

June 3, 2025

Near term volatility but future looks balanced...

About the stock: Hikal is predominantly a product cum CDMO player that provides intermediates and active ingredients to global pharmaceutical, animal health, crop protection and specialty chemical companies.

- For Q4FY25, Pharma & Crop protection accounted for 64% & 36% of sales, respectively. Pharma business (including animal healthcare) is further divided between own products and CDMO (51:49).
- In Crop protection, 62% of sales are derived from CDMO while remaining is from proprietary products, specialty chemicals & specialty biocides

Investment Rationale:

- Q4FY25- Strong margins performance despite subdued Pharma performance** –Revenues grew ~7% YoY to ₹ 552 crore driven by ~14% growth in Crop Protection business to ₹ 201 crore and 4% growth in Pharma business to ₹351.3 crore. EBITDA grew ~31% to ₹ 123.4 crore and margins stood at 22.3% (397 bps improvement) owing to better product mix (GPM improved by 353 bps to 58%) and better operating leverage. PAT grew 48% to ₹ 50.2 crore.
- Pharma to ride on promising pipeline and generics recovery: Crop protection recovery still one year away** – Pharma growth of 4% was driven by strong CDMO traction (~21% growth) even as the legacy generics business de-grew 8%. The company continues to push the CDMO business with several RFQs and two phase III NCE candidates. In animal healthcare, the company has completed the development and validation of eight products and are currently on track to finish validating several others by the end of this year. The Crop Protection growth of 14% was driven by Proprietary products (~97% growth) but the CDMO business de-grew 9% impacted by excess inventory situation at the clients' end. As per management, the global Crop protection scenario is expected to improve only in FY27. The management has guided for 12-15% revenues growth in Pharma for FY26 and FY27 to be driven by CDMO. For Crop Protection, while FY26 is expected to be flattish, the management expects low double-digit growth in FY27 with a promising CDMO pipeline likely to unfold by the end of FY26. The margins trajectory is expected to be in line with the respective sales growth. The company, till FY25 has invested close to ₹ 1600 crore on capex since FY17. We believe these investments are yet yield their fullest potential due to the volatilities that the company faced during these years. Going ahead, we expect this capex and a calibrated product-focused approach to led the improvement and stability.

Rating and Target price

- Our target price is ₹ 465 based on 14x FY27E EBITDA of ₹ 453.7 crore.

Key Financial Summary

Key Financials (₹ Crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	1942.7	2023.0	1784.6	1859.9	-1.4	2032.5	2316.0	11.6
EBITDA	340.6	255.1	267.0	328.6	-1.2	373.7	453.7	17.5
EBITDA Margins (%)	17.5	12.6	15.0	17.7		18.4	19.6	
Adjusted PAT	160.5	78.4	69.6	91.0	-17.2	108.2	165.9	35.0
EPS (₹)	13.0	6.4	5.7	7.4		8.8	13.5	
PE (x)	34.6	28.7	58.8	50.7		42.6	27.8	
EV to EBITDA (x)	16.2	15.5	20.9	16.3		14.0	11.5	
Price to book (x)	4.9	4.3	4.1	3.7		3.4	3.1	
RoE (%)	14.3	15.0	6.9	7.2		8.0	11.0	
RoCE (%)	15.1	13.6	7.7	9.3		9.8	12.6	

Source: Company, ICICI Direct Research

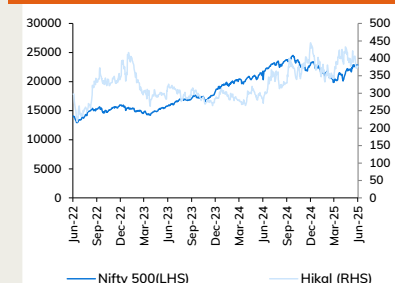
Particulars

Particular	Amount
Market Cap	₹ 4613 crore
Debt (FY25)	₹ 765 crore
Cash (FY25)	₹ 13 crore
EV	₹ 5364 crore
52 week H/L (₹)	464/267
Equity capital	₹ 24.6 crore
Face value	₹ 2

Shareholding pattern

(in %)	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	68.9	68.9	68.9	68.9
FII	6.7	6.8	6.1	5.7
DII	3.2	3.6	3.5	3.8
Others	21.3	20.8	21.6	21.7

Price Chart



Key risks

- Prolonged weakness in Crop protection stretching beyond FY25
- Lingering quality issues raised by local PCBs

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Exhibit 1: Quarterly Summary

(₹ Crore)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Total Operating Income	502.4	378.8	558.8	540.2	545.3	388.1	434.9	447.6	514.1	406.8	453.0	447.7	552.4	7.4	23.4
Raw Material Expenses	277.6	226.4	317.7	283.3	279.7	170.5	213.1	206.8	234.3	192.3	201.9	210.9	232.2	-0.9	10.1
% of revenue	55.3	59.8	56.9	52.4	51.3	43.9	49.0	46.2	45.6	47.3	44.6	47.1	42.0		
Gross Profit	224.8	152.4	241.1	257.0	265.6	217.6	221.8	240.8	279.9	214.5	251.1	236.8	320.2	14.4	35.2
Gross Profit Margin (%)	44.7	40.2	43.1	47.6	48.7	56.1	51.0	53.8	54.4	52.7	55.4	52.9	58.0	353 bps	507 bps
Employee Expenses	53.6	43.2	58.1	63.3	57.8	59.6	60.9	61.3	63.8	57.1	62.1	63.2	63.4	-0.6	0.3
% of revenue	10.7	11.4	10.4	11.7	10.6	15.4	14.0	13.7	12.4	14.0	13.7	14.1	11.5		
Other Expenses	110.2	86.5	113.3	119.1	119.7	107.7	103.4	114.7	121.6	99.4	114.0	101.4	133.4	9.7	31.6
% of revenue	21.9	22.8	20.3	22.0	22.0	27.7	23.8	25.6	23.7	24.4	25.2	22.6	24.1		
Total Expenditure	441.4	356.0	489.0	465.6	457.3	337.8	377.4	382.8	419.6	348.8	378.0	375.5	429.0	2.2	14.2
% of revenue	87.9	94.0	87.5	86.2	83.9	87.0	86.8	85.5	81.6	85.7	83.4	83.9	77.7		
EBITDA	61.0	22.8	69.7	74.6	88.0	50.3	57.5	64.8	94.5	58.0	75.0	72.2	123.4	30.6	70.9
EBITDA Margins (%)	12.1	6.0	12.5	13.8	16.1	13.0	13.2	14.5	18.4	14.3	16.6	16.1	22.3	397 bps	621 bps
Depreciation	24.2	26.5	27.4	28.3	26.8	27.7	28.6	29.0	32.3	31.8	31.7	33.2	37.7	16.6	13.6
Interest	8.1	11.3	10.8	13.0	13.0	13.8	13.1	14.2	15.3	19.8	18.8	18.7	17.9	17.3	-4.3
Other Income	0.3	3.3	1.3	2.5	0.4	0.9	1.0	0.1	0.5	0.5	0.4	3.6	0.5	8.7	-86.1
Forex & EO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	29.0	-11.8	32.8	35.8	48.6	9.7	16.8	21.6	47.3	6.9	24.9	23.9	68.3	44.3	185.8
Total Tax	8.2	-2.9	7.9	9.4	12.6	2.8	4.3	5.5	13.4	1.8	6.5	6.6	18.1	35.6	174.2
Tax rate (%)	28.5	24.7	24.2	26.2	25.9	28.7	25.5	25.3	28.2	26.1	26.1	27.6	26.5	-171.1	-111.4
Adjusted PAT	20.7	-8.9	24.8	26.4	36.0	6.9	12.5	16.1	34.0	5.1	18.4	17.3	50.2	47.8	190.2
EPS (₹)	1.7	-0.7	2.0	2.1	2.9	0.6	1.0	1.3	2.8	0.4	1.5	1.4	4.1	47.8	190.2
No. of Equity Shares (Dilut)	61.7	61.7	61.7	61.7	61.5	61.5	61.5	61.5	61.5	61.5	61.5	61.5	61.5		

Source: Company, ICICI Direct Research

Q4FY25 Results / Conference call highlights

Crop Protection

- Hikal continues to face competitive pricing pressure and headwinds from China.
- Hikal has established a Specialty Chemicals portfolio where several products are expected to be launched by the second half of FY26.
- Company is engaging with innovator CDMO customers in several projects that are in advanced stages and are expected to get launched from FY27.
- Management anticipates muted growth in FY26 and growth to resume in FY27.
- CDMO division is currently managing a pipeline of 8 active projects with both existing customers as well as new customers.
- From FY27 onwards margins to come back to historical margins of FY22-23.

Pharma Business

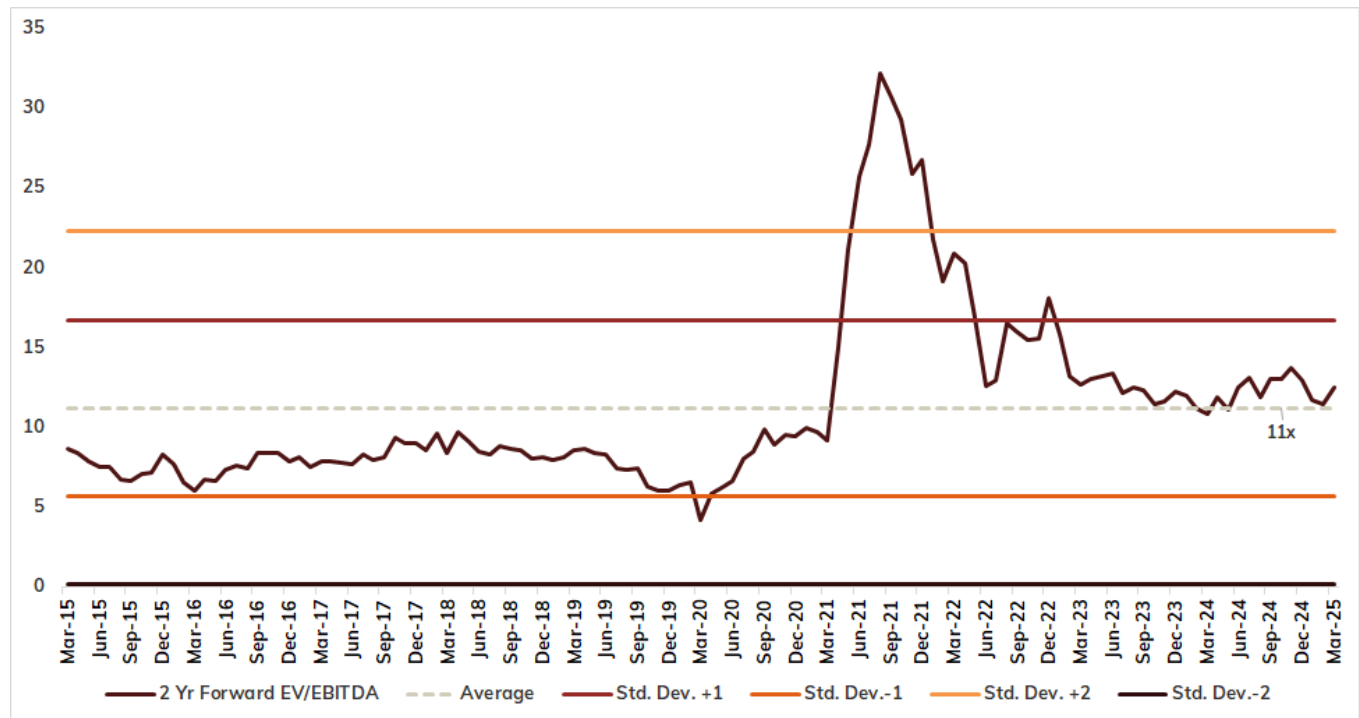
- API business growth was driven by an uptick in volume, as well as increased offtake of new molecules.
- Company have got 12 to 15 products in advanced stages of development, commercialization in Pharma which is higher than earlier run rate.
- Company's API pipeline consists of 8 to 9 differentiated products with plans to commercialize 2 to 3 every year.
- The key starting material projects for two new chemical entities are progressing well in Phase III trials with their respective partners and are expected to commercialize by FY27.
- Out of Two-phase III molecules one is moving faster and is expected to fetch some revenue in FY26 while second one is still in clinical phase.
- Food ingredient project remains on track and is expected to reach peak revenue within the next 2 to 3 years.
- Management anticipates 12-15% growth in during FY26 majorly driven by CDMO side.

Other aspects

- In Animal Health 8 products got validated successfully majorly intended for global supply and company is free to supply to any customer that requires them.

- Company is expanding marketing footprint in Japan, Latin America, Korea, Middle East and Southeast Asia.
- Company plans for ~₹200 crore of capex for each year.

Exhibit 2: 2 Year Forward EV/EBITDA Band



Source: Company, ICICI Direct Research

Financial Tables

Exhibit 3: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Revenues	1,784.6	1,859.9	2,032.5	2,316.0	
Growth (%)	-11.8	4.2	9.3	13.9	
Raw Material Expenses	824.7	837.3	953.8	1,086.9	
Employee Expenses	245.6	245.8	273.8	312.2	
Other Manufacturing Expense	447.3	448.2	431.2	463.2	
Total Operating Expenditure	1,517.6	1,531.3	1,658.8	1,862.3	
EBITDA	267.0	328.6	373.7	453.7	
Growth (%)	4.7	23.1	13.7	21.4	
Interest	56.4	75.2	71.6	62.2	
Depreciation	117.6	134.4	161.0	172.8	
Other Income	2.5	5.0	6.1	6.9	
PBT before Exceptional Item	95.5	124.0	147.2	225.7	
Less: Forex & Exceptional Item	0.0	0.0	0.0	0.0	
PBT	95.5	124.0	147.2	225.7	
Total Tax	25.9	33.0	39.0	59.8	
PAT before MI	69.6	91.0	108.2	165.9	
Minority Interest	0.0	0.0	0.0	0.0	
PAT	69.6	91.0	108.2	165.9	
Adjusted PAT	69.6	91.0	108.2	165.9	
Growth (%)	-11.3	30.8	18.9	53.3	
EPS	5.7	7.4	8.8	13.5	
EPS (Adjusted)	5.7	7.4	8.8	13.5	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Profit/(Loss) after taxation	65.2	94.0	108.2	165.9	
Add: Depreciation & Amortization	117.6	134.4	161.0	172.8	
Add: Interest Cost	56.4	75.2	71.6	62.2	
Net Increase in Current Assets	-41.5	-43.9	16.6	-181.8	
Net Increase in Current Liabilities	-11.8	15.2	51.0	57.9	
Others	0.9	5.5	0	0	
CF from operating activities	186.7	280.4	408.3	277.0	
(Inc)/dec in Fixed Assets	-204.2	-137.3	-200.0	-200.0	
(Inc)/dec in Investments	0.2	0.9	0.0	0.0	
Others	30.2	-0.1	2.8	3.1	
CF from investing activities	-173.7	-136.5	-197.2	-196.9	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in sec. Loan	66.2	-53.8	0.0	-100.0	
Dividend & Dividend Tax	-14.8	-14.8	-14.8	-14.8	
Others	-78.4	-75.0	-71.6	-62.2	
CF from financing activities	-27.0	-143.6	-86.4	-177.0	
Net Cash flow	-14.0	-41.5	124.8	-96.9	
Opening Cash	26.7	12.7	13.0	137.8	
Closing Cash	12.7	-28.8	137.8	40.9	
Free Cash Flow	-17.5	143.1	208.3	77.0	
FCF Yield	0%	3%	5%	2%	

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Equity Capital	24.7	24.7	24.7	24.7	
Reserve and Surplus	1,163.0	1,237.6	1,331.1	1,482.2	
Total Shareholders fund	1,187.7	1,262.3	1,355.8	1,506.9	
Total Debt	817.6	764.7	764.7	664.7	
Others Liabilities	117.4	107.5	112.3	117.4	
Source of Funds	2,123	2,135	2,233	2,289	
Gross Block - Fixed Assets	1,800.2	2,228.5	2,378.5	2,553.5	
Accumulated Depreciation	729.6	864.0	1,025.0	1,197.8	
Net Block	1,070.6	1,364.5	1,353.5	1,355.8	
Capital WIP	414.3	121.2	171.2	196.2	
Net Fixed Assets	1,485.0	1,485.7	1,524.7	1,552.0	
Investments	5.4	9.5	9.5	9.5	
Inventory	303.7	334.5	326.6	297.8	
Cash	12.7	13.0	137.8	40.9	
Debtors	550.3	522.4	501.2	698.0	
Loans & Advances & Other CA	0.0	0.0	0.0	0.0	
Total Current Assets	966.6	995.4	1,103.6	1,188.5	
Creditors	278.9	304.1	346.4	394.7	
Provisions & Other CL	85.7	90.3	99.0	108.5	
Total Current Liabilities	364.5	394.4	445.4	503.3	
Net Current Assets	602.1	601.0	658.2	685.2	
LT L&A, Other Assets	30.2	38.3	40.2	42.2	
Application of Funds	2,123	2,135	2,233	2,289	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	
Per share data (₹)					
EPS	5.7	7.4	8.8	13.5	
Cash EPS	14.0	17.1	20.7	26.3	
BV	96.6	102.6	110.2	122.5	
DPS	1.2	1.2	1.2	1.2	
Cash Per Share	59.3	70.2	83.3	97.4	
Operating Ratios (%)					
Gross Margins	53.8	55.0	53.1	53.1	
EBITDA margins	15.0	17.7	18.4	19.6	
Net Profit margins	3.9	4.9	5.3	7.2	
Inventory days	134	146	125	100	
Debtor days	113	103	90	110	
Creditor days	123	133	133	133	
Asset Turnover	1.0	0.8	0.9	0.9	
Return Ratios (%)					
RoE	5.9	7.2	8.0	11.0	
RoCE	7.2	9.3	9.8	12.6	
RoIC	8.8	9.7	11.1	13.7	
Valuation Ratios (x)					
P/E	66.3	50.7	42.6	27.8	
EV / EBITDA	20.3	16.3	14.0	11.5	
EV / Revenues	3.0	2.9	2.6	2.3	
Market Cap / Revenues	2.6	2.5	2.3	2.0	
Price to Book Value	3.9	3.7	3.4	3.1	
Solvency Ratios					
Debt / Equity	0.7	0.6	0.6	0.4	
Debt/EBITDA	3.1	2.3	2.0	1.5	
Current Ratio	2.6	2.5	2.2	2.3	
Cash Conversion Cycle	124	116	82	77	
Working Capital Cycle	247	248	215	210	

Source: Company, ICICI Direct Research

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