tobacco, and vegetables were down for the second consecutive year due to inventory cuts and excessive product in the pipeline. It is a product that we manufacture exclusively for an innovator client, and the demand is expected to be higher this year because of increased usage by the innovator through new registrations and the introduction of new combination formulations in the market.

We also commercialized two on-patent herbicides for a Japanese innovator company. The first product is used as a pre-plant treatment in cotton and the latter to control broadleaf weeds in water seeded rice. Commercial production was successful for both these products and volumes are expected to increase significantly from the next year.

The volume of a niche fungicide that we manufacture for our Japanese innovator client remained stable. This special product is a selective new compound with new modes of action for protection from fungal diseases, especially in rice crops. We expect an increase in volumes of this product this year.

A niche insecticide that we commercialized for a leading Japanese innovator company in FY 2015-16 did not have any volume demand this year. The client is in the process of developing the market for this innovative product and we expect regular commercial orders to be received from the first quarter of FY 2018-19. Another such niche product classified as a plant growth regulator for a leading Japanese company has also been delivering low but consistent volumes for the last two years and is expected to continue. Both these products have been incubated in our R&D and have successfully scaled up and delivered as commercial products. Despite their low volumes, these products provide higher profit margins and help in achieving the company's strategic objectives of de-risking its portfolio with multiple products and clients.

As mentioned earlier, our Crop Protection division has taken a conscious strategic decision to enter the biocides and specialty chemicals businesses in order to diversify into new business areas. We have made an active foray into the biocides business to supply commercial products to select industries.

A broad-spectrum residual herbicide and algaecide that is used in agriculture for pre-emergent and post-emergent control of broadleaf and grass weeds is also used to control weeds and algae in and around water bodies, and is a component of marine anti-fouling paints. The volumes of this versatile product have grown multi-fold in the last couple of years and are expected to remain at these high levels in the near future. The decision to explore the biocide and specialty chemicals market for this product has proven to be very successful for us.

We are also in the process of developing more biocides at our Research and Technology center at Pune. We plan to commercialize one biocide this year and another two in FY 2018-19.

Our key focus areas are herbicides, fungicides, and insecticides. These are the three main drivers of the crop protection market globally. Our strategy is to target each segment through our dual-pronged model:

- Contract development and manufacturing
- Own products

Our Crop Protection division has historically been involved mostly in contract development and manufacturing operations. However, over the past several years, we have taken steps to diversify and de-risk our business. We have revived our focus on our own products. Furthermore, we have sought to explore new opportunities in various geographies and with many new clients. We have also ventured into contracts for new products with our existing clients and have forayed into new business areas such as biocides and specialty chemicals. These efforts are now gaining traction and have started producing results in terms of reducing our dependence on a small number of clients and products, and of increasing our revenues as well as profitability.

We have taken the initiative to create data for the registration of our own product portfolio in several countries. We believe that this will add value to our clients by making it easier for them to register products in global markets and will remove regulatory obstacles to ensure unhindered growth of our products in new markets. This is part of our strategy to increase the value of services and products to our clients in existing and newer geographies.

We see a lot of new market opportunities and are optimistic about the future demand for our existing product base as well as for new products in the pipeline. As per our business diversification strategy, we have already commercialized a few new products where we have a technology and / or scale advantage.

There are many new products in our development pipeline. Apart from one biocide that we mentioned earlier, there are two new insecticides and two fungicides that we expect to commercialize soon. Both these insecticides belong to the new neonicotinoid class. Registration work is going on for one insecticide while the other insecticide is at the semi-commercial pilot plant level. Out of the two fungicides, one belongs to the Strobilurin group and the other to the Azole group. We expect to commercialize both products next year.

The growing product portfolio has resulted in a significant amount of capital expenditure. This year, we invested substantially at our Mahad site to set up a new automated plant and its supporting infrastructure. Based on our growth projections, we foresee investment in capital expenditure for setting up new production streams, for de-bottlenecking the existing production streams and for providing the necessary support in terms of infrastructure and environment, health, and safety (EHS) facilities.

Being a Responsible Care-certified company, Hikal continues to maintain the highest environmental standards while improving our safety record year on year. Waste reduction, energy conservation, and better utilization of raw materials and capacity are also our operational excellence objectives that we strive to achieve every year.

Future outlook

Market trends are positive for a return to growth in 2017, although maybe not so in the NAFTA region. Much will again depend on weather conditions, distributor inventory, and farmer confidence in the face of continuing low crop prices. Some improvement in glyphosate prices is currently being seen, which can only be positive. However, the introduction of Enlist® and Xtend® crops will result in some market alteration in the US. Based on the above, we estimate that global market growth in volume terms will be more positive in 2017, possibly between 1-2%, although much will depend on favorable weather conditions[10].

This year, in our Crop Protection division, we increased our revenue significantly even though the global market showed a decline. Demand is cyclical in this business with a few years of low growth followed by several years of high growth. Next year has a positive outlook for the crop protection market after three years of low to negative growth.

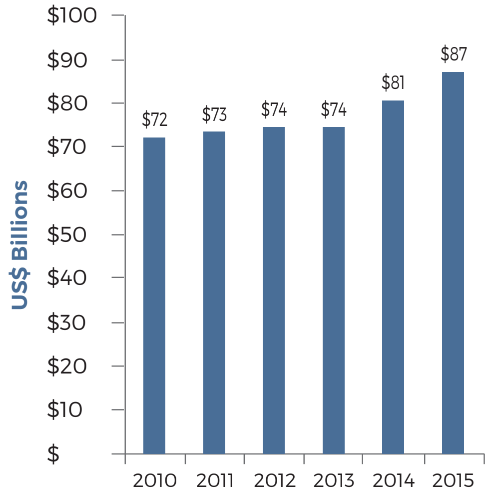
This year, we added a several new products to our portfolio and forayed into new markets and areas of diversification such as biocides and specialty chemicals. By focusing on selected products and customers, we have been able to expand our niche portfolio of products. These steps will add to our future revenue growth and profitability. The development of new products and markets is well on track. Some of the new products being developed are client-specific while the rest are our proprietary products. We expect these developments and our focused efforts to deliver positive results for our Crop Protection division.

Research & Technology

In today's competitive environment, a robust research and technology (R&T) infrastructure is vital for a manufacturing organization to differentiate itself from competition. At Hikal, our business model supports global companies across their value chain: from pre-launch to launch to post-launch lifecycle management, where we are reliant on our Research and Technology team.

Investment in R&D is key to our sustainability. The top 25 pharma companies invested US$ 86 billion in pharma R&D in 2016, representing 20.5% of prescription drug sales. The average spend of the top 25 companies was US$ 5.7 billion to US$ 10.3 billion. The total R&D spend of the top 25 companies was US$ 86 billion out of a total estimated spend of US$ 120 billion by 37 companies.

R&D Spending by Top 25 Bio/ Pharma Companies[2]

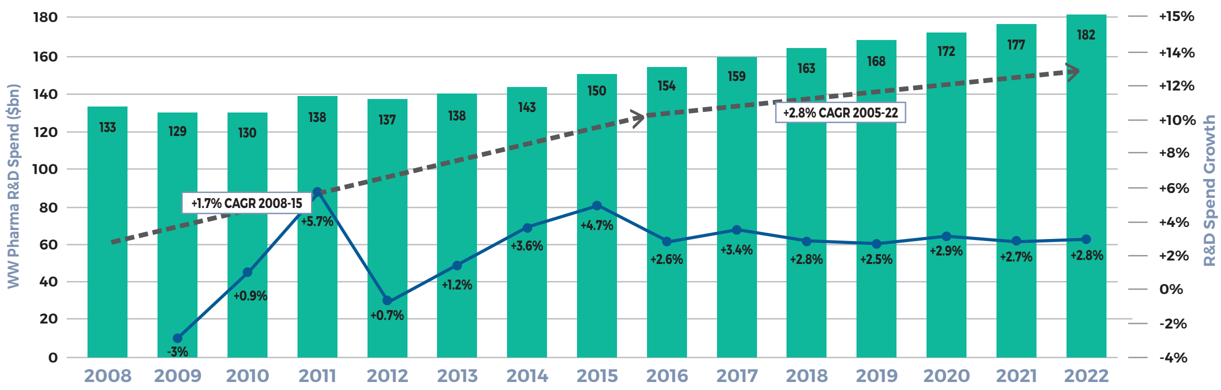


Growing biologics pipeline driving up R&D spend

Worldwide pharmaceutical R&D totalled $149.8bn in 2015 representing an increase of 4.7% on the previous year. Looking forward, R&D spend is forecast to grow at a rate of 2.8% per year, compared with the compound annual growth rate of 1.7% between 2008 and 2015. The spend per NME, based on a three-year lag period between R&D expenditure and NME approval, was $2.4bn per NME, the lowest for at least the past eight years. Such a trend signals a boost in R&D productivity as a result of more focused clinical development programmes and a growing collaboration between manufacturers and regulatory authorities to align with clinical trial design.

The worldwide spend of R&D is expected to go up on a year on year basis over the next 5 years giving Hikal an increased opportunity to capitalize on as can been seen from the table below.

Worldwide Total Pharmaceutical R&D Spend in 2008-2022[11]



2. 2016 profile of Biopharmaceutical Research Industry by PhRMA
11. EvaluatePharma®: World Preview 2017, Outlook to 2022

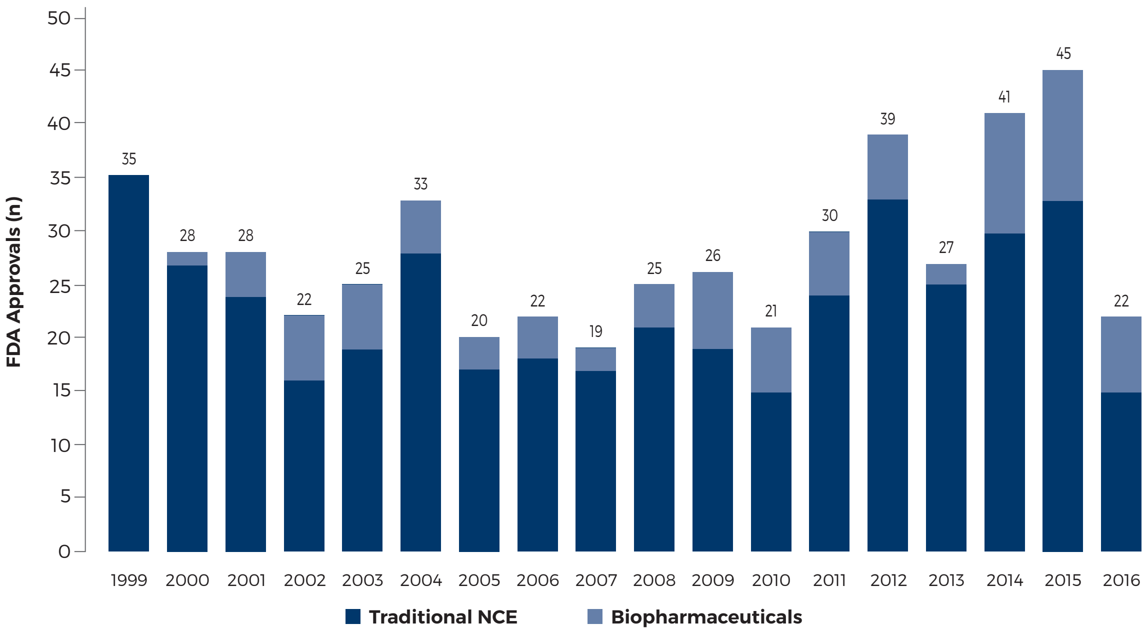
Worldwide R&D Spend by Pharma & Biotech Companies (2008-2022)[11]

	WW Prescription Sales ($bn)														
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pharma R&D Spend	132.9	129.0	130.1	137.5	136.5	138.2	143.1	149.8	153.8	159.0	163.4	167.5	172.3	177.0	162.0
Growth per Year		-3.0%	+0.9%	+5.7%	-0.7%	+1.2%	+3.6%	+4.7%	+2.6%	+3.4%	+2.8%	+2.5%	+2.9%	+2.7%	+2.8%
WW Prescription (Rx) Sales	659	665	687	729	717	724	749	742	778	822	873	931	996	1,061	1,121
R&D as % pf WW Rx Sales	20.2%	19.4%	19.0%	18.9%	19.05	19.1%	19.1%	20.2%	19.8%	19.3%	18.7%	18.0%	17.3%	16.7%	16.2%
Generics	53	53	59	65	66	69	74	73	80	86	92	97	103	109	115
Rx and Generics	606	618	627	663	651	655	675	669	698	736	782	834	893	952	1,006
R&D as % of Rx excl Generics	21.9%	21.1%	20.7%	20.7%	21.0%	21.1%	21.2%	22.4%	22.0%	21.6%	20.9%	20.1%	19.3%	18.6%	18.1%

CAGR 15-22 on Pharma R&D Spend +2.8%. Cumulative 10 year R&D Spend (2006-15) $1,333bn.

FDA approvals in 2016[1]

- Only 22 new molecular entities (NME) were approved by the US Food and Drug Administration (FDA) in 2016, down 51%
- In addition, there were 633 generics approved in 2016, the highest ever total



Strategy

Three years ago, we realigned our R&T strategy to consolidate all our activities at our facility in the International Biotech Park in Pune. All our R&T activities related to our own products, contract development and manufacturing business for both Crop Protection and Pharmaceutical divisions have been focused on developing innovative, cost-effective, safe, and sustainable chemical processes. In the past two years, many of our development products have completed the journey from lab scale to kilogram scale to pilot plant / validation scale to commercialization. We strive for

1. Report by Hardman & Co Life Sciences Research
11. EvaluatePharma®: World Preview 2017, Outlook to 2022

continuous process improvement in our commercialized products. We believe that these concerted efforts in product development and process improvement will help boost our productivity, revenue, and profitability.

R&T Operations

As mentioned earlier, we consolidated our R&T activities in our Pune facility three years ago, and the synergies and operational efficiencies are producing positive outcomes. Our robust R&T infrastructure has now become even more process-driven after the successful roll-out of our proprietary product management initiative called DAKSH last year. This has resulted in streamlining our efforts and better coordination between various departments. We expect it to result in increased productivity of R&T and hence shorter turn-around time for projects for ensuring a robust pipeline of proprietary products, and increased customer satisfaction in the custom development business.

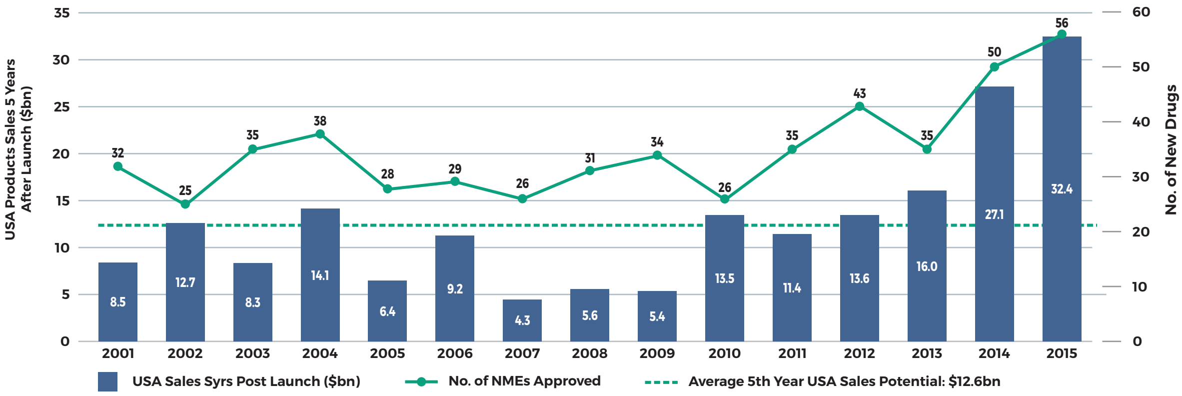
Our R&T center at Pune focuses on:

- Pharmaceutical generics development
- Pharmaceuticals (contract and custom manufacturing)
- Animal healthcare molecules
- Crop protection, speciality chemicals, and biocides

Our strategy to reduce the dependence on contract development and developing a robust pipeline of our own products is moving in the right direction. We are building a pipeline of early development Phase II and Phase III projects where our scientists identify safe, effective, and economical manufacturing processes using advanced technology. We have several projects under evaluation in various stages of the lifecycle in the Pharmaceuticals division.

As part of our proprietary generics portfolio in the Pharmaceuticals division, we filed four US drug master files (DMFs) and two certificates of suitability (CEPs) for Europe. Our product selection strategy has been a mix of short-term, medium-term and long-term product opportunities. The US DMFs are for Dabigatran, an anti-coagulant used in the treatment of blood clots, Sitagliptin, an anti-hyperglycemic, and Quetiapine, an anti-psychotic. The CEPs are for an improved process for Pregabalin used for neuropathic pain, and Quetiapine.

FDA Approval Count vs Total USA Product Sales 5 Years After Launch[11]



11. EvaluatePharma®: World Preview 2017, Outlook to 2022

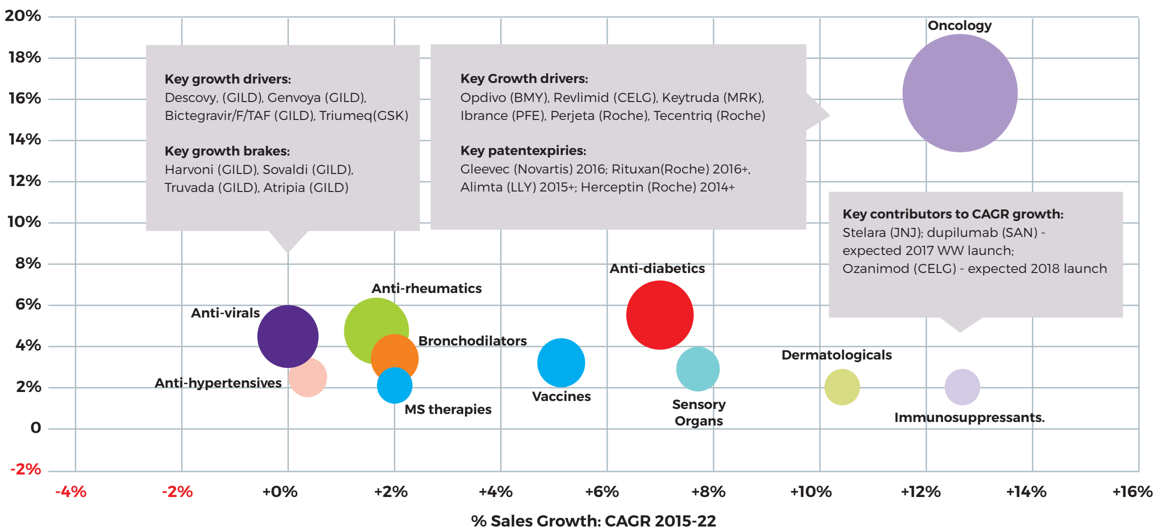
All these products and the ones in our development pipeline are blockbusters currently on the market. Our R&T facility has also successfully scaled up these products in commercial quantities which have already been dispatched to our potential clients as part of our strategy to seed them early. Further, we produced Venlafaxine, an anti-depressant we registered last year – on a commercial scale with consistent solid state properties. We have also managed to reduce the cost of one of our non-steroidal anti-inflammatory drug (NSAID) molecules and its intermediate significantly this year, and its sample has been seeded to a potential client in Japan.

On the technology front, our R&T team has also developed an innovative enzymatic process to produce Pregabalin used in the treatment of epilepsy and neuropathic pain. This enzymatic process is cost-effective as well as environmentally friendly. These efforts of the R&T team have been appreciated by the Indian Chemical Council (ICC) that honored us with the prestigious Acharya P. C. Ray Award for Development of Indigenous Technology. This innovative commercial process will provide a significant cost benefit which will help us gain more market share with our clients. We have secured our intellectual property by obtaining three new and one provisional process patent for our new products.

Our R&T facility in Pune and our Development and Launch Plant (DLP) in Jigani, Bengaluru delivered many contract development and manufacturing projects successfully by ensuring on-time in-full delivery of products. These products consisted of key intermediates for our clients from the US, Europe, and Japan. In continuation of our efforts to develop our DLP further, we installed a new cryogenic reaction set-up last year to add to its capabilities.

On the animal healthcare front, our R&T facility has successfully delivered small seeding quantities of anthranillic acid derivative class of nonsteroidal anti-inflammatory drug (NSAID). This is a niche high value complex molecule. We are also in the process of validating a process for manufacturing a synthetic antagonist opioid analgesic, another very niche high value complex product. We are steadily making a foray into the animal healthcare sector and our R&T team is playing a crucial role in supporting our business development efforts.

Top 10 Therapy Areas in 2022, Market Share & Sales Growth[11]



11. EvaluatePharma®: World Preview 2017, Outlook to 2022

As part of our initiative to improve the cost of goods, we have successfully established a proof of concept for continuous manufacturing of one of our leading active pharmaceutical ingredients (APIs) last year. The validation of this concept, and manufacturing on a commercial scale are expected to be established this year. If successfully implemented, this batch-to-continuous shift will benefit us in terms of efficiency of the production process, resulting in significant cost reduction which would be a big boost in the fiercely competitive API industry.

In the Pharmaceuticals business, our current focus is on introducing better productivity measures and ensuring optimal utilization of all our labs and equipment. We are investing significantly in new technology areas like batch-to-continuous transformation and enzyme-based bio catalysis, in R&T infrastructure like solid state labs and particle engineering, and in our people with education programs like Design of Experiments (DOE). Further, we have established DAKSH, a proprietary product management initiative for better visibility and ease of tracking of our projects. We are augmenting our regulatory affairs (RA) capabilities at our Pune facility this year.

In the Crop Protection business, our R&T team was at the forefront of successful commercialization of six new products – five for contract development and one molecule for our own sales and marketing last year. They contributed significantly in process optimization, yield improvements and scale-up from lab to commercial scale of these products. We are also working on many new products. Some of these products are on-patent products from innovator companies from Europe and Japan for our contract development and manufacturing business, while others are our own products. These products include herbicides, fungicides, biocides as well as specialty chemicals. Registration work is in progress for a niche neonicotinoid insecticide that we developed last year. Once the registration is complete, we expect commercial supplies of the product to start.

In the Crop Protection division, along with new product development, our current focus is on continuing process intensification for products we have already commercialized, ensuring continuous cost reduction efforts for our own as well as contract products, and securing intellectual property rights for new products being developed by us.

Though contract development projects generate incremental revenues for R&T, we have limited these projects to select clients and molecules with commercial manufacturing viability.

We are positive that our diversified initiatives in terms of our own and contract manufacturing products combined with the R&T consolidation at Pune will deliver significant growth in the near future. Our primary R&T goal is to develop innovative new processes that offer significant benefits to our clients. We have built reasonable scale and expertise along with agile R&T groups that can deliver sustainable solutions.

Strategy and Future Outlook

Our strategy for our R&T team has a dual focus. We strive to develop new products with cost-effective and sustainable processes as well as optimize the productivity, yields, and costs for existing products. Last year, we successfully filed and launched many products, and we plan to build on this momentum to file and commercially launch even more products this year.

Hikal is focusing on developing the anti diabetic range of products which has a significant market potential as can be seen from the following chart:

Top 5 Anti-Diabetic Products Worldwide in 2022[11]

Rank	Product	Generic Name	Company	Pharma Class	WW Sales ($m) 2015	WW Sales ($m) 2022	CAGR 2015-22	WW Market Share 2015	WW Market Share 2022	Current Status
1.	Januvia/ Janumet	sitagliptin phosphate	**Merck & Co, Ono, Daewoong, Sigma-Tau, Almirall**	Dipeptidyl peptidase IV inhibitor	6,333	**5,913**	-1.0%	15.2%	9.0%	Marketed
2.	Victoza	liraglutide [rDNA origin]	**Novo Nordisk**	Glucagon-like peptide 1 (GLP-1) agonist	2,682	**4,133**	+6.4%	6.4%	6.3%	Marketed
3.	Jardiance	empagliflozin	**Boehringer Ingelhelm**	Sodium-glucose cotransporter-2 (SGLT2) inhibitor	118	**3,932**	+65.0%	0.3%	6.0%	Marketed
4.	Invokana	canagliflozin	**Johnson & Johnson**	Sodium-glucose cotransporter-2 (SGLT2) inhibitor	1,308	**3,314**	+14.2	3.1%	5.0%	Marketed
5.	NovoRapid	insulin aspart	**Novo Nordisk**	insulin analogue	3,082	**2,976**	-0.5%	7.4%	4.5%	Marketed

To achieve this objective, our product managers in Pharmaceuticals and well as the Crop Protection business have chalked out detailed plans and timelines along with their resource requirements, which will help our management to prioritize products based on business requirements and achieve progress on these products. Technology Absorption Teams have been formed for both the businesses, which have been given the responsibility to ensure the smooth transfer of process during the scale-up from lab to commercial level. We have enabled access to knowledge and innovation through our Scientific Advisory Board which has several globally renowned scientists.

Along with these dual objectives, we have also identified some growth drivers for the future. We want to create a strong product portfolio in the animal healthcare sector, and our R&T team is making focused efforts on that front. We aim to enhance our capabilities in chemistry of bio-catalysis that won us the prestigious award from Indian Chemical Council last year. Our batch-to-continuous initiative is another focus area with the potential to increase our profitability significantly.

Our management is also exploring new business opportunities. We are enhancing our R&T capabilities to venture into the formulations business of some of our proprietary active ingredients in both the Pharmaceuticals and Crop Protection business. This forward integration will provide huge growth opportunities for our top line as well as bottom line. We are also evaluating several new molecules, therapy areas, and business areas such as peptides, oncology molecules, biocides, and specialty chemicals. We will be establishing a state-of-the-art solid state chemistry laboratory this year to support these new ventures.

To keep pace with the increasingly stringent norms on the regulatory as well as safety, health, and environment (SHE) front, we are focusing on our R&T facility. Enhancing regulatory understanding for both APIs and formulations and ensuring early responses to deficiencies are our focus areas for the regulatory team this year. We have always been proud of our clean SHE track record and are implementing all possible measures to maintain it.

Hikal's Research & Technology is committed to provide innovative and sustainable chemistry solutions to the industry. We believe that the efforts of our R&T team will create significant growth opportunities for both our Crop Protection and Pharmaceuticals divisions at Hikal.

11. EvaluatePharma®: World Preview 2017, Outlook to 2022

Human Capital

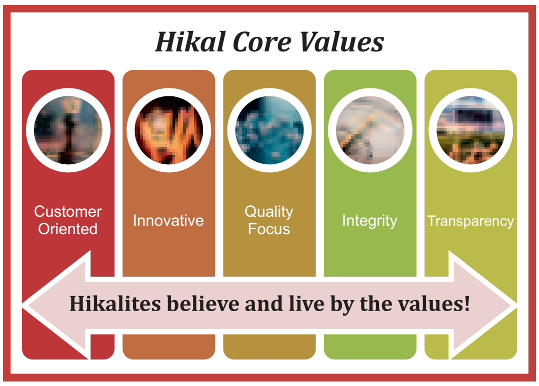
At Hikal, we believe human capital management is at the forefront of today's innovation-driven, talent-driven and knowledge-based economy and we are making investments in developing our people and keeping employees highly motivated and engaged. The employee satisfaction level at Hikal is reflected through better productivity, improvement in product quality, higher number of innovations, and ultimately meeting business targets. In line with the long-term human resources strategy defined under 'Shashwat,' the company has initiated several employee-friendly initiatives which are illustrated below in the World of Human Resources at Hikal. These initiatives have now become a way of life at Hikal which brings the entire organization together for a common goal.

World of Human Resources at HIKAL

CORE VALUES: Customer Oriented. Innovative. Quality Focus. Integrity. Transparency.
CULTURE PILLARS: Ownership. Flexible. Reliable. Team Work. Sustainability.

Values Week

Establishing a set of core values and culture pillars serves as a foundation on which an organization stands. Hikal re-established and defined its core values and culture pillars in October 2016, marking a beginning of the Values Week for the year. This week will be celebrated across all sites every year. These core values and culture pillars have helped the organization anchor every aspect of its business by following



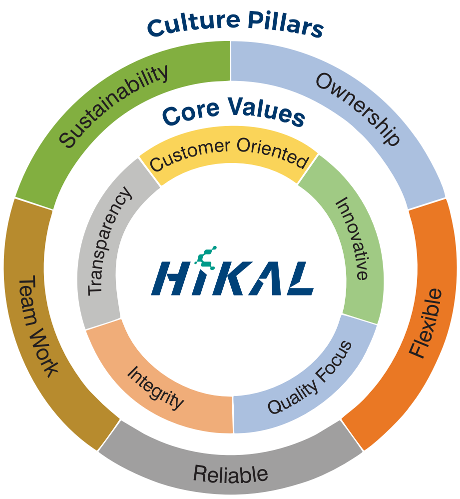
shared beliefs and commitments. The vision, mission, core values and culture pillars were unveiled by the Chairman and Managing Director, along with the President and Joint MD.

They are defined as:

MOTTO: Just the right chemistry

VISION: To be the leading fine chemicals company through innovation, integrity, responsibility, and sustainable growth

MISSION: To create value through superior, differentiated chemical products and services in the marketplace, while ensuring we operate as a responsible and transparent company. Building trust and earning the respect of our clients, shareholders, and employees while using science, technology, and sustainable processes in harmony with the environment we operate in.



Hikal's Values Week was inaugurated by the Chairman & MD who said that our core values support the vision, mission, and shape the culture in the organization. We were told that at Hikal, core values are of the utmost importance to our organization and should never be diluted or compromised. The organization has a long-term vision of sustainability and in order to achieve that, we should never resort to any shortcuts or unethical behavior. Values Week at Hikal was truly a memorable week for every employee. It is an ideal platform for imbibing values that are essential for the organization to be progressive and sustainable.

Quality Week

Hikal celebrated Hi-Q - Quality Week across all our sites in late November, with the theme of 'Quality is everyone's responsibility'. Quality Week reiterated that employees are committed to live and work in the Hikal Way. Each employee should be quality conscious and strive to achieve the organization's objectives.

Hi-Q QUALITY WEEK

Safety Week

Safety Week celebrations were held across all the sites of Hikal in line with this year's theme – 'Leadership in Safety and Health Enhances Business Sustainability'. The highlight of the week was the State Level Safety Award given to the Jigani Unit in the Large Industry Category for adopting 'Best Safe Practices in the year 2016'.

Road Safety Week

The 28th National Road Safety Week was observed from January 11th to 17th, 2017 at our Taloja site to generate awareness among all employees and contractors about the importance of road safety. Road Safety Week concluded with a commitment from everyone to practice safe driving, and a pledge to raise awareness among people within and outside Hikal.

Daksh

Daksh, the project management journey, began in October 2015 and has grown rapidly in the past financial year. FY 2016-17 witnessed massive implementation of Daksh across Hikal sites and has truly redefined the way of working across the organization.

With the focus on capability building across the organization, 29 Project Managers underwent a Management Development Program (MDP), which was followed by a dissertation. The MDP was spread over four months.

Training sessions were conducted for the Management Committee, Functional Heads, and Heads of Departments. The supporting project team members were covered under learning workshops, the 'Power of Teams'. It empowered teams to support the initiative and a new way of working at Hikal – The Daksh Way.

Along with capability building, the businesses focused on as-is process mapping, to-be process mapping, and mapping current projects with the online IT platform created under Daksh. This program has positively impacted our business and our clients are recognizing the difference in our speed, delivery and transparency.

Uday: Employee Engagement Program

Uday is the employee engagement program at Hikal, which encompasses the Capability Building, Competency Mapping, Career Planning and Celebrations at Hikal.

Under the Capability Building arm of Uday, need-based learning and development programs were implemented and its effectiveness will be monitored.

Learning and development have always been a key focus at Hikal. The organization believes in constantly updating and upgrading the skills of employees through behavioural training, technical workshops, and on-the-job skill transfers.

The financial year saw more than 1,500 man days of training covering more than 400 employees.

The training ranged from in-house safety training, product and process training, cross functional skills transfer to outbound workshops on Ownership and Accountability, Goods & Services Tax (GST), Goal Setting and Leadership Development Program like Achieving Personal Excellence (APEX). Employees were also nominated for open programs like Entrepreneurship Development Program on Solar Energy, Advanced Practices Regarding Chemical Security, Industrial Safety Management & Foreign Exchange Risk Management, Operations Maintenance & Energy Efficiency in electrical system to mention a few.

This constant focus of the organization towards the capability building and updating the competency levels of the employees have led to improved and enhanced levels of performance. Hikal will continue to sharpen its focus on consistent employee development in the coming years.

Job Rotation

Under the Career Planning arm of Uday, various job rotations were planned for the employees with the objective of charting out interesting and challenging career paths for them at Hikal.

The internal movements included inter-departmental / location transfers, role enhancement, and mapping additional responsibilities to lead new projects. These helped in developing multiple skills within the organization to achieve a fulfilling career at Hikal.

Employee Celebrations

Under the Celebrations wing of Uday, the organization encourages various celebrations and events to be conducted at the sites. The activities encompass various initiatives such as festivals, picnics and sporting events.

At Hikal, all major national and local festivals are celebrated. Site picnics and sports activities were organized for the employees to give them an opportunity to integrate, connect, and interact and exchange ideas with their colleagues.

Campus to Corporate

Hikal's goal is to strengthen its talent pool across all levels of the organization. The transition from college to a corporate environment is a big adjustment for many graduates.

At Hikal, we take special care in onboarding and induction programs for new talent. Efforts are also taken to ensure a smooth transition, transitioning students into professionals.

Mentors are chosen to help them understand processes, policies, vital information about the organization, and help them become a part of the team and blend into the new environment.

The organization ensures that fresh talent joins the organization from premier institutes such as Institute of Chemical Technology, Maharashtra Institute of Technology, Christ University, BMS College of Engineering, to name a few.

Hikal takes an active role in supporting aspiring engineers by regularly participating in regional on-campus events. We are always on the lookout for engineering talent to augment our team of chemical specialists. As a part of Hikal's campus relationship program, we have been consistently sponsoring IIT Bombay's Azeotropy, the annual Chemical Engineering Symposium. This year, Hikal sponsored AZeotropy 2017 as the Associate Sponsor, and in line with this year's theme of Sustainable Development, Hikal's branding was visible across the entire IIT Bombay campus. Hikal also participated in PhaseShift at BMS College of Engineering, Bangalore. The event is one of Karnataka's leading inter-collegiate technical events.

Our manufacturing sites organized an industrial visit for third and final year engineering students. The purpose of the visit was to familiarize the students with application of theoretical concepts to industrial processes, and advanced research and manufacturing facilities. The students from MIT Pune and Shroff S. R. Rotary Institute of Chemical Technology visited the Taloja and Panoli sites respectively. The students learnt about the various initiatives at Hikal, and were inspired to work with us in the future.

Employee Communication

CEO Connect

Communication is the key to any organization's success. Hikal believes in communicating with employees at all levels. It is reflected in our initiative, CEO Connect where our President and JMD connects with the employees at all sites in closed groups. The discussion revolves around various subjects ranging from growth plans for the business, intricacies of the business, site development plans, improvement projects, key focus areas.

Town Hall Meeting and Site Management Committee

Town hall meetings across Hikal's sites serve as a common platform for communicating business plans, expectations, progress, issues, and concerns at sites. This platform offers an opportunity for the site Management to share business updates, progress reports, growth plans, improvements made and issues faced, and obstacles that need to be overcome for day-to-day site functioning. This communication channel keeps the stakeholders updated and informed about the latest developments, and acts as a catalyst for positive change.

The town hall meetings at various locations covered topics such as:

- Appreciation of efforts for achieving defined targets
- A clear brief by the management on optimal utilization of production capacity
- Guidance on proper production planning
- Control over various resources and safe working conditions

Hikalites are encouraged to share innovative ideas and participate in brainstorming sessions for the development of sites during these meetings.

Employee Hour

Employee Hour was organized at Hikal manufacturing sites where Hikalites expressed their views, thoughts, and offered suggestions to respective Operations Head and Site Heads during the session. The site management spoke to participants about business goals, short-term and long-term plans, key deliverables and expectations from the team. In interactive discussions, the participants shared their inputs on improvements which can increase productivity and motivation levels and take the company to the next level. This constant communication with employees of Hikal keeps them updated and motivated towards achieving organizational goals.

HR Connect

Our Taloja HR team introduced a new initiative, HR Connect to enhance collaboration. The objective was to connect with various departments and employees at the site and give them a platform to share their views and plans of growth, to understand their concerns and issues, and help them arrive at possible solutions. This platform was created to understand the expectations of employees towards the HR team and vice versa. This initiative helps make the HR team at each site more approachable for employees. The topics discussed in the meetings were learning and development needs, attendance, streamlining HR practices and processes at the site, welfare facilities such as canteen and transport facilities.

Management Committee (MC) Interaction at Sites

In this new initiative, Management Committee members interact with site employees. These meetings were organized at various sites and the MC members interacted with the site employees in an open forum. The session includes sharing business updates, growth plans, current challenges, and the ways to go forward in each business.

At these forums, our Chairman and MD shared his thoughts on the culture and values of Hikal, the Hikal way and the need to bond as a family to achieve business goals.

The respective Business and Functional Heads shared their insights on the current industry scenario, market trends, business achievements, growth plans, and avenues for improvement. The floor was then opened for a question-and-answer session. Employees took this opportunity to ask various questions on site development, future growth plans, share prices, diversification, and plans.

EmPower

EmPower, the HR Portal which was launched online in the previous financial year, has received an enthusiastic response from employees across modules.

emPOWER Enabling People

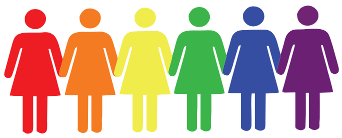
This system facilitates different aspects of the employee's work-life cycle such as leave management, employee self-service, time management, performance management, payroll, recruitment, training and development, and travel management.

The automation of modules has greatly benefited the organization. It has created increased transparency and accessibility for employees. The data for annual leave, shift planning, time schedules, number of working days, and pay slips, available within the system, can be shared with multiple stakeholders. The modules have further helped in streamlining the various operational activities at the site. It has helped employees align with the organizational needs and work towards a defined goal.

Parigyaan

Parigyaan - the Rewards and Recognition policy at Hikal, aims to create a culture of recognizing accomplishments, extraordinary efforts, and achievements of all employees. It is designed to recognize and promote positive behavior to achieve business objectives, increase employee productivity with adherence to compliance and quality systems and develop a culture of innovation. The sites have harnessed this tool to appreciate and recognize exemplary employees. Employees have frequently been rewarded under the different categories.

Hikal Women's Forum



Hikal Women's Forum was constituted on March 8th, 2016. International Women's Day was celebrated across all sites.

The day began with our Board Member, Mrs. Sugandha Hiremath's address across locations. She began by thanking all the women employees working at Hikal for contributing towards the company's progress and success. She requested the management to look toward increasing the women's workforce at Hikal, especially at the production sites. She urged the women to find some time for themselves besides work and family, and pursue something that gives them happiness, and to find some time in their busy schedules to do so.

Our Chairman and MD also extended his wishes to everyone and congratulated all the women employees at Hikal. The President and JMD further assured everyone that Hikal has taken steps to consciously create awareness of gender diversity among our businesses, and the last few years have seen an increase in the number of women being recruited, and this trend will continue in the years to come.

Ojas: Employee Wellness Program

Ojas Employee Wellness Program

Ojas is the employee wellness program at Hikal. It covers:

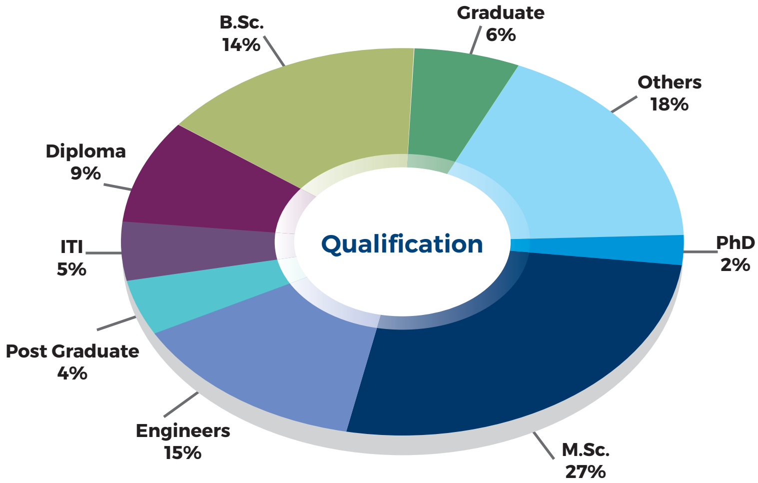
1. Employee Health Check-up Program
2. Hospital tie-ups for employees
3. Employee Wellness & Health Program
4. Group Mediclaim and Accident Policy

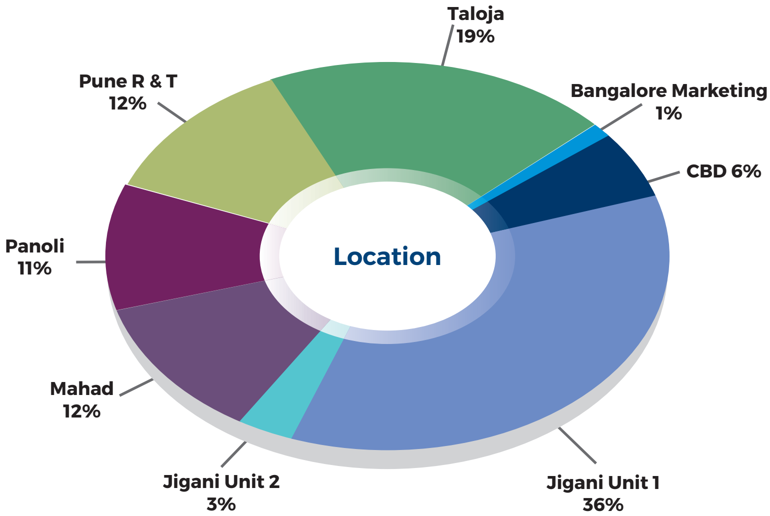
Under Ojas, various lectures and discussions were conducted by subject matter experts on a variety of topics such as 'Heart epidemic in India', Cardiac diseases, and easy ways to avoid them, lifestyle awareness program, stress management program, 'Yoga – Rise for a cause'.

The experts explained how our busy lives with low physical activity make us an easy prey to problems and health hazards such as abnormalities in blood pressure, spondylitis, asthma, acidity, lower backache, back aches, arthritis, migraine, diabetes, improper blood circulation, and cardiac problems. The challenge is to cope with the complexities of life and prevent diseases as far as possible. They suggested alternative methods for treating stress and avoiding various health problems. The methods included morning walks, herbal treatment, magnetic therapy, yogasanas, pranayamas, and physical as well as mental exercise.

Annual medical check-up camps were organized at respective manufacturing sites. Employees from the production, maintenance, and quality departments underwent check-ups. Various tests such as clinical exam by the industrial physician, height and weight, BMI, BMR, body fat and body type, vision check-up, lung function test (PFT), ENT (audiometry) check-up, ECG with cardiologist's opinion, pathological investigation were conducted.

Total workforce (as on 31st Mar'17) – 1,319





Srijan – Corporate Social Responsibility (CSR) Program

Srijan - CSR at Hikal

Hikal is committed to the well-being of people living in the environment of its plant locations and takes active steps in promoting their welfare. As a part of Hikal's Corporate Social Responsibility (CSR) Policy, a comprehensive three-year plan was rolled out in the previous financial year. Srijan, Hikal's CSR program, has been focusing on a range of initiatives with the aim of creating meaningful programs in the areas involving secondary education, skills development, employability and infrastructure development, healthcare, sanitation, environmental sustainability, ecological balance and protection of national heritage, art and culture.

The Roots That Empower Srijan

Anahat

• अनाहत (Anahat) means "unhurt, unstruck and unbeaten"

• Includes initiatives towards contributing towards environment & ecology protection

Medha

• मेधा (Medha) means "intelligence or merit"

• Includes initiatives towards education and skill development. Medha is further divided into 3 sub categories:

- प्रारम्भ (Prarambh) means "INITIATION", which involves initiation of primary & secondary education
- उन्नति (Unnati) means "ELEVATION or IMPROVEMENT", which caters to employability through vocational training and education
- बुनियाद (Buniyaad) means "FOUNDATION", which focuses on augmenting infrastructure needs in the society

Kaushalya

• कौशल्य (Kaushalya) means "well-being"

• Includes initiatives towards enhancing living conditions through health protection and awareness

Rachana

• रचना (Rachana) means "creation"

• Includes initiatives towards protecting and preserving our country's rich art, culture & heritage for future generations

Sampark

• सम्पर्क (Sampark) means "to contact and connect"

• Deals with employee's engagement through volunteerism to contribute to the positive development of society and have a continual connect with people

Several programs were conducted across all sites:

Anahat

Hikal in collaboration with an international NGO, International Association for Human values (IAHV), is developing a community park at the Nangalwadi Ganpati Ghat ground for the residents of Mahad. This garden, which has been named as 'Vishranti', is being developed near the residents' houses for the families including senior citizens and children, to walk, play, and relax.

Hikal contributed towards the Green India Campaign by participating in six tree plantation drives. An internal drive for plantation called 'Ek Ghar – Ek Zad' (One house - One tree) was organized in Mahad wherein every employee was given a sapling (plant) to plant near their houses. The team also organized plantation drives across Mahad along with the local government schools and the Mahad Manufacturers Association (MMA) Common Effluent Treatment Plan (CETP). The team successfully planted more than 1,000 trees of different species across Mahad. The work done was appreciated by eminent personalities of Mahad like the Gram Panchayat members, police authorities of MIDC – Mahad and the trustees of the schools.

Hikal participated in the drive 'Mission Green Earth' in association with the YMCA (Young Men's Christian Association) and ISTD (Indian Society for Training and Development) during which about 10,000 trees were planted across Navi Mumbai.

A tree plantation drive was also organized at Panoli with the help of the local Gram Panchayat at Nanaborasara village. In this drive, about 57 trees were planted in the surrounding area of a temple and school premises.

Medha

Prarambh

Support was extended to the nearby government schools in the Konasandra, Devasandra, Nosenur, Giddenahalli and Muthrayaswamy Doddi villages in the vicinity of the Jigani plant by sponsoring the salary of teachers for the entire year, undertaking faculty development program, and providing books and school uniforms to about 164 students of these schools. This is the fourth consecutive year that this annual activity has been undertaken by the Hikal team. The team also upgraded the school infrastructure by providing computers, computer tables, RO system for drinking water, and undertaking painting and maintenance of the school building. The Nosenur Government School, which was about to shut down in the year 2014-15 due to lack of funds and shortage of teachers, has been revived due to Hikal's contribution in sponsoring the teachers' salaries. Looking at the work done by Hikal, the Government provided more teachers to this school. Hikal also supports the school by engaging the students through cultural activities, which has not only increased their confidence but has also resulted in increasing school attendance. Frequent health check-up camps are being organized, which has indirectly resulted in an increase in school admissions. A faculty development program has enhanced the quality of education leading to better academic performance. The work done has been able to raise the standards of these government schools, with more parents willing to admit their children in these schools than before.

Hikal has adopted five underprivileged children at Panoli and is taking care of their educational needs such as school uniforms, tuition fees, stationery, textbooks, and transport costs. These children belong to different schools in the area. Selection criteria included an excellent academic track record, economic challenges faced by the families, and a strong desire in the students to continue education in the long term. This project helps economically challenged but deserving students to attain secondary level of education.

Unnati

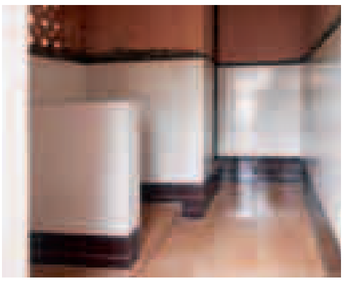
Hikal has extended support to the Mehli Mehta Music Foundation (MMMF) in Mumbai to teach music to underprivileged children. Hikal's financial aid has helped the foundation expand and consolidate their Outreach Programme for underprivileged children and has made it possible for them to reach out to over 920 non-fee paying students from low income families in municipal schools, managed by the NGOs they partner with. All the students are provided with instruments, cases and music scores, free of cost. The Foundation's Outreach Programme has greatly enhanced students' and teacher trainees' language development and speaking skills, and boosted their confidence, ability to focus, listen, and concentrate. Music education has also refined the young children's small and large motor skills.

Hikal has sponsored 10 students with special needs studying at the Aai Day Care Sanstha, Pen, Raigad District, for three consecutive years. This sponsorship will help students with their physiotherapy, speech therapy and special education needs including transportation and supply of special educational materials. The Sanstha not only educates these special children of Pen and nearby villages, but also motivates and assists them and their parents in making a livelihood of their own. The vocational training provided by qualified teachers of the Sanstha helps them make paper bouquets, sculptures, bags, and other handicrafts. The enthusiasm of these children was quite evident when they performed on stage during their annual day for which Hikal representatives were invited as guests. Hikal's financial aid has been able to address the developmental needs of these special children and will go a long way in making them stand on their own feet in the future.

Buniyaad

Hikal in collaboration with the International Association for Human Values (IAHV) undertook the Rural Primary School Development Program for the following three Zila Parishad Schools near Mahad:

1) Raigad Zila Parishad Primary School, Sutarkone
2) Raigad Zila Parishad Primary School, Kambale
3) Zila Parishad Primary School, Nadgaon, Birwadi



The overall work done under this project has created a huge impact on the lives of the beneficiaries. Overall, 286 students (155 boys and 131 girls) supported by 17 teachers were the direct beneficiaries of the project.

Here is a summary of how activities undertaken in three schools meet several needs, which were directly or indirectly linked to providing holistic education to underprivileged children. It facilitates the cognitive, physical, emotional, social, and spiritual growth of these children.

Activities undertaken	Work done, outcome and impact on beneficiaries
Infrastructure development	· The entire building of the Sutarkone Zila Parishad School, which was in very bad shape, was demolished and new classrooms were constructed; higher classes up to 10th standard were added · Open terrace was converted into an enclosed classroom in one of the schools · Classroom furniture was purchased for the targeted schools · Proper sitting arrangement and facilities have enhanced the learning process · It has led to a decrease in school dropout rate by 7% · It has also resulted in 15% enhancement of admission for this year compared to the previous year
Providing e-learning facilities	· Complete e-learning solutions (projectors, computers and smart class hard disks) were provided to the schools to facilitate smart education · This has led to increase in learning levels of the students which has resulted in better academic performance and progress reports by 45%. Students show keen interest in e- learning.
Teachers training	· Training was organized for the teachers to help them get tuned to the Smart Education which has helped in better understanding of subjects by the children
Sanitation	· The toilets for children were completely revamped and new toilets were constructed for the staff and teachers which has led to increase in attendance of the students and sharp decline in stomach related illnesses by 25%
Providing water filters	· High quality RO systems were installed in the schools to provide access to safe drinking water leading to decrease in instances of water borne diseases by 30% · Children carry purified water in bottles to their homes so that pure drinking water is available to them always.
Addressing infrastructural issues related to safety of the students	· Boundary wall was constructed around the Nadgaon Zila Parishad Primary School ensuring overall safety of the students · Outdoor grills and railing were installed at the corridors to ensure safety of the students.

Support was extended toward upgrade of school infrastructure and tree plantation at the Nana Borasara village in Panoli. Studying at a school which is well maintained and clean not only improved the health and well-being of the students but went a long way in instilling good values in the students.

Hikal has been supporting the infrastructure development of a Government High School at Haaragadde near the Jigani plant for over a year now. The team initially installed water filters in the school in November 2016, which ensured that the 250 children of the school had access to safe and secure drinking water. After the installation of water filters, during the period between November 2016 and March 2017, the incidence of throat and stomach infections has come down to nil, which was previously affecting about five children every day. Later in March 2017, the team went ahead and provided a complete e-learning solution including projectors, computers, and smart class hard disks to the school. With upgraded infrastructure in place, the school is expecting an increase in admissions in the new academic year starting June 2017 and a decrease in the school dropout rate.

Hikal has also extended support to the Abhinav Pragati Samiti to help build the infrastructure which will help education and skill development.

Kaushalya

In line with the Swachh Bharat Mission initiated by the Government of India, Hikal has collaborated with Shroffs Foundation Trust (SFT), a Vadodara-based NGO, for constructing 165 Household Sanitation Latrines (HSL) in the Umarwada village near Panoli (Bharuch, Gujarat) to eliminate open defecation in the village. This project has not only improved health and hygiene in the village, but also increased awareness of sanitation practices. More than 650 villagers have inculcated the habits of safe hygiene practices and have started using HSL units and are keeping their HSL units clean. This project has solved the problem of open defecation for more than 300 women. The Sarpanch along with other Gram Panchayat members have taken the responsibility of overseeing maintenance after the completion of the project.

Hikal has collaborated with IAHV to facilitate toilet construction in the villages of Anekal Taluk, Bengaluru, Karnataka near the Jigani plant. Under this project, 71 toilets have been constructed in this village which has solved the problem of open defecation for about 297 villagers including about 150 women. Awareness sessions are also being organized in the villages to bring out the importance of sanitation and hygiene.

Hikal has taken the responsibility of cleanliness around the area of Sector 11 in CBD Belapur, Navi Mumbai and installed stainless steel trash cans in collaboration with the Sankalp Welfare Association. This step by Hikal has already started receiving a great response, with other sectors also looking out for support and many other organizations coming forward to improve sanitation around Belapur.

Hikal has collaborated with Seva Yagna Samiti, a Bharuch-based NGO, to provide emergency hospitalization services for health restoration and survival of underprivileged people of society in and around Panoli, Bharuch district. This collaboration project enabled the underprivileged in getting ICU / ICCU facilities along with access to the right facilities, proper diagnosis in time, medicines and hospitalization in critical conditions. We are happy to report that since the inception of this collaboration, during the period between November 2016 and March 2017, our association with Seva Yagna Samiti has facilitated medical assistance for 2,589 patients, and 3,377 patients have been provided with medical and allied services. During the same period, emergency hospitalization services have been provided to 91 patients.

Hikal in association with the Narayana Hrudalaya Health City, Bengaluru and the MGM Hospital, Panvel, Navi Mumbai organized blood donation camps at Jigani and Taloja, respectively. The event saw a donation of 27,450 ml of blood at Jigani and 7,100 ml of blood at Taloja.

Hikal is a regular contributor to Trimurti Charitable Trust in Mahad which serves the poor and underprivileged by providing medical facilities. They have organized more than 100 medical camps for poor and Adivasi people in the last 10 years.

On August 2nd, 2016, a British-era bridge on the Savitri River near Mahad collapsed and was washed away by flood water. This bridge was more than 100 years old and its collapse resulted in loss of precious lives. Hikal extended support by providing food packets to the National Disaster Response Force (NDRF) volunteers and the affected families.

Rachana

Hikal took the responsibility of creating a new 1,500 sq ft permanent gallery of 'Indian Metal and Decorative Art' in the Chhatrapati Shivaji Maharaj Vastu Sangrahalaya (CSMVS), formerly known as the Prince of Wales Museum of Western India. This prestigious gallery gives us a glimpse of our rich tradition from the pre-Mughal and Mughal era.

One side of the gallery displays fine bronzes from ancient and medieval times with some of the antiquities tracing back to the 2nd century CE. The gallery houses some exclusive pieces such as a standing Narasimha from the 15th century among others. The other side of the gallery displays decorative objects and articles of daily use of the 18th and 19th century, and are created in jade, glass, wood, ivory, metal, and mother of pearl. The gallery is a major draw for today's young generation keen on seeing the exquisite pieces of work such as ornaments, hair accessories, decorative utensils, ivory, and precious jade stone artefacts, and a range of rare filigree collections.

Sampark

Employees from Jigani conducted training for the teachers of the Government High School at Haaragadde on the benefits of Smart Education and how to use the e-learning solutions which have been donated to the school. This training helped clear the operational doubts of teachers, and on implementation will enhance the learning process of students using a visual medium.

Hikal celebrated the 46th National Safety Week between March 4 and March 11, 2017 by inviting students of three government schools of Jigani to participate in various programs organized during the week at the site. Cultural activities such as drawing, essay competition, and a skit on domestic safety were organized for students and they were felicitated in a grand ceremony.

FINANCIAL REPORT

To

The Members,

The Directors are pleased to present the 29th Annual Report with the Audited Accounts for the financial year ended 31 March 2017.

₹ in Millions

1. FINANCIAL RESULTS

	2016-17	2015-16
Turnover	10,139	9,257
Profit before interest and depreciation	2,019	1,828
Interest	498	622
Profit before depreciation	1,521	1,206
Depreciation	691	673
Profit before taxation	829	533
Provision for taxation		
- Current tax	216	118
- Less MAT tax credit	(84)	(13)
- Deferred tax liability/(assets)	29	15
Profit after tax	668	413
Reserves and surplus	6,048	5,485
Dividend on equity share	49	82
Tax on dividend	10	17
Transfer to general reserve	100	50

2. COMPANY PERFORMANCE

Hikal has achieved a significant milestone by generating ₹ 10,000 million in revenue. Our total revenue grew by 10% to ₹10,139 million over the last year. The growth was mainly contributed by the Crop Protection division which grew by 15%, and the Pharmaceuticals division which grew by 6%. The growth in both the divisions was driven by higher off take of our products. Increased demand from our customers, along with launch of new products, has set a positive trend for the years to come.

Based on the current demand of our customers, we expect business to improve in both the Pharmaceutical and Crop Protection divisions. Our EBITDA is up by 10% to ₹ 2,019 million mainly due to increase in sales volumes to our customers.

We continue our cost rationalization initiatives introduced last year, which will help us to maintain our current margins with scope for improving it in coming years. For our working capital management, we have instituted strict norms over the last year which have shown results in the form of lower net operating working capital days as compared to the previous year.

Depreciation for the year increased marginally to ₹ 691 million from ₹ 673 million last year. During the year, gross fixed assets increased by ₹ 1,093 million due to an increase in capital assets (buildings, plants and equipment) in the Crop Protection and Pharmaceuticals divisions. Investments in our Crop Protection division were mainly to create a facility for a new product for a multinational company, increase capacity and to set up a new development and launch plant at Jigani, Bangalore. Apart from these efforts, we continue to invest in debottlenecking initiatives across our sites to improve performance and increase manufacturing capacity on an ongoing basis.

Our financing cost has reduced to ₹ 498 million vs. ₹ 622 million last year mainly due to replacing the high cost borrowings and reduction in interest rates and management of working capital. Our total debt outstanding as on 31 March 2017 was ₹ 5,062 million vs. ₹ 5,049 million on 31 March 2016, which has increased marginally due to fresh borrowing for capex. Our debt / equity ratio has improved to 0.81 vs. 0.89 last year. Last year, we worked on our debt consolidation program and consolidated our debt with fewer banks which helped us to lower our blended rate of interest.

The tax expense increased from ₹ 120 million to ₹ 161 million.

Our operational net profit after tax on a YoY basis has increased by 62% to ₹ 668 million.

As part of our sustainability strategy, we will be introducing several new products every year. Our product pipeline will enable us to introduce two new products in the near term (one to two years), two products in the medium term (three to five years) and two products in the long term (five years). The pipeline will be replenished every year with new products coming on stream, non-performing and lower margin products being replaced on a continual basis. This strategy will enable us to increase our product offerings and reduce our dependence on several legacy products, thereby de-risking the business. In crop protection, our target is to develop our own products which will help us to lower our dependency on some of our key contract manufactured molecules, the demand for which sometimes is very volatile and cyclical.

With a marginal improvement in the current environment, we were able to increase our revenues and maintain a healthy EBITDA margin of 20% along with lowering our working capital. The debt consolidation exercise helped us strengthen our balance sheet. With new products in our product pipeline, we are poised to reap the benefits of our capital investments.

The Company has consolidated its R&D operations at its Pune R&D Centre in the past two years. During the year, the Company sold the R&D unit at Bannerghatta Road, Bangalore.

Our long-term business strategy is being executed according to our plan. We strengthened our business development teams for the Crop Protection and Pharmaceutical divisions. Our primary objective is to develop a robust and diversified product mix of commercialized products. We recruited suitable talent for the Company to ensure that we will meet our future goals of profitable, sustainable growth. Our development product portfolio across both divisions is being commercialized, which will enable a larger throughput of products which contribute to the revenue stream.

The Board of Directors has recommended a dividend of 60% as compared to 50% for the previous year.

3. **EXPORTS**

Exports for the year are ₹ 6,612 million (65%of total sales) as compared to ₹ 7,317 million (79% of total sales) in the previous year. We have diversified our customer base which includes more local customers who in turn re-export our manufactured products.

4. **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis on the operations of the company is provided in a separate section and forms a part of the report.

5. **DIVIDEND**

The Board declared an interim dividend of 30% which was paid to shareholders in February 2017 (previous year: 25%) and a final dividend of 60% including the interim dividend for the year (previous year: 50%) has been recommended for the year 2016-17. During the year, your Company has transferred ₹ 100 million to the General Reserve.

6. **SHARE CAPITAL**

The paid up Equity Share Capital as at 31 March 2017 stood at ₹ 164.4 million. During the year under review, the Company has not issued shares with differential voting rights nor granted any stock options or sweat equity. As on 31 March 2017, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

7. **EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in form MGT-9, as required under Section 92 of the Companies Act, 2013, is included in this Report as “Annexure - A” and forms an integral part of this Report.

8. **SUBSIDIARY ACCOUNTS**

In terms of the approval granted by the Government of India, Ministry of Company Affairs under Section 129 (3) of the Companies Act, 2013, copies of the balance sheet, profit and loss account, directors' report and the report of the auditors of the subsidiary company Acoris Research Limited, have not been attached with the balance sheet of the Company. The Company has sold its stake in Hikal International B.V. in the month of December 2016. The Company will make available these documents/details upon request made by any shareholder of the Company interested in obtaining the documents/details and they can also be inspected at the registered office of the Company as well as of the subsidiary. Pursuant to the approval, a statement of the summarized financials of the subsidiary is attached along with the consolidated financial statements. Pursuant to Accounting Standard (AS) – 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements presented by the Company include the financial information of its subsidiary.

9. **DIRECTORS**

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Mr. Amit Kalyani, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Details of the number of Board meetings held during 2016-17 forms part of the Corporate Governance Report.

10. **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, like composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed on the basis of criterion such as qualification, experience, knowledge, skills, professional achievements etc. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

11. **WHISTLE BLOWER POLICY**

The Company has a whistle blower policy to report genuine concerns or grievances. The whistle blower policy has been posted on the website of the Company (www.hikal.com).

12. **REMUNERATION AND NOMINATION POLICY**

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board members. The details of this policy are explained in the Corporate Governance Report and is also put up on the website of the Company (www.hikal.com).

13. **RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were at an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval.

During the year under review, a relative of the Directors was reappointed to a place of profit for which shareholders' approval was obtained by way of postal ballot, the result of which was announced on 12 January 2017.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website *http://www.hikal.com/investors/pdf/Related%20Party%20Policy.pdf* None of the Directors has any pecuniary relationships or transactions vis-a-vis the Company.

14. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant and material orders passed by the Regulators/Courts that could impact the going concern status of the Company and its future operations.

15. **RISK MANAGEMENT**

The Company has a robust business risk management framework in place to identify and evaluate all business risks. The company recognizes that risk management is a crucial aspect of the management of the Company and is aware that identification and management of risk effectively is instrumental to achieving its corporate objectives.

The Company has identified the business risks and the business heads who are termed as risk owners, assess, monitor and manage these risks on an ongoing basis. The risk owners assess the identified risks and continually identify any new risks that can affect the business. Different risks such as technological, operational, maintenance of quality, reputational, competition, environmental, foreign exchange, financial, human resource, legal compliances among others are assessed on a continuous basis. The Risk Management Committee and Audit Committee review and submit to the Board of Directors their findings in the form of risk register at regular intervals. At the Board meetings, the members have a detailed discussion to assess each risk and the measures that are in place to lower them to acceptable limits.

The strategies are reviewed, discussed and allocation of appropriate resources is done as and when necessary. The risk management program, internal control systems and processes are monitored and updated on an ongoing basis. A built-up mechanism has been established to identify, measure, control, monitor and report the risks. Business heads are responsible for rolling out the risk assessment and management plan within the organisation.

16. **INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of the internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The Audit Committee of the Board of Directors actively reviews them, adequacy and effectiveness of the internal control systems and suggests improvements to strengthen them. The Company has a robust Management Information System, which is an integral part of the control mechanism.

During the year, a thorough audit of the internal financial controls was carried out by an independent firm of Chartered Accountants.

17. **KEY MANAGERIAL PERSONNEL**

The Company has appointed the following persons as Key Managerial Personnel.

Mr. Jai Hiremath, Chairman & Managing Director

Mr. Sameer Hiremath, President & Joint Managing Director (Whole Time Director)

Mr. Sham Wahalekar, Chief Financial Officer & Company Secretary

18. **PARTICULARS OF LOANS, GUARANTEES & INVESTMENTS BY THE COMPANY**

The details under Section 186 of the Companies Act, 2013 are given in the notes to the financial statements.

19. **DIRECTOR'S RESPONSIBILITY STATEMENT**

Your Directors state that:

(i) In the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule III to the Companies Act, 2013 (the Act), have been followed and there are no material departures from the same;

ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31 March 2017 and of the profit of the Company for that year;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) The annual accounts have been prepared on a going concern basis;

(v) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

(vi) The Directors have devised a proper system to ensure compliance with the provision of all applicable laws and that such systems are adequate and are operating effectively.

20. **AUDITOR**

M/s. B S R & Co. LLP, Chartered Accountants have been appointed for a term of five years commencing 2014-15 to 2018-19. Members are requested to ratify their appointment for the year 2017-18.

The Auditor's report to the members on the accounts of the Company for the year ended 31 March 2017 does not contain any qualifications, adverse or disclaimer remarks.

21. **COST AUDITOR**

The Company has re-appointed M/s.V. J.Talati & Co., as the Cost Auditor to carry out the audit of Cost Accounts for the financial year 2017-18. The Cost Audit report for the financial year 2015-16 was filed with the Ministry of Corporate Affairs, Government of India on 12 September 2016.

22. **SECRETARIAL AUDITOR**

The Board has appointed M/s. Ashish Bhatt & Associates, Practicing Company Secretaries, to conduct a Secretarial Audit for the financial year 2016-17.

The Secretarial Audit Report for the financial year ended 31 March 2017 is annexed herewith as “Annexure - B” to this Report. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.

23. **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website at:

http://www.hikal.com/investors/corporate_governance/pdf/Corporate_Social_Responsibility_Policy.pdf

Policy Statement:

As a socially responsible corporate member of the world community, with long term relationships, we believe that the future of our business is best served by respecting the interests of society at large. Through our efforts, we shall strive to improve the living standards of the community. Our CSR activities shall aim to make a difference to the lives of the needy, under privileged members of society including children, women and senior citizens and the environment.

The key philosophy of all CSR initiatives of the Company is guided by three core commitments of Scale, Impact and Sustainability. The Company has identified six focus areas of engagement which are as under:

- Health: Affordable solutions for healthcare through improved access, awareness and sanitation
- Education: Access to quality education, training, skill enhancement, enhancement of vocation skills
- Environment: Environmental sustainability, ecological balance, conservation of natural resources
- Protection of National Heritage, Art and Culture: Protection and promotion of traditional art, culture and heritage
- Overall development activities in surrounding areas of Hikal's manufacturing sites for the benefit of society
- Contribution to Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development or welfare

Implementation of the CSR Program

1. Project activities identified under CSR are to be implemented either by personnel of the Company or through a registered trust or a registered society.
2. The time duration of each project / program shall depend on its nature and intended impact.

The Company will also undertake other need based initiatives in compliance with Schedule VII of the Act. During the year, the Company has spent ₹ 13.96 million on CSR activities. Pursuant to the provisions of the Companies Act 2013, the Company should have spent ₹ 13.07 million (being 2% of the average net profits of the last three financial years), during the financial year 2016-17.

The Annual Report on CSR activities is annexed herewith marked as "Annexure - C".

24. SAFETY & ENVIRONMENT

The Company continued to maintain the highest standards in environment, health and safety. The Company has become the first Indian life sciences Company to receive the Responsible Care certification. It is applicable to all manufacturing and research sites of the Company. Continuous training and awareness programs for the employees are undertaken on a frequent basis.

25. PUBLIC DEPOSITS

The Company has not accepted any deposits and as such there are no overdue deposits outstanding as on 31 March 2017.

26. EMPLOYEES

The Company considers its human capital as an invaluable asset. The Company continued to have cordial relationships with all its employees. Management and employee development programs and exercises were conducted at all sites. Employees had various team building exercises and were sponsored for various external seminars and other developmental programs to enhance their skill sets. The total workforce of the Company stood at 1319 as on 31 March 2017.

As required by the provisions of Section 197 (12) of the Companies Act, 2013, read with Rule 5 (1) of the Companies (Appointment and Remuneration of Management Personnel) Rules, 2014, as amended, from time to time, is enclosed herewith as "Annexure - D"

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. Further, the report and the financial statements are being sent to the members excluding the aforesaid statement. In terms of Section 136 of the Companies Act, 2013, the said statement is open for inspection by the member at the registered office of the Company during business hours on working days of the Company up to the date of ensuing Annual General Meeting. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

27. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of Section 134 (3) (m) of the Companies Act, 2013, read with rule 8 (3) of the Companies (Accounts) Rules, 2014, a statement showing particulars with respect to conservation of energy, technology absorption and foreign earnings and outgo forming part of the Directors' Report, is given in the enclosed "Annexure -E" which forms part of this report.

28. CORPORATE GOVERNANCE

A report on Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of the code of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under the provisions of Regulation 34 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 are annexed to this Report.

29. ACKNOWLEDGEMENTS

The Board of Directors place on record their appreciation of the contribution and sincere support extended to the Company by our bankers, financial institutions and valued customers and suppliers.

The Board also places on record its appreciation for the impeccable service and generous efforts rendered by its employees at all levels, across the Board towards the overall growth and success of the Company.

30. CAUTIONARY STATEMENT

Statements in the Board's Report and the Management Discussion and Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

For and on behalf of the Board of Directors

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Date : 10 May 2017
Place : Mumbai

“Annexure A”
FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on Financial Year ended on 31 March 2017

(Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014)

I. REGISTRATION & OTHER DETAILS

1.	CIN	L24200MH1988PTC048028
2.	Registration Date	8 July 1988
3.	Name of the Company	HIKAL LIMITED
4.	Category/Sub-category of the Company	Public Company / Limited by Shares.
5.	Address of the Registered Office & contact details	717/718, Maker Chambers V, Nariman Point, Mumbai 400 021 – Tel: 91 22 6630 1801 / 2283 4587 Fax: 91 22 2283 3913 Website: www.hikal.com
6.	Whether listed Company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any	Universal Capital Securities Pvt. Ltd. 21, Shakil Niwas, Opp. Satya Sai Baba Mandir, Mahakali Caves Road, Andheri (East), Mumbai - 400093 Tel: 91 22 2820 7203 / 04/05 Fax: 91 22 2820 7207 Website: www.unisec.in, E-mail: info@unisec.in

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the Company shall be stated)

Sr. No.	Name and Description of main products / services	NIC Code of the products/services	% of total turnover of the Company
1	Pharmaceuticals	210.2100.21001	59.69
2	Agrochemicals	202.2021.20211	40.31
	Total		100.00

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Acoris Research Ltd. 603A Great Eastern Chambers Sector 11, Navi Mumbai 400614	U72100MH2000 PLC127909	Subsidiary	100%	Section 2(87)

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

I) CATEGORY - WISE SHARE HOLDING

Category code / Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoter and Promoter Group									
1 Indian									
(a) Individuals/ Hindu Undivided Family	7,863,400	-	7,863,400	9.57	7,863,400	-	7,863,400	9.57	-
(b) Central /State Govt(s)	-	-	-	-	-	-	-	-	-
(c) Bodies Corporate	48,115,110	-	48,115,110	58.53	48,115,110	-	48,115,110	58.53	-
(d) Banks / FI	-	-	-	-	-	-	-	-	-
(e) Any Others(Specify)	-	-	-	-	-	-	-	-	-
(e-i) Trusts	550,000	-	550,000	0.67	550,000	-	550,000	0.67	-
Sub Total(A)(1)	56,528,510	-	56,528,510	68.77	56,528,510	-	56,528,510	68.77	-
2 Foreign									
a NRIs - Individuals	-	-	-	-	-	-	-	-	-
b Other Individuals	-	-	-	-	-	-	-	-	-
c Bodies Corporate	-	-	-	-	-	-	-	-	-
d Institutions	-	-	-	-	-	-	-	-	-
e Qualified Foreign Investor									
f Any Others(Specify)	-	-	-	-	-	-	-	-	-
Sub Total(A)(2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	56,528,510	-	56,528,510	68.77	56,528,510	-	56,528,510	68.77	-
(B) Public shareholding									
1 Institutions									
(a) Mutual Funds / UTI	7,034,597	-	7,034,597	8.56	7,298,450	-	7,298,450	8.88	0.32
(b) Financial institutions / Banks	131,098	-	131,098	0.16	22,286	-	22,286	0.03	-0.13
(c) Central / State Govt(s)	-	-	-	-	-	-	-	-	-
(d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(e) Foreign institutional Investors	3,236,275	-	3,236,275	3.94	2,707,382	-	2,707,382	3.29	-0.64
(f) Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(g) Qualified Foreign Investors	-	-	-	-	-	-	-	-	-
(h) Insurance Companies	-	100,500	100,500	0.12	-	100,500	100,500	0.12	-
(i) Other (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B)(1)	10,401,970	100,500	10,502,470	12.78	10,028,118	100,500	10,128,618	12.32	-0.45
2 Non-institutions									
(a) Bodies Corporate	951,010	24,250	975,260	1.19	784,675	24,250	808,925	0.98	-0.20
(b) Individuals									
(i) Individual shareholders holding nominal share capital up to ₹1 lakh	5,482,546	486,560	5,969,106	7.26	5,453,733	464,060	5,917,793	7.20	-0.06
(ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh.	652,182	-	652,182	0.79	985,083	-	985,083	1.20	0.41
(c) Others (specify)									
(i) Clearing Members	348,069	-	348,069	0.42	343,116	-	343,116	0.42	-
(ii) Trusts	-	-	-	-	1,100	-	1,100	-	-
(iii) NRI / OCBs	303,353	-	303,353	0.37	229,731	-	229,731	0.28	-0.09
(iv) Foreign Nationals	121,550	-	121,550	0.15	121,550	-	121,550	0.15	-
(v) Foreign Corporate Body	68,00,000	-	68,00,000	8.27	6,766,731	-	6,766,731	8.23	-0.04
(vi) LLP / Partnership Firm	-	-	-	-	85,860	-	85,860	0.10	0.10
(vii) NBFC	-	-	-	-	3,993	-	3,993	-	-
(viii) HUF	-	-	-	-	279,490	-	279,490	0.34	0.34
Sub-Total (B)(2)	14,658,710	510,810	15,169,520	18 .45	15,055,062	488,310	15,543,372	18.91	0.45
(B) Total Public Shareholding (B)=(B)(1)+(B)(2)	25,060,680	611,310	25,671,990	31.23	25,083,180	588,810	25,671,990	31.23	-
TOTAL (A)+(B)	81,589,190	611,310	82,200,500	100.00	81,611,690	588,810	82,200,500	100.00	-
(C) Shares held by Custodians for GDRs & ADRs	-	-	-	-	-	-	-	-	-
GRAND TOTAL (A)+(B)+(C)	81,589,190	611,310	82,200,500	100.00	81,611,690	588,810	82,200,500	100.00	-

(ii) SHAREHOLDING OF PROMOTERS

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of change in shareholding during the year
		No. of shares	% of total shares of the Company	% of shares pledged /encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged /encumbered to total shares	
1	Anish Dilip Swadi	5,000	0.01	-	5,000	0.01	-	-
2	Jai V Hiremath	893,750	1.09	-	893,750	1.09	-	-
3	Pallavi J Hiremath	254,000	0.31	-	254,000	0.31	-	-
4	Pooja Hiremath	5,000	0.01	-	5,000	0.01	-	-
5	Sameer Hiremath	260,650	0.32	-	260,650	0.32	-	-
6	Sugandha Jai Hiremath	6,445,000	7.84	-	6,445,000	7.84	-	-
7	BF Investment Limited	2,182,250	2.65	-	2,182,250	2.65	-	-
8	Decent Electronics Pvt Ltd	33,000	0.04	-	33,000	0.04	-	-
9	Ekdant Investment Pvt Ltd	262,535	0.32	-	262,535	0.32	-	-
10	Kalyani Investment Company Limited	25,778,250	31.36	-	25,778,250	31.36	-	-
11	Karad Engineering Consultancy Pvt Ltd	42,500	0.05	-	42,500	0.05	-	-
12	Shri Badrinath Investment Pvt Ltd	13,276,575	16.15	-	13,276,575	16.15	-	-
13	Shri Rameshwara Investment Pvt Ltd	6,540,000	7.96	-	6,540,000	7.96	-	-
14	Sumer Trust	50,000	0.06	-	50,000	0.06	-	-
15	Rhea Trust	50,000	0.06	-	50,000	0.06	-	-
16	Nihal Trust	50,000	0.06	-	50,000	0.06	-	-
17	Anika Trust	50,000	0.06	-	50,000	0.06	-	-
18	Pooja Trust	50,000	0.06	-	50,000	0.06	-	-
19	Anish Trust	50,000	0.06	-	50,000	0.06	-	-
20	Pallavi Trust	125,000	0.15	-	125,000	0.15	-	-
21	Sameer Trust	125,000	0.15	-	125,000	0.15	-	-
	TOTAL	**56,528,510**	**68.77**	**-**	**56,528,510**	**68.77**	**-**	**-**

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (please specify, if there is no change)

		Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year			Cumulative Shareholding during the year	
Sl. No.	Name of the Promoter	No. of shares	% of total shares of the Company	Date	Resons	No. of shares	No. of shares	% of total shares of the Company
1.	Anish Dilip Swadi	5,000	0.01	1 April 2016	-	-	5,000	0.01
				31 March 2017	-	-	5,000	0.01
2.	Jai V Hiremath	893,750	1.09	1 April 2016	-	-	893,750	1.09
				31 March 2017	-	-	893,750	1.09
3.	Pallavi J Hiremath	254,000	0.31	1 April 2016	-	-	254,000	0.31
				31 March 2017	-	-	254,000	0.31
4.	Pooja Hiremath	5,000	0.01	1 April 2016	-	-	5,000	0.01
				31 March 2017	-	-	5,000	0.01
5.	Sameer Hiremath	260,650	0.32	1 April 2016	-	-	260,650	0.32
				31 March 2017	-	-	260,650	0.32
6.	Sugandha Jai Hiremath	6,445,000	7.84	1 April 2016	-	-	6,445,000	7.84
				31 March 2017	-	-	6,445,000	7.84
7.	BF Investment Limited	2,182,250	2.65	1 April 2016	-	-	2,182,250	2.65
				31 March 2017	-	-	2,182,250	2.65
8.	Decent Electronics Pvt Ltd	33,000	0.04	1 April 2016	-	-	33,000	0.04
				31 March 2017	-	-	33,000	0.04
9.	Ekdant Investment Pvt Ltd	262,535	0.32	1 April 2016	-	-	262,535	0.32
				31 March 2017	-	-	262,535	0.32
10.	Kalyani Investment Company Limited	25,778,250	31.36	1 April 2016	-	-	25,778,250	31.36
				31 March 2017	-	-	25,778,250	31.36
11.	Karad Engineering Consultancy Pvt Ltd	42,500	0.05	1 April 2016	-	-	42,500	0.05
				31 March 2017	-	-	42,500	0.05
12.	Shri Badrinath Investment Pvt Ltd	13,276,575	16.15	1 April 2016	-	-	13,276,575	16.15
				31 March 2017	-	-	13,276,575	16.15
13.	Shri Rameshwara Investment Pvt Ltd	6,540,000	7.96	1 April 2016	-	-	6,540,000	7.96
				31 March 2017	-	-	6,540,000	7.96
14.	Sumer Trust	50,000	0.06	1 April 2016	-	-	50,000	0.06
				31 March 2017	-	-	50,000	0.06
15.	Rhea Trust	50,000	0.06	1 April 2016	-	-	50,000	0.06
				31 March 2017	-	-	50,000	0.06
16.	Nihal Trust	50,000	0.06	1 April 2016	-	-	50,000	0.06
				31 March 2017	-	-	50,000	0.06
17.	Anika Trust	50,000	0.06	1 April 2016	-	-	50,000	0.06
				31 March 2017	-	-	50,000	0.06
18.	Pooja Trust	50,000	0.06	1 April 2016	-	-	50,000	0.06
				31 March 2017	-	-	50,000	0.06
19.	Anish Trust	50,000	0.06	1 April 2016	-	-	50,000	0.06
				31 March 2017	-	-	50,000	0.06
20.	Pallavi Trust	125,000	0.15	1 April 2016	-	-	125,000	0.15
				31 March 2017	-	-	125,000	0.15
21.	Sameer Trust	125,000	0.15	1 April 2016	-	-	125,000	0.15
				31 March 2017	-	-	125,000	0.15

(iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS
(other than Directors, Promoters and Holders of GDRs and ADRs)

		Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year			Cumulative Shareholding during the year	
Sl. No.	Name of the shareholder	No. of shares	% of total shares of the company	Date	Resons	No. of shares	No. of shares	% of total shares of the company
1	INTERNATIONAL FINANCE CORPORATION	6,800,000	8.27	1 April 2016	-	-	6,800,000	8.27
				10 Feb 2017	Sale	(8,092)	6,791,908	8.26
				17 Feb 2017	Sale	(25,177)	6,766,731	8.23
				31-Mar-2017	-	-	6,766,731	8.23
2	RELIANCE CAPITAL TRUSTEE COMPANY LIMITED A/C RELIANCE GROWTH FUND	5,887,295	7.16	01-Apr-2016	-	-	5,887,295	7.16
				08-Apr-2016	Purchase	20,000	5,907,295	7.19
				29-Apr-2016	Sale	(30,000)	5,877,295	7.15
				06-May-2016	Sale	(900)	5,876,395	7.15
				13-May-2016	Sale	(79,550)	5,796,845	7.05
				24-Jun-2016	Purchase	10,000	5,806,845	7.06
				30-Jun-2016	Purchase	20,000	5,826,845	7.09
				08-Jul-2016	Sale	(437,250)	5,389,595	6.56
				15-Jul-2016	Sale	(500,000)	4,889,595	5.95
				29-Jul-2016	Sale	(20,000)	4,869,595	5.92
				05-Aug-2016	Sale	(20,000)	4,849,595	5.90
				12-Aug-2016	Sale	(90,000)	4,759,595	5.79
				19-Aug-2016	Purchase	12,200	4,771,795	5.81
				16-Sep-2016	Purchase	18,900	4,790,695	5.83
				23-Sep-2016	Sale	(7,700)	4,782,995	5.82
				30-Sep-2016	Sale	(17,675)	4,765,320	5.80
				07-Oct-2016	Sale	(25,000)	4,740,320	5.77
				21-Oct-2016	Purchase	10,000	4,750,320	5.78
				28-Oct-2016	Sale	(120,000)	4,630,320	5.63
				18-Nov-2016	Purchase	50,000	4,680,320	5.69
				25-Nov-2016	Purchase	72,200	4,752,520	5.78
				02-Dec-2016	Sale	(27,950)	4,724,570	5.75
				31-Dec-2016	Purchase	25,000	4,749,570	5.78
				27-Jan-2017	Purchase	15,000	4,764,570	5.80
				03-Feb-2017	Purchase	15,000	4,779,570	5.81
				17-Feb-2017	Purchase	15,000	4,794,570	5.83
				03-Mar-2017	Purchase	17,700	4,812,270	5.85
				17-Mar-2017	Purchase	10,000	4,822,270	5.87
				24-Mar-2017	Purchase	25,000	4,847,270	5.90
				31-Mar-2017	-	-	4,847,270	5.90
3	GOVERNMENT PENSION FUND GLOBAL	1,350,000	1.64	01-Apr-2016	-	-	1,350,000	1.64
				07-Oct-2016	Sale	(1,664)	1,348,336	1.64
				14-Oct-2016	Sale	(7,336)	1,341,000	1.63
				28-Oct-2016	Sale	(31,000)	1,310,000	1.59
				04-Nov-2016	Sale	(2,993)	1,307,007	1.59
				11-Nov-2016	Sale	(2,387)	1,304,620	1.59
				18-Nov-2016	Sale	(9,620)	1,295,000	1.58
				25-Nov-2016	Sale	(1,602)	1,293,398	1.57
				13-Jan-2017	Sale	(53,398)	1,240,000	1.51
				03-Feb-2017	Sale	(4,750)	1,235,250	1.50
				31-Mar-2017	-	-	1,235,250	1.50
4	IDFC STERLING EQUITY FUND	-	-	01-Apr-2016	-	-	-	-
				08-Jul-2016	Purchase	537,893	537,893	0.65
				15-Jul-2016	Purchase	502,686	1,040,579	1.27
				28-Oct-2016	Sale	(9,118)	1,031,461	1.25
				04-Nov-2016	Sale	(7,541)	1,023,920	1.25
				02-Dec-2016	Sale	(6,503)	1,017,417	1.24
				31-Mar-2017	-	-	1,017,417	1.24

(iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS
(other than Directors, Promoters and Holders of GDRs and ADRs)

		Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year			Cumulative Shareholding during the year	
Sl. No.	Name of the shareholder	No. of shares	% of total shares of the company	Date	Resons	No. of shares	No. of shares	% of total shares of the company
5	CANARA ROBECO MUTUAL	663,331	0.81	01-Apr-2016	-	-	663,331	0.81
	FUND A/C CANARA ROBECO			22-Apr-2016	Purchase	10,000	673,331	0.82
	EMERGING EQUITIES			13-May-2016	Purchase	17,116	690,447	0.84
				20-May-2016	Purchase	5,215	695,662	0.85
				28-Oct-2016	Purchase	192,000	887,662	1.08
				16-Dec-2016	Purchase	92,715	980,377	1.19
				13-Jan-2017	Purchase	25,000	1,005,377	1.22
				20-Jan-2017	Purchase	5,000	1,010,377	1.23
				31-Mar-2017	-	-	1,010,377	1.23
6	DANSKE INVEST SICAV-SIF- EMERGING	1,379,509	1.68	01-Apr-2016	-	-	1,379,509	1.68
	AND FRONTIER MARKETS SMID			24-Apr-2016	Sale	(10,500)	1,369,009	1.67
				08-Jul-2016	Sale	(20,000)	1,349,009	1.64
				23-Sep-2016	Sale	(39,015)	1,309,994	1.59
				30-Sep-2016	Sale	(46,050)	1,263,944	1.54
				07-Oct-2016	Sale	(63,000)	1,200,944	1.46
				21-Oct-2016	Sale	(41,550)	1,159,394	1.41
				28-Oct-2016	Sale	(70,835)	1,088,559	1.32
				16-Dec-2016	Sale	(50,000)	1,038,559	1.26
				13-Jan-2017	Sale	(71,000)	967,559	1.18
				31-Mar-2017	Sale	(170,300)	797,259	0.97
7	CANARA ROBECO MUTUAL	396,271	0.48	01-Apr-2016	-	-	396,271	0.48
	FUND A/C CANARA ROBECO			26-Aug-2016	Purchase	30,000	426,271	0.52
	EQUITY TAX SAVER			03-Feb-2017	Sale	(2,885)	423,386	0.52
				31-Mar-2017	-	-	423,386	0.52
8	GAURISHANKAR NEELKANTH KALYANI	283,500	0.34	01-Apr-2016	-	-	283,500	0.34
				31-Mar-2017	-	-	283,500	0.34
9	AJAY UPADHYAYA	42,400	0.05	01-Apr-2016	-	-	42,400	0.05
				08-Apr-2016	Purchase	22,265	64,665	0.08
				15-Apr-2016	Purchase	15,335	80,000	0.10
				13-May-2016	Purchase	86,123	166,123	0.20
				20-May-2016	Purchase	5,055	171,178	0.21
				03-Jun-2016	Sale	(96,178)	75,000	0.09
				17-Jun-2016	Purchase	800	75,800	0.09
				24-Jun-2016	Purchase	2,623	78,423	0.10
				30-Jun-2016	Purchase	21,577	100,000	0.12
				08-Jul-2016	Purchase	100,000	200,000	0.24
				15-Jul-2016	Purchase	25,000	225,000	0.27
				05-Aug-2016	Purchase	25,000	250,000	0.30
				23-Sep-2016	Purchase	9,798	259,798	0.32
				30-Sep-2016	Purchase	40,202	300,000	0.36
				03-Mar-2017	Sale	(17,093)	282,907	0.34
				10-Mar-2017	Sale	(250)	282,657	0.34
				31-Mar-2017	Sale	(2,657)	280,000	0.34
10	SRL Impex Pvt. Ltd.	175,000	0.21	01-Apr-2016	-	-	175,000	0.21
				31-Mar-2017	-	-	175,000	0.21

(v) SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Baba Kalyani	15,000	0.02	15,000	0.02
2.	Shivkumar Kheny	30,750	0.04	30,750	0.04
3.	Kannan Unni	10,000	0.01	10,000	0.01
4.	Prakash Mehta	9,850	0.01	9,850	0.01
5.	Amit Kalyani	Nil	-	Nil	-
6.	Sameer Hiremath	260,650	0.32	260,650	0.32
7.	Sugandha Hiremath	6,445,000	7.84	6,445,000	7.84
8.	Jai Hiremath	893,750	1.09	893,750	1.09
9.	Dr. Wolfgang Welter	Nil	-	Nil	-
10.	Dr. Axel Kleemann	Nil	-	Nil	-
11.	Sham Wahalekar	9,000	0.01	9,000	0.01

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

₹ in Million

	Secured Loans excluding Deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i. Principal Amount	5,049.47	-	5,049.47
ii. Interest due but not paid	-	-	-
iii. Interest accrued but not due	25.43	-	25.43
Total (i+ii+iii)	5,074.90	-	5,074.90
Change in Indebtedness during the financial year (net Change)	7.71	-	7.71
Indebtedness at the end of the Financial year			
i. Principal Amount	5,061.87	-	5,061.87
ii. Interest due but not paid	-	-	-
iii. Interest accrued but not due	20.74	-	20.74
Total (i+ii+iii)	5,082.61	-	5,082.61

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

₹ in Million

Sr. No.	Particulars of Remuneration	Name of MD / WTD / Manager		Total Amount
		Jai Hiremath Chairman & Managing Director	Sameer Hiremath President & Joint Managing Director	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	25.14	15.39	40.53
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	4.74	0.92	5.66
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	9.00	9.00	18.00
	- as % of Profit	1%	1%	2%
	- others, specify	-	-	-
5.	Others, please specify	-	-	-
	Total (A)	38.88	25.31	64.19
	Ceiling as per the Act @ 10% of profit calculated under Section 198 of the Companies Act, 2013			89.80

B. Remuneration to other directors:

Sr. No.	Particulars of Remuneration	Name of Directors								Total Amount
		Baba Kalyani NED	Amit Kalyani NED	Sugandha Hiremath NED	K K Unni NEID	Prakash Mehta NEID	S M Kheny NEID	Wolfgang Welter NEID	Axel Kleemann NEID	
1	Independent Directors									
	(a) Fee for attending board / Committee meetings	-	-	-	0.80	0.70	0.70	0.25	0.25	2.70
	(b) Commission	-	-	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-	-	-
	Total (1)	-	-	-	0.80	0.70	0.70	0.25	0.25	2.70
2	Other Non-Executive Directors									
	(a) Fee for attending board / Committee meetings	0.15	0.10	0.80	-	-	-	-	-	1.05
	(b) Commission	-	-	-	-	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-	-	-	-	-
	Total (2)	0.15	0.10	0.80	-	-	-	-	-	1.05
TOTAL (B) = (1 + 2)		**0.15**	**0.10**	**0.80**	**0.80**	**0.70**	**0.70**	**0.25**	**0.25**	**3.75**
Total Managerial Remuneration		-	-	-	-	-	-	-	-	**67.94**
Ceiling as per the Act @ 1% of profit calculated under Section 198 of the Companies Act, 2013										**8.98**

NED = Non Executive Director and NEID – Non Executive Independent Director

C. Remuneration to key managerial personnel other than md/manager/wtd

Sr. No.	Particulars of Remuneration	Name of the KMP Sham Wahalekar, Company Secretary & CFO
1	Gross Salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9.68
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.35
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	-
	- as % of Profit	-
	- others, specify	-
5	Others, please specify	-
	Total	10.03

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A.	COMPANY				
	Penalty Punishment Compounding		Not Applicable		
B.	DIRECTORS				
	Penalty Punishment Compounding		Not Applicable		
C.	OTHER OFFICERS IN DEFAULT				
	Penalty Punishment Compounding		Not Applicable		

"Annexure - B"

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Hikal Limited
717/718 Maker Chambers V,
Nariman Point, Mumbai- 400021
Maharashtra

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Hikal Limited (hereinafter called the Company). The Secretarial Audit was conducted in a manner which provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31 March 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2017 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment, External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during audit period);
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during audit period)
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during audit period);
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during audit period); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during audit period);

(vi) We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company. The list of major head/groups of Acts, Laws and Regulations as applicable to the Company is given in Annexure I.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with the Stock Exchange(s);

(iii) Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings and agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has not passed any special resolutions which are having major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

For Ashish Bhatt & Associates

Ashish Bhatt
Practicing Company Secretary
FCS No: 4650
C.P. No. 2956

Place: Thane
Date: 10 May 2017

Annexure I

List of applicable laws to the Company

Under the Major Group and Head

1. Drugs & Cosmetics Act, 1940,
2. Drugs (Prices Control) Order 2013.
3. Factories Act, 1948;
4. Industries (Development & Regulation) Act, 1951
5. Labour Laws and other incidental laws related to labour and employees appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;
6. Acts prescribed under prevention and control of pollution;
7. Acts prescribed under Environmental protection;
8. Acts as prescribed under Direct Tax and Indirect Tax
9. Land Revenue laws of respective States;
10. Labour Welfare Act of respective States;
11. Trade Marks Act 1999.
12. The Legal Metrology Act, 2009

For Ashish Bhatt & Associates

Ashish Bhatt
Practicing Company Secretary
FCS No: 4650
C.P. No. 2956

Place: Thane
Date : 10 May 2017

"Annexure - C"

THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:
   As mentioned at Sr. No.23 of the Directors' Report.
2. The composition of the CSR Committee:
   Mr. Jai Hiremath - Chairman & Managing Director, Mr. Sameer Hiremath - President & Joint Managing Director, Mr. Prakash Mehta - Independent Non-Executive Director. Mrs. Sugandha Hiremath, Non-Executive Director w.e.f. 1 February 2017. Mr. Jai Hiremath is the Chairman of the Company's CSR Committee.
3. Average net profit of the Company for last three financial years:
   ₹ 653.50 million
4. Prescribed CSR Expenditure (two percent of the amount as mentioned in item 3 above):
   ₹ 13.07 million
5. Details of CSR spent during the financial year:
   a) Total amount to be spent for the financial year: ₹13.96 million
   b) Amount un-spent, if any: NIL
   c) Manner in which the amount was spent during financial year, is detailed below :

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs (1) Direct Expenditure on projects or programs (2) Overheads	Cumulative Expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Development of Vastu Sangrahalaya	Protection of National Heritage	Local Area, Mumbai	6.500 million	3.500 million	6.500 million	Direct
2.	Education	Education	Navi Mumbai, Maharashtra	0.021 million	0.021 million	0.021 million	Indirect
3.	Promoting preventive health care & sanitation	Promoting preventive health care & sanitation	Navi Mumbai, Maharashtra	0.075 million	0.073 million	0.073 million	Direct
4.	Promoting vocational skills	Education	Mumbai, Maharashtra	4.500 million	1.000 million	2.500 million	Indirect
5.	Ensuring Environment & Ecological Balance	Ensuring Environment & Ecological Balance	Navi Mumbai, Maharashtra	Nil	0.600 million	0.600 million	Direct
6.	Education & Promoting vocational skills	Education	Taloja, Maharashtra	0.280 million	0.290 million	0.290 million	Direct
7.	Education	Education	Maharashtra	Nil	0.115 million	0.115 million	Indirect
8.	Support towards education by building the infrastructure	Education	Mahad, Maharashtra	4.710 million	4.710 million	4.710 million	Indirect
9.	Education	Education	Panoli, Gujarat	0.050 million	0.106 million	0.106 million	Direct
10.	Ensuring Environment & Ecological Balance	Ensuring Environment & Ecological Balance	Panoli, Gujarat	0.039 million	0.002 million	0.002 million	Direct
11.	Providing Medical Facility / Aid	Providing Medical Facility / Aid	Panoli, Gujarat	0.800 million	0.800 million	0.800 million	Indirect
12.	Promoting preventive health care & sanitation	Promoting preventive health care & sanitation	Panoli, Gujarat	1.940 million	1.940 million	1.940 million	Indirect
13.	Faculty Development Program, Distributing school uniform, Education & Promoting vocational skills, Support towards education by building the infrastructure etc.	Education	Jigani, Karnataka	0.525 million	0.586 million	0.586 million	Direct
14.	Promoting preventive health care & sanitation & making available safe drinking water	Promoting preventive health care & sanitation	Jigani, Karnataka	0.165 million	0.179 million	0.179 million	Direct
15.	Laying of grass, Lawn Edging work at Government school	Environment Sustainability	Jigani, Karnataka	Nil	0.037 million	0.037 million	Direct
	TOTAL			**19.605 million**	**13.959 million**	**18.459 million**	

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, reasons for not spending the amount in its Board Report: Not Applicable
7. A responsibility statement of the Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company:

The implementation and monitoring of the CSR Policy, is in compliance with the CSR objectives and policy of the Company.

Jai Hiremath
Chairman & Managing Director and
Chairman of CSR Committee
DIN: 00062203

Mumbai
10 May 2017

"Annexure - D"

A) Remuneration to Directors and Key Managerial Personnel

I. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY2016-17, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY2016-17 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sr. No.	Name of Director / KMP and designation	Remuneration ₹ in million	% increase in remuneration FY 2016-17	Ratio of remuneration of each Director to Median remuneration of Employees
1	Jai Hiremath Chairman & Managing Director	38.88	18.94	90.42:1
2	Sameer Hiremath President & Joint Managing Director	25.31	24.13	58.86:1
3	Sugandha Hiremath Non-Executive Director	0.80	NA	1.86:1
4	Baba Kalyani Non-Executive Director	0.15	NA	0.35:1
5	Amit Kalyani Non-Executive Director	0.10	NA	0.23:1
6	Kannan Unni Independent Director	0.80	NA	1.86:1
7	Prakash Mehta Independent Director	0.70	NA	1.63:1
8	Shivkumar Kheny Independent Director	0.70	NA	1.63:1
9	Wolfgang Welter Independent Director	0.25	NA	0.58:1
10	Axel Kleemann Independent Director	0.25	NA	0.58:1
11	Sham Wahalekar CFO & Company Secretary	10.03	10.22	23.33:1

ii. The median remuneration of employees of the Company during FY2016-17 was ₹4,29,750/-;

iii. In the financial year, there was an increase of 8% in the median remuneration of employees;

iv. There were 1319 permanent employees on the rolls of the Company as on 31 March 2017;

v. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. FY 2016-17 was 8%. As regards Managerial Remuneration, details of remuneration paid to Whole-Time Directors are given in a tabular format earlier in this Report. Percentage increase of Managerial Remuneration in the last financial year i.e. FY 2016-17 was 20.93%.

vi. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

B) None of the Whole-Time Directors received any commission nor any remuneration from any of the Company's subsidiaries.

"Annexure - E"

INFORMATION AS PER SECTION 134 (3) (m) READ WITH RULE 8 (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017.

I. CONSERVATION OF ENERGY

Energy conservation is integral to Hikal's business philosophy. We aggressively implement and monitor conservation initiatives at all our sites to reduce our carbon footprint as well as reduce fuel and power costs. Here are some of the energy conservation activities we have undertaken at some of our key sites:

A) Steps taken for conservation of energy:

- Replacement of old utility pumps with new pumps with better energy efficiency
- Replacement of conventional gearbox with planetary gearbox
- Achievement of 3.5% reduction in overall water consumption by ensuring reuse of condensate by CPU unit
- Replacement of CFL/ Sodium vapor street lamps and GSL lamps in plants with LED lamps
- Replacement of two old reciprocating type chillers with a new vapor absorption (VAM) chiller to achieve reduction of power consumption
- Reduction in distribution heat loss from hot oil lines by providing them more effective insulation as compared to conventional insulation
- Harmonics control, power factor improvement and maximum demand control to improve power quality and to reduce equipment failures
- Use of spent MEOH from one of the processes to replace brine media
- Wash water recycling for water conservation

B) Steps taken by the Company for utilizing alternative sources of energy:

- Reduction in consumption of fossil fuels in boiler burners by replacing furnace oil with briquettes
- Co-generation facility for jointly producing electricity and usable heat
- Purchase of power generated by using wind energy

C) Capital investment on energy conservation equipment:

- Reduction of Water wastage in boiler condensate by installing a Positive power pack condensate pump and by pumping back the boiler condensate to boiler feed
- Replacement of gearbox, fan blade, drive shaft by carbon fiber shaft, upgradation of motors to improve cooling tower performance
- In-house heat recovery system installed to reduce steam consumption
- Reduction of steam consumption by upgradation of MEE
- Installation of condensate collection system for steam tracing piping for recycling of condensate hot water
- Installation of dry vacuum pumps to reduce water consumption
- Installation of buffer air receiver to reduce loading on compressor.

II. TECHNOLOGY ABSORPTION

A) Efforts made towards technology absorption:

Generic API Development

As part of our product portfolio expansion strategy, we need to continuously develop and launch products with novel processes such as greener alternatives which offer cost advantages. This year we filed three new US DMFs as part of our pharmaceutical portfolio. We plan to file an additional five new DMFs in the coming year.

Contract Manufacturing Projects for Pharmaceutical division

A key target of our R&D effort is to support contract manufacturing opportunities for originator companies either for new molecules in development or as lifecycle extensions of existing active pharmaceutical ingredients (APIs) in the human as well as the animal health sectors. We are currently working with companies in North America, Europe and Japan for projects in phase II and phase III clinical trials. We are working on developing innovative processes for several early stage development molecules. We use technology and chemistry to develop cost-effective processes for these molecules. Hikal has supported a Global big pharma companies in US & Japan with the deliveries of Key Starting Materials (KSMs) involving multi-step complex organic synthesis. Reloads of several other Global projects are a testimony to our supply capability.

Contract Manufacturing Projects for the Crop Protection division

Several contract manufacturing opportunities for originator companies in Europe and Japan have progressed to commercialization this year. These range from technical transfer of existing commercial products to the development of new products in late stage development. We anticipate that Hikal will be the launch partner for the manufacture of several novel products in the coming years.

Contract Development for External Customers

This area has been strategized to support external customers in pharma, animal health and crop protection to work on the process development of 'difficult-to-synthesize' regulatory starting materials and intermediates that are in the advanced stages of development. Once laboratory process technologies have been established, further development and scale-up is undertaken in Hikal's state-of-the-art kilo labs and pilot plants. While intellectual property in contract development is retained by the customer, this does not reduce the potential of such projects to become exclusive long-term manufacturing opportunities for our pharma and crop protection manufacturing divisions. Several new molecules at various stages of development have been worked on in R&D. We expect to take these molecules through the various stages of the lifecycle ending in commercialization.

B) Benefits derived like product improvement, cost reduction, product development or import substitution:

The company has benefited tremendously through innovation at R&D. Several improvements have been made to existing processes of commercial products reducing the use of solvents and energy, thereby saving cost. These processes are far more efficient than what the company was utilizing earlier. These initiatives save cost, increase capacity utilization and are beneficial to the environment. In order to de-risk imports of raw materials, we have also developed local sources to manufacture several early stage raw materials in line with the "Make in India" initiative. We have established proof of concept for two continuous manufacturing processes for existing products which will have a positive impact on cost and capacity utilization once implemented.

C) Details regarding imported technology (imported during last three years, reckoned from the beginning of the financial year):

We have not imported or licensed any technology over the last three years.

₹ in Million

D) Expenditure on R & D	2016-17	2015-16
I) Capital	17.75	40.73
ii) Recurring	344.25	306.97
Total	362.00	347.70
iii) Total R&D expenditure as a percentage of total turnover	3.57%	3.75%

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Total foreign exchange used and earned:

Used : ₹ 3,304 Million (Previous year ₹ 2,734 Million)

Earned : ₹ 6,612 Million (Previous year ₹ 7,317 Million)

For and on behalf of the Board of Directors

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Date : 10 May 2017
Place : Mumbai

Report on Corporate Governance : 2017

The Company has complied with the provisions of Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 relating to the Corporate Governance. The Company has constituted various committees and discloses various information to the public through its Annual Reports, web-site, press releases, etc.

I. OUR CORPORATE GOVERNANCE PHILOSOPHY

Hikal's philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all dealings with shareholders, employees, Government and lenders. The Company's guiding principles achieve the highest standards of corporate governance. Our corporate governance report for fiscal 2017 forms part of this Annual Report.

II. BOARD OF DIRECTORS

The present strength of the Board of Directors is 10, whose composition is given below:

A Composition and category :

JAI HIREMATH — Executive Director
Chairman & Managing Director
DIN:00062203

SAMEER HIREMATH — Executive Director
President & Joint Managing Director
DIN:00062129

SUGANDHA HIREMATH — Non-Executive Director
DIN:00062031

BABA KALYANI — Non-Executive Director
DIN:00089380

AMIT KALYANI — Non-Executive Director
DIN:00089430

KANNAN UNNI — Independent, Non-Executive Director
DIN:00227858

PRAKASH MEHTA — Independent, Non-Executive Director
DIN:00001366

SHIVKUMAR KHENY — Independent, Non-Executive Director
DIN:01487360

WOLFGANG WELTER — Independent, Non-Executive Director
DIN:00580197

AXEL KLEEMANN — Independent, Non-Executive Director
DIN:02977521

Mrs. Sugandha Hiremath is wife of Mr. Jai Hiremath, Mother of Mr. Sameer Hiremath and sister of Mr. Baba Kalyani.

Mr. Amit Kalyani is son of Mr. Baba Kalyani

The attendance of each Director at the Board, last Annual General Meeting and number of other Directorship and Chairmanship/Membership of Committees of each Director in various Companies is as under:

Name of Director	Attendance		Directorships (excluding Directorship in Private Companies)*	Committee Memberships#	Committee Chairmanships
	Board Meeting	Last AGM			
JAI HIREMATH	4	Yes	2	1	1
SAMEER HIREMATH	4	Yes	1	-	-
SUGANDHA HIREMATH	4	Yes	-	2	-
BABA KALYANI	2	No	7	4	1
AMIT KALYANI	1	No	6	1	-
KANNAN UNNI	3	Yes	3	3	3
PRAKASH MEHTA	3	Yes	6	9	3
SHIVKUMAR KHENY	4	No	8	4	-
WOLFGANG WELTER	3	No	-	-	-
AXEL KLEEMANN	3	No	-	-	-

* excludes directorship in own Company

 # includes membership / chairmanship in own Company (for committee membership Audit Committee and Stakeholders' Relationship Committee is considered)

B **Board Procedure :**

Board members are given appropriate documents and information in advance of each Board and Committee. To enable the Board to discharge its responsibilities effectively, the Chairman & Managing Director reviews Company's overall performance.

C **Succession Plan :**

The Nomination and Remuneration Committee works with the Board on the leadership succession plan and prepares contingency plans for succession in case of any exigencies.

D **Details of Board of Directors Meetings held during the year :**

The Board met 4 (four) times during the financial year, details of which are as follows:

1) 6 May 2016 (2) 10 August 2016 (3) 9 November 2016 (4) 1 February 2017

The maximum interval between any two meetings did not exceed 120 days, as prescribed in the Companies Act, 2013.

E **Nomination and Remuneration Policy :**

In framing its remuneration policy, the Nomination and Remuneration Committee / Board of Directors take into consideration the remuneration practices of companies of a size and standing similar to the Company.

The Executive Directors are paid remuneration as per the Agreements entered between them and the Company. These Agreements are placed for approval before the Nomination and Remuneration Committee, Board and the shareholders and such authorities as may be necessary. The remuneration structure of the Executive Directors consists of salary, commission, perquisites and allowances, contributions to provident fund and gratuity. Commission varies with profit whereas other components are fixed. The non-executive Directors do not draw any remuneration from the Company except sitting fees.

Remuneration to Directors for the year ended 31 March 2017.

i) Remuneration to Non-Directors

The Non-executive Directors are paid sitting fees of ₹100,000/- (Rupees One Lakh only) for each meeting of the Board and Committees thereof except Share Transfer Committee meeting attended by them. The Board of Directors of the Company at their meeting held on 6 May 2016 increased the payment of sitting fees from ₹ 50,000/- (Rupees Fifty Thousand only) to ₹ 100,000/- (Rupees One Lakh only) w.e.f. August 2016:

Director	Sitting Fees (₹ in million)
Baba Kalyani	0.15
Prakash Mehta	0.70
Shivkumar Kheny	0.70
Kannan Unni	0.80
Sugandha Hiremath	0.80
Axel Kleemann	0.25
Wolfgang Welter	0.25
Amit Kalyani	0.10

ii) Remuneration to Executive Directors

₹ in millon

Name of the Director	Salary & Perquisites	Commission	Total
Jai Hiremath	29.88	9.00	38.88
Sameer Hiremath	16.31	9.00	25.31

Shareholding of Non executive Directors in the Company:

Name of the Director	Number of shares held
Baba Kalyani	15,000
Prakash Mehta	9,850
Shivkumar Kheny	30,750
Kannan Unni	10,000
Sugandha Hiremath	6,445,000
Axel Kleemann	Nil
Wolfgang Welter	Nil
Amit Kalyani	Nil

The details of programs for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are uploaded on the Company's website at the link; *http://www.hikal.com/investors/corporate_governance.htm/Familiarisation-Programme-for-Independent-Director*

III. COMMITTEES OF THE BOARD

Currently, the Board has six committees, Audit Committee, Share Transfer Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Risk Management Committee.

A. Audit Committee

Composition

The Committee consists of Mr. Kannan Unni, Independent Non-Executive Director, Mr. Prakash Mehta, Independent Non-Executive Director, Mr. Shivkumar Kheny, Independent Non-Executive Director and Mrs. Sugandha Hiremath, Non-Executive Director, Mr. Kannan Unni is the Chairman of Audit Committee.

The terms of reference of the Audit Committee include :

1. To review the company's systems of internal control and to ensure that an adequate system of internal audit exists and is functioning.
2. To ensure compliance of internal control systems and action taken on internal audit reports.
3. To establish accounting policies.
4. To review financial statements and pre publication announcements before submission to the Board.
5. To apprise the Board of the impact of accounting policies, accounting standards and legislation.
6. To review the Company's financial and risk management policies.

The Audit Committee invites such executives, as it considers appropriate, representatives of the Statutory Auditors and representatives of the Internal Auditors/Cost Auditors to be present at its meetings. The Company Secretary acts as the Secretary to the Audit Committee.

Meetings and Attendance

The Audit Committee met 4 (four) times during the financial year, the details of which are as under :

1) 6 May 2016 (2) 10 August 2016 (3) 9 November 2016 (4) 1 February 2017.

The attendance of the Committee meetings is as under:

Name of the Director	Number of meetings attended
Kannan Unni	4
Prakash Mehta	3
Shivkumar Kheny	4
Sugandha Hiremath	4

B. Share Transfer Committee

The Share Transfer Committee consists of Mrs. Sugandha Hiremath, Director (Non-Executive), Mr. Jai Hiremath, Chairman & Managing Director (Executive), and Mr. Sameer Hiremath, President & Joint Managing Director (Executive). Mrs. Sugandha Hiremath is the Chairperson of the Share Transfer Committee.

The share transfer committee met 4 (four) times during the financial year, the details of which are as under:

1) 12 April 2016 (2) 8 June 2016 (3) 9 November 2016 (4) 21 February 2017.

The attendance of the Committee meetings is as under:

Name of the Director	Number of meetings attended
Sugandha Hiremath	4
Jai Hiremath	4
Sameer Hiremath	3

C. Stakeholders Relationship Committee

The Committee consists of Mr. Kannan Unni, Independent Non-Executive Director, Mr. Prakash Mehta, Independent Non-Executive Director and Mrs. Sugandha Hiremath, Non-Executive Director. Mr. Unni is the Chairman of the Stakeholders Relationship Committee.

The Committee looks into redressal of shareholders/investors' complaints. No complaint was outstanding as on 1 April 2016. During the year one complaint was received from shareholder/investor and the same was resolved. Thus, no complaints were outstanding as on 31 March 2017.

The Stakeholder Relationship Committee was held on 1 February 2017.

The attendance of the Committee meetings is as under:

Name of the Director	Number of meetings attended
Kannan Unni	1
Prakash Mehta	1
Sugandha Hiremath	1

Compliance Officer

The Board has designated Mr. Sham Wahalekar, Sr. Vice President Finance & Company Secretary as the Compliance Officer.

D. Nomination and Remuneration Committee

The Committee consists of Mr. Kannan Unni, Independent Non-Executive Director, Mr. Baba Kalyani, Non-Executive Director and Mr. Prakash Mehta, Independent Non-Executive Director. Mr. Unni is the Chairman of the Nomination and Remuneration Committee. The terms of reference of Nomination and Remuneration Committee includes fixing and revision of remuneration packages of the Chairman & Managing Director and President and Joint Managing Director, and recommendation of the same to the Board for approval and review. During the year no appointment/re-appointment/revision in the managerial remuneration took place and therefore no meeting of the Nomination and Remuneration Committee, was conducted during the year 2016-17.

E. Corporate Social Responsibility Committee

The Committee consists of Mr. Jai Hiremath - Chairman & Managing Director, Mr. Sameer Hiremath - President & Joint Managing Director and Mr. Prakash Mehta - Independent Non-Director. Mr. Jai Hiremath is the Chairman of the Corporate Social Responsibility Committee. The Board of Directors of the Company at their meeting held on 1 February 2017 reconstituted the Corporate Social Responsibility Committee of the Company by inducting Mrs. Sugandha Hiremath, Non-Executive Director as the new Member of the said Committee. With this appointment now Corporate Social Responsibility Committee consists of 4 (four) members. The said CSR committee will consider, review, and amend the CSR policy/initiatives. The committee is responsible for preparation of a detailed plan on CSR activities including expenditure and type of activities and recommend the same to the Board of Directors It is also responsible for monitoring the mechanism for CSR activities.

During the year 2016-17 one meeting was held on 1 February 2017.

The attendance of the Committee meetings is as under:

Name of the Director	Number of meetings attended
Jai Hiremath	1
Sameer Hiremath	1
Prakash Mehta	1
Sugandha Hiremath	NA

F. Risk Management Committee

The Committee consists of Mr. Jai Hiremath - Chairman & Managing Director, Mr. Sameer Hiremath - President & Joint Managing Director, Mr. Kannan Unni - Independent Non-Executive Director, and Mr. Prakash Mehta - Independent Non-Executive Director. Mr. Jai Hiremath is the Chairman of the Risk Management Committee. The terms of reference of the Risk Management Committee include periodically reviewing the risk management and minimization procedure vis-à-vis the Company. No meeting took place during the year 2016-17. Requirement of Risk Management Committee as per the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company. However, the risk management and minimization procedures are periodically reviewed at the Audit Committee and Board Meeting.

IV. GENERAL BODY MEETING

The details of Annual General Meetings held in the last 3 years are as under:

Financial Year	Location	Day, Date & Time	Special Resolutions Passed
2013-2014	Centrum Hall 'A', 1 Floor, Centre 1, World Trade Centre, Mumbai – 400 005.	Tuesday, 26 August 2014 11.00 AM	Resolution under the provisions of Section 180 (1)(a) & 180 (1)(c) and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) in respect of authorization given in favor of Board of Directors for borrowing/creation of mortgages/charges/hypothecation in favour of lenders upto an amount not exceeding ₹ 7,500 million.
2014-2015	Centrum Hall 'A', 1 Floor, Centre 1, World Trade Centre, Mumbai – 400 005.	Wednesday, 12 August 2015 11.00 AM	Resolution under Section 14 of the Companies Act, 2013 passed to alter Articles of Association by insertion of new Article No. 183 in respect of appointment of an individual as Chairman & Managing Director at the same time.
2015-2016	Centrum Hall 'A', 1 Floor, Centre 1, World Trade Centre, Mumbai – 400 005.	Wednesday, 10 August 2016 3.30 PM	No Special Resolution was passed at the meeting.

Postal Ballot

Special Resolutions passed during the last three years by way of postal ballot pursuant to the provisions of Section 110 of Companies Act, 2013 read with the Companies (Management and Administration) Rules 2014:

1. Company sought consent from the Shareholders by way of Special Resolution through postal ballot/e-voting for appointment of Mr. Anish Swadi, as Head Business Development & Strategy at a remuneration as mentioned in the notice, pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act 2013.

   Mr. Ashish C. Bhatt of M/s. Ashish Bhatt & Associates, Company Secretaries, Thane, was appointed as the Scrutinizer for conducting the postal ballot / e-voting process.

   After due scrutiny of all the postal ballot forms/e-voting received upto the close of the working hours on 25 June 2014 (being the last date fixed for receipt of duly filled postal ballot forms) the Scrutinizer submitted his final report on Friday, 27 June 2014. The date of declaration of the results of postal ballot / e-voting i.e. 27 June 2014 has been taken as the date of passing of the Resolution.

   Mr. Prakash Mehta, Director announced the following results of the Postal Ballot/ e-voting.

A	Number of Valid Postal Ballots forms received	52
B	Votes in favor of the Resolution	11,644,498
C	Votes against the Resolution	39,477
D	Number of invalid Postal Ballot Forms received	0

   The votes cast assenting to the Special Resolution were 99.66 % of the total votes polled and consequently the Resolution as mentioned in the Notice of Postal Ballot dated 6 May 2014 was passed by the shareholders by an overwhelming majority.

2. The Company issued a postal ballot notice dated 17 December 2014 to obtain of the consent from the Shareholders by way of Special Resolutions through postal ballot/e-voting for :

Resolution (1) :	Sub-division of the existing equity share of face value of INR 10/- (Rupees Ten only) each of the Company into equity shares of face value of INR 2/- (Rupees Two only) each, ,
Resolution (2) :	Amendment of Clause V of the Memorandum of Association and
Resolution (3) :	Amendment of Article 3 of the Articles of Associations of the company, under the provisions of Section 61(1) (d), 13 and 14 respectively and other applicable provisions, if any, of the Companies Act, 2013.

   Mr. Ashish C. Bhatt of M/s. Ashish Bhatt & Associates, Company Secretaries, Thane, was appointed as the Scrutinizer for conducting the postal ballot / e-voting process.

   After due scrutiny of all the postal ballot forms/e-voting received upto the close of the working hours on 11 February 2015 (being the last date fixed for receipt of duly filled postal ballot forms) the Scrutinizer submitted his final report on Monday, 16 February 2015. The date of declaration of the results of postal ballot/e-voting i.e. 16 February 2015 has been taken as the date of passing of the Resolution.

   Mr. Jai Hiremath, Chairman & Managing Director announced the following results of the Postal Ballot/ e-voting.

		Resolution 1	Resolution 2	Resolution 3
A	Number of Valid Postal Ballots forms received and e-voting by shareholders	94	94	94
B	Votes in favour of the Resolution	14,572,105	14,572,085	14,572,085
C	Votes against the Resolution	Nil	20	20
D	Number of invalid Postal Ballot Forms received	1	1	1

   The votes cast assenting to all the above mentioned Special Resolutions are 100% the total votes polled and consequently the Resolution as mentioned in the Notice of Postal Ballot dated 17 December 2014 were passed by an the Shareholders by overwhelming majority.

   As a result of sub-division each equity share of face value of INR 10/- (Rupees Ten only) each of the Company into equity shares of face value of INR 2/- (Rupees Two only) each, the paid up equity shares have increased from 16,440,100 to 82,200,500.

   In addition to Annual General Meetings, the Company holds Extra-Ordinary General Meetings of the Shareholders as and when the need arises.

V. DISCLOSURES

(i) The Company has entered into related party transactions as set out in the Notes to Accounts, which are not likely to have a conflict with the interest of the Company. The details of all significant transactions with the relevant parties are periodically placed before the Audit Committee.

(ii) No penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets during the last three years.

(iii) In the preparation of financial statements, the Company has followed the Accounting Standards notified under Section 133 of the Companies Act, 2013 to the extent applicable.

(iv) The Company has laid down the Risk Management Policy defining risk profiles involving Strategic, Technological, Operational, Financial, Organizational, Legal and Regulatory risks within a well defined framework. The Board periodically reviews the business related risks.

(v) The Company has a code of conduct for Board members and senior management of the Company, which is posted on the Company's website. The employees covered by the code of conduct, affirm on an annual basis the compliance with the said code. The Company has a whistle blower policy. No personnel of the Company have been denied access to the grievance redressal mechanism and Audit Committee of the Board of the Company.

(vi) The Company has complied with non-mandatory requirement of Regulation 34 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pertaining to Corporate Governance, in respect of formation of remuneration Committee / Risk Management Committee.

VI. MEANS OF COMMUNICATION

The Board Meeting Notices are published in the Free Press Journal and Navashakti,and the quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are published in leading financial /non-financial newspapers: the Economic Times and Maharashtra Times.

These results and the shareholding pattern of the Company at the end of each quarter are simultaneously posted on the website of the Company at www.hikal.com. The Annual Report has a detailed Chapter on Management Discussion and Analysis Report.

In line with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company has created a separate e-mail address viz. secretarial@hikal.com to receive complaints and grievances from investors.

VII. GENERAL SHAREHOLDERS INFORMATION

(A) Annual General Meeting

Day & Date	:	Thursday, 10 August 2017
Time	:	3.30 P. M.
Venue	:	Centrum Hall 'A', 1st Floor, Center 1, World Trade Centre, Cuffe Parade Mumbai – 400 005.

(B) Financial Calendar : 1 April to 31 March

(C) Tentative Financial Calendar 2017-18 :

1st Quarter results	on or before 14 August 2017
2nd Quarter results	on or before 14 November 2017
3rd Quarter results	on or before 14 February 2018
4th Quarter results	before end of May 2018

(D) Book Closure : 4 August 2017 to 10 August 2017 (both days inclusive)

(E) Dividend Payment Date : Dividend will be paid within 30 days from the date of declaration.

(F) Listing of Shares & Other Securities : The Shares are listed on the Stock Exchanges at Limited, Mumbai, and National Stock Exchange of India Limited, Mumbai.
The Company has paid the listing fees to these Exchanges.

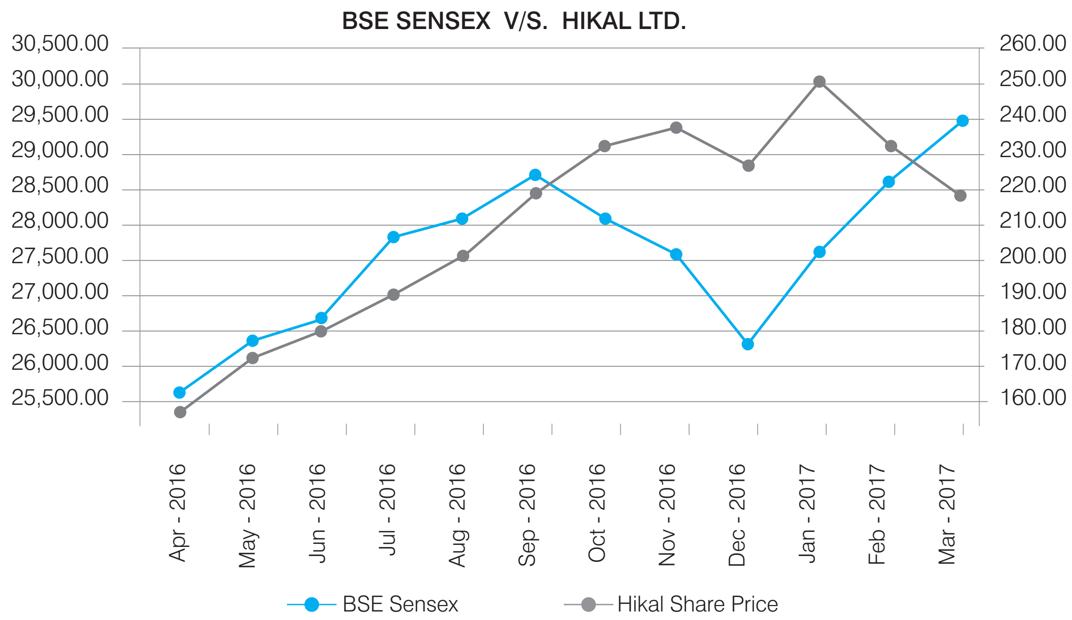
(G) Stock Code : Trading Symbol at :
BSE Ltd. - Security ID: Hikal, Security Code - 524735,
P J Towers, Dalal Street, Fort, Mumbai 400001.
National Stock Exchange of India Ltd. (NSE) – HIKAL
Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai 400051.
Demat ISIN Number in NSDL & CDSL – INE475B01022
CIN No. - L24200MH1988PTC048028

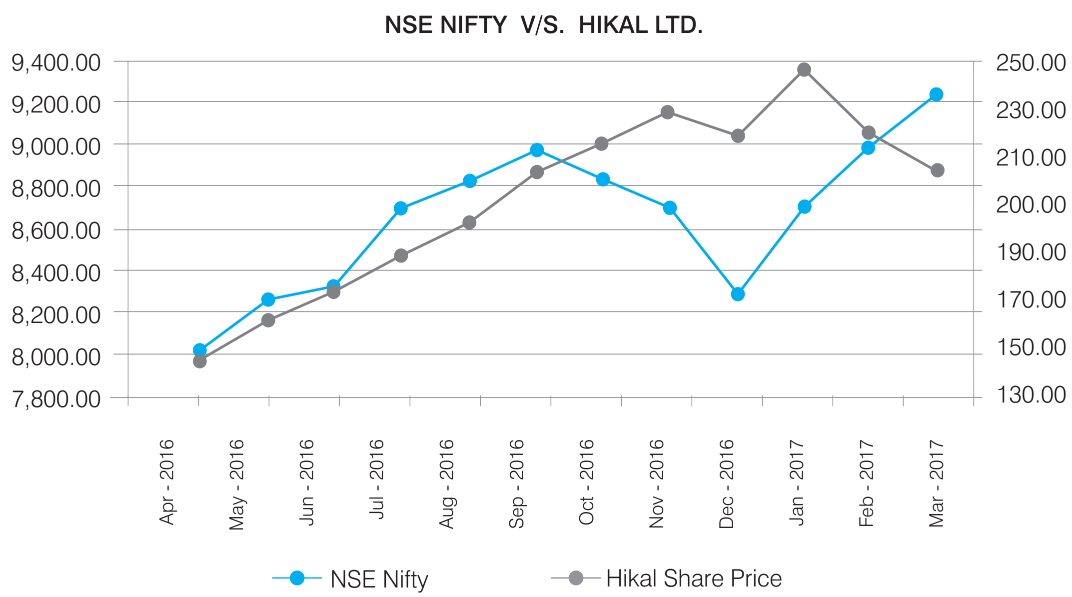
(H) Market Price Data

The details of high/low market price of the shares at the Stock Exchange, Mumbai, are as under:

Month	BSE			NSE		
	High(₹)	Low(₹)	Close	High(₹)	Low(₹)	Close
April 2016	148.70	117.00	142.60	149.45	117.10	142.20
May 2016	165.90	138.00	145.30	165.00	138.70	145.50
June 2016	175.00	142.60	170.90	174.50	143.60	170.70
July 2016	188.20	164.30	184.10	188.80	165.15	184.10
August 2016	201.50	161.75	182.00	201.80	162.60	182.10
September 2016	219.85	167.20	218.60	220.00	170.00	218.60
October 2016	236.60	201.50	223.30	230.60	202.25	222.45
November 2016	241.30	181.00	229.35	241.40	190.00	229.95
December 2016	230.00	201.70	212.60	232.90	202.30	214.45
January 2017	256.10	211.40	231.40	256.80	211.50	230.75
February 2017	234.70	205.20	213.25	234.80	205.35	214.00
March 2017	219.95	191.35	212.75	218.80	191.30	213.75

(I) Performance Comparison: BSE SENSEX v/s Hikal Ltd. and NSE NIFTY v/s Hikal Ltd.





(J) Share Transfer Agents

Universal Capital Securities Pvt. Ltd.
21, Shakil Niwas, Mahakali Caves Road
Opp. Satya Sai Baba Temple, Andheri (East),
Mumbai – 400 093
Phone : 022- 28207203 /04/05 Fax : 022- 28207207
Email: info@unisec.in

(K) Share Transfer System

Shares sent for transfer in physical form are registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if the documents are found to be in order. Shares under objection are returned within one week. The Share Transfer Committee meets generally twice a month to consider transfer requests, if there are any.

(L) Distribution of Shareholding (Equity) as on 31March 2017.

Share holding Range Nominal Value of		Share holders		Share holdings		Share Amount	
From	To	Number	% To Total	Holdings	% To Total	₹	% To Total
UP TO	5,000	9,416	94.79	3,385,980	4.12	6,771,960	4.12
5,001	10,000	260	2.62	967,748	1.18	1,935,496	1.18
10,001	20,000	111	1.12	845,742	1.03	1,691,484	1.03
20,001	30,000	49	0.49	623,983	0.76	1,247,966	0.76
30,001	40,000	15	0.15	259,537	0.31	519,074	0.31
40,001	50,000	11	0.11	254,892	0.31	509,784	0.31
50,001	100,000	35	0.35	1,321,070	1.61	2,642,140	1.61
100,001	And Above	37	0.37	74,541,548	90.68	149,083,096	90.68
Total		**9,934**	**100.00**	**82,200,500**	**100.00**	**164,401,000**	**100.00**

(M) Shareholding pattern as on 31 March 2017 is as under:

Category of Shareholders	No. of Equity Shares	Percentage
Promoters	56,528,510	68.77
Resident Individuals	6,902,876	8.40
Mutual Funds / UTI	7,298,450	8.88
FIIs	2,707,382	3.29
Insurance Company	100,500	0.12
Foreign National	121,550	0.15
Non resident Indians	229,731	0.28
Corporate Bodies	808,925	0.98
Foreign Corporate Bodies	6,766,731	8.23
Others	735,845	0.90

(N) Dematerialisation of Shares

96.75% (79,530,085 shares) of total equity capital is held in dematerialized form with NSDL and 2.53% (2,081,605 shares) of total equity capital is held in dematerialized form with CSDL as on 31 March 2017.

(O) Plant Locations

(a) MIDC, Taloja, Dist. Raigad, Maharashtra
(b) MIDC, Mahad, Dist. Raigad, Maharashtra
(c) GIDC, Panoli, Dist. Bharuch, Gujarat
(d) KIADB, Jigani, Bangalore, Karnataka
(e) Hinjewadi, Pune, Maharashtra

(P) Investor Correspondence

(i) Universal Capital Securities Pvt. Ltd.
21, Shakil Niwas, Mahakali Caves Road
Opp. Satya Sai Baba Temple, Andheri (East),
Mumbai – 400 093
Phone : 022- 28207203 /04/05 Fax : 022- 28207207
Email: info@unisec.in

(ii) **Investors Relations Center**

Mr. Sham Wahalekar – Sr. V. P. Finance & Company Secretary
603-A, Great Eastern Chambers, 6th Floor,
Sector 11, CBD Belapur, Navi Mumbai - 400 614.
Tel: 91 22 3097 3100
Fax: 91 22 3097 3281
Email: secretarial@hikal.com
Website: www.hikal.com

CEO/CFO Certification issued pursuant to the provisions of Regulation 17(8) read with Part B of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors, 10 May 2017
Hikal Ltd.

Sub: **CEO/CFO Certificate**

We have reviewed the financial statements, read with the cash flow statements of Hikal Ltd. for the year ended 31 March 2017 and that to the best of our knowledge and belief, we state that:

(a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and the Audit Committee of the Company:

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Sham Wahalekar
Company Secretary & CFO

DECLARATION

To The Members,

Hikal Ltd.

Sub: Declaration under Regulation 17 read with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As required under Regulation 17 read with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31 March 2017.

For Hikal Ltd.

Jai Hiremath
Chairman & Managing Director
DIN:00062203

Mumbai,
10 May 2017

Independent Auditors' Certificate on Compliance with the Corporate Governance requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

To the Members of

Hikal Limited

1. This certificate is issued in accordance with the terms of our agreement dated 29 September 2016.
2. This report contains details of compliance of conditions of corporate governance by Hikal Limited ('the Company') for the year ended 31 March 2017 as stipulated in regulations 17-27, clause (b) to (i) of regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock exchanges.

Management's Responsibility for compliance with the conditions of Listing Regulations

3. The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents.

Auditors' Responsibility

4. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 March 2017.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022
Aniruddha Godbole
Partner
Membership No: 105149

Place: Mumbai
Date: 10 May 2017

Independent Auditors' Report

To the members of Hikal Limited

Report on the standalone financial statements

We have audited the accompanying standalone financial statements of Hikal Limited ('the Company'), which comprise the balance sheet as at 31 March 2017 the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017 and its profit and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order '), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
   (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
   (e) on the basis of written representations received from the directors as on 31 March 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017, from being appointed as a director in terms of Section 164(2) of the Act;
   (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
   (g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :

i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 27 to the standalone financial statements;

ii. the Company did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2017; and

iv. the Company has provided requisite disclosure in the standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. However, as stated in Note 41 to the standalone financial statements, amounts aggregating ₹280,000 as represented to us by the management have been utilised for other than permitted transactions. As represented to us by the management, these transactions pertain to payments made to the transporters for transport of goods in the ordinary course of business.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Mumbai
10 May 2017

Aniruddha Godbole
Partner
Membership No: 105149

Annexure A to the Independent Auditors' Report - 31 March 2017

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2017, we report the following:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment (fixed assets).

(b) The Company has a regular program of physical verification of its property, plant and equipment (fixed assets), which includes freehold and leasehold land, by which all property, plant and equipment (fixed assets) are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the above programme, the Company has verified certain property, plant and equipment(fixed assets) during the year and we are informed that material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties (other than leasehold land) as disclosed in Note 11 to the standalone financial statements, are held in the name of the Company. In respect of leasehold lands, we have verified the lease agreements duly registered with the appropriate authorities as disclosed in Note 11 to the standalone financial statements.

(ii) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in books of account.

(iii) (a) The Company has granted unsecured loans to a body corporate covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. In our opinion, the rate of interest and other terms and conditions on which loans have been granted to a body corporate listed in the register maintained under Section 189 of the Act are not, prima facie, prejudicial to the interest of the Company.

(b) The loans granted to a body corporate covered in the register maintained under Section 189 of the Act and the interest thereon are repayable on demand. As mentioned in Note 44 to the standalone financial statements, as at year-end, such loans along with interest have been written-off by the Company.

(c) There are no overdue amounts of more than 90 days in respect of the unsecured loans granted by the Company. As mentioned in Note 44 to the standalone financial statements, as at year-end, such loans along with interest have been written-off by the Company.

(iv) In our opinion and according to the information and explanations given to us, in respect of the loans given to a body corporate, the Company has complied with the provisions of Sections 186 of the Act. The Company has not given any loan under Section 185 of the Act. The Company has not made any investment, given any guarantee, or provided any security under Sections 185 and 186 of the Act.

(v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India under the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3 (v) of the Order is not applicable to the Company.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148 (1) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Service Tax, Sales Tax, Value-added Tax, Professional Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues have been regularly deposited with the appropriate authorities. According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted/ accrued in the books of account in respect of Income Tax have generally been regularly deposited with the appropriate authorities, though there have been slight delays in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Sales Tax, Value-added Tax, Professional Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues were in arrears as at 31 March, 2017 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Service Tax, Sales Tax, Value-added Tax and Duty of Customs which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Income Tax and Duty of Excise have not been deposited as on 31 March, 2017 by the Company on account of disputes:

Name of the statute	Nature of the dues	Demand (₹)	Amount not deposited on A/c of demand (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income-tax	15,292,537	15,292,537	2006-07	Deputy Commissioner of Income-Tax
Income Tax Act, 1961	Income-tax	108,810,783	92,691,237	2009-10	Commissioner of Income-Tax (appeals)
Central Excise Act, 1932	Excise duty	40,126,609	34,126,609	July-2007 to December 2011	Customs, Excise and Service Tax Appellate Tribunal, Bangalore

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks during the year. The Company does not have any loans or borrowings from government or dues to debenture holders during the year.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

Annexure B to the Independent Auditors' Report - 31 March 2017

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Hikal Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

Balance Sheet

As at 31 March, 2017

(Currency: Indian rupees in million)

	Note	31 March 2017		31 March 2016
EQUITY AND LIABILITIES				
Shareholders' Funds				
Share capital	3	164.40		164.40
Reserves & surplus	4	6,048.16		5,484.58
			6,212.56	5,648.98
Non-current Liabilities				
Long-term borrowings	5	3,293.11		2,966.13
Deferred tax liabilities (net)	34	329.33		300.48
Long-term provisions	6	142.97		102.23
			3,765.41	3,368.84
Current Liabilities				
Short-term borrowings	7	1,294.17		1,719.36
Trade payables	8			
-total outstanding dues of micro enterprises and small enterprises		47.15		40.24
-total outstanding dues of creditors other than micro enterprises and small enterprises		1,257.08		1,238.24
Other current liabilities	9	759.34		620.34
Short-term provisions	10	34.35		124.93
			3,392.09	3,743.11
TOTAL			13,370.06	12,760.93
ASSETS				
Non-current assets				
Fixed assets				
Tangible fixed assets(Property, plant and equipment)	11	6,676.09		6,225.68
Capital work-in-progress	11	619.40		661.25
Intangible fixed assets	11	7.17		6.14
Intangible fixed assets under development	11	8.19		-
			7,310.85	6,893.07
Non-current investments	12	31.27		31.27
Long-term loans and advances	13	1,113.42		1,164.69
Other non-current assets	14	38.22	1,182.91	-
			8,493.76	8,089.03
Current assets				
Inventories	15	2,635.81		2,911.13
Trade receivables	16	1,599.98		1,123.06
Cash and bank balances	17	164.65		191.55
Short-term loans and advances	18	471.40		443.45
Other current assets	19	4.46		2.71
			4,876.30	4,671.90
TOTAL			13,370.06	12,760.93
Significant accounting policies	2			
The notes referred to above form an integral part of the standalone financial statements	3-47			

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

Statement of Profit and Loss

for the year ended 31 March 2017

(Currency: Indian rupees in million)

	Note	31 March 2017	31 March 2016
Revenue from operations			
Sales of products (gross)	20	10,196.67	9,186.44
Less: Excise duty		200.24	98.20
Sales of products (net)		9,996.43	9,088.24
Sales of services		6.42	1.91
Other operating revenue		136.51	166.34
		10,139.36	9,256.49
Other Income	21	34.35	18.41
Total Revenue (I)		10,173.71	9,274.90
Expenses			
Cost of materials consumed	22	4,948.27	4,477.68
Changes in inventories of finished goods and work-in-progress	23	145.51	164.88
Employee benefits expense	24	1,172.78	1,080.56
Finance costs	25	498.35	621.85
Depreciation and amortization expense	11	691.41	672.76
Other expenses	26	1,888.00	1,724.11
Total expenses (II)		9,344.32	8,741.84
Profit before tax (I-II)		829.39	533.06
Income tax expense:			
Current tax			
- for current year		197.16	118.07
- for earlier years		19.78	-
MAT credit entitlement			
- for current year		(74.73)	(13.55)
- for earlier years		(9.61)	-
Deferred tax charge		28.85	15.37
Total tax expense		161.46	119.89
Profit for the year		667.94	413.17
Basic and diluted earnings per share ₹ (Face value per share ₹2/-)	32	8.13	5.03
Significant accounting policies	2		
The notes referred to above form an integral part	3-47		

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

1 Company Overview

Hikal Limited ('Hikal' or 'the Company') was incorporated on July 8, 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 400 021.

The Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, active pharma ingredients and contract research activities.

The Company is operating in the crop protection and pharmaceuticals space.

2 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these standalone financial statements.

a) Basis of preparation of the standalone financial statements

The accompanying standalone financial statements have been prepared in compliance with Accounting standards prescribed under Section 133 of the Companies Act, 2013 ('the Act') (to the extent notified), read with Rule 7 of the Companies (Accounts) Rules, 2014, read with Companies (Accounting Standards) Amendment Rules, 2016 applicable with effect from 1 April 2016 and other generally accepted accounting principles (GAAP) in India, to the extent applicable, under the historical cost convention, on the accrual basis of accounting and other relevant provision of the Act.

b). Use of estimates

The preparation of standalone financial statements in conformity with GAAP in India requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and expenses during the period reported. The estimates and assumptions used in the accompanying standalone financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the standalone financial statements, actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c). Current / Non-current classification

The Schedule III to the Act requires all assets and liabilities to be classified as either current or non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realised within twelve months after the balance sheet date;

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Current assets include current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the balance sheet date; or

(d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out above which are in accordance with the Schedule III to the Act.

Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities

d). Property, plant and equipment (tangible fixed assets) and capital work-in-progress

Property, plant and equipment (tangible fixed assets)

Property, plant and equipment (tangible fixed assets), are stated at cost of acquisition/construction or at revalued amount, less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs and exchange gain/loss on long-term foreign currency loans attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalised. Other pre-operative expenses for major projects are also capitalised, where appropriate.

(Currency: Indian rupees in million)

Property, plant and equipment (tangible fixed assets) under construction are disclosed as capital work-in-progress. Advances paid for acquisition of Property, plant and equipment (tangible fixed assets) are disclosed under long term loans and advances.

During the year, pursuant to the notification of Companies (Accounting Standards) Amendment Rules, 2016 and as per the requirements of the revised Accounting Standard 10 Property, Plant and Equipment (applicable effective from 1 April 2016), the Company has decided to continue to adopt the revaluation model for certain class of property, plant and equipment (tangible fixed assets) i.e. freehold land and lease hold land. The Company will continue to revalue land at regular intervals i.e., every three to five years.

e) **Intangible assets and Intangible assets under development**

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Acquired intangible assets includes computer software. The same are amortised over their estimated useful life of five years.

Expenditure on research and development eligible for capitalisation are carried as intangible asset under development where such assets are not yet ready for their intended use.

f) **Depreciation and amortisation**

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on The depreciable amount of an item of Property, Plant and Equipment (tangible fixed assets) is allocated on a systematic basis over its useful life. The Company provides depreciation on the straight-line method. The Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Based on internal technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc: the management believes useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies. The estimated useful lives for the current and comparative periods are as follows:

Asset class	useful lives(in years) –as per companies Act,2013	useful lives (in years) – as estimated by the company
Buildings	30-60	30-60
Plant and equipment	10-20	9-15
Furniture and fixtures	10	10
Electrical installation	10	10
Vehicles	10	10
Office equipment	5	5
Computers	3-6	3-6
Ships	20	30

Leasehold land is amortised over the duration of the lease.

Leasehold improvements amortised over the primary period of lease.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term, such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of property, plant and equipment (tangible fixed assets) is spread over the balance useful life of the revalued assets. With effect from the financial year ended on 31March 2015, additional charge of depreciation on account of revaluation is debited to the statement of profit and loss and similar amount is transferred from revaluation reserve to general reserve.

Until 31 March 2012, in respect of accounting period commencing on or after 7 December 2006 and ended on or before 31 March 2011, further extended to period ending on or before 31 March 2012 and subsequently extended till period ended on or before 31 March 2020, consequent to the insertion of paragraph 46 of AS-11 'The Effects of Changes in Foreign Exchange Rates, notified under the Companies (Accounting Standards) Rules, 2006, (as more fully explained in note 2.k), the cost of depreciable capital assets includes foreign exchange differences arising on translation of long-term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.

Depreciation on foreign exchange differences capitalised pursuant to para 46 of AS 11 'The Effects of Changes in Foreign Exchange 'Rates' vide notification dated 29 December 2011 by Ministry of Corporate Affairs (MCA), Government of India is provided over the balance useful life of depreciable capital assets.

Asset individually costing upto ₹ 5,000 are fully depreciated in the year of purchase.

g). **Impairment of assets**

In accordance with AS 28 'Impairment of Assets',the carrying amounts of the Company's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognised in the statement of profit and loss or against revaluation surplus, where applicable.If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to maximum of depreciated historical cost.

h). **Investments**

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, part of long-term investments which is expected to be realised within 12 months after the reporting date is also presented under 'current assets' as "current portion of long-term investment" in consonance with the current/ non-current classification scheme of Schedule III to the Act. Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the statement of profit and loss.

i). **Inventories**

Raw material, packing material, work-in-progress, finished goods, stores, spares and consumables are valued at lower of cost and net realisable value. Cost is ascertained on weighted average method and in case of work-in-progress includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

The comparison of cost and net realisable value is made on an item by item basis.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

j). **Revenue recognition**

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer, which coincides with the dispatch of goods from factory to the customers in case of domestic sales and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognised based on date of bill of lading.

Excise duty collected on sales is separately reduced from turnover.

Interest income is recognised on time proportion basis.

Income from services is accounted for when the services are rendered.

Export incentives principally comprises of Duty Drawback, Merchandise Export from India Scheme, Excise Duty rebate and other export incentive schemes. The benefits under these incentive schemes are available based on the guidelines formulated for respective schemes by the Government authorities. Export benefit available under prevalent scheme are accrued in the year in which the goods are exported and there is no uncertainty as to ultimate collection.

k). **Foreign currency transactions**

- Initial recognition

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

- Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year or reported in previous financial statements are recognised as income or as expenses in the year in which they arise except for long term foreign currency liabilities and assets.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 31 March 2009, the Company has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates" to adjust the exchange differences arising on long term foreign currency liabilities and assets to the cost of depreciable capital assets in so far as it relates to the acquisition of such assets and in other cases, by transfer to "Foreign currency monetary item translation difference reserve", to be amortised over the balance period of such long-term foreign currency liabilities or 31 March 2020, whichever is earlier.

l). Employee benefits

a) **Short term employee benefits:**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the year.

b) **Post employment benefits:**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards Provident Fund and Employees State Insurance Corporation. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which employee renders the related service.

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

Defined benefit plans

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable, in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised immediately in the statement of profit and loss.

Gratuity for staff at Panoli plant is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

c) **Other long term employee benefits**

Compensated absences

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date as determined by an independent actuary based on projected unit credit method. The discount rates used for determining the present value of the obligation under other long term employment benefits plan, are based on the market yields on Government securities as at the balance sheet date.

m). Leases

Leases under which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired under the finance leases are capitalised at fair value of the leased asset or present value of the minimum lease payments at the inception of lease, whichever is lower and included within property, plant and equipment (tangible fixed assets). Such assets are depreciated as per the depreciation policy for such assets stated in Note (f) above. Liabilities under finance leases less interest not yet charged are included under lease obligations in the financial statements. Finance charges are debited to the statement of profit and loss over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

n). Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the year determined in accordance with income tax laws) and deferred tax charge or credit (reflecting the tax effect of timing difference between accounting income and taxable income for the year.

The deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however; where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income tax during the specified period.

o). Research and Development

Capital expenditure is shown separately under respective heads of property, plant and equipment (tangible fixed assets). Revenue expenses including depreciation are charged to the statement of profit and loss under the respective heads of expenses.

p). Provisions and contingencies

The Company creates a provision when there exists a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision is reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of amount of the obligation cannot be made. Contingent Liabilities are not recognised but are disclosed in the notes.

q). Earnings per share (EPS)

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is calculated using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti dilutive.

r). Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments/deposit with original maturity of three months or less.

	31 March 2017	31 March 2016
3 Share Capital		
Authorised		
1,25,000,000 Equity Shares of ₹2/- each (P. Y. :1,25,000,000 Equity Shares of ₹2/- each)	250.00	250.00
5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each (P. Y. : 5,000,000 Cumulative Redeemable Preference Shares of ₹100/- each)	500.00	500.00
	750.00	750.00
Issued, subscribed and paid up capital		
Equity shares		
82,200,500 Equity Shares of ₹ 2/- each fully paid-up (P. Y.: 82,200,500 equity Shares of ₹ 2/- each fully paid up)	164.40	164.40
	164.40	164.40

a. **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares

	31 March 2017		31 March 2016	
	No. million	₹ in million	No. million	₹ in. million
At the beginning and at the end of the year	82.20	164.40	82.20	164.40

b. **Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 2 (P.Y. ₹ 2) per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2017, the amount of per share interim dividend recognised as distributions to equity shareholders is Re 0.60 on a face value of ₹ 2 (P.Y. Re 0.50 on a face value of ₹ 2). Further, the Company has proposed final dividend to the equity shareholders of Re 0.60 on face value of Rs 2 [P.Y. Re 0.50 on a face value of Rs 2] subject to approval of shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(Currency: Indian rupees in million)

c. **Details of shareholders holding more than 5% shares in the company**

	31 March 2017		31 March 2016	
	No. million	% holding in the Class	No. million	% holding in the Class
Equity shares of ₹2 (P.Y. ₹2) each fully paid				
Kalyani Investment Company Ltd.	25.78	31.36	25.78	31.36
Shri Badrinath Investment Pvt. Ltd.	13.28	16.15	13.28	16.15
International Finance Corporation	6.76	8.23	6.80	8.27
Shri Rameshwara Investment Pvt. Ltd.	6.54	7.96	6.54	7.96
Sugandha J Hiremath	6.45	7.84	6.45	7.84
Reliance Capital Trustee Company Ltd	4.84	5.90	5.88	7.16

	31 March 2017	31 March 2016
4 Reserves and surplus		
Capital reserve		
At the commencement and at the end of the year	0.44	0.44
Capital redemption reserve		
At the commencement and at the end of the year	509.82	509.82
Securities premium account		
At the commencement and at the end of the year	146.92	146.92
Revaluation reserve on land		
At the commencement of the year	1,055.59	1,063.28
Less: Adjustment on account of downward revaluation of land	45.00	-
Less: Amount transferred to general reserve on account of sale of land	158.71	-
Less: Amount transferred to general reserve	7.69	7.69
	844.19	1,055.59
State subsidy		
At the commencement and at the end of the year	5.50	5.50
Contingency reserve		
At the commencement and at the end of the year	30.00	30.00
General reserve		
At the commencement of the year	669.00	611.31
Add: Amount transferred from revaluation reserve on account of sale of land	158.71	-
Add: Amount transferred from revaluation reserve	7.69	7.69
Add: Amount transferred from surplus	100.00	50.00
	935.40	669.00
Surplus in the statement of profit and loss (profit and loss balance)		
At the commencement of the year	3,067.31	2,803.07
Profit for the year	667.94	413.17
Appropriations		
Interim dividend on equity shares [amount per share Re 0.60 on face value of ₹ 2 (P.Y. Re 0.50 on face value of ₹ 2)]	49.32	41.10
Proposed final dividend on equity shares (P.Y. Re 0.50 on face value of ₹ 2)][Refer note 46]	-	41.10
Tax on equity dividend	10.04	16.73
Transfer to general reserve	100.00	50.00
Total appropriations	159.36	148.93
Net surplus in statement of profit and loss	3,575.89	3,067.31
Total reserves and surplus	6,048.16	5,484.58

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
5	**Long-term Borrowings**		
	Secured		
	Term loans from banks		
	Rupee (refer note a (i) and b (i) below)	1,300.30	1,260.02
	External commercial borrowing (refer note a (ii) and b (i) below)	778.20	244.79
	Term loans from financial institutions		
	Rupee (refer note a (iii) and b (ii) below)	675.00	630.02
	External commercial borrowing (refer note a (iv) and b (ii) below)	259.40	530.72
	Term loans from others		
	Rupee (refer note a (v) and b (iii) below)	270.00	294.00
	Vehicle loans		
	From banks -Rupee (refer note a (vi) and b (iv) below)	1.29	2.73
	From Others -Rupee (refer note a (vi) and b (iv) below)	8.92	3.85
	Total	3,293.11	2,966.13

a. Nature of Security :

i) Rupee term loan from banks is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli and Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

ii) External Commercial borrowing from one bank is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets)of the Company's plants situated at Taloja, Panoli and Bangalore, R & D centre at Pune and office at CBD Belapur and second pari passu charge on entire current assets both present and future.

iii) Rupee term loan from financial institutions is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli and Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

iv) External Commercial borrowing from financial institutions is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli, and Bangalore and second pari passu charge on entire current assets both present and future.

v) Rupee term loan from others is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli, Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

vi) Vehicle loans are secured by first charge on the said vehicles.

5 Long-term borrowings (Continued)

b. Terms of repayment as on 31 March 2017 are as under :

(I)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	336.75	Repayable quarterly - 24 installments of ₹ 14.03 Mio starting from 30 June 2017	11.15%
b	-	98.00	Repayable quarterly - 24 installments of ₹ 4.08 Mio starting from 30 June 2017	11.20%
c	-	637.00	Repayable quarterly - 24 installments of ₹ 26.54 Mio starting from 30 June 2017	11.40%
d	-	173.36	Repayable quarterly - 24 installments of ₹ 7.22 Mio starting from 30 June 2017	11.50%
e	-	179.18	Repayable quarterly - 24 installments of ₹ 7.47 Mio starting from 30 June 2017	11.70%
f	12.00	778.20	Repayble quarterly - 18 instalments of US $ 0.667 Mio each starting 25 May 2019	3M Libor + 395 bps

(ii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	735.00	Repayble quarterly - 24 instalments of ₹ 30.63 Mio starting from 30 June 2017	11.15%
b	4.00	259.40	Repayable half yearly - 4 instalments of US $ 1 Mio each starting from 15 July 2017	6M Libor + 300 bps
c	4.00	259.40	Repayable half yearly - 4 instalments of US $ 1 Mio each starting from 15 July 2017	6M Libor + 320 bps

(iii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	294.00	Repayble quarterly - 24 instalments of ₹ 12.25 Mio starting from 30 June 2018	11.15%

(iv)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	0.52	Repayble monthly EMI of ₹ 0.025 Mio	10.49%
b	-	1.98	Repayble monthly EMI of ₹ 0.150 Mio	9.87%
c	-	0.62	Repayble monthly EMI of ₹ 0.039 Mio	10.25%
d	-	1.26	Repayble monthly EMI of ₹ 0.070 Mio	10.74%
e	-	1.41	Repayble monthly EMI of ₹ 0.047 Mio	10.26%
f	-	0.81	Repayble monthly EMI of ₹ 0.066 Mio	10.26%
g	-	10.81	Repayble monthly EMI of ₹ 0.315 Mio	9.24%

c. Terms of repayment as on 31 March 2016 are as under :

(I)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	285.73	Repayable quarterly - 26 instalments of ₹ 10.99 Mio starting from 31 December 2016	11.40%
b	-	100.00	Repayable quarterly - 26 instalments of ₹ 3.85 Mio starting from 31 December 2016	11.40%
c	-	560.00	Repayable quarterly - 26 instalments of ₹ 21.54 Mio starting from 31 December 2016	11.70%
d	-	170.00	Repayable quarterly - 26 instalments of ₹ 6.54 Mio starting from 31 December 2016	11.70%
e	-	170.00	Repayable quarterly - 26 instalments of ₹ 6.54 Mio starting from 31 December 2016	11.70%
f	0.75	49.75	Repayable quarterly - 2 instalments of US $ 0.375 Mio starting from 09 May 2016.	3M Libor + 300 bps
g	3.69	244.79	Repayable quarterly - 18 instalments of US $ 0.205 Mio starting from 25 May 2019	3M Libor + 395 bps

(ii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	642.87	Repayable quarterly - 26 instalments of ₹ 24.73 Mio starting from 31 December 2016	11.40%
b	-	300.00	Repayable quarterly - 26 instalments of ₹. 11.54 Mio starting from 31 December 2016	11.40%
c	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15 July 2016	6M Libor + 300 bps
d	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15 July 2016	6M Libor + 320 bps

(iii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	0.75	Repayble monthly EMI of ₹ 0.025 Mio	10.49%
b	-	3.50	Repayble monthly EMI of ₹ 0.15 Mio	9.87%
c	-	1.00	Repayble monthly EMI of ₹ 0.039 Mio	10.25%
d	-	1.92	Repayble monthly EMI of ₹ 0.070 Mio	10.74%
e	-	1.49	Repayble monthly EMI of ₹ 0.047 Mio	10.26%
f	-	1.80	Repayble monthly EMI of ₹ 0.066 Mio	10.26%
g	-	0.42	Repayble quarterly EMI of ₹ 0.420 Mio	14.00%

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
6	**Long-term provisions**		
	Provision for employee benefits		
	Provision for gratuity (refer note 40)	72.84	52.55
	Provision for compensated absenses (refer note 40)	70.13	49.68
		142.97	102.23
7	**Short term borrowings**		
	Secured		
	Loans repayable on demand from banks		
	Working capital loan -Rupee (refer note a and b below)	699.69	735.16
	Working capital loan -Foreign currency (refer note a and b below)	594.48	984.20
		1,294.17	1,719.36

a. Nature of Security and terms of repayment for secured borrowings :

i Working capital loan from IDBI Bank Limited is secured by an exclusive charge on property, plant and equipment (tangible fixed assets) of the Company's plant situated at Mahad.

ii Working capital loan from Standard Chartered Bank is secured by a first charge on office premises of the Company at CBD Belapur (Navi Mumbai).

iii Working capital loans from other banks are secured by first charge on all current assets of the Company and second pari passu charge on all property, plant and equipment (tangible fixed assets) both present and future of the Company's plants situated at Bangalore, Taloja and Panoli.

b. Working capital loans are repayable on demand and carry interest ranging from 9.20% to 13.30 % p.a. for rupee loan and from 3% to 4% for foreign currency loans.

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
8	**Trade payables**		
	Total outstanding dues of micro enterprises and small enterprises (refer note 33)	47.15	40.24
	Total outstanding dues of creditors other than micro enterprises and small enterprises	1,257.08	1,238.24
		1,304.23	1,278.48
9	**Other current liabilites**		
	Current maturities of long-term borrowings	474.59	363.56
	Current maturities of finance lease obligations	-	0.42
	Interest accrued but not due on borrowings	24.02	25.43
	Other payables		
	Payables for capital purchases	126.92	39.19
	Advances from customers	7.08	80.22
	Unpaid dividend	2.33	1.98
	Statutory dues payable		
	- Provident fund	7.67	3.31
	- Employees' state insurance	0.13	0.02
	- Tax deducted at Source	12.20	19.54
	- Sales tax /Value added tax	3.65	1.61
	- Profession tax	0.25	0.23
	Employee benefits expenses	100.50	84.83
		759.34	620.34
10	**Short term provisions**		
	Provision for employee benefits		
	Provision for gratuity	3.34	7.41
	Provision for Compensated absenses	8.58	15.56
		11.92	22.97
	Other provisions		
	Proposed equity dividend	-	82.20
	Provision for tax on proposed equity dividend	-	16.73
	Provision for tax (net of advance tax of ₹ 302 million, [P.Y. ₹ 230 million])	22.43	3.03
		22.43	101.96
		34.35	124.93

(Currency: Indian rupees in million)

11 Property, plant and equipment (tangible fixed assets), capital work-in-progress, intangible assets and intangible assets under development

Description	Gross block						Depreciation/amortisation				Net block
	As at 01 April 2016	Additions	Deductions	Adjustments of revaluation on land	Adjustments of exchange difference on borrowings	As at 31 March 2017	As at 1 April 2016	For the year	Deductions/ Adjustments	As at 31 March 2017	As at 31 March 2017
Freehold land	787.38	-	163.20	45.00	-	579.18	-	-	-	-	579.18
Leasehold land	715.81	14.12	-	-	-	729.93	72.34	8.75	-	81.09	648.84
Buildings	1,775.07	126.90	28.37	-	-	1,873.60	514.57	60.51	(13.24)	561.84	1,311.76
Plant and machinery	7,557.18	1,183.21	23.74	-	(30.57)	8,686.07	4,206.42	568.70	(13.61)	4,761.51	3,924.56
Electrical equipments and installations	254.73	18.12	4.67	-	-	268.18	190.77	22.75	(4.35)	209.17	59.01
Office equipments	137.47	24.09	6.83	-	-	154.73	122.04	6.61	(3.32)	125.33	29.40
Furniture and fixtures	124.16	25.26	3.54	-	-	145.88	86.81	11.63	(3.41)	95.03	50.85
Leasehold Improvements	5.56	-	-	-	-	5.56	0.05	0.14	-	0.19	5.37
Vehicles	49.42	16.30	11.46	-	-	54.26	23.85	8.70	(11.46)	21.09	33.17
Ships	51.56	-	-		-	51.56	15.81	1.80	-	17.61	33.95
	11,458.34	**1,408.00**	**241.81**	**45.00**	**(30.57)**	**12,548.95**	**5,232.66**	**689.59**	**(49.39)**	**5,872.86**	**6,676.09**
Intangible assets											
Computer software	13.16	2.85	-		-	16.01	7.02	1.82	-	8.84	7.17
Total	**11,471.50**	**1,410.85**	**241.81**	**45.00**	**(30.57)**	**12,564.96**	**5,239.68**	**691.41**	**(49.39)**	**5,881.70**	**6,683.26**
Capital work-in-progress											619.40
Intangible assets under development											8.19
Total											**7,310.85**

Note:

a. In order to reflect the current reinstatement cost/market value, the Company revalued its leasehold and freehold land located at its factory sites as on 31 December 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating ₹ 1,111.42 million was added to the assets and credited to revaluation reserve. The Company further revalued its leasehold and freehold land located at its factory sites as at 1 April 2016 on the basis of revaluation carried out by approved valuers. Such revaluation during the financial year 2016-17 resulted in a downward revaluation aggregation ₹ 45 million which has been appropriately adjusted against the opening balance of revaluation reserve. Fair value of the properties was determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 1 April 2016, the fair values of land are based on valuations performed by an independent valuer who holds a relevant professional qualification valuation experience for similar land in India for the last five years.

b. The additional depreciation aggregating to ₹ 7.69 million (P.Y. ₹ 7.69 million) on account of revaluation has been charged to the statement of profit and loss and a similar amount has been transferred from the revaluation reserve to general reserve.

c. Exchange differences (gain) of ₹ 30.57 million (P.Y. (loss) of ₹ 64.14 million) has been capitalised to property, plant and equipment (tangible fixed assets) post the exercise of option in terms of Para 46 of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

d. Plant and machinery includes assets taken on finance lease as under:

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2017	30.97	3.20	10.94	20.03

As at 31 March 2016

(Currency: Indian rupees in million)

11 Property, plant and equipment (tangible fixed assets), capital work-in-progress, intangible assets and intangible assets under development (continued)

Description	Gross block					Depreciation/amortisation				Net block
	As at 01 April 2015	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at 31 March 2016	As at 1 April 2015	For the year	Deductions/ Adjustments	As at 31 March 2016	As at 31 March 2016
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	63.60	8.74	-	72.34	643.47
Buildings	1,722.14	52.93	-	-	1,775.07	455.21	59.36	-	514.57	1,260.50
Plant and machinery	7,141.20	351.84	-	64.14	7,557.18	3,651.22	555.20	-	4,206.42	3,350.76
Electrical equipments and installations	251.87	2.86	-	-	254.73	166.76	24.01	-	190.77	63.96
Office equipments	125.56	11.91	-	-	137.47	116.42	5.62	-	122.04	15.43
Furniture and fixtures	113.40	10.76	-	-	124.16	74.88	11.93	-	86.81	37.35
Leasehold Improvements	-	5.56	-	-	5.56	-	0.05		0.05	5.51
Vehicles	46.03	3.39	-	-	49.42	19.33	4.52	-	23.85	25.57
Ships	51.56	-	-	-	51.56	14.01	1.80	-	15.81	35.75
	10,954.95	**439.25**	**-**	**64.14**	**11,458.34**	**4,561.43**	**671.23**	**-**	**5,232.66**	**6,225.68**
Intangible assets										
Computer software	5.49	7.67	-	-	13.16	5.49	1.53	-	7.02	6.14
Total	**10,960.44**	**446.92**	**-**	**64.14**	**11,471.50**	**4,566.92**	**672.76**	**-**	**5,239.68**	**6,231.82**
Capital work-in-progress tangible assets										661.25
Total										**6,893.07**

Note:

a. In order to reflect the current reinstatement cost/market value, the Company revalued its Leasehold and Freehold Land located at its factory sites as on 31 December 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹ 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 million on account of revaluation has been charged to the statement of profit and loss and a similar amount has been transferred from the revaluation reserve to general reserve. (Previous year ₹ 7.69 million was charged to statement of profit and loss and a similar amount was transferred from the revaluation reserve and credited to the statement of profit and loss.)

b. Exchange differences of ₹ 64.14 million (P.Y. ₹ 64.92 million) has been included in the additions to property, plant and equipment (tangible fixed assets) post the exercise of option in terms of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

c. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2016	30.97	3.20	7.74	23.23

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
12	**Non Current Investments**		
	Trade Investments (valued at cost, unless otherwise stated)		
	Unquoted Equity Investments		
	223,164 (P.Y.: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹10/- each, fully paid up.	2.23	2.23
	30,000 (P.Y.: 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up.	0.30	0.30
	14,494 (P.Y.:14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹100/- each, fully paid up	1.45	1.45
	16% (P.Y.:16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
		30.95	30.95
	Other Investments (valued at cost, unless otherwise stated)		
	Quoted Equity Investments		
	10,000 (P.Y. 10,000) equity shares of Bank of Baroda of ₹2/- each fully paid up.	0.17	0.17
	2,900 (P.Y.: 2,900) Equity Shares of Union Bank of India ₹10/- each fully paid up.	0.05	0.05
		0.22	0.22
	Unquoted equity investments		
	In subsidiary companies		
	15,050,080 (P.Y.:15,050,080) Equity Shares of Acoris Research Limited of ₹10/- each, fully paid up.	0.10	0.10
		0.32	0.32
		31.27	31.27

Note:

During the year the Company has sold 7,200 equity shares of Euro 10 each fully paid up of Hikal International BV (100% Subsidiary of the Company) for Euro 1. The said investment was fully written-off in earlier years.

Investment details

	31 March 2017	31 March 2016
Equity shares of Bharuch Eco Aqua.Infrastructure Limited		
Units	223.164	223.164
Value	2.23	2.23
Equity shares of Panoli Enviro Technology Limited		
Units	30,000	30,000
Value	0.30	0.30
Equity shares of MMA CETP Co-operative Society Limited		
Units	14.494	14,494
Value	1.45	1.45
Equity shares of Jiangsu Chemstar Chemical Co Limited		
Units	16%	16%
Value	26.97	26.97
Equity shares of Bank of Baroda		
Units	10,000	10,000
Value	0.17	0.17
Equity shares of Union Bank of India		
Units	2,900	2,900
Value	0.05	0.05
Equity shares of Acoris Research Limited		
Units	15,050,080	15,050,080
Value	0.10	0.10

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
	Aggregate book value of quoted investments	0.22	0.22
	Aggregate market value of quoted investments	2.18	1.85
	Aggregate book value of unquoted investments	31.05	31.05
13	**Long term loans and advances**		
	Unsecured and considered good		
	To parties other than related parties		
	Capital advances	69.97	107.25
	Security deposits	70.03	59.82
		140.00	167.07
	Other loans and advances		
	MAT credit entitlement	506.37	388.34
	VAT receivable	142.48	217.10
	Balances with customs, excise, etc	165.62	228.12
	Prepaid expenses	86.48	81.50
	Loans to employees	2.47	1.93
		903.42	916.99
	To related parties		
	Security deposits given to Directors	70.00	70.00
	Loan and advances to Hikal International BV	-	10.63
		1,113.42	1,164.69
14	**Other non current assets**		
	Bank deposits due to mature after 12 months from the reporting date	38.22	-
		38.22	-
15	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials [includes goods in transit of ₹99.57 million (P.Y.: ₹113.23 million)]	1,762.59	1,870.59
	Packing materials	16.15	13.93
	Work-in-progress	395.90	460.17
	Finished goods	352.94	434.18
	Stores, spares and consumables	108.23	132.26
		2,635.81	2,911.13
16	**Trade Receivables**		
	(Unsecured)		
	Outstanding for a period exceeding six months from the date they are due for payment		
	Considered good	22.53	49.77
	Considered doubtful	10.00	65.36
	Less : Provision for doubtful receivables	10.00	65.36
	(A)	22.53	49.77
	Other receivables		
	Considered good	1,577.45	1,073.29
	(B)	1,577.45	1,073.29
	Total (A+B)	1,599.98	1,123.06

Note:

Trade receivables are presented net of bills discounted of ₹ 1,008.08 million (P.Y. ₹ 1,042.56 million) (refer note 27), which are secured against the underlying receivables carrying interest rates ranging from 2.5% p.a. to 14 % p.a. (P.Y. 2.5% p.a. to 14 % p.a) with a maturity of 30 days to 90 days.

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
17	**Cash and bank balances**		
	Cash and cash equivalents		
	Cash on hand	1.25	1.44
	Balance with banks:		
	-In current accounts	17.91	35.47
	- In exchange earners foreign currency	0.09	1.79
	- Deposits having original maturity upto three months	-	4.20
		19.25	42.90
	Other bank balances		
	Deposits with original maturity for more than 3 months but less than 12 months (refer note a below)	143.07	146.67
	Earmarked balances with banks-unpaid dividend	2.33	1.98
		145.40	148.65
		164.65	191.55
	Details of bank deposits		
	Bank deposits having original maturity upto three months included under Cash and cash equivalents	-	4.20
	Bank deposits with original maturity of more than 3 months but less than 12 months included under other bank balances.	143.07	146.67
	Bank deposits due to mature after 12 months of the reporting date included under "Other non-current assets" (refer note 14)	38.22	-
		181.29	150.87

a. **Deposits given as security**

i) Margin money deposits with a carrying amount of ₹ 77.66 million (P.Y. ₹ 80.37 million) are subject to first charge to secure the Company's working capital loans.

ii) Bank deposits with a carrying amount of ₹ 103.63 million (P.Y. ₹ 67.65 million) are subject to exclusive first charge to secure the Company's rupee term loans and external commercial borrowing from one bank.

		31 March 2017	31 March 2016
18	**Short term loans and advances**		
	Unsecured		
	To parties other than related parties		
	Advance to suppliers		
	Considered good	44.77	73.21
	Considered doubtful	5.00	24.41
		49.77	97.62
	Less: Provision for doubtful advances	5.00	24.41
		44.77	73.21
	Balances with customs, excise, etc	245.03	169.09
	Prepaid expenses	44.39	46.73
	VAT/CST receivable	68.42	52.41
	MAT credit entitlement	65.70	99.60
	Loans to employees	3.09	2.41
		471.40	443.45
19	**Other current assets**		
	Interest accrued on fixed deposits	4.46	2.71
		4.46	2.71

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
20	Revenue from operations		
	Sale of products (gross)		
	Finished goods	10,196.67	9,186.44
	Less: Excise duty	200.24	98.20
	Sale of products (Net)	9,996.43	9,088.24
	Sale of services	6.42	1.91
	Other operating revenue		
	Export incentives	123.92	155.33
	Scrap sales	12.59	11.01
	Revenue from operations	10,139.36	9,256.49
21	Other income		
	Interest income on		
	Bank deposits	12.44	9.13
	Others	12.69	3.32
	Dividend on long term investments	0.01	0.05
	Miscellaneous income	9.21	5.91
		34.35	18.41
22	Cost of Materials Consumed		
	Raw materials at the beginning of the year	1,870.59	1,930.34
	Add : Purchases during the year	4,840.27	4,417.93
		6,710.86	6,348.27
	Less: Raw materials at the end of the year	1,762.59	1,870.59
		4,948.27	4,477.68
23	Changes in Inventories of Finished Goods and Work-in-progress		
	Decrease/(Increase) in stocks		
	Inventories at the end of the year		
	Work-in-progress	395.90	460.17
	Finished goods	352.94	434.18
	Total A	748.84	894.35
	Inventories at the beginning of the year		
	Work-in-progress	460.17	579.31
	Finished goods	434.18	479.92
	Total B	894.35	1,059.23
	Decrease in stocks (B-A)	145.51	164.88
24	Employee benefit expense		
	Salaries, wages and bonus	1,032.83	944.30
	Contribution to provident and other funds (Refer note 40)	46.53	43.13
	Gratuity expenses (Refer note 40)	20.45	21.06
	Staff welfare expenses	93.10	88.03
		1,192.91	1,096.52
	Less: Transferred to capital work in progress	(20.13)	(15.96)
		1,172.78	1,080.56

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
25	**Finance costs**		
	Interest on rupee term loan	312.35	228.23
	Interest on foreign currency term loan	26.92	43.35
	Interest on working capital loans	112.00	94.42
	Interest on bills discounted	42.39	40.29
	Other interest	9.52	48.66
	Bank charges	26.29	30.46
	Exchange difference to the extent considered as an adjustment to borrowing costs	-	146.20
		529.47	631.61
	Less: Transferred to capital work in progress	(31.12)	(9.76)
		498.35	621.85
26	**Other expenses**		
	Consumption of stores and spares	167.75	157.52
	Processing charges	15.03	24.86
	Power and fuel	856.29	837.00
	Advertisement	0.64	1.02
	Rent [Refer note 31(a)]	21.40	20.74
	Rates and taxes	10.49	8.22
	Insurance	20.51	23.41
	Repairs and maintenance		
	- Plant and machinery	106.03	74.04
	- Buildings	22.41	16.54
	- Others	72.91	53.96
	Printing and stationery	14.75	12.91
	Legal and professional charges		
	- Legal charges	3.86	1.55
	- Professional charges	101.52	74.88
	Travelling and conveyance	60.78	46.49
	Vehicle expenses	13.24	12.60
	Postage, telephone and telegrams	12.64	14.59
	Payment to Auditors' (Refer note 38)	6.43	6.46
	Director's sitting fee	3.75	2.56
	Sales and distribution expenses	155.85	151.54
	Commission on sales	10.50	5.69
	Security service charges	29.64	23.76
	Sundry balance written off (net)	25.56	4.41
	Service charges	29.46	32.09
	Excise duty on closing stock	(5.05)	6.34
	Loss on sale of property, plants and equipment (tangible fixed assets) (net)	23.87	-
	Foreign exchange loss (net)	7.72	22.60
	Provision for doubtful debts and advances	15.00	12.50
	Corporate Social Responsibility expenses (CSR) (Refer note 45)	13.96	9.00
	Miscellaneous expenses	78.49	66.83
		1,895.43	1,724.11
	Less: Transferred to capital work in progress	(7.43)	-
		1,888.00	1,724.11

(Currency: Indian rupees in million)

		As at 31 March 2017	As at March 31 2016
27	**Contingent liabilities**		
	Bills discounted with banks	1,008.08	1,042.56
	Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	314.82	174.49
	Disputed demands by Excise Authorities	40.13	40.13
	Disputed demands by Income Tax Authorities	124.10	37.02

In addition, the Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liability, where applicable in its financial statements. The Company's management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect of the Company's results of operations or financial condition.

28 Capitalisation of expenditure

During the year, the Company has capitalised the following expenses of revenue nature to the cost of property, plant and equipment (tangible fixed assets)/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalised by the Company.

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries, wages and bonus	20.13	15.96
Finance costs	31.12	9.76
Other expenses	7.43	-
Total	58.68	25.72

29 Segment reporting

The Company's financial reporting is organised into two major operating divisions viz. crop protection and pharmaceuticals. These divisions are the basis on which the Company is reporting its primary segment information.

Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Segment assets include all operating assets used by a segment comprising trade receivables, inventories, property, plant and equipment (tangible fixed assets) loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising trade payables and other liabilities. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

(Currency: Indian rupees in million)

Primary Segment information

Particulars	Crop Protection	Pharmaceuticals	Total
Revenue (external revenue)	**4,087.30**	**6,052.06**	**10,139.36**
	3,565.13	*5,691.36*	*9,256.49*
Segment result	**754.49**	**786.59**	**1,541.08**
	547.21	*805.09*	*1,352.30*
Interest expenses			**498.35**
			621.85
Other unallocable expenditure			**213.34**
(net of unallocable income)			*197.39*
Profit before tax			**829.39**
			598.56
Segment assets	**4,045.80**	**7,940.78**	**11,986.58**
	3,171.50	*8,217.95*	*11,389.45*
Unallocated corporate assets			**1,383.48**
			1,371.48
Total assets			**13,370.06**
			12,760.93
Segment liabilities	**696.41**	**910.22**	**1,606.63**
	476.58	*984.04*	*1,460.62*
Unallocated corporate liabilities			**5,550.87**
			5,651.33
Total liabilities			**7,157.50**
			7,111.95
Capital expenditure for the year	**872.53**	**445.69**	**1,318.22**
	170.43	*358.11*	*528.54*
Unallocated capital expenditure			**28.37**
			27.18
Depreciation for the year	**153.50**	**522.60**	**676.10**
	145.11	*513.52*	*658.63*
Unallocated depreciation			**15.31**
			14.13

(Currency: Indian rupees in million)

.**Secondary segment information**

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA and Canada and South East Asia.

Particulars	Revenue	Assets employed	Capital expenditure
India	**3,526.92**	**13,370.06**	**1,346.59**
	1,939.71	*12,760.93*	*555.72*
USA and Canada	**802.19**	**-**	**-**
	1,326.38	-	-
Europe	**2,848.74**	**-**	**-**
	2,594.45	-	-
South East Asia	**2,792.50**	**-**	**-**
	3,231.37	-	-
Others	**169.01**	**-**	**-**
	164.58	-	-
Total	**10,139.36**	**13,370.06**	**1,346.59**
	9,256.49	*12,760.93*	*555.72*

Note: *The figures in italics are in respect of previous year*

30 Related party disclosures

List of related parties

Parties where control exists :

Subsidiary companies

Hikal International B.V. Netherland ("HIBV") (Upto11 December 2016)

Acoris Research Limited ("ARL")

Key Management Personnel

Jai Hiremath	Chairman and Managing Director
Sameer Hiremath	President & Joint Managing Director

Relatives of Key Management Personnel

Sugandha Hiremath

Company exercising significant influence through voting power ('significant shareholder')

Kalyani Investment Company Limited ("KICL")

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited ("DEPL")

Marigold Investments Private Limited ("MIPL")

Iris Investments Private Limited ("IIPL")

Karad Engineering Consultancy Private Limited ("KECPL")

Ekdant Investment Private Limited ("EIPL")

Shri Rameswara Investment Private Limited ("SRIPL")

Shri Badrinath Investment Private Limited ("SBIPL")

Rushabh Capital Services Private Limited ("RCSPL")

(Currency: Indian rupees in million)

Transactions with related parties

Nature of Transaction	Subsidiary companies	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Remuneration					
- Jai Hiremath	-	29.88	-	-	-
	-	*27.19*	-	-	-
- Sameer Hiremath	-	16.31	-	-	-
	-	*14.89*	-	-	-
Commission Paid					
- Jai Hiremath	-	9.00	-	-	-
	-	*5.50*	-	-	-
- Sameer Hiremath	-	9.00	-	-	-
	-	*5.50*	-	-	-
Sitting fees					
- Sugandha Hiremath	-	-	0.80	-	-
	-	-	*0.45*	-	-
Dividend paid					
- SBIPL	-	-	-	7.97	-
	-	-	-	*13.28*	-
- SRIPL	-	-	-	3.92	-
	-	-	-	*6.54*	-
- DEPL	-	-	-	0.02	-
	-	-	-	*0.03*	-
- EIPL	-	-	-	0.16	-
	-	-	-	*0.26*	-
- KECPL	-	-	-	0.03	-
	-	-	-	*0.04*	-
- KICL	-	-	-	-	15.47
	-	-	-	-	*25.78*
- Sugandha Hiremath	-	-	3.87	-	-
	-	-	*6.45*	-	-
- Jai Hiremath	-	0.54	-	-	-
	-	*0.89*	-	-	-
- Sameer Hiremath	-	0.16	-	-	-
	-	*0.26*	-	-	-
Lease rent paid					
- Sugandha Hiremath	-	-	2.40	-	-
	-	-	*2.40*	-	-
- Jai Hiremath	-	0.30	-	-	-
	-	*0.20*	-		
- SRIPL	-		-	-	-
	-		-	*0.07*	-
- RCSPL	-		-	1.08	-
	-		-	*1.08*	-
Security deposits given					
- Jai Hiremath	-	-	-	-	-
	-	*20.00*	-	-	-
Security deposits repaid					
- SRIPL	-	-	-	-	-
	-	-	-	*2.12*	-
Loans/Advances granted					
- HIBV	1.90	-	-	-	-
	1.56	-	-	-	-

(Currency: Indian rupees in million)

Outstanding balance debit/(credit)

Nature of Transaction	Subsidiary companies	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Long term loans and advances					
- HIBV	-	-	-	-	-
	10.63	-	-	-	-
Commission payable					
- Jai Hiremath	-	(9.00)	-	-	-
	-	*(5.50)*	-	-	-
- Sameer Hiremath	-	(9.00)	-	-	-
	-	*(5.50)*	-	-	-
Security deposit					
- Jai Hiremath	-	20.00	-	-	-
	-	*20.00*	-	-	-
- Sugandha Hiremath	-	-	50.00	-	-
	-	-	*50.00*	-	-
- RCSPL	-	-	-	1.10	-
	-	-	-	*1.10*	-

Note: The figures in italics are in respect of previous year. Also, refer Note 44

31 Leases

a) Operating Leases

The Company has taken printers, copiers and office and residential premises under cancellable and non-cancellable operating lease arrangements. Lease rentals debited to the statement of profit and loss aggregates ₹ 5.18 million (P.Y. ₹ 6.39 million) for non-cancellable lease and ₹ 16.22 million (P.Y. ₹ 14.35 million) for cancellable lease. The additional disclosures in respect of non-cancellable leases are given below:

	Year ended 31 March 2017	Year ended 31 March 2016
Future minimum lease payments in respect of non-cancellable leases:		
- not later than one year	3.75	5.17
- later than one year but not later than five years	14.06	14.12
- later than five years	2.27	6.04

b) Finance Leases

Certain items of plant and machinery have been obtained on finance lease basis. The legal title of these items vests with their lessors. The lease term of such plant and machinery ranges between 2 – 3 years with equated monthly payments beginning from the month subsequent to the commencement of the lease. The total future lease payment at the balance sheet date, element of interest included in such payments and present value of these lease payments are as follows:

	Minimum Lease payment		Present Value	
Maturity profile of finance lease is as under :	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Payable within 1 year	-	0.44	-	0.42
Payable between 1-5 years	-	-	-	-
Payable later than 5 years	-	-	-	-

Finance lease obligation are secured against the respective assets taken on lease

	Non Current portion		Current portion	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
a) Total minimum lease payments	-	-	-	0.44
b) Future interest included in (a) above	-	-	-	0.02
c) Present value of future minimum lease payments {a-b}	-	-	-	0.42

The rate of interest implicit in the above is in the range of 10% to 14%

32 Earnings Per Share

(Rupees in Million, except per share data)

	Year ended 31 March 2017	Year ended March 31 2016
Basic and diluted earnings per share		
Profit after taxation	667.94	413.17
Numerator used for calculating earnings per share	667.94	413.17
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	82,200,500	82,200,500
Number of equity shares outstanding at the end of the year	82,200,500	82,200,500
Weighted average number of equity shares outstanding during the year	82,200,500	82,200,500
Basic and diluted earnings per share (₹)	8.13	5.03
Nominal value per shares (₹)	2	2

33 Details of dues to Micro and Small Supplies

Particulars	31 March 2017	31 March 2016
The principal amount remaining unpaid to any supplier as at the year end of each accounting year	47.15	40.24
The interest due thereon remaining unpaid to any supplier at end of each accounting year	-	-
The amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro Small and Medium Enterprises Development Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
The amount of further interest remaining due and payable even in the Succeeding years until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprises Development Act, 2006	-	-

34 Deferred tax liabilites (net)

Deferred tax assets:		
Provision for employee benefits	53.60	43.33
Provision for doubtful trade receivables and advances	5.19	31.07
Provision for inventory obsolescence	10.82	9.95
Total deferred tax assets	69.61	84.35
Deferred tax liabilities:		
Excess of depreciation on property, plant and equipment (tangible fixed assets) under income tax law over depreciation provided in accounts	378.92	361.52
Excess of allowance for lease rental under income tax law over depreciation and interest charged on the leased assets in accounts	6.99	8.11
Excess claim for loan processing changes under Income Tax Law	13.03	15.20
Total deferred tax liabilities	398.94	384.83
Deferred tax liabilities(net)	329.33	300.48

(Currency: Indian rupees in million)

35 Derivative Instruments

The Company uses derivative and forward contracts to hedge its risks associated with foreign currency fluctuations. Such transactions are governed by the strategy approved by the Board of Directors which provides principles on the use of these instruments consistent with the Company's Risk Management Policy. The Company does not use these contracts for trading or speculative purposes. The Company does not have any outstanding derivative contracts as at 31 March 2017 and 31 March 2016.

The net foreign currency exposures not hedged as at the year end are as under:

		31 March 2017			31 March 2016		
		Foreign Currency Millions		₹Millions	Foreign Currency Millions		₹Millions
		Curr.	Amt.	Amt.	Curr.	Amt.	Amt.
a.	Amount receivable in foreign currency on account of following :						
	- Export of goods	USD	12.02	779.19	USD	7.16	475.10
		EUR	2.39	165.48	EUR	2.25	169.01
		GBP	-	-	GBP	0.22	21.16
b.	Amount payable in foreign currency on account of following:						
	(i) Import of goods & Services	USD	7.09	459.98	USD	7.92	525.21
		EUR	1.66	114.90	EUR	2.11	158.32
		GBP*	-	-	GBP*	-	0.03
		AED*	-	0.02	AED	-	0.00
	(ii) Loan payables	USD	20.00	1,297.00	USD	16.44	1,090.63
	(iii) Working capital loan from bank	USD	9.17	594.48	USD	14.12	936.73
		EUR	-	-	EUR	0.63	47.47
c.	Bank balance	GBP*	-	-	GBP*	-	0.26
		USD	-	0.09	USD	0.03	1.79

*Amount less than 10,000/-

36 Loans and advances in the nature of loans given to subsidiary as per the provisions of Regulations 34(3) of Securities Exchange Board of India (SEBI) (Listing obligations and disclosure requirements) Regulations 2015

Hikal International B.V (100% subsidiary) ₹ Nil (P.Y. ₹ 10.63 million) [Maximum amount outstanding during the year ₹ 12.54 Million (P.Y.₹ 10.63 Million)]

(Currency: Indian rupees in million)

37 Research and Development expenditure

	31 March 2017	31 March 2016
Revenue expenditure on research and development (including depreciation) included under the relevant heads in the statement of profit and loss	344.25	306.97
Capital expenditure	17.75	40.73

38 Payment to Auditors' (excluding service tax)

	Year ended 31 March 2017	Year ended 31 March 2016
- Audit fees	3.55	3.70
- Limited review of quarterly results	2.25	2.10
- Certification and other matters	0.28	0.45
- Out-of-pocket expenses	0.35	0.21
Total	6.43	6.46

39 Dues relating to Investor Education and Protection Fund

There are no dues, which needs to be credited as at the year end to the Investor Education and Protection Fund.

40 Disclosure relating to Employee Benefits - As per revised AS – 15

Assumptions made for the actuarial valuation of Gratuity Liability and Compensated Leave Liability

Payment of Gratuity arises on account of future payments which a company is required to make in the event of an employee retiring or dying during the services or leaving due to certain reasons.

Rate of interest

As the payments are to be made in future on the happenings of the contingencies, it is necessary to use an appropriate rate of interest for the purpose of ascertaining the present value of such payments. While considering the various aspects in this behalf, a long-term view is taken and a suitable rate in calculating the valuation function is adopted.

Salary scale

Since the salaries or wages of employees will increase year after year, it is necessary to have rough approximation of the salary an employee will be receiving at the time of payment of gratuity. A suitable growth rate is assumed for this purpose. This is implied in the projected Unit Credit Method.

Mortality

Since the gratuity payments are to be made on the death of an employee while in service or on attainment of retirement age, it is necessary to employ a Mortality Table so that the number of employees who would retire on the attainment age could be estimated. The table used in the calculation of valuation functions is recent Mortality Table.

		2016-17		2015-16	
A.	**Expenses recognised in the statement of profit & loss for the year ended 31 March**	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	1. Interest cost	5.77	5.46	5.32	7.45
	2. Current service cost	9.69	2.80	10.52	13.00
	3. Expected return on planned assets	(1.06)	-	-	-
	4. Net actuarial (gain)/loss on obligations	5.85	37.19	5.22	46.03
	Total expenses recognised in statement of profit and loss	20.25	45.45#	21.06	66.48#
	#included in captions Salaries, wages and bonus under Note 24				
B.	**Net asset/(liability) recognised in the balance sheet**				
	1. Present value of the obligation as on 31 March	90.66	78.20	74.11	62.25
	2. Fair value of planned assets as on 31 March	(14.68)	-	(14.15)	-
	Liability recognised in the Balance Sheet	75.98	78.20	59.96	62.25

(Currency: Indian rupees in million)

C.	**Change in plan assets**				
	1. Fair value of the plan as on 1 April	14.15	-	14.12	-
	2. Actual return of plan assets	1.06	-	1.60	-
	3. Employer's contribution	4.43	-	1.94	-
	4. Benefit paid	(4.43)	-	(3.51)	-
	5. Acturial gain/(loss) on plan assets	(0.51)	-	-	-
	6. Plan assets as at 31 March	14.68	-	14.15	-
D.	**Change in present value of obligation**				
	1. Present value of obligation as on April 1	74.11	62.25	66.46	93.08
	2. Interest cost	5.77	5.46	5.32	7.45
	3. Current service cost	9.69	7.18	10.52	13.00
	4. Benefits paid	(4.43)	(29.50)	(13.41)	(97.31)
	5. Net actuarial (gain)/loss on obligations	5.52	32.81	5.22	46.03
	Present value of obligation as per actuarial valuation as at 31 March	90.66	78.20	74.11	62.25
E.	**Actuarial assumptions**				
	1. Discount Rate	7.50% p.a.	7.50% p.a.	8% p.a.	8% p.a.
	2. Rate of increase in compensation level	5% p.a.	5% p.a.	5% p.a.	5% p.a.
	3. Rate of return on plan assets				
	a. Funded	7.50% p.a.	N.A.	8% p.a.	N.A
	b. Un-funded	N.A	N.A	N.A	N.A
	4. Mortality rate	Indian Assured Lives Mortality(2006-08)ultimate		Indian Assured Lives Mortality(2006-08)ultimate	

F.	**Experience adjustment**	**2017**	**2016**	**2015**	**2014**	**2013**
	1. Defined benefit obligation	90.66	74.11	66.46	59.99	50.93
	2. Plan assets (including bank balance)	14.68	14.15	12.50	13.10	14.53
	3. Surplus/(deficit)	75.96	59.96	53.96	46.89	36.40
	4. Experience adjustments of obligation	1.14	5.22	3.43	2.65	2.98
	5. Experience adjustment on plan assets	0.51	0.47	NA	NA	0.17

Reconciliation of liability as at year-end and charge for the year-end

	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Provision as per actuarial valuation report	75.98	78.20	59.96	62.25
Additional charge to the Statement of Profit and Loss recognised on account of resigned employees not included in actuarial valuation	0.20	0.51	-	3.00
Liability recognised in the Balance Sheet	76.18	78.71	59.96	65.25
Gratuity/leave encashment charge as per valuation report	20.25	45.45	21.06	66.48
Additional charge to the Statement of Profit and Loss recognised on account of resigned employees not included in actuarial valuation	0.20	0.51	-	3.00
Gratuity/leave encashment charge in statement of profit and loss account	20.45	45.96	21.06	69.48

Contribution to provident and other funds

On account of defined contribution plans the Company's contribution to Provident Fund and Superannuation Fund aggregating ₹46.53 million (P.Y.₹ 43.13 million) has been recognized in the statement of profit and loss under the head employee benefits (Refer note 24).

(Currency: Indian rupees in million)

41 Details of Specified Bank Notes (SBN)

Schedule III of the Companies Act, 2013 was amended by Ministry of Corporate Affairs vide Notification G.S.R. 308(E) dated 30 March 2017. The said amendment requires the Company to disclose the details of Specified Bank Notes held and transacted during the period from 8 November 2016 to 30 December 2016. Details of Specified Bank Notes held and transacted during the period from 8 November 2016 to 30 December 2016 are as follows:

(₹ in Milions)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	1.16	2.04	3.20
Add : Withdrawal from bank accounts	-	3.95	3.95
Add : Receipts from permitted transactions	-	0.32	0.32
Less : Permitted payments	-	4.50	4.50
Less : Paid for non-permitted transactions#	0.28	-	0.28
Less : Deposited in bank accounts	0.88	0.62	1.50
Closing cash in hand as on 30 December 2016	-	1.19	1.19

#These transactions pertain to payments made to the transporters for transport of goods in the ordinary course of business.

42 Sale of Research and Development (R&D) land and building situated at Bangalore

During the year, the Company has sold land and building at Bangalore R&D unit at a value of ₹170 million. The difference between the selling price of land and the carrying value of land as on the date of sale is ₹ 0.56 million which has been adjusted against the long-term loss on sale of Property, Plant and Equipment (tangible fixed assets) in Note 26.

As a consequence of the aforesaid sale, other property, plant and equipment (tangible fixed assets) aggregating ₹ 25.77 million situated at Bangalore R&D unit has been written-off during the year. The balance assets (in the form of stores and spares etc.) in the balance sheet pertaining to Bangalore R&D unit has aggregating ₹ 35.79 million have also been charged to the Statement of Profit and Loss.

43 Additional information

a) Raw material consumption

	Year ended 31 March 2017 Amount	Year ended 31 March 2016 Amount
Cyclohexane Diacetic Acid	1,026.47	820.49
SMPGM	329.19	384.20
Iso Propyl Alcohol (IPA)	61.76	60.74
Liquid Bromine	113.18	93.29
Acetone	116.28	84.83
Iso-Butyl Chloro Valeriate	98.64	114.39
Caustic Soda Lye	193.92	146.70
Ethyl 2-Bromobutyrate	219.96	266.83
3-4 Dichloro Phenyl Isocyanate	512.83	256.25
Others	2,276.04	2,249.96
	4,948.27	4,477.68

b) Indigenous and imported consumption

	Amount	%	Amount	%
Raw materials				
Indigenous	1,997.26	40.36	2,018.72	45.08
Imported	2,951.01	59.64	2,458.96	54.92
	4,948.27	100.00	4,477.68	100.00
Stores and spares				
Indigenous	158.53	94.50	150.37	95.46
Imported	9.22	5.50	7.15	4.54
	167.75	100.00	157.52	100.00

(Currency: Indian rupees in million)

c) Stocks and Turnover

Class of Goods	Work-in-progress		Finished Goods		Turnover
	Opening stock	Closing stock	Opening stock	Closing stock	
Crop protection products	71.20	148.55	211.91	125.99	4,027.41
	130.72	*71.20*	*298.86*	*211.91*	*3,481.15*
Bulk drugs	388.97	247.35	222.27	226.95	5,981.63
	448.59	*388.97*	*181.06*	*222.27*	*5,618.10*
Export incentive	-	-	-	-	*123.92*
	-	-	-	-	*155.33*
Income from	-	-	-	-	6.42
Services rendered	-	-	-	-	*1.91*
Total	460.17	395.90	434.18	352.94	10,139.36
	579.31	*460.17*	*479.92*	*434.18*	*9,265.49*

Note: Figures in Italics are in respect of previous Year

	31 March 2017	31 March 2016
d) CIF value of imports		
Raw materials	**2,986.99**	2,501.31
Capital goods	**78.75**	27.14
Stores and spares	**9.22**	6.89
e) Earnings in foreign exchange		
FOB value of exports	**6,612.44**	7,316.73
f) Expenditure in foreign currency		
Interest	**132.03**	127.88
Professional charges	**21.87**	9.97
Commission	**4.75**	5.38
Traveling expenses	**14.59**	9.11
Others	**56.12**	46.15
g) Remittance in foreign currency on account of dividends		
Period to which it relates	**2015-16 & 2016-17**	2014-15
Number of Non-resident Shareholders	**1**	1
Number of equity shares held on which dividend is due	**121,550**	121,550
Amount remitted	**0.19**	0.12

44 Disclosure under section 186 of the Companies Act 2013

a. The details of loan under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 are as follows:

Name of entity / parties	As at 31 March 2016	Loan given during the year	Written off during the year	As at 31 March 2017
Hikal International B.V. (100% subsidiary)	10.63	1.91	(12.54)#	-

Note:

Purpose of utlisation of above loan	Working capital
Loan repayment terms	Repayable on demand
Rate of interest	8%

(Currency: Indian rupees in million)

b. Details of investment made during the year ended 31 March 2017 as per section 186(4) of the Act:

Name of entity	31 March 2016	During the year	31 March 2017
Bharuch Eco Aqua.Infrastructure Limited	2.23	-	**2.23**
Panoli EnviroTechnology Limited	0.30	-	**0.30**
Jiangsu Chemstar Chemical Co Limited	26.97	-	**26.97**
Bank of Baroda	0.17	-	**0.17**
Union Bank of India	0.05	-	**0.05**
Acoris Research Limited	0.10	-	**0.10**
Hikal International B.V., Netherland#	0.00	-	**0.00**

#During the year, the Company has sold 7,200 equity shares of Euro 10 each fully paid up of Hikal International BV (100% Subsidiary of the Company) for Euro 1 (equivalent Indian ₹ 72). The said investment was fully written-off in earlier years. Consequent to sale of the investment in Hikal International BV, the Company has written-off the inter-corporate loans given to the said entity aggregating ₹ 12.54 million.

45 As per Section 135 of the Act, a Corporate Social Responsibility (CSR) Committee has been formed by the Company. The funds are utilised during the year on the activities which are specified in Schedule VII of the Act. The utilisation is done by way of direct contribution towards various activities.

Gross amount required to be spent by the Company during the year was ₹ 13.07million (P Y ₹ 12.77 million).

Amount spent during the year on:

		Year ended 31 March 2017		Year ended 31 March 2016	
		In cash	Yet to be paid in cash	in cash	Yet to be paid in cash
i.	**Construction/acquisition of any asset**				
ii.	**Purposes other than (I) above**				
	Protection of national heritage	**3.50**	-	3.00	-
	Education	**5.39**	-	3.13	-
	Promoting vocational skill	**1.00**	-	1.50	-
	Rural development	**1.94**	-	-	-
	Environmental sustainability	**0.11**	-	-	-
	Promoting preventive health care and sanitation and making available safe drinking water	**0.98**	-	-	-
	Others	**1.04**	-	1.37	-
	Total (ii)	**13.96**	-	9.00	-

46 The Board of Directors have recommended a dividend of Re 0.60 per share at their meeting held on 10 May 2017. Pursuant to the Companies (Accounting Standards)Amendment Rules, 2016 applicable with effect from 1 April 2016, this dividend (including dividend distribution tax) will be recorded and paid post the approval of shareholders in the Annual General Meeting.

47 **Other information**

Information with regard to other matters, as required by Schedule III to the Act is either nil or not applicable to the Company for the year.

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

Cash flow statement

For the year ended 31 March 2017

(Currency: Indian rupees in million)

			31 March 2017		31 March 2016
A	**Cash flow from operating activities**				
	Profit before tax		**829.39**		533.06
	Adjustments –				
	Depreciation and amortisation	**691.41**		672.76	
	Dividend on long-term investments	**(0.01)**		(0.05)	
	Finance costs	**498.35**		621.85	
	Interest Income	**(25.13)**		(12.45)	
	Loss on sale of property, plant and equipment (tangible fixed assets)	**23.87**		-	
	Sundry balances written off	**25.56**		4.41	
	Provision for doubtful debts and advances	**15.00**		12.50	
	Unrealised foreign exchange (gain)/loss	**7.17**		36.94	
			1,236.22		1,335.96
	Operating cash flow before working capital changes		**2,065.61**		1,869.02
	Decrease/(Increase) in trade receivables	**(534.68)**		142.38	
	Decrease/(Increase) in loans and advances and other assets	**13.21**		(213.38)	
	Decrease/(increase) in inventories	**275.32**		228.41	
	(Decrease)/increase trade payables	**40.81**		(88.82)	
	Increase/(decrease) in provisions and other liabilities	**(28.04)**		45.51	
			(233.38)		114.10
	Cash generated from operation		**1,832.23**		1,983.12
	Income tax paid		**(197.32)**		(126.12)
	Net cash flow generated from operating activities (A)		**1,634.91**		1,857.00
B	**Cash Flow From Investing Activities**				
	Purchase of property, plant and equipment (tangible and intangible assets)	**(1,221.05)**		(588.36)	
	Proceeds from sale of property, plant and equipment (tangible fixed assets)	**168.54**		-	
	Dividend on long-term investments	**0.01**		0.05	
	Interest received	**23.38**		22.92	
	Loans given to subsidiary	-		(1.56)	
	Sales of investment in subsidiary*	-		-	
	(Increase)/decrease in other bank balances (includes margin money account)	**3.25**		(73.74)	
	Net cash flow/(used in) investing activities (B)		**(1,025.87)**		(640.69)

Cash flow statement

For the year ended 31March 2017
(Currency: Indian rupees in million)

		31 March 2017		31 March 2016	
C	**Cash Flow From Financing Activities**				
	Proceeds from long term borrowings	874.27		2,477.85	
	Repayment of long term borrowings	(405.69)		(2,409.28)	
	Repayments of/proceeds from short-term borrowings (net)	(411.68)		(584.75)	
	Principal payment under finance leases	(0.42)		(9.34)	
	Finance costs paid	(530.87)		(611.10)	
	Dividend paid on equity shares (including dividend distribution tax)	(158.30)		(98.93)	
	Net cash flow (used in) financing activities (C)		(632.69)		(1,235.55)
	Net decrease in cash and cash equivalents (A+B+C)		(23.65)		(19.24)
	Effect of exchange differences on cash and cash equivalents held in foreign currency*		-		-
	Cash and cash equivalents at the beginning of the year		42.90		62.15
	Cash and cash equivalents at the end of the year		19.25		42.90

Notes to the cash flow statement

1. The above cash flow statement has been prepared under the "Indirect Method" set out in Accounting Standard 3, 'Cash Flow Statements'.

   *Amount less than ₹ 0.01 million

		31 March 2017	31 March 2016
2.	Cash and cash equivalents include:		
	Cash on hand	1.25	1.44
	Balances with banks - Current accounts	17.91	35.47
	- Exchange Earners Foreign Currency accounts	0.09	1.79
	- Deposits accounts (demand deposits and deposits having original maturity of 3 months or less)	-	4.20
	Cash and cash equivalents at the end of the year (Refer note 16)	19.25	42.90

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

Statement containing the salient features of the financial statements of subsidiaries

Form AOC-1- pursuant to first provision to sub section (3) of section 129 of the Companies Act, 2013 read with rule 5 of the Companies (Accounts) rules, 2014

Financial Highlights

(₹ Million except % of shareholding)

	Particulars	Hikal International BV (1 Apr 2016 to 11 Dec 2016)	Acoris Research Limited (1 Apr 2016 to 31 Mar 2017)
a)	Share Capital	5.16	150.50
b)	Reserves	(4.17)	(150.51)
c)	Total Assets	1.03	-
d)	Total Liabilities	0.04	0.01
e)	Investment	-	-
f)	Turnover	-	-
g)	Profit/(loss) before taxation	13.00	(0.003)
h)	Provision for taxation	-	-
I)	Profit/(loss) after Taxation	13.00	(0.003)
j)	% of shareholding	100	100

Independent Auditors' Report

To the Members of Hikal Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Hikal Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the consolidated balance sheet as at 31 March 2017, the consolidated statement of profit and loss, and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's responsibility for the consolidated financial statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (particularly Accounting Standard 21 - Consolidated Financial Statements). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under sub-section (10) of Section 143 of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2017 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other matters

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of ₹ Nil and Net assets of ₹ Nil as at 31 March 2017, total revenues of ₹ Nil and net cash outflows amounting to ₹ 0.03 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on other legal and regulatory requirements

1 As required by sub-section (3) of Section143 of the Act, based on our audit and on the consideration of report of the other auditors on the separate financial statements and of the subsidiaries as noted in Other matters paragraph, we report, to the extent applicable, that:

(a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

(c) the consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies, incorporated in India, are disqualified as on 31 March 2017 from being appointed as a director in terms of sub-section 2 of Section 164 of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Holding company and its subsidiary company incorporated in India and the operating effectiveness of such controls, refer to our separate report in “Annexure A”; and

(g) with respect to the other matters to be included in the auditor's report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of the other auditors on separate financial statements, as noted in the 'Other matters' paragraph:

i. the Group has disclosed the impact of pending litigations on its financial position in its consolidated financial statements – Refer Note 27 to the consolidated financial statements;

ii. the Group did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India; and

iv. the Holding Company has provided requisite disclosures in its consolidated financial statements as to holding as well as dealing in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. However, as stated in Note 37 to consolidated financial statements, amounts aggregating ₹ 280,000 as represented to us by the management have been utilised for other than permitted transactions. As represented to us by the management, these transactions pertain to payments made to the transporters for the transport of goods in the ordinary course of business. There are no cash transactions with respect to the subsidiary company incorporated in India as per the report of the other auditors of the said subsidiary company as referred to in the 'Other Matters' paragraph above.

For B S R & Co. LLP
Chartered Accountants
Firm’s Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

Annexure A to the Independent Auditors' Report – 31 March 2017

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting of Hikal Limited (hereinafter referred to as 'the Holding Company') and Acoris Research Limited, subsidiary company incorporated in India (the Holding Company and its subsidiary incorporated in India together referred to as 'the Group'), as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and the subsidiary company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in Other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Group has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary company incorporated in India, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

Other matters

Our aforesaid report under clause (i) of sub-section 3 of Section 143 of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to Acoris Research Limited, subsidiary company incorporated in India, is based solely on the report of the auditors of the aforementioned subsidiary company.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

Consolidated Balance Sheet

As at 31 March 2017

(Currency: Indian rupees in million)

	Note	31 March 2017		31 March 2016
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	3	164.40		164.40
Reserves & surplus	4	6,048.05		5,473.42
			6,212.45	5,637.82
Non-current liabilities				
Long-term borrowings	5	3,293.11		2,966.13
Deferred tax liabilities (net)	33	329.33		300.48
Long-term provisions	6	142.97		102.23
			3,765.41	3,368.84
Current liabilities				
Short-term borrowings	7	1,294.17		1,719.59
Trade payables	8			
-total outstanding dues of micro enterprises and small enterprises		47.15		40.24
-total outstanding dues of creditors other than micro enterprises and small enterprises		1,257.09		1,238.45
Other current liabilities	9	759.34		620.34
Short- term provisions	10	34.35		124.93
			3,392.10	3,743.55
TOTAL			13,369.96	12,750.21
ASSETS				
Non-current assets				
Fixed assets				
- Tangible fixed assets (Property, plant and equipment)	11	6,676.09		6,225.67
- Capital work-in-progress	11	619.40		661.25
- Intangible fixed assets	11	7.17		6.14
- Intangible Assets under development	11	8.19		-
			7,310.85	6,893.06
Non-current investments	12	31.17		31.17
Long-term loans and advances	13	1,113.42		1,154.06
Other non-current assets	14	38.22	1,182.81	-
			8,493.66	8,078.29
Current assets				
Inventories	15	2,635.81		2,911.13
Trade receivables	16	1,599.98		1,123.06
Cash and bank balances	17	164.65		191.57
Short-term loans and advances	18	471.40		443.45
Other current assets	19	4.46		2.71
			4,876.30	4,671.92
TOTAL			13,369.96	12,750.21
Significant accounting policies	2			
The notes referred to above form an integral part of the consolidated financial statements	3-41			

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

Consolidated statement of profit and loss

For the year ended 31 March 2017
(Currency: Indian rupees in million)

	Note	31 March 2017	31 March 2016
Revenue from operations			
Sale of products (gross)	20	10,196.67	9,186.44
Less: Excise duty		200.24	98.20
Sale of products (net)		9,996.43	9,088.24
Sale of services		6.42	1.91
Other operating revenue		136.51	166.34
		10,139.36	9,256.49.
Other income	21	34.35	18.41
Total Revenue (I)		10,173.71	9,274.90
Expenses			
Cost of materials consumed	22	4,948.27	4,477.68
Changes in inventories of finished goods and work-in-progress	23	145.51	164.88
Employee benefit expense	24	1,172.78	1,080.56
Finance cost	25	498.47	622.12
Depreciation and amortisation expense	11	691.41	672.76
Other expense	26	1,874.89	1,725.00
Total Expenses (II)		9,331.33	8,743.00
Profit before exceptional item and tax (I-II)		842.38	531.90
Less: Exceptional item (Refer note 34)		42.14	-
Profit before tax		800.24	531.90
Income tax expense			
Current tax			
- for current year		197.16	118.07
- for earlier years		19.78	-
MAT credit entitlement			
- for current year		(74.73)	(13.55)
- for earlier years		(9.61)	-
Deferred tax charge		28.85	15.37
Total tax expenses		161.45	119.89
Profit for the year		638.79	412.01
Basic and diluted earnings per share in ₹ (Face value per share ₹ 2)	32	7.77	5.01
Significant accounting policies	2		
The notes referred to above form an integral part of the consolidated financial statements	3-41		

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

1 Company overview

Hikal Limited ('Hikal' or 'the Holding Company' or the 'the parent Company') was incorporated on July 8, 1988 having its registered office at 717/718, Maker Chamber V, Nariman Point, Mumbai 400 021.

The Holding Company is engaged in the manufacturing of various chemical intermediates, specialty chemicals, active pharma ingredients and contract research activities. The Holding Company is operating in the crop protection and pharmaceutical space.

The Holding Company has the following subsidiaries:

a) **Acoris Research Limited (India):** A 100% subsidiary of the Holding Company.

b) **Hikal International BV (Netherlands) :** A 100% subsidiary of the Holding Company engaged in trading activities (upto 11 December 2016).

2 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

a. Principles of consolidation

The consolidated financial statements relate to Hikal Limited ('the Holding Company') and all of its subsidiary companies and companies controlled, that is, companies over which the Company exercises control and voting power (herein after collectively referred to as 'the Group'). The consolidated financial statements have been prepared on the following basis:

a. The financial statements of the Holding Company together with audited financial statements of its subsidiaries have been considered for the purpose of consolidation. The consolidated financial statements of the Holding Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions and resultant unrealized profits or losses in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Account) Rules, 2014 and other relevant provisions of the Companies Act, 2013 ('Act'), to the extent applicable.

b. In translating the financial statements of a non-integral operation for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral operation are translated at the closing exchange rate; income and expense items of the non-integral operation are translated using the average exchange rates prevailing during the reporting period. All resulting exchange differences are accumulated in foreign currency translation reserve until the disposal of the net investment.

c. On the disposal/closure of a non-integral operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognized as income or expense in the same period in which gain/loss on disposal of the operation is recognised.

d. Investments in subsidiaries are eliminated and differences between the costs of investment over the net assets on the date of the investment in subsidiaries are recognized as goodwill or capital reserve, as the case may be.

e. The excess of cost to the Holding Company of its investments in subsidiaries over its share of the equity of the subsidiaries at the date on which the investments in subsidiaries are made, is recognized as “Goodwill on Consolidation” being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of the investment of the Holding Company, it is recognized as “Capital Reserve” and shown under the head “Reserves and surplus” in the consolidated financial statements. Impact of currency translation on such “Goodwill” and “Capital Reserve” is adjusted in the respective carrying amounts. Goodwill on consolidation is not amortized but is tested for impairment on each balance sheet date and impairment losses are recognized, where applicable

f. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Holding Company standalone financial statements

g. The financial statements of the entities used for the purpose of consolidation are drawn upto the same reporting date as that of the parent Holding Company, i.e. 31 March 2017.

h. Investments other than in subsidiaries, associates and joint ventures are accounted as per the Accounting Standard (AS) -13 “Accounting for Investments”.

Summary of significant accounting policies (Continued)

b. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in compliance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, read with companies Accounting Standard Rules, 2016 applicable with effect from1 April 2016 and the provisions of the act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied. The consolidated financial statements are presented in Indian rupees rounded off to the nearest million.

c. Use of estimates

The preparation of the consolidated financial statements in conformity with Generally Accepted Accounting Principles in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the consolidated financial statements. Management believes that the estimates made in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

d. Current/Non-current classification

The Schedule III to the Act requires all assets and liabilities to be classified as either current or non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

(a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is expected to be realized within twelve months after the balance sheet date;

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Current assets include current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

(a) it is expected to be settled in, the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the balance sheet date; or

(d) the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out above which are in accordance with the Schedule III to the Act.

Based on the nature of services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

e. Property, plant and equipment (tangible fixed assets) and capital work-in progress

Property, plant and equipment (tangible fixed assets), are stated at cost of acquisition/construction or at revalued amount less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes, duties, freight and other directly attributable expenses of bringing the assets to its working condition for the intended use. Borrowing costs and exchange gain/loss on long-term foreign currency loans attributable to acquisition, construction of qualifying asset (i.e. assets requiring substantial period of time to get ready for intended use) are capitalised. Other pre-operative expenses for major projects are also capitalised, where appropriate.

Property, plant and equipment (tangible fixed assets) under construction are disclosed as capital work-in-progress. Advances paid for acquisition of property, plant and equipment (tangible fixed assets) are disclosed

(Currency: Indian rupees in million)

Summary of significant accounting policies (Continued)

under long-term loans and advances.

During the year, pursuant to the notification of Companies (Accounting Standards) Amendment Rules, 2016 and as per the requirements of the revised Accounting Standard 10 Property Plant and Equipment (applicable effective from 1 April 2016), the Holding Company has decided to continue to adopt the revaluation model for certain class of property, plant and equipment (tangible fixed assets) i.e. freehold land and lease hold land. The Holding Company will continue to revalue land at regular intervals i.e. every three to five years.

f. **Intangible assets and intangible assets under development**

Intangible assets that are acquired by the Group are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Acquired intangible assets includes computer software. The same are amortised over their estimated useful life of five years.

Expenditure on research and development eligible for capitalisation is carried as intangible asset under development where such assets are not yet ready for their intended use.

g. **Depreciation and amortization**

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

The depreciable amount of an item of Property, Plant and Equipment (tangible fixed assets) is allocated on a systematic basis over its useful life. The Holding Company provides depreciation on the straight line method. The Holding Company believes that straight line method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Holding Company. Based on internal technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc the management believes useful lives of the assets are appropriate. The depreciation method is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with AS 5 – Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is accounted for as a change in an accounting estimate in accordance with AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies. The estimated useful lives for the current and comparative periods are as follows:

Asset class	useful lives(in years) – as per companies Act,2013	useful lives (in years) – as estimated by the company
Buildings	30-60	30-60
Plant and equipment	10-20	9-15
Furniture and fixtures	10	10
Electrical installation	10	10
Vehicles	10	10
Office equipment	5	5
Computers	3-6	3-6
Ships	20	30

Leasehold land is amortised over the duration of the lease.

Leasehold improvements amortised over the primary period of lease.

Assets acquired on hire purchase/finance lease are generally depreciated over the period of useful life of assets on a straight-line basis unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term. Where there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term, such assets are depreciated over the shorter of the contract term or the asset's useful life in accordance with the Company's normal depreciation policy.

The additional depreciation charge on account of revaluation of property, plant and equipment (tangible fixed assets) is spread over the balance useful life of the revalued assets. With effect from the financial year ended on 31 March 2015, additional charge of depreciation on account of revaluation is debited to the consolidated statement of profit and loss and a similar amount is transferred from revaluation reserve to general reserve.

Summary of significant accounting policies (Continued)

Until 31 March 2012, in respect of accounting period commencing on or after 7 December 2006 and ended on or before 31 March 2011, further extended to period ending on or before 31 March 2012 and subsequently extended till period ended on or before 31 March 2020, consequent to the insertion of paragraph 46 of AS-11 'The Effects of Changes in Foreign Exchange Rates', notified under the Companies (Accounting Standards) Rules, 2006, [as more fully explained in note 2(k)], the cost of depreciable capital assets includes foreign exchange differences arising on translation of long-term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.

Depreciation on foreign exchange differences capitalized pursuant to para 46 of AS 11 'The Effects of Changes in Foreign Exchange 'Rates' vide notification dated 29 December 2011 by Ministry of Corporate Affairs (MCA), Government of India, is provided over the balance useful life of depreciable capital assets.

Asset individually costing upto ₹ 5,000 are fully depreciated in the year of purchase.

h **Impairment of assets**

In accordance with AS 28 'Impairment of Assets', the carrying amounts of the Group's assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognised in the consolidated statement of profit and loss or against revaluation surplus, where applicable. If at the consolidated balance sheet date there is an indication that previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to maximum of depreciated historical cost.

i **Investments**

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, part of long-term investments which is expected to be realised within 12 months after the reporting date is also presented under 'current assets' as "current portion of long-term investment" in consonance with the current/ non-current classification scheme of Schedule III to the Act. Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the consolidated statement of profit and loss.

j **Inventories**

Raw material, packing material, stores, spares and consumables. Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average method and in case of work-in-progress includes appropriate production overheads, and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

The comparison of cost and net realisable value is made on an item by item basis.

Provision is made for the cost of obsolescence and other anticipated losses, whenever considered necessary.

k **Revenue recognition**

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer, which coincides with dispatch of goods from factory to the customers in case of domestic sales, and is stated net of trade discount and exclusive of sales tax but inclusive of excise duty. Export sales are recognised based on date of bill of lading.

Excise duty collected on sales is separately reduced from turnover.

Interest income is recognised on time proportion basis.

Income from services is accounted for when the services are rendered.

Export incentives principally comprises of Duty Drawback, Merchandise Export from India Scheme, Excise Duty rebate and other export incentive schemes. The benefits under these incentive schemes are available based on the guidelines formulated for respective schemes by the Government authorities. Export benefit available under prevalent scheme are accrued in the year in which the goods are exported and there is no uncertainty as to ultimate collection.

Summary of significant accounting policies (Continued)

l. **Foreign currency transactions**

- Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

- Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise, except for long-term foreign currency liabilities and assets.

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 31 March 2009, the Group has exercised the option available under the newly inserted paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates" to adjust the exchange differences arising on long-term foreign currency liabilities and assets to the cost of depreciable capital assets in so far as it relates to the acquisition of such assets and in other cases, by transfer to "Foreign currency monetary item translation difference reserve", to be amortized over the balance period of such long-term foreign currency liabilities or 31 March, 2020, whichever is earlier.

m. **Employee benefits**

i) **Short term employee benefits:**

All employee benefits payable wholly within 12 months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the year.

ii) **Post employment benefits:**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards Provident Fund and Employees' State Insurance Corporation. The Company's contribution is recognised as an expense in the consolidated statement of profit and loss during the period in which the employee renders the related service.

The Holding Company makes contributions to the Superannuation Scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, based on a specified percentage of eligible employees' salary.

Defined benefit plans

The Company provides for gratuity, a defined benefit plan covering eligible employees. Liabilities with regard to the gratuity benefits payable in future are determined by actuarial valuation by an independent actuary at each Balance Sheet date using the Projected Unit Credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement, and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under the defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Holding Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised immediately in the consolidated statement of profit and loss.

Gratuity for staff at the Panoli plant is funded through group gratuity insurance scheme of the Life Insurance Corporation of India ('LIC').

iii) **Other long-term employee benefits:**

Compensated absences

Compensated absences which are not expected to occur within 12 months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date, as determined by an independent actuary based on projected unit credit method. The discount rates used for determining the present value of the obligation under other long-term employment benefits plans, are based on the market yields on Government securities as at the Balance Sheet date.

Summary of significant accounting policies (Continued)

n. Leases

Leases under which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired under the finance leases are capitalised at fair value of the leased asset or present value of the minimum lease payments at the inception of lease, whichever is lower, and included within property, plant and equipment (tangible fixed assets). Such assets are depreciated as per the depreciation policy for such assets stated in Note (g) above. Liabilities under finance leases, less interest not yet charged, are included under lease obligations in the consolidated financial statements. Finance charges are debited to the consolidated statement of profit and loss over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term.

o. Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the year determined in accordance with income tax laws) and deferred tax charge or credit (reflecting the tax effect of timing difference between accounting income and taxable income for the year).

The deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay tax during the specified period in accordance with applicable tax rates and tax laws. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the consolidated statement of profit and loss and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

p. Research and Development

Capital expenditure is shown separately under the respective heads of property, plant and equipment (tangible fixed assets). Revenue expenses including depreciation are charged to consolidated statement of profit and loss under the respective heads of expenses.

q. Provisions and contingencies

The Group creates a provision when there exists a present obligation as a result of a past event that probably requires an outflow of resources, and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision reviews are made at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Group or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation, or a reliable estimate of amount of the obligation cannot be made. Contingent Liabilities are not recognised but are disclosed in the notes.

r. Earnings per share (EPS)

Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is calculated using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the result would be anti-dilutive.

s. Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in hand and short-term investments with a maturity of three months or less.

		31 March 2017	31 March 2016
3	**Share Capital**		
	Authorised		
	125,000,000 Equity Shares of ₹ 2/- each (P. Y. : 125,000,000 equity shares of ₹ 2/- each)	250.00	250.00
	5,000,000 Cumulative Redeemable Preference Shares of ₹ 100/- each	500.00	500.00
	(P. Y. : 5,000,000 Cumulative Redeemable Preference Shares of ₹ 100/- each)		
		750.00	750.00
	Issued, subscribed and paid-up capital Equity shares		
	82,200,500 Equity Shares of ₹ 2/- each fully paid-up (P. Y.: 82,200,500 equity Shares of ₹ 2/- each fully paid up)	164.40	164.40
		164.40	164.40

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	31 March 2017		31 March 2016	
	No. million	₹ in million	No. million	₹ in. million
At the beginning and at the end of the year	82.20	164.40	82.20	164.40

b. Terms/rights attached to equity shares

The Holding Company has only one class of equity shares having a par value of ₹ 2 (P.Y. ₹ 2) per share. Each holder of equity shares is entitled to one vote per share. The Holding Company declares and pays dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2017, the amount of per share interim dividend recognised as distributions to equity shareholders is Re 0.60 on a face value of ₹ 2 [P.Y. Re 0.50 on a face value of ₹ 2]. Further, the Holding Company has proposed final dividend to the equity shareholders of Re 0.60 on face value of ₹ 2 [P.Y. Re 0.50 on a face value of ₹ 2] subject to approval of shareholders.

In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the Holding Company

	31 March 2017		31 March 2016	
	No. million	% holding in the class	No. million	% holding in the class
Equity shares of ₹2/-(P. Y. ₹2/-) each fully paid				
Kalyani Investment Company Limited	25.78	31.36	25.78	31.36
Shri Badrinath Investment Private. Limited	13.28	16.15	13.28	16.15
International Finance Corporation	6.76	8.23	6.80	8.27
Shri Rameshwara Investment Private Limited	6.54	7.96	6.54	7.96
Sugandha J Hiremath	6.45	7.84	6.45	7.84
Reliance Capital Trustee Company Limited	4.84	5.90	5.88	7.16

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
4	**Reserve and surplus**		
	Capital Reserve		
	At the commencement and at the end of the year	0.44	0.44
	Capital redemption reserve		
	At the commencement and at the end of the year	509.82	509.82
	Securities premium account		
	At the commencement of the year	1,131.99	1,131.99
	Less : Adjustment on sale of subsidiary	668.56	-
		463.43	1,131.99
	Revaluation reserve on land		
	At the commencement of the year	1,055.59	1,063.28
	Less: Adjustment on account of downward revaluation of land	45.00	-
	Less: Amount transferred to general reserve on account of sale of land	158.71	-
	Less: Amount transferred to general reserve	7.69	7.69
		844.19	1,055.59
	State subsidy		
	At the commencement and at the end of the year	5.50	5.50
	Contingency reserve		
	At the commencement and at the end of the year	30.00	30.00
	General reserve		
	At the commencement of the year	673.86	616.17
	Add: Amount transferred from revaluation reserve on account of sale of land	158.71	-
	Add: Amount transferred from revaluation reserve	7.69	7.69
	Add : Amount transferred from surplus	100.00	50.00
	Less : Adjustment on sale of subsidiary	(4.87)	-
		935.39	673.86
	Foreign currency translation reserve		
	At the commencement of the year	(27.64)	(27.56)
	Less : Adjustment on sale of subsidiary	27.64	(0.08)
		-	(27.64)
	Surplus in Consolidated statement of Profit and loss (Profit and loss balance)		
	At the commencement of the year	2,093.86	1,830.78
	Profit for the year	638.79	412.01
	Add : Adjustment on sale of subsidiary	686.00	-
	Appropriations		
	Interim dividend on equity shares [amount per share Re 0.60 on face value of ₹ 2 (P.Y. Re 0.50 on face value of ₹ 2)]	49.32	41.10
	Proposed final dividend on equity shares [(P.Y. Re 0.50 on face value of ₹ 2)](refer note 40)	-	41.10
	Tax on equity dividend	10.04	16.73
	Transfer to general reserve	100.00	50.00
	Total appropriations	159.36	148.93
	Net surplus in consolidated Statement of profit and loss	3,259.29	2,093.86
	Total reserves and surplus	6,048.05	5,473.42

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
5	**Long-term Borrowings**		
	Secured		
	Term loans from banks		
	Rupee (refer note a (i) and b (i) below)	1,300.30	1,260.02
	External commercial borrowing (refer note a (ii) and b (i) below)	778.20	244.79
	Term loans from financial institutions		
	Rupee (refer note a (iii) and b (ii) below)	675.00	630.02
	External commercial borrowing (refer note a (iv) and b (ii) below)	259.40	530.72
	Term loans from others		
	Rupee (refer note a (v) and b (iii) below)	270.00	294.00
	Vehicle loans		
	From banks -Rupee (refer note a (vi) and b (iv) below)	1.29	2.73
	From Others -Rupee (refer note a (vi) and b (iv) below)	8.92	3.85
	TOTAL	3,293.11	2,966.13

a. Nature of Security :

i) Rupee term loan from banks is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli and Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

ii) External Commercial borrowing from one bank is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli and Bangalore R & D centre at Pune and office at CBD Belapur and second pari passu charge on entire current assets both present and future.

iii) Rupee term loan from financial institutions is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli and Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

iv) External Commercial borrowing from financial institutions is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli, and Bangalore and second pari passu charge on entire current assets both present and future.

v) Rupee term loan from others is secured by first pari passu charge on the property, plant and equipment (tangible fixed assets) of the Company's plants situated at Taloja, Panoli, Bangalore, R & D centre at Pune and office at CBD Belapur (Navi Mumbai) and second pari passu charge on entire current assets both present and future.

vi) Vehicle loans are secured by first charge on the said vehicles.

b. **Terms of repayment as on 31 March 2017 are as under :**

(i)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	336.75	Repayable quarterly - 24 installments of ₹ 14.03 Mio starting from 30 Jun 2017	11.15%
b	-	98.00	Repayable quarterly - 24 installments of ₹ 4.08 Mio starting from 30 Jun 2017	11.20%
c	-	637.00	Repayable quarterly - 24 installments of ₹ 26.54 Mio starting from 30 Jun 2017	11.40%
d	-	173.36	Repayable quarterly - 24 installments of ₹ 7.22 Mio starting from 30 Jun 2017	11.50%
e	-	179.18	Repayable quarterly - 24 installments of ₹ 7.47 Mio starting from 30 Jun 2017	11.70%
f	12.00	778.20	Repayble quarterly - 18 instalments of US $ 0.667 Mio each starting 25 May 2019	3M Libor + 395 bps

(ii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	735.00	Repayble quarterly - 24 instalments of ₹ 30.625 Mio starting from 30 Jun 2017	11.15%
b	4.00	259.40	Repayable half yearly - 4 instalments of US $ 1 Mio each starting from 15 Jul 2017	6M Libor + 300 bps
c	4.00	259.40	Repayable half yearly - 4 instalments of US $ 1 Mio each starting from 15 Jul 2017	6M Libor + 320 bps

(iii)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	294.00	Repayable quarterly - 24 installments of ₹ 12.25 Mio starting from 30 Jun 2018	11.15%

(iv)	US $ in Million	₹ in Million	Repayment Terms	Interest Rate p.a.
a	-	0.52	Repayble monthly EMI of ₹ 0.025 Mio	10.49%
b	-	1.98	Repayble monthly EMI of ₹ 0.150 Mio	9.87%
c	-	0.62	Repayble monthly EMI of ₹ 0.039 Mio	10.25%
d	-	1.26	Repayble monthly EMI of ₹ 0.070 Mio	10.74%
e	-	1.41	Repayble monthly EMI of ₹ 0.047 Mio	10.26%
f	-	0.81	Repayble monthly EMI of ₹ 0.066 Mio	10.26%
g	-	10.81	Repayble monthly EMI of ₹ 0.315 Mio	9.24%

c. Terms of repayment as on 31 March 2016 are as under :

(i)	US $ in Million	₹. in Million	Repayment Terms	Interest Rate p.a.
a	-	285.73	Repayable quarterly - 26 installments of ₹ 10.99 Mio starting from 31 Dec 2016	11.40%
b	-	100.00	Repayable quarterly - 26 installments of ₹ 3.85 Mio starting from 31 Dec 2016	11.40%
c	-	560.00	Repayable quarterly - 26 installments of ₹ 21.54 Mio starting from 31 Dec 2016	11.70%
d	-	170.00	Repayable quarterly - 26 installments of ₹ 6.54 Mio starting from 31 Dec 2016	11.70%
e	-	170.00	Repayable quarterly - 26 installments of ₹ 6.54 Mio starting from 31 Dec 2016	11.70%
f	0.75	49.75	Repayble quarterly - 2 instalments of US $ 0.375 Mio each starting 09 May 2016	3M Libor + 300 bps
g	3.69	244.79	Repayble quarterly - 18 instalments of US $ 0.205 Mio each starting 25 May 2019	3M Libor + 300 bps

(ii)	US $ in Million	₹. in Million	Repayment Terms	Interest Rate p.a.
a	-	642.87	Repayable quarterly - 26 instalments of ₹ 24.73 Mio starting from 31 Dec 2016	11.40%
b	-	300.00	Repayable quarterly - 26 instalments of ₹ 11.54 Mio starting from 31 Dec 2016	11.40%
c	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15 Jul 2016	6M Libor + 300 bps
d	6.00	398.04	Repayable half yearly - 6 instalments of US $ 1 Mio each starting from 15 Jul 2016	6M Libor + 320 bps

(iii)	US $ in Million	₹. in Million	Repayment Terms	Interest Rate p.a.
a	-	0.75	Repayble monthly EMI of ₹ 0.025 Mio	10.49%
b	-	3.50	Repayble monthly EMI of ₹ 0.15 Mio	9.87%
c	-	1.00	Repayble monthly EMI of ₹ 0.039 Mio	10.25%
d	-	1.92	Repayble monthly EMI of ₹ 0.070 Mio	10.74%
e	-	1.49	Repayble monthly EMI of ₹ 0.047 Mio	10.26%
f	-	1.80	Repayble monthly EMI of ₹ 0.066 Mio	10.26%
g	-	0.42	Repayble quarterly EMI of ₹ 0.420 Mio	14.00%

	31 March 2017	31 March 2016
6 Long term provisions		
Provision for employee benefits		
Provision for gratuity (refer note 36)	72.84	52.55
Provision for compensated absenses(refer note 36)	70.13	49.68
	142.97	102.23

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
7	**Short term borrowings**		
	Secured		
	Loans repayable on demand from banks		
	Working capital loan rupee(refer note a & b below)	699.69	735.16
	Working capital loan -Foreign currency (refer note a and b below)	594.48	984.43
		1,294.17	1,719.59

a. **Nature of Security and terms of repayment for secured borrowings :**

i Working capital loan from IDBI Bank Limited is secured by an exclusive charge on property, plant and equipment (tangible fixed assets) of the Company's plant situated at Mahad.

ii Working capital loan from Standard Chartered Bank is secured by a first charge on office premises of the Company at CBD Belapur (Navi Mumbai).

iii Working capital loans from other banks are secured by first charge on all current assets of the Company and second pari passu charge on all property, plant and equipment (tangible fixed assets) both present and future of the Company's plants situated at Bangalore, Taloja and Panoli.

b. Working capital loans are repayable on demand and carry interest ranging from 9.20% to 13.30 % p.a. for rupee loans and from 3% to 4% for foreign currency loans.

		31 March 2017	31 March 2016
8	**Trade Payables**		
	Total outstanding dues of micro enterprises and small enterprises	47.15	40.24
	Total outstanding dues of creditors other than micro enterprises and small enterprises	1,257.09	1,238.45
		1,304.24	1,278.69
9	**Other current liabilities**		
	Current maturities of long-term borrowings	474.59	363.56
	Current maturities of finance lease obligations	-	0.42
	Interest accrued but not due on borrowings	24.02	25.43
	Other payables		
	Payables for capital purchases	126.92	39.19
	Advances from customers	7.08	80.22
	Unpaid Dividend	2.33	1.98
	Statutory dues payable		
	- Provident fund	7.67	3.31
	- Employees' state insurance	0.13	0.02
	- Tax deducted at source	12.20	19.54
	- Sales tax /Value added tax	3.65	1.61
	- Profession tax	0.25	0.23
	Employee benefits expenses	100.50	84.83
		759.34	620.34
10	**Short term provisions**		
	Provision for employee benefits		
	Provision for gratuity	3.34	7.41
	Provision for compensated absenses	8.58	15.56
		11.92	22.97
	Other provisions		
	Proposed equity dividend	-	82.20
	Provision for tax on proposed equity dividend	-	16.73
	Provision for tax (net of advance tax of ₹ 302 million[P.Y.₹ 230 million])	22.43	3.03
		22.43	101.96
		34.35	124.93

As at 31 March 2017

(Currency: Indian rupees in million)

11 Property, plant and equipment (tangible fixed assets), capital work-in-progress, intangible assets and intangible assets under development

Description	Gross block						Depreciation/amortisation				Net block
	As at 01 April 2016	Additions	Deductions	Adjustments of revaluation on land	Adjustments of exchange difference on borrowings	As at 31 March 2017	As at 1 April 2016	For the year	Deductions/ Adjustments	As at 31 March 2017	As at 31 March 2017
Freehold land	787.38	-	163.20	45.00	-	579.18	-	-	-	-	579.18
Leasehold land	715.81	14.12	-	-	-	729.93	72.34	8.75	-	81.09	648.84
Buildings	1,775.07	126.90	28.37	-	-	1,873.60	514.57	60.51	(13.24)	561.84	1,311.76
Plant and machinery	7,557.18	1,183.21	23.74	-	(30.57)	8,686.08	4,206.42	568.70	(13.61)	4,761.51	3,924.57
Electrical equipments and installations	254.73	18.12	4.67	-	-	268.18	190.77	22.75	(4.35)	209.17	59.01
Office equipments	138.26	24.09	6.83	-	-	155.52	122.83	6.61	(3.32)	126.12	29.40
Furniture and fixtures	124.16	25.26	3.54	-	-	145.88	86.81	11.63	(3.41)	95.03	50.85
Leasehold improvements	5.56	-	-	-	-	5.56	0.05	0.14	-	0.19	5.37
Vehicles	49.42	16.30	11.46	-	-	54.26	23.86	8.70	(11.46)	21.10	33.16
Ships	51.56	-	-	-	-	51.56	15.81	1.80	-	17.61	33.95
	11,459.13	**1,408.00**	**241.81**	**45.00**	**(30.57)**	**12,549.75**	**5,233.46**	**689.59**	**(49.39)**	**5,873.66**	**6,676.09**
Intangible assets											
Computer software	13.16	2.85	-	-	-	16.01	7.02	1.82	-	8.84	7.17
Total	**11,472.29**	**1,410.85**	**241.81**	**45.00**	**(30.57)**	**12,565.76**	**5,240.48**	**691.41**	**(49.39)**	**5,882.50**	**6,683.26**
Capital work-in-progress											619.40
Intangible assets under development											8.19
Total											**7,310.85**

Note:

a. In order to reflect the current reinstatement cost/market value, the Holding Company revalued its leasehold and freehold land located at its factory sites as on 31 December 2008 on the basis of valuation carried out by approved valuers based on reinstatement/market values. The resultant appreciation aggregating ₹ 1,111.42 million was added to the assets and credited to revaluation reserve. The Holding Company further revalued its leasehold and freehold land located at its factory sites as at 1 April 2016 on the basis of revaluation carried out by approved valuers. Such revaluation during the financial year 2016-17 resulted in a downward revaluation aggregation ₹ 45 million which has been appropriately adjusted against the opening balance of revaluation reserve. Fair value of the properties was determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 1 April 2016, the fair values of land are based on valuations performed by an independent valuer who holds a relevant professional qualification valuation experience for similar land in India for the last five years.

b. The additional depreciation aggregating to ₹ 7.69 million (P.Y. ₹ 7.69 million) on account of revaluation has been charged to the statement of profit and loss and a similar amount has been transferred from the revaluation reserve to general reserve.

c. Exchange differences (gain) of ₹ 30.57 million (P.Y. (loss) of ₹ 64.14 million) has been capitalised to property, plant and equipment (tangible fixed assets) post the exercise of option in terms of Para 46 of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

d. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge for the year	Accumulated depreciation	Net block
31 March 2017	30.97	3.20	10.94	20.03

(Currency: Indian rupees in million)

11 Property, plant and equipment (tangible fixed assets), capital work-in-progress, intangible assets and intangible assets under development (continued)

Description	Gross block					Depreciation/amortisation				Net block
	As at 01 April 2015	Additions	Deductions/ Adjustments	Adjustments of exchange difference on borrowings	As at 31 March 2016	As at 1 April 2015	For the year	Deductions/ Adjustments	As at 31 March 2016	As at 31 March 2016
Freehold land	787.38	-	-	-	787.38	-	-	-	-	787.38
Leasehold land	715.81	-	-	-	715.81	63.60	8.74	-	72.34	643.47
Buildings	1,722.14	52.93	-	-	1,775.07	455.21	59.36	-	514.57	1,260.50
Plant and machinery	7,141.20	351.84	-	64.14	7,557.18	3,651.22	555.20	-	4,206.42	3,350.76
Electrical equipments and installations	251.87	2.86	-	-	254.73	166.76	24.01	-	190.77	63.96
Office equipments	126.35	11.91	-	-	138.26	117.21	5.62	-	122.83	15.43
Furniture and fixtures	113.40	10.76	-	-	124.16	74.88	11.93	-	86.81	37.35
Leasehold improvements	-	5.56	-	-	5.56	-	0.05	-	0.05	5.51
Vehicles	46.03	3.39	-	-	49.42	19.33	4.52	-	23.86	25.56
Ships	51.56	-	-	-	51.56	14.01	1.80	-	15.81	35.75
	10,955.74	**439.25**	**-**	**64.14**	**11,459.13**	**4,562.22**	**671.23**	**-**	**5,233.46**	**6,225.67**
Intangible assets										
Computer software	5.49	7.67	-	-	13.16	5.49	1.53	-	7.02	6.14
Total	**10,961.23**	**446.92**	**-**	**64.14**	**11,472.29**	**4,567.71**	**672.76**	**-**	**5,240.48**	**6,231.81**
Capital work-in-progress										**661.25**
Total										**6,893.06**

Note:

a. In order to reflect the current reinstatement cost/market value, the Holding Company revalued its Leasehold and Freehold Land located at its factory sites as on 31 December 2008 on the basis of valuation carried out by approved valuers based on reinstatement / market values. The resultant appreciation aggregating to ₹ 1,111.42 millions has been added to the assets and credited to revaluation reserve. The additional depreciation aggregating to ₹ 7.69 millions (P.Y. ₹ 7.69 million) on account of revaluation has been charged to the consolidated statement of profit and loss and a similar amount was transferred from the revaluation reserve to general reserve. (Previous year ₹ 7.69 million was charged to statement of profit and loss and a similar amount was transferred from the revaluation reserve and credited to the statement of profit and loss.)

b. Exchange differences of ₹ 64.14 million (P.Y. ₹ 64.92 million) has been included in the additions to property, plant and equipment (tangible fixed assets) post the exercise of option in terms of Para 46A of AS11 (pursuant to notification dated 29 December 2011 issued by the Ministry of Corporate Affairs.)

c. Plant and machinery includes assets taken on finance lease as under

Particulars	Gross Block	Depreciation charge	Accumulated depreciation	Net block
31 March 2016	30.97	3.20	7.74	23.23

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
12	**Non current investments**		
	Trade Investments (valued at cost unless otherwise stated)		
	Unquoted equity investments		
	223,164 (P.Y.: 223,164) Equity Shares of Bharuch Eco Aqua. Infrastructure Ltd. of ₹ 10/- each, fully paid up.	2.23	2.23
	30,000 (P.Y. : 30,000) Equity Shares of Panoli Enviro Technology Ltd. of ₹10/- each, fully paid up	0.30	0.30
	14,494 (P.Y. : 14,494) Equity Shares of MMA CETP Co-operative Society Limited of ₹ 100/- each, fully paid up	1.45	1.45
	16% (P.Y. : 16%) Equity Shares of Jiangsu Chemstar Chemical Co Limited fully paid up	26.97	26.97
		30.95	30.95
	Other Investments (valued at cost unless otherwise stated)		
	Quoted equity investments		
	10,000 (P.Y. : 10,000) Equity Shares of Bank of Baroda of ₹ 2/-each fully paid up.	0.17	0.17
	2,900 (P.Y. : 2,900) Equity Shares of Union Bank of India ₹ 10/- each fully paid up.	0.05	0.05
		0.22	0.22
		31.17	31.17

Investment Details

	31 March 2017	31 March 2016
Equity shares of Bharuch Eco Aqua.Infrastructure Limited		
Units	223.164	223.164
Value	2.23	2.23
Equity shares of Panoli Enviro Technology Limited		
Units	30,000	30,000
Value	0.30	0.30
Equity shares of MMA CETP Co-operative Society Limited		
Units	14.494	14,494
Value	1.45	1.45
Equity shares of Jiangsu Chemstar Chemical Co Limited		
Units	16%	16%
Value	26.97	26.97
Equity shares of Bank of Baroda		
Units	10,000	10,000
Value	0.17	0.17
Equity shares of Union Bank of India		
Units	2,900	2,900
Value	0.05	0.05
Aggregate book value of quoted investments	0.22	0.22
Aggregate market value of quoted investments	2.18	1.85
Aggregate book value of unquoted investments	30.95	30.95

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
13	**Long term loans and advances**		
	(Unsecured and considered good)		
	To parties other than related parties		
	Capital advances	69.97	107.25
	Security deposits	70.03	59.82
		140.00	167.07
	Other loans and advances		
	MAT credit entitlement	506.37	388.34
	VAT receivable	142.48	217.10
	Balances with customs, excise, etc	165.62	228.12
	Prepaid expenses	86.48	81.50
	Loans to employees	2.47	1.93
		903.42	916.99
	To related parties		
	Security deposits given to the Directors	70.00	70.00
		1,113.42	1,154.06
14	**Other non current assets**		
	Bank deposits due to mature after 12 months from the reporting date	38.22	-
		38.22	-
15	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials [includes goods in transit of ₹ 99.57 million] (P. Y.: ₹113.23 million)	1,762.59	1,870.59
	Packing materials	16.15	13.93
	Work-in-progress	395.90	460.17
	Finished goods	352.94	434.18
	Stores, spares and consumables	108.23	132.26
		2,635.81	2,911.13
16	**Trade receivables**		
	(Unsecured)		
	Outstanding for a period exceeding six months from the date they are due for payment		
	Considered good	22.53	49.77
	Considered doubtful	10.00	65.36
	Less : Provision for doubtful receivables	10.00	65.36
	(A)	22.53	49.77
	Other receivables		
	Considered good	1,577.45	1,073.29
	(B)	1,577.45	1,073.29
	Total (A + B)	1,599.98	1,123.06

Note -

Trade receivables are presented net of bills discounted of ₹ 1,008.08 million (P.Y. ₹ 1,042.56 million) (refer note 27), which are secured against the underlying receivables carrying interest rates ranging from 2.5% p.a. to 14 % p.a. (P.Y. 2.5% p.a. to 14 % p.a) with a maturity of 30 days to 90 days.

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
17	**Cash and Bank Balances**		
	Cash and cash equivalents		
	Cash on hand	1.25	1.44
	Balances with banks:		
	- In current accounts	17.91	35.49
	- In exchange earners foreign currency	0.09	1.79
	- Deposits having original maturity upto three months	-	4.20
		19.25	42.92
	Other bank balances		
	Deposits with original maturity for more than 3 months but less than 12 months (refer note a below)	143.07	146.67
	Earmarked balances with banks-Unpaid Dividend	2.33	1.98
		145.40	148.65
		164.65	191.57
	Details of bank deposits		
	Bank deposits having original maturity upto three months included under Cash and cash equivalents	-	4.20
	Bank deposits with original maturity of more than 3 months but less than 12 months included under other bank balances.	143.07	146.67
	Bank deposits due to mature after 12 months of the reporting date included under "Other non-current assets" (refer note 14)	38.22	-
		181.29	150.87

Deposits given as security

i) Margin money deposits with a carrying amount of ₹ 77.66 million (P.Y. ₹ 80.37 million) are subject to first charge to secure the Holding Company's working capital loans.

ii) Bank deposits with a carrying amount of ₹ 103.63 million (P.Y. ₹ 67.65 million) are subject to exclusive first charge to secure the Holding Company's rupee term loans and external commercial borrowing term loan from one bank.

		31 March 2017	31 March 2016
18	**Short term loans and advances**		
	Unsecured		
	To parties other than related parties		
	Advance to suppliers		
	Considered good	44.77	73.21
	Considered doubtful	5.00	24.41
		49.77	97.62
	Less: Provision for doubtful advances	5.00	24.41
		44.77	73.21
	Balances with customs, excise, etc	245.03	169.09
	Prepaid expenses	44.39	46.73
	VAT / CST receivable	68.42	52.41
	MAT credit entitlement	65.70	99.60
	Loans to employees	3.09	2.41
		471.40	443.45
19	**Other current assets**		
	Interest accrued on fixed deposits	4.46	2.71
		4.46	2.71

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
20	**Revenue from operations**		
	Sales of products (gross)		
	Finished goods	10,196.67	9,186.44
	Less: Excise duty	200.24	98.20
	Sales of products (net)	9,996.43	9,088.23
	Sale of services	6.42	1.91
	Other operating revenue		
	Export incentives	123.92	155.33
	Scrap sales	12.59	11.01
	Revenue from operations	10,139.36	9,256.49
21	**Other Income**		
	Interest income on		
	Bank deposits	12.44	9.13
	Others	12.69	3.32
	Dividend on long term investments	0.01	0.05
	Miscellaneous income	9.21	5.91
		34.35	18.41
22	**Cost of Materials Consumed**		
	Raw materials at the beginning of the year	1,870.59	1,930.34
	Add : Purchases during the year	4,840.27	4,417.93
		6,710.86	6,348.27
	Less: Raw materials at the end of the year	1,762.59	1,870.59
		4,948.27	4,477.68
23	**Changes in inventories of finished goods and work-in-progress**		
	Decrease/(increase) in stocks		
	Inventories at the end of the year		
	Work-in-progress	395.90	460.17
	Finished goods	352.94	434.18
	Total A	748.84	894.35
	Inventories at the beginning of the year		
	Work-in-progress	460.17	579.31
	Finished goods	434.18	479.92
	Total B	894.35	1,059.23
	Decrease in stocks (B-A)	145.51	164.88
24	**Employee benefit expense**		
	Salaries, wages and bonus	1,032.83	944.30
	Contribution to provident and other funds (refer note 36)	46.53	43.13
	Gratuity expenses (refer note 36)	20.45	21.06
	Staff welfare expenses	93.10	88.03
		1,192.91	1,096.52
	Less : Transfer to capital work in progress	(20.13)	(15.96)
		1,172.78	1,080.56

(Currency: Indian rupees in million)

		31 March 2017	31 March 2016
25	**Finance costs**		
	Interest on rupee term loan	312.35	228.23
	Interest on foreign currency term loan	26.92	43.35
	Interest on working capital loans	112.00	94.42
	Interest on bills discounted	42.39	40.29
	Other interest	9.52	48.66
	Bank charges	26.41	30.73
	Exchange difference to the extent considered as an adjustment to borrowing costs	-	146.20
		529.59	631.88
	Less: Transferred to capital work in progress	(31.12)	(9.76)
		498.47	622.12
26	**Other expenses**		
	Consumption of stores and spares	167.75	157.52
	Processing charges	15.03	24.86
	Power & fuel	856.29	837.00
	Advertisement	0.64	1.02
	Rent [(refer note 31(a)]	21.40	20.74
	Rates and taxes	10.49	8.22
	Insurance	20.51	23.41
	Repairs and maintenance		
	- Plant & machinery	106.03	74.04
	- Buildings	22.41	16.54
	- Others	72.91	53.96
	Printing and stationery	14.75	12.91
	Legal and professional charges		
	- Legal charges	3.86	1.55
	- Professional charges	101.87	75.76
	Traveling and conveyance	60.78	46.49
	Vehicle expenses	13.24	12.60
	Postage, telephone and telegrams	12.64	14.59
	Payment to Auditors'	6.43	6.47
	Director's sitting fee	3.75	2.56
	Sales and distribution expenses	155.85	151.54
	Commission on sales	10.50	5.69
	Security service charges	29.64	23.76
	Sundry balance written off (net)	12.08	4.41
	Service Charges	29.46	32.09
	Excise duty on closing stock	(5.05)	6.34
	Loss on sale of property, plants and equipment (tangible fixed assets) (net) (Refer note 38)	23.87	-
	Foreign exchange loss (net)	7.74	22.60
	Provision for doubtful debts and advances	15.00	12.50
	Corporate social responsibility expenses (CSR) (Refer note 39)	13.96	9.00
	Miscellaneous expenses	78.49	66.83
		1,882.32	1,725.00
	Less: Transferred to capital work in progress	(7.43)	-
		1,874.89	1,725.00

(Currency: Indian rupees in million)

		As at 31 March 2017	As at 31 March 2016
27	**Contingent liabilities**		
	Bills discounted with banks	**1,008.08**	1,042.56
	Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	**314.82**	174.49
	Disputed demands by Excise Authorities	**40.13**	40.13
	Disputed demands by Income Tax Authorities	**124.10**	37.02

In addition, the Group is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liability, where applicable in its financial statements. The Group's management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect of the Group's results of operations or financial condition.

28 Capitalisation of expenditure

During the year, the Group has capitalized the following expenses of revenue nature to the cost of property, plant and equipment (tangible fixed assets)/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are the net of amounts capitalized by the Group.

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries, wages and bonus	**20.13**	15.96
Finance Cost	**31.12**	9.76
Others expenses	**7.43**	-
Total	**58.68**	25.72

29 Segment reporting

The Group's financial reporting is organized into two major operating divisions' viz. crop protection and pharmaceuticals. These divisions are the basis on which the Group is reporting its primary segment information. Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Joint revenues and expenses, if any, are allocated to the business segments on a reasonable basis. All other segment revenues and expenses are directly attributable to the segments.

Segment assets include all operating assets used by a segment comprising trade receivables, inventories, property, plant and equipment (tangible fixed assets) loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising trade payables and other liabilities.

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

(Currency: Indian rupees in million)

Primary segment information

Particulars	Crop Protection	Pharmaceuticals Indian operation	Pharmaceuticals Overseas operation	Total
Revenue (external revenue)	**4,087.30**	**6,052.06**	**-**	**10,139.36**
	3,565.13	*5,691.36*	-	*9,256.49*
Segment result	**754.49**	**786.59**	**-**	**1,541.08**
	547.21	*805.09*	*(1.16)*	*1,351.14*
Interest expenses	**-**	**-**	**-**	**498.47**
	-	-	-	*622.12*
Other unallocable expenditure	**-**	**-**	**-**	**200.23**
(net of unallocable income)	-	-	-	*197.12*
Profit before tax	**-**	**-**	**-**	**842.38**
	-	-	-	*531.90*
Segment assets	**4,045.80**	**7,940.78**	**-**	**11,986.58**
	3,171.50	*8,217.95*	*0.03*	*11,389.48*
Unallocated corporate assets	**-**	**-**	**-**	**1,383.38**
	-	-	-	*1,360.73*
Total assets	**-**	**-**	**-**	**13,369.96**
	-	-	-	*12,750.21*
Segment liabilities	**696.41**	**910.22**	**-**	**1,606.63**
	476.58	*984.04*	*0.46*	*1,461.08*
Unallocated corporate liabilities	**-**	**-**	**-**	**5,550.88**
	-	-	-	*5,651.31*
Total liabilities	**-**	**-**	**-**	**7,157.51**
	-	-	-	*7,111.39*
Capital expenditure for the year	**872.53**	**445.69**	**-**	**1,318.22**
	170.43	*358.11*	-	*528.54*
Unallocated capital expenditure	**-**	**-**	**-**	**28.37**
	-	-	-	*27.18*
Depreciation for the year	**153.50**	**522.60**	**-**	**676.10**
	145.11	*513.52*	-	*658.63*
Unallocated depreciation	**-**	**-**	**-**	**15.31**
	-	-	-	*14.13*

Note: The figures in italics are in respect of previous year.

Secondary segment information

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Europe, USA and Canada and South East Asia.

Particulars	Revenue	Assets employed	Capital expenditure
India	**3,526.92**	**13,369.93**	**1,346.59**
	1,939.71	*12,750.18*	*555.72*
USA and Canada	**802.19**	**-**	**-**
	1,326.38	-	-
Europe	**2,848.74**	**-**	**-**
	2,594.45	-	-
South East Asia	**2,792.50**	**-**	**-**
	3,231.37	-	-
Others	**169.01**	**-**	**-**
	164.58	-	-
Total	**10,139.36**	**13,369.93**	**1,346.59**
	9,256.49	*12,750.18*	*555.72*

Note: The figures in italics are in respect of previous year.

30 Related party disclosure

List of related parties

Parties where control exists:

Key Management Personnel

Jai Hiremath	Chairman & Managing Director
Sameer Hiremath	President & Joint Managing Director
TMF Netherlands BV	Managing Director of Hikal International BV (upto 11 December, 2016)

Relatives of Key Management Personnel

Sugandha Jai Hiremath

Company exercising significant influence through voting power ('significant shareholder')

Kalyani Investment Company Limited ("KICL")

Enterprises over which key management personnel and their relatives exercise significant influence

Decent Electronics Private Limited ("DEPL")

Marigold Investments Private Limited ("MIPL")

Iris Investments Private Limited ("IIPL")

Karad Engineering Consultancy Private Limited ("KECPL")

Ekdant Investments Private Limited ("EIPL")

Shri Rameshwar Investment Private Limited ("SRIPL")

Shri Badrinath Investment Private Limited ("SBIPL")

Rushabh Capital Services Private Limited ("RCSPL")

(Currency: Indian rupees in million)

Transactions with related parties

Nature of Transaction	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Remuneration				
- Jai Hiremath	29.88	-	-	-
	27.19	-	-	-
- Sameer Hiremath	16.31	-	-	-
	14.89	-	-	-
Commission Paid				
- Jai Hiremath	9.00	-	-	-
	5.50	-	-	-
- Sameer Hiremath	9.00	-	-	-
	5.50	-	-	-
Sitting fees				
- Sugandha Hiremath	-	0.80	-	-
	-	*0.45*	-	-
Management and administration fees				
- TMF Netherlands BV	-	0.21	-	-
	-	*0.89*	-	-
Dividend paid				
- KICL	-	-	-	15.47
	-	-	-	*25.78*
- SBIPL	-	-	7.97	-
	-	-	*13.28*	-
- SRIPL	-	-	3.92	-
	-	-	*6.54*	-
- DEPL	-	-	0.02	-
	-	-	*0.03*	-
- EIPL	-	-	0.16	-
	-	-	*0.26*	-
- KECPL	-	-	0.03	-
	-	-	*0.04*	-
- Sugandha Hiremath	-	3.87	-	-
	-	*6.45*	-	-
- Jai Hiremath	0.54	-	-	-
	0.89	-	-	-
- Sameer Hiremath	0.16	-	-	-
	0.26	-	-	-
Lease rent paid				
- Jai Hiremath	0.30	-	-	-
	0.20	-	-	-
- Sugandha Hiremath	-	2.40	-	-
	-	*2.40*	-	-
- SRIPL	-	-	-	-
	-	-	*0.07*	-
- RCSPL	-	-	1.08	-
	-	-	*1.08*	-
Security deposits repaid				
- SRIPL	-	-	-	-
	-	-	*2.12*	-
Security deposit given				
- Jai Hiremath	-	-	-	-
	20.00	-	-	-

(Currency: Indian rupees in million)

Transactions with related parties

Nature of Transaction	Key management personnel	Relative of key management personnel	Enterprises over which key personnel or their relatives have significant influence	Company exercising significant influence through voting power
Outstanding balance debit/(credit)				
Commission payable				
- Jai Hiremath	(9.00)	-	-	-
	(5.50)	-	-	-
- Sameer Hiremath	(9.00)	-	-	-
	(5.50)	-	-	-
Security deposits				
- Jai Hiremath	20.00	-	-	-
	20.00	-	-	-
- Sugandha Hiremath	-	50.00	-	-
	-	*50.00*	-	-
- RCSPL	-	-	1.10	-
	-	-	*1.10*	-

Note- Figure in italics are in respect of previous year

31 Leases

i) Operating Leases

The Group has taken printers, copiers and office and residential premises under cancellable and non-cancellable operating lease arrangements. Lease rentals debited to the consolidated statement of profit and loss aggregates ₹ 5.18 million (P.Y. ₹ 6.39 million) for non-cancellable lease and ₹16.22 million (P.Y. ₹ 14.35 million) for cancellable lease. The additional disclosures in respect of non-cancellable leases are given below:

	Year ended 31 March 2017	Year ended 31 March 2016
Operating Leases		
Future minimum lease payments in respect of non-cancellable leases:		
- not later than one year	3.75	5.17
- later than one year but not later than five years	14.06	14.12
- later than five years	2.27	6.04

ii) Finance Leases

Certain items of plant and machinery have been obtained on finance lease basis. The legal title of these items vests with their lessors. The lease term of such plant and machinery ranges between two and three years with equated monthly payments beginning from the month subsequent to the commencement of the lease. The total future lease payment at the balance sheet date, element of interest included in such payments and present value of these lease payments are as follows:

	Minimum Lease payment		Present Value	
Maturity profile of finance lease is as under :	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Payable within 1 year	-	0.44	-	0.42
Payable between 1-5 years	-	-	-	-
Payable later than 5 years	-	-	-	-

Finance lease obligation are secured against the respective assets taken on lease

	Non Current portion		Current portion	
	31 March 2017	31 March, 2016	31 March 2017	31 March 2016
a) Total minimum lease payments	-	-	-	0.44
b) Future interest included in (a) above	-	-	-	0.02
c) Present value of future minimum lease payments {a-b}	-	-	-	0.42

The rate of interest implicit in the above is in the range of 10% to 14%

32 Earnings per share

(Rupees in million, except per share data)

	Year ended 31 March 2017	Year ended 31 March 2016
Basic diluted earnings per share		
Consolidated profit after taxation	638.79	412.01
Numerator used for calculating earnings per share	638.79	412.01
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	82,200,500	82,200,500
Number of equity shares outstanding at the end of the year	82,200,500	82,200,500
Weighted average number of equity shares outstanding during the year	82,200,500	82,200,500
Basic and diluted earnings per share (₹)	7.77	5.01
Nominal value per shares (₹)	2	2

33 Deferred tax liabilities (net)

	As at 31 March 2017	As at 31 March 2016
Deferred tax assets:		
Provision for employee benefits	53.60	43.33
Provision for doubtful trade receivables and advances	5.19	31.07
Provision for inventory obsolescence	10.82	9.95
Total deferred tax assets	69.61	84.35
Deferred tax liabilities:		
Excess of depreciation on property, plant and equipment (tangible fixed assets) under income tax law over depreciation provided in accounts	378.92	361.52
Excess of allowance for lease rental under income tax law over depreciation and interest charged on the leased assets in accounts	6.99	8.11
Excess claim for loan processing charges under Income Tax Law	13.03	15.20
Total deferred tax liabilities	398.94	384.83
Deferred tax liabilities (net)	329.33	300.48

34 Sale of shares of Hikal International B.V. (100% subsidiary of the Company)

The Equity shares of Hikal International, has been sold during the year for €1 to Bence Jackson Limited. The Consolidated Statement of Profit and Loss are reflective of the operations of Hikal International B V for the period from 1 April 2016 to 11 December 2016 (the date of sale). Subsequent to sale of shares of Hikal International B V, all the assets and liabilities pertaining to Hikal International B V have been deconsolidated, and the net resulting impact of ₹42.14 million has been debited to the Consolidated Statement of Profit and Loss under exceptional item.

35 Derivative instruments

The Group uses derivative and forward contracts to hedge its risks associated with foreign currency fluctuations. Such transactions are governed by the strategy approved by the Board of Directors which provides principles on the use of these instruments consistent with the Group's Risk Management Policy. The Group does not use these contracts for trading or speculative purposes. The Group does not have any outstanding derivative contracts as at 31 March 2017 and 31March 2016.

(Currency: Indian rupees in million)

The net foreign currency exposures not hedged as at the year-end are as under:

		31 March 2017			31 March 2016		
		Foreign Currency		₹ Millon	Foreign Currency		₹ Millon
		Curr.	Amount	Amount	Curr.	Amount	Amount
a.	Amount receivable in foreign currency on account of following:						
	- Export of goods	USD	12.02	779.19	USD	7.16	475.10
		EUR	2.39	165.48	EUR	2.25	169.01
		GBP	-	-	GBP	0.22	21.16
b.	Amount payable in foreign currency on account of following:						
	(i) Import of goods and services	USD	7.09	459.98	USD	7.92	525.21
		EUR	1.66	114.90	EUR	2.11	158.54
		GBP*	-	-	GBP*	-	0.03
		AED*	-	0.02	AED	-	-
	(ii)Loan payables	USD	20.00	1,297.00	USD	16.44	1,090.63
	(iii) Working capital loan from banks	USD	9.17	594.48	USD	14.12	936.73
		EUR	-	-	EUR	0.63	47.47
c.	Bank balance						
		GBP*	-	-	GBP*	-	0.26
		USD	-	0.09	USD	0.03	1.79

**Amount less than 10,000/-*

36 Disclosure relating to Employee Benefits - As per revised AS – 15

Assumptions made for the actuarial valuation of Gratuity Liability and compensated leave liability

Payment of Gratuity arises on account of future payments which a company is required to make in the event of an employee retiring, or dying during employment, or leaving due to certain reasons.

Rate of interest

As the payments are to be made in future on the occurrence of the contingencies, it is necessary to use an appropriate rate of interest for the purpose of ascertaining the present value of such payments. While considering the various aspects in this behalf, a long-term view is taken and a suitable rate in calculating the valuation function is adopted.

Salary scale

Since the salaries or wages of employees will increase year after year, it is necessary to have a rough approximation of the salary an employee will be receiving at the time of payment of gratuity. A suitable growth rate is assumed for this purpose. This is implied in the projected Unit Credit Method.

Mortality

Since the gratuity payments are to be made on the death of an employee while in service or on attainment of retirement age, it is necessary to employ a Mortality Table so that the number of employees who would retire on the attainment age could be estimated. The table used in the calculation of valuation functions is recent Mortality Table.

(Currency: Indian rupees in million)

		2016-17 Gratuity	2016-17 Leave encashment	2015-16 Gratuity	2015-16 Leave encashment
A	**Expenses recognised in the consolidated statement of profit and loss for the year ended 31 March**				
	1. Interest cost	5.77	3.80	5.32	7.45
	2. Current service cost	9.69	8.84	10.52	13.00
	3. Expected return on planned assets -	(1.06)	-	-	-
	4. Net actuarial (gain) / loss on obligations	5.85	32.81	5.22	46.03
	Total expenses recognised in Consolidated statement of profit and loss	20.25	45.45#	21.06	66.48#
	#included in caption Salaries, wages and bonus under Note 24				
B	**Net asset/(liability) recognised in the consolidated balance sheet**				
	1. Present value of the obligation as on 31 March	90.66	78.20	74.11	65.25
	2. Fair value of planned assets as on 31 March	(14.68)	-	(14.15)	-
	Liability recognised in the Balance Sheet	75.98	78.20	59.96	65.25
C	**Change in plan assets**				
	1. Fair value of the plan as on 1 April	14.15	-	14.12	-
	2. Actual return on plan assets	1.06	-	1.60	-
	3. Employer's contribution	4.43	-	1.94	-
	4. Benefit paid	(4.43)	-	(3.51)	-
	5. Actuarial gain/(loss) on plan assets	(0.51)	-	-	-
	6. Plan assets as at 31 March	14.68	-	14.15	-
D.	**Change in present value of obligation**				
	1. Present value of obligation as on 1 April	74.11	62.25	66.46	93.08
	2. Interest cost	5.57	5.46	5.32	7.45
	3 Current service cost	9.69	7.18	10.52	13.00
	4 Benefits paid	(4.43)	(29.50)	(13.41)	(97.31)
	5 Net actuarial (gain)/loss on obligations	5.52	32.81	5.22	46.03
	Present value of obligation as per actuarial valuation as at 31 March	90.66	78.20	74.11	62.25
E.	**Actuarial assumptions:**				
	i) Discount Rate	7.50% p.a.	7.50% p.a.	8% p.a.	8% p.a.
	ii) Rate of Increase in Compensation level	5% p.a.	5% p.a.	5% p.a.	5% p.a.
	iii) Rate of Return on Plan Assets				
	a. Funded	7.50%	NA	8%	NA
	b. Un-funded	NA	NA	NA	NA
	iv) Mortality rate	Indian Assured Lives Mortality (2006-08) ultimate		Indian Assured Lives Mortality (2006-08) ultimate	

F.	**Experience adjustment**	**2017**	2016	2015	2014	2013
i)	Defined benefit obligation	**90.66**	74.11	66.46	59.99	50.93
ii)	Plan assets (including bank balance)	**14.68**	14.15	12.50	13.10	14.53
iii)	Surplus/(Deficit)	**75.96**	59.96	53.96	46.89	36.40
iv)	Experience adjustments on Obligation	**1.14**	5.22	3.43	2.65	2.98
v)	Experience adjustments on Plan Assets	**0.51**	0.47	NA	NA	0.17

(Currency: Indian rupees in million)

Reconciliation of liability as at year-end

	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Provision as per actuarial valuation report	75.98	78.20	59.96	62.25
Additional charge to the Consolidated Statement of Profit and Loss recognised on account of resigned employees not included in actuarial valuation	0.20	0.51	-	3.00
Liability recognised in the Balance Sheet	76.18	78.71	59.96	65.25

Reconciliation of expenses charge in Consolidated Statement of profit and loss

	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Gratuity/ leave encashment charge as per valuation report	20.25	45.45	21.06	66.48
Additional charge to the Consolidated Statement of Profit and Loss recognised on account of resigned employees not included in actuarial valuation	0.20	0.51	-	3.00
Gratuity/leave encashment charge in Consolidated statement of profit and loss account	20.45	45.96	21.06	69.48

Contribution to provident and other funds

On account of defined contribution plans, the Holding Company's contribution to Provident Fund and Superannuation Fund aggregating ₹ 46.53 million (PY ₹ 43.13 million) has been recognised in the Consolidated statement of profit and loss under the head employee benefits (Refer note 23).

37 Details of specified bank notes (SBN)

Schedule III of the Companies Act, 2013 was amended by Ministry of Corporate Affairs vide Notification G.S.R. 308(E) dated 30 March 2017. The said amendment requires the Company to disclose the details of Specified Bank Notes held and transacted during the period from 8 November 2016 to 30 December 2016. Details of Specified Bank Notes held and transacted during the period from 8 November 2016 to 30 December 2016 for Holding Company (there are no cash transactions in the subsidiary Company incorporated in India) are as follows:

(₹ in Milions)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	1.16	2.04	3.20
Add : Withdrawal from bank accounts	-	3.95	3.95
Add : Receipts from permitted transactions	-	0.32	0.32
Less : Permitted payments	-	4.50	4.50
Less : Paid for non-permitted transactions#	0.28	-	0.28
Less : Deposited in bank accounts	0.88	0.62	1.50
Closing cash in hand as on 30 December 2016	-	1.19	1.19

#These transactions pertain to payments made to the transporters for transport of goods in the ordinary course of business.

38 Sale of Research and Development (R&D) land and building situated at Bangalore

During the year, the Holding Company has sold land and building at Bangalore, R&D unit at a value of ₹170 million. The difference between the selling price of land and the carrying value of land as on the date of sale is ₹ 0.56 million which has been adjusted against the loss on sale of Property, Plant and Equipment (tangible fixed assets) in Note 26.

As a consequence of the aforesaid sale, other property, plant and equipment (tangible fixed assets) aggregating ₹ 25.77 million situated at Bangalore R&D unit has been written-off during the year. The balance assets (in the form of stores and spares etc.) in the balance sheet pertaining to Bangalore R&D unit aggregating ₹ 35.79 million have also been charged to the Consolidated Statement of Profit and Loss.

(Currency: Indian rupees in million)

39 As per Section 135 of the Act, a Corporate Social Responsibility (CSR) committee has been formed by the Holding Company. The funds are utilised during the year on the activities which are specified in Schedule VII of the Act. The utilisation is done by way of direct contribution towards various activities.

The gross amount required to be spent by the Holding Company during the year was ₹ 13.07 million (PY ₹ 12.77 million).

Amount spent during the year on:

		Year ended 31 March 2017		Year ended 31 March 2016	
		In cash	Yet to be paid in cash	in cash	Yet to be paid in cash
i.	**Construction/acquisition of any asset**				
ii.	**Purposes other than (I) above**				
	Protection of national heritage	3.50	-	3.00	-
	Education	5.39	-	3.13	-
	Promoting vocational skill	1.00	-	1.50	-
	Rural development	1.94	-	-	-
	Environmental sustainability	0.11	-	-	-
	Promoting preventive health care and sanitation and making available safe drinking water	0.98	-	-	-
	Others	1.04	-	1.37	-
	Total (ii)	13.96	-	9.00	-

40 The Board of Directors of the Holding Company have recommended a dividend of Re 0.60 per share at their meeting held on 10 May 2017. Pursuant to the Companies (Accounting Standards) Amendment Rules, 2016 applicable with effect from 1 April 2016, this dividend (including dividend distribution tax) will be recorded and paid post the approval of shareholders in the Annual General Meeting.

41 **Other information**

Information with regard to other matters, as required by Schedule III to the Act is either nil or not applicable to the Group for the year.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

Consolidated cash flow statement

For the year ended 31 March 2017
(Currency: Indian rupees in million)

	Particulars		31 March 2017		31 March 2016	
A	**Cash flow from operating activities:**					
	Profit before tax			800.24		531.90
	Adjustments :					
	Depreciation and amortisation		691.41		672.76	
	Loss on sale of property, plant and equipment (tangible fixed assets)		23.87		-	
	Dividend on long-term investments		(0.01)		(0.05)	
	Finance costs		498.47		622.12	
	Interest Income		(25.13)		(12.46)	
	Sundry balances written off		12.08		4.41	
	Provision for doubtful debts and advances		15.00		12.50	
	Unrealised foreign exchange (gain)/ loss		7.17		36.94	
	Exceptional item on deconsolidation of subsidiary		42.14		-	
	Effects of exchange differences on translation of assets and liabilities		-		0.62	
				1,265.00		1,336.84
	Operating cash flow before working capital changes			2,065.24		1,868.74
	Decrease/(increase) in trade receivables		(534.68)		142.38	
	Decrease/(increase) in loans and advances and other assets		13.83		(213.39)	
	Decrease/(increase) in inventories		275.32		228.41	
	(Decrease)/increase in trade payables		40.81		(89.47)	
	Increase/(decrease) in provisions and other liabilities		(28.21)		45.52	
				(232.93)		113.45
	Cash generated from operations			1,832.31		1,982.19
	Income tax paid			(197.32)		(126.12)
	Net cash flows generated from operating activities	**(A)**		1,634.99		1,856.07
B	**Cash flow from investing activities:**					
	Purchase of property, plant and equipment (tangible) and intangible assets		(1,221.05)		(588.36)	
	Proceeds from sale of property, plant and equipment (tangible fixed assets)		168.54		-	
	Dividend on long-term investments		0.01		0.05	
	Interest received		23.38		22.92	
	(Increase)/decrease in other bank balances (includes margin money account)		3.25		(73.74)	
	Net cash flow(used in) investing activities	**(B)**		(1,025.87)		(639.13)

Consolidated cash flow statement

For the year ended 31 March 2017
(Currency: Indian rupees in million)

		31 March 2017		31 March 2016	
C)	**Cash flow from financing activities**				
	Proceeds from long term borrowings	874.27		2,477.42	
	Repayment of long term borrowings	(405.69)		(2,409.28)	
	Repayments of/proceeds from short-term borrowings (net)	(411.68)		(584.75)	
	Principal payment under finance leases	(0.42)		(9.34)	
	Dividend paid on equity shares (including dividend distribution tax)	(158.30)		(98.93)	
	Finance costs paid	(530.98)		(611.39)	
	Net cash used by financing activities (C)		(632.80)		(1,236.27)
	Net decrease in cash and cash equivalents (A+B+C)		(23.68)		(19.33)
	Cash and cash equivalents at the begining of the year		42.93		62.26
	Effect of exchange differences on cash and cash equivalents held in foreign currency*		-		-
	Cash and cash equivalents at the end of the year		19.25		42.93

Notes to the cash flow statement

1. The above consolidated cash flow statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3, 'Cash Flow Statements'.

   *Amount less than ₹ 0.01 million

		31 March 2017	31 March 2016
2.	Cash and cash equivalents includes:		
	Cash on hand	1.25	1.44
	Balances with banks - Current accounts	17.91	35.50
	- Exchange earners foreign currency accounts	0.09	1.79
	- Deposits accounts (demand deposits and deposits having original maturity of 3 months or less)	-	4.20
	Cash and cash equivalents at the end of the period	19.25	42.93

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Aniruddha Godbole
Partner
Membership No: 105149

Mumbai
10 May 2017

For and on behalf of the Board of Directors of Hikal Limited
CIN: L24200MH1988PTC048028

Jai Hiremath
Chairman & Managing Director- DIN: 00062203

Kannan K. Unni
Director- DIN: 00227858

Sham Wahalekar
Chief Financial Officer & Company Secretary- CS Membership No: 8745

Mumbai
10 May 2017

NOTES

NOTES

NOTES

NOTES

CORPORATE INFORMATION

Board of Directors

Jai Hiremath - Chairman & Managing Director
Sameer Hiremath - President & Joint Managing Director
Baba Kalyani
Prakash Mehta
Shivkumar Kheny
Kannan Unni
Dr. Axel Kleemann
Amit Kalyani
Wolfgang Welter
Sugandha Hiremath

Audit Committee

Kannan Unni
Prakash Mehta
Sugandha Hiremath
Shivkumar Kheny

Company Secretary

Sham Wahalekar

Auditors

B S R & Co. LLP
Chartered Accountants

Bankers & Financial Institutions

Axis Bank Ltd.
Central Bank of India
Citibank N.A.
DBS Bank Ltd
Export Import Bank of India
HDFC Bank Ltd
International Finance Corporation
ICICI Bank Limited
IDBI Bank Ltd
Kotak Mahindra Bank Ltd.
Standard Chartered Bank
Union Bank of India
Yes Bank Ltd.
Aditya Birla Finance Ltd.
The Federal Bank Ltd.

Legal Advisor

Malvi Ranchoddas & Co.

Registered Office / Corporate Office

717/718, Maker Chambers V
Nariman Point
Mumbai 400 021

Administrative Office

Great Eastern Chambers, 6th Floor
Sector 11, C. B. D. Belapur
Navi Mumbai 400 614

Works

Mahad, Maharashtra
Taloja, Maharashtra
Panoli, Gujarat
Pharmaceutical Unit-I & II, Jigani, Karnataka
R&D Unit at Hinjewadi Pune, Maharashtra

Registrars & Transfer Agents

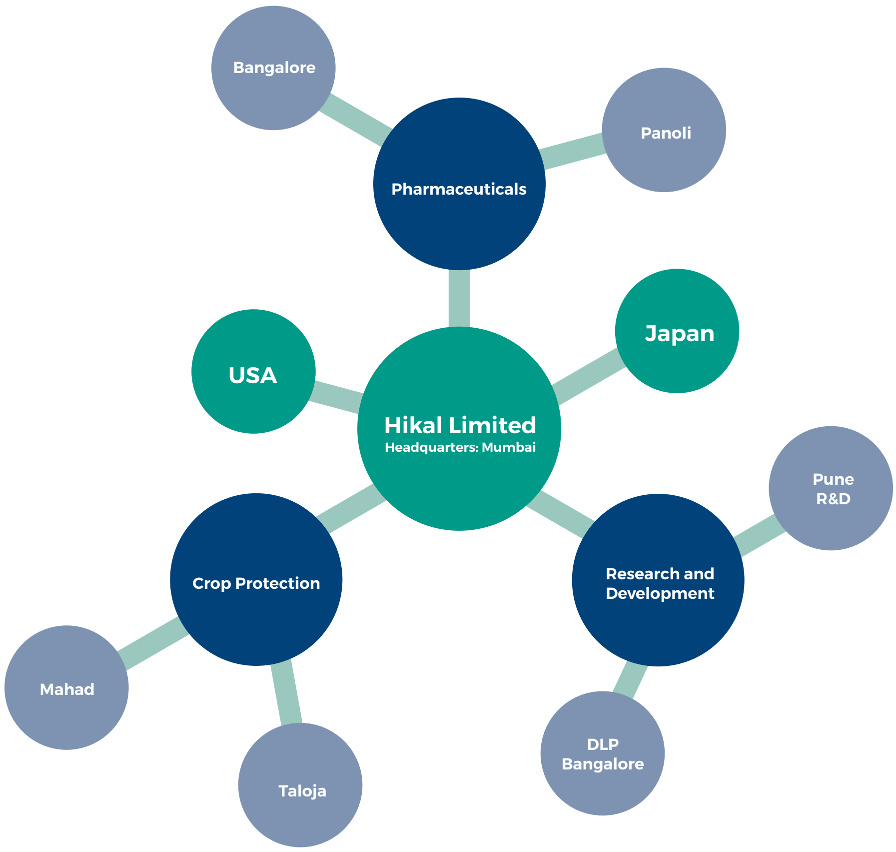
Universal Capital Securities Pvt. Ltd.
21, Shakil Niwas, Mahakali Caves Road,
Opp. Satya Sai Baba Mandir,
Andheri (East), Mumbai - 400 093.
Tel: 022 - 2807 7203/04/05,
Fax: 022 - 2807 7207

Website

www.hikal.com

Email

info@hikal.com


Bangalore
Panoli
Pharmaceuticals
Japan
USA
Hikal Limited
Headquarters: Mumbai
Pune
R&D
Crop Protection
Research and
Development
Mahad
Taloja
DLP
Bangalore

Hikal Limited : Great Eastern Chambers,
Sector 11, CBD-Belapur, Navi Mumbai - 400 614, India.
Tel: +91-22-3097 3100. Fax : +91-22-2757 4277.
E-mail : info@hikal.com Website : **www.hikal.com**