November 18, 2024

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings call for quarter and the half year ended September 30, 2024

In continuation of our letters dated November 05, 2024 and November 12, 2024 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call to discuss the financial and operational performance for the quarter and the half year ended September 30, 2024 held on Tuesday, November 12, 2024.

Kindly take the information on record.

Thanking you,

Yours sincerely,
for **HIKAL LIMITED**

Rajasekhar Reddy Chintakindi
Digitally signed by Rajasekhar Reddy Chintakindi
Date: 2024.11.18 17:05:24 +05'30'

Rajasekhar Reddy
Company Secretary & Compliance Officer

Encl.: As above

Hikal Limited

Q2 FY25 Earnings Conference Call

November 12, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th November 2024 will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to Hikal Limited Q2 FY25 Earnings Conference Call. As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Sameer Hiremath: Thank you. Good afternoon, ladies and gentlemen, and a very warm welcome to all of you. We extend our gratitude to all of you for participating in our Q2 and H1 FY25 Results Conference Call. We are pleased to provide you with an update on the progress made by our company. We trust that you have had the opportunity to review our earnings release, investor presentation and the financial statements for the quarter ended September 30, 2024. These documents can be accessed on both Hikal's website and the stock exchange's website.

I am Sameer Hiremath, Managing Director, Hikal Limited, and I will be leading the discussion and presenting the financial results. On this call with me, I have Anish Swadi, Senior President, Business Transformation; Kuldeep Jain, Chief Financial Officer; Manoj Mehrotra, President Pharmaceutical Business; Vimal Kulshrestha, President of our Crop Protection Division; and Strategic Growth Advisors, our Investor Relations Advisors.

Talking about our Q2 FY25 and H1 FY25 performance, we have seen a gradual improving global chemical market with marginal growth in volumes as compared to last year. We are cautiously optimistic that this recovery will persist in the upcoming quarters. Our strategic focus continues to be on onboarding new customers, acquiring new projects, enhancing operational efficiencies and streamlining and improving our cost structure through a range of business excellence and improvement initiatives.

In Q2 FY25, our revenue stood at INR453 crores with an EBITDA of INR75 crores, which represents a growth of 29% on the revenue and 30% -- sorry, 29% and 30% in the EBITDA on a quarter-on-quarter and Y-o-Y basis. For H1 FY25, our revenue stood at INR860 crores with an EBITDA of INR133 crores, which was a growth of 4% on a quarter-on-quarter and 23% on a Y-o-Y basis.

We have reduced our working capital and improved cash flow during the first half of this year. EBITDAs for this quarter stood at INR75 crores, which was 16.5% compared to INR57 crores last year, which was 13.2%, resulting in an absolute growth of 30%. Although an INR8.9 crores combined impact of finance costs and depreciation account of recent asset addition affected profit before and after tax. The same was offset to some extent with operating leverage. As we ramp up production and sales from these new assets, these costs will get absorbed resulting in higher profitability going forward. During the current quarter, we have seen improved volume offtake predominantly in our Pharmaceutical business, coupled with stable raw material prices has resulted in a realization of cost improvement.

Our animal health facility has successfully validated six products and is on track to complete the validation of several more products over the next few months. We have initiated regulatory filings for these products, which will allow us to sell these products commercially in the quarters to come.

In our Pharmaceutical business, we are witnessing recovery on the back of improved volume offtake, which is expected to remain steady in the upcoming quarters. In the API segment, we are experiencing moderate volume growth with improved demand from our customers. We are strengthening our position in the antidiabetic portfolio with the filing of new products.

On the CDMO side, we are witnessing positive signs from the China + 1 strategy, predominantly in the early stage NCE products from multiple Pharmaceutical customers around the world. We are well positioned to capitalize on the healthy pipeline and are prepared with technological advancements to foster long-term growth in our CDMO Pharmaceutical business.

The crop protection sector is starting to exhibit signs of stabilization. Domestic markets have demonstrated a relatively stronger recovery trend in recent quarters. The excess inventory issue is slowly being addressed in the end market and consumption is steadily increasing.

Now I would like to hand over to Manoj Mehrotra, who will provide an overview of the Pharmaceutical division performance. Over to you, Manoj.

Manoj Mehrotra: Thank you, Sameer, and good afternoon, ladies and gentlemen. I'll start with the financials of the Pharma business. For Q2 FY25, our Pharmaceutical business reported revenue of INR294 crores and EBIT of INR40 crores. This was a significant increase of 934 bps and 994 bps as compared to both year-on-year and quarter-on-quarter basis, respectively.

In our API business, volume improvement continues on account of successful customer acquisition globally. Additionally, on CDMO side, we have seen validation quantities being supplied during the quarter for an innovator customer. Commercial supplies are expected in the second half of calendar year 2025.

Talking about the two verticals. On the API side, the performance of our API business is showing improvement on a quarter-on-quarter basis. We continue to focus on improving volume demand through continuous market expansion and penetration by acquiring new customers and focusing on higher wallet shares of existing customers.

We are further capitalizing on market reach through enhancing our product portfolio. Our product development pipeline has eight to nine products currently in progress, and we are on track to introduce two to three new products each year. In Q2 FY25, we have filed two DMFs of anti-coagulant products for U.S. and Europe markets.

For the CDMO segment, during the current quarter, we have witnessed steady improvement in offtake from several key innovators, and it is expected to continue in the upcoming quarters. Our CDMO business continues to receive several inquiries, and there is an increased share from early-stage molecules from several innovator companies. We are focusing on capitalizing these opportunities as several advanced discussions are moving towards development and validation.

Our two projects pertaining to advanced intermediates for new chemical entities continue to make strong progress in Phase 3 clinical trials with the respective innovators. This is expected to contribute to our growth as ramping up will be initiated in 2026, 2027. Our portfolio of specialized ingredients projects are progressing well and expected to reach its peak revenue in upcoming 2 to 3 years.

Overall, on the Pharma business, we are seeing positive momentum across both the verticals. We are committed to enhancing profitability and boosting revenue. To accomplish this, we are putting in place a variety of strategies aimed at improving cost efficiency and optimizing our operational processes, which is reflecting in the quarterly performance of the Pharmaceutical business.

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

Vimal Kulshrestha: Thank you, Manoj. Good afternoon all the participants in this earnings call. In Q2 FY25, the revenue of Crop Protection business stood at INR159 crores with an EBIT of INR8 crores and EBIT margin of 5%. The margin profile was impacted due to reduced operating leverage and expected to improve as capacity ramp-up will take place.

We currently have several projects in pipeline with both our existing innovator clients and potential new customers and experiencing positive momentum with several companies in the CDMO sector for development and contract manufacturing.

About our business vertical in own products - as a part of our growth strategy, we are proactively exploring new product opportunities to further expand our business and mitigate risk associated with our customer and product portfolio. For our specialty products, we are witnessing increase in volume with diversification of customer base.

For our CDMO business, CDMO business has robust pipeline of seven products from both existing and potential clients. By executing on these opportunities, we anticipate reinforcing our position among global innovators and fostering growth in this segment over the medium term.

On overall Crop Protection division, Crop protection sector is beginning to show some sign of stabilization. The excess inventory situation is gradually resolving and volumes are steadily recovering. We remain dedicated to pursuing growth opportunities and optimizing costs, which will ensure our success in the marketplace.

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

Anish Swadi: Thank you, Vimal. First, I'd like to discuss a brief overview of the Animal Health business. The development of several APIs for an animal health innovator company is progressing well under our long-term agreement. Our new multipurpose plant dedicated to these products is operational. We have successfully validated six products, with additional products currently undergoing validation that will be completed over the next few quarters. These will subsequently be submitted for registration and then final commercialization.

We are actively pursuing new customers in this segment for process development and complex molecule synthesis for NCEs, and the results so far have been encouraging. In summary, we are dedicated to achieving our profitable and sustainable growth across all our business segments.

Our transformation initiative, Project Pinnacle is already yielding positive outcomes, and we have made notable strides in sustaining growth across our several businesses. We have intensified our commitment to our ESG initiatives, broadened our geographical presence and enhanced our technological infrastructure to attract new customers.

Furthermore, we continue to allocate close to about 4% to 5% of our revenue in our research and development unit. These are fostering innovation in products and services and creating a differentiated technology toolbox that are the current needs of our potential new customers. Our emphasis on continuous improvement and innovation positions us to stay ahead of some of the market trends and maintain a leadership in the industry.

As we advance in our next stage of strategic development, we are placing greater emphasis on our front end to capitalize on new opportunities that will help establish a further stronger pipeline for our businesses. Our strategic evolution prioritizes talent development and nurtures a culture of innovation and collaboration throughout the organization. And this approach not only empowers our workforce, but also drives our creativity and responsiveness to the market changes.

Overall, we are optimistic about the future of the company across our business verticals and are confident that our strategic initiatives and focus on sustainability will help us navigate challenges and achieve long-term sustainable growth. Our commitment to continuous improvement will enable us to adapt to the evolving market conditions and to take advantage of the diverse range of emerging opportunities that are presented to us.

Now I'd like to open the floor to Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We have first question from the line of Ashish Rawat from BSM Securities.

Ashish Rawat: Sir, I have a couple of questions. First is, can you explain on the improved working capital and increase in cash flow. So what is our view here?

Management: Sorry, what is the question?

Ashish Rawat: Yes. So we have improved our working capital and increase in cash flow. So what is our view here?

Management: Okay. You want to ask the second question or should we answer this question. Could you want us answer this question?

Ashish Rawat: Yes. Sir, I will go one by one.

Kuldeep Jain: Yes, sure. So as far as the working capital is concerned, what we have done, we have put a lot of control on the inventory. We have a lot of production planning improvement done. We have done, improvement in the production processes as well. So therefore, we are just having a just-in-time kind of inflow for some of the products. So therefore, there's a good control on the inventory. As far as the cash flow is concerned, this is a consequential effect of the working capital. So we have a reduction of working capital to the extent of INR50 crores.

Ashish Rawat: Okay. Okay. So my second question is on the pharma business. We have witnessed a solid performance there. So can we expect the same traction to continue in H2 FY25? Can you explain the value and volume growth, if you can?

Manoj Mehrotra: The performance of pharma business this quarter has definitely been good. We expect the same momentum to continue in the second half of the year, although we'll see some kind of, I'll say, suppress growth in quarter 3, but we'll bounce back in quarter 4. So overall, I'll say that H2 will remain in the same line.

Moderator: We will proceed with the next question from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Team, great set of numbers. Now looking at the improved traction in the business and overall a bit of stronger outlook. How should we look at the balance sheet shaping up in terms of our debt on the books?

Sameer Hiremath: So debt has actually come down for the 6 months, if you look at September and compared to where we were from a March perspective. And I don't think -- it's a very, very comfortable position, and we don't see any significant increase in this.

Dhaval Shah: Even by end of March.

Sameer Hiremath: Even by end of March, it will be more or less on the lines, it will be here and there. Although we continue to invest in assets in our Pharma division, we see debt as being in this range, no significant change.

Dhaval Shah: Okay. And our repayment of debt for next year, considering the capex, what we would be doing, how do you see that? So what is the absolute debt number should we expect?

Kuldeep Jain: See, for the current year, we expect close to INR800 crores. Next year, we have a repayment of INR130 crores. Next year, that is FY25-26, and we expect to maintain the same numbers.

Dhaval Shah: Same number being INR800 crores or INR800 crores minus INR150 crores.

Kuldeep Jain: INR800 crores minus INR130 crores, but we have a capex plan as well. So we'll borrow something for the capex. It will be in the same range.

Dhaval Shah: Okay. And this capex will be going for our pharma business?

Kuldeep Jain: That's largely, yes.

Dhaval Shah: Okay. And the crop protection cycle being not in favor, so broadly, if you can give us an idea out of the total gross block, how much would be -- would not be giving us any production and results on the crop protection side? How much is the ideal gross block for us right now?

Sameer Hiremath: If you look at the capacity utilization that gives a very good idea of the utilization. And the current capacity utilization from a quarter 2 perspective, if you look at pharma, we're running at about 75% odd utilization today. And crop is around 55% to 60%. So that just shows you there's over 40% of unutilized gross block on the crop side currently, yes.

Dhaval Shah: Okay. Okay. Interesting. And you just mentioned on the pharma front that Q3 might be a bit subdued and Q4 will bounce back. So, this is purely from a CDMO orders we have in hand. Is this -- understanding from a CDMO perspective, given the kind of order cycle we have on hand?

Sameer Hiremath: So actually, if you look at it, quarter 3 is the financial year ending for many of our customers in both in pharma and in crop. And it's the calendar year ending for them, right? So what happens is that -- the orders are all in place in the system, but they ask us to ship in January onwards. They don't want to take any shipments in December.

So that kind of becomes like a lean month. So that gets pushed into January. So that's why Q3 typically is going to be kind of a lower quarter, but it will bounce back in quarter 4. But H2 will be significantly better than H1 for the company and division.

Dhaval Shah: Okay. Okay. And this CDMO share for the pharma business has -- is higher compared to last financial year. So what is the trend should we see going forward? And a connected question. So within the CDMO, if you break up CDMO between contract research and contract manufacturing, so the case I remember in 2012-13, we used to do a lot of contract research work. And it was also visible in our EBIT margins of the Pharma division.

Now so going forward, keeping this BIOSECURE Act, the opportunity which it gives us, how should we look at this contract research work for Hikal and your outlook? Because when we hear commentaries from other companies who are in this business, they all are quite positive for this opportunity. So what's your take on it?

Sameer Hiremath: Yes. Just to give you some broad numbers on the percentage revenue split between CDMO and own products. I think we don't do much, contract research is quite negligible. All the business has now moved towards CDMO. That's been the big change in the last 5-6 years as a company.

And most of our projects move into development -- manufacturing and for multi-hundred kilos to multi-metric ton quantities. So that's just an R&D work where you provide lab samples, and provide lab synthesis is gone.

The products that we are getting are typically in Phase 2, Phase 2A, Phase 2B and they are moving into Phase 3. So the volumes get ramped up within a year or 2 years and they get launched.

So our percentage of our CDMO business has increased by over 10% as a total revenue. It's over 40% of our Pharma division is CDMO, and we have some custom manufacturing business, which is now part of that too. So the CDMO business is now close to 40% of our total Pharma revenue, which is significantly lower than the last few years ago. It has gone up rapidly, and we expect this to increase even further going forward.

Dhaval Shah: Yes. So yes, over the past quarters, it has quite ramped up, yes, the CDMO share. Yes. So within this, you said contract research is quite minimal. So...

Sameer Hiremath: Is negligible. It's negligible. We don't do much contract research.

Dhaval Shah: Okay. And this entire CDMO work is largely innovator driven or I didn't understand that. How is it? What the client base?

Manoj Mehrotra: Yes. The CDMO business, by definition, it's all innovator driven. And so, we work on various NCEs and also on some life cycle management, but it's all innovator companies.

Dhaval Shah: Okay. So in the last call, we were talking about and also in the annual report, you mentioned about the NCEs which we are working upon. So, two novel NCEs in Phase 3 trials. So, there anything you are capturing from those molecules in the current year? Or how would that be?

Manoj Mehrotra: Yes, some small portion is happening of validation quantity this year, but they will get commercialized in the next 2 years or say 2 to 3 years.

Dhaval Shah: Okay. And any GLP-1 related opportunity we are looking at since we are on the diabetic side?

Manoj Mehrotra: We are evaluating at this stage, but not really made the firm plan -- but still in evaluation Phase on GLP-1 inhibitors.

Moderator: We will take next question from the line of Mr. Raj Oberoi from Oberoi Securities.

Raj Oberoi: So my question was -- so the first question was agrochemical companies are giving positive forward commentary. So what is your view on the crop protection in the coming 3 to 4 quarters? And what was the value and volume growth for Crop Protection business?

Management: I think from a value and volume, let me just give you the value and volume…

Sameer Hiremath: Let me first give you the numbers. From a value perspective, Crop Protection has actually degrown by about 4% while volume has grown by 22% increase in volume. So we are selling higher volumes, but the realization is at the lower end, and that has had a depression in our volumes in our margins.

Going forward, well, we see the stabilization of the crop industry, but I think we're a few more quarters away from seeing a positive momentum of growth coming back. I think we're still 2 to 3 quarters away.

Raj Oberoi: Okay. Got it. Got it. Got it. And my second question was, we have heard that in the crop protection business, China is still keeping depressed prices. So what is your view? And how will it change? And can China still be a long-term competitor?

Sameer Hiremath: China is definitely a long-term serious competitor, and I don't think they're going away soon. So we have to compete and we're getting involved in crop protection more on the new chemical entities and the new generation on-patent chemistry, where China is not prevalent.

On the generic older molecules, China is extremely competitive. So we're moving away from that in our crop protection portfolio to launch new molecules under patent and where we're getting on those seven projects that are -- that we spoke about, most of them are proprietary or niche products that we are launching, yes.

Vimal Kulshrestha: And additionally, the thrust of innovator companies is more on India than China. So that is what the niche which we would -- we expect to continue to enjoy.

Moderator: We have next question from the line of Sajal Kapoor an Individual Investor.

Sajal Kapoor: What percentage of our gross block is fungible across both Pharma and Agro. From fungible, I mean, if in future, we want to make a higher-margin product like an NCE instead of a more commoditized generic that we are making in that reactor today, can the same infrastructure be utilized? And this question is for both our agro and Pharma division?

Sameer Hiremath: 100% of our business in the division is fungible. We have one standard -- we don't differentiate in our Pharma division between generic plant or an NCE plant. It's built up for one standard, and we can make a generic or an NCE and meet global standards and customer requirements.

Sajal Kapoor: Wonderful. Wonderful. That's helpful, Sameer. And regarding the Japanese CDMO market, our common observation is that while many U.S. innovators are now...

Sameer Hiremath: Your question, if I got it right, between the division is 100% fungible. But as you know, you can't make a crop protection product in a Pharma asset because FDA doesn't allow that.

Sajal Kapoor: No, no. Absolutely. Absolutely. I get that. I get that. But yes, so the Pharma infrastructure, let's say, our 60% or 70% gross block, if I'm not mistaken, KKL capacity-wise is Pharma. And I can -- today, I may be making a generic product in that reactor, but tomorrow, I could be making an NCE, which will be a much higher margin, correct?

Sameer Hiremath: That's right.

Sajal Kapoor: Yes. Understood. And second, regarding the Japanese CDMO market, a common observation is that while many U.S. innovators are now sourcing the finished product or API from India, majority of Japanese innovators, and this is for majority, not all, the Japanese innovators are still sourcing N minus 1 and N minus 2 from India. Do you agree with this assessment? And if so, could you explain why Japan is not comfortable sourcing the final API from India?

Sameer Hiremath: Well, I think it's on a case-to-case basis, but generally, you're right. A Japanese customer prefers to buy N minus 1, although Hikal is selling generic APIs already in Japan, but that's not the prevalent model. They are more comfortable buying N minus 1 and doing the last step crystallization in-house because the quality standards, not that we don't meet them, but the Japanese way of looking at things is very different.

And the cost structure in them allows them to have local manufacturing because pharma NCEs are not under that much pressure. They're able to manage cost. Even generics, the generic law in Japan doesn't have such a low price. There's a rule that the first generic comes around 80% and the next one comes in. So it's very graded.

And so they can afford to do the last step in Japan. So for the NCE, definitely, they prefer buying N minus 1 and doing the last step in Japan, yes.

Sajal Kapoor: And what's your sense? Because I think we have got a significant exposure in the Japan market. We have many -- we have already got many innovators relationships over the years. In the grand scheme of things where Japan is moving away from China, and they are determined to do that. I mean, logically thinking, I mean, this bodes well for a company like Hikal who has invested in relationship over the years. I mean, any color?

Sameer Hiremath: No, I agree. I think Japan is already a large part of our total business, and it will grow quite substantially. And we've already got customer relationships already in play, whether it's for APIs or for intermediates on both the Pharma and on the crop side. And this is only increasing. The number of inquiries from Japan is increasing, and we stand to benefit from this. I see this very positively.

Sajal Kapoor: That's helpful. And on the Crop Protection side, Slide 8, - seven CDMO projects in pipeline, are these relatively late-stage projects? That's one. And if successful, which geographies these molecules will eventually target?

Sameer Hiremath: Vimal, do you want to take that?

Vimal Kulshrestha: Yes, yes. So this is -- this typically takes anything between 3 to 6 years, depending on what stage it is. So average, you can consider 3 to 5 years. And this is across all geographies. So this is Europe also, U.S. also and Japan also.

Sajal Kapoor: Right, Vimal. So on those seven molecules, are we -- how many -- are we closer to that time line of 3 to 5 years? Or how many are we still in the very early stage? So it will take another 3 to 5 years from this point? I mean I'm just trying to get some sense on how many of these 7 are in the advanced stage.

Vimal Kulshrestha: So we see two or three. They are more closer to 3 to 4 years' time line and balance are beyond that.

Sajal Kapoor: Okay. Fair enough. And finally, regarding the surge in the volume of customer audits, if I take as a percentage growth over the previous periods, are these U.S. customers mostly? Or do you see this more broad-based, including Europe and Japan?

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

Manoj Mehrotra: So overall, we are mentioning that there is an increased traction in CDMO customers. We are getting more inquiries and RFPs. And their approval starts with the audit first. So we are definitely seeing an increase in audit. I do not have exact percentage, but I'll say at least 50% or so above last year is my rough estimate. But yes, there's increased traction from all geographies, U.S., Europe, Japan.

Moderator: We have next question from the line of Ravi Shah from Opal Securities.

Ravi Shah: Yes. Sir, I have just two questions. So first of all, how is our new business acquisition happening in the Pharma and crop business? And are we winning any new contracts? Just wanted some clarity on that.

Sameer Hiremath: So I think new business acquisition, we are increasing our presence by onshoring people in North America, in Europe and in Japan. We are recruiting talent and we are putting up -- setting up offices. And now we have an offshore person, two people in North America. In Europe, we're hiring a person, in Japan as well we're strengthening our presence.

Apart from the road shows that we've increased by visiting several more exhibitions. And we are doing -- we are setting up an office in Latin America as we speak. We're moving people there as well. So we're getting closer to our customers.

Ravi Shah: One more question would be how is the situation between Europe and U.S. countries right now? How are things moving there?

Manoj Mehrotra: No, they are moving well. And as I mentioned, we are getting more inquiries and especially from the U.S. customers because of this BIOSECURE Act, which is going to come into force now. They are -- all innovative customers are looking more towards India in the last 1 year.

Moderator: We have a question from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on the recovery on Pharma sector. Sir, first question is on the animal health products. So you said that we have validated six products. So have the commercial supply started? Or if not, when are those commercial quantities going to start? And what could be the ramp-up schedule for the same?

Anish Swadi: Yes. So we have validated it, which means that we basically put it in the plants and submitted those quantities to the customer for registration. So those registrations, as you know, globally take anywhere between 12 to about 16 to 18 months. So the initial batch of products are now going through the final stages of registration. We expect that over the next few quarters, we'll be able to commercialize those products as the registrations come.

Now they won't come all at once. They'll come in a staggered fashion depending on the regions in which the products are being registered. So I do expect that over the next 12 months, we'll be able to start selling some of the commercial quantities of the validated products.

Rohit Nagraj: Sure. And the rest of the product portfolio, if I'm not wrong, we had a total of 15 products in this particular basket. So those will be validated from the commercial point of view over what period?

Anish Swadi: So over the next few months, we are taking -- again, we said we'll complete the batch of products. So I think over the next quarter or 2 quarters, we'll finish the validation of our innovator customer for the product portfolio that we have. Then we'll start validating some other products that are currently in development.

So those products, we have a very healthy development pipeline. So right now, the processes are being developed and then they'll go through into validation and then we expect commercial quantities as and when the customer requirement post registration. So that will take a little bit longer.

Rohit Nagraj: Fair enough. Just one clarification here. These products which we have validated with the innovator, would these also be validated with some other customers or they will be completely different set of products which we are developing for X of this innovator?

Anish Swadi: No. So we have a portfolio of products that we are doing specifically for an innovator that we are free to also sell externally in the open market. So while we are validating it for the particular customer, we also have other customers in the pipeline that we will commercially sell to.

Rohit Nagraj: So the process is simultaneous. It is not like the innovator?

Anish Swadi: You're right. It's simultaneous, yes.

Rohit Nagraj: Fair enough. And just one in terms of the numbers. So as I understand, I missed the number in terms of volume and value because Pharma for quarter has been up by about 9% Y-o-Y and first half, 6% Y-o-Y. And crop protection revenues are up by about 3% Y-o-Y -- down 3% Y-o-Y for the quarter and first half, it is up 3%. So what is the value and volume mix per se?

Sameer Hiremath: So the volume growth for the crop business was 22% for the quarter, but value degrew by about 3.5%, 3.6% to be exact.

Rohit Nagraj: Sorry, just to clarify, so our total crop protection revenues are down by 3% volumes are up by 22%, pricing is down by 4%. So it seems that our value -- total value growth should be 17%, 18%. So that's why I was slightly confused.

Sameer Hiremath: No. Value is down by 4%.

Rohit Nagraj: Okay. Value in the same, the total revenue you're talking about.

Sameer Hiremath: Value is down by 4%. Volume is up by 22%.

Vimal Kulshrestha: We've able to push, but at a lower realization because of the pricing pressure in the market.

Sameer Hiremath: Value has grown by 9% and volume has grown by 3.5%. So we've been able to sell more higher margin, higher value products in the Pharma segment.

Rohit Nagraj: Correct. And what's the split even for the first half, if you can provide that for Pharma and Crop Protection?

Sameer Hiremath: First half, Pharma grew by 6% in value and about 5% by volume, so almost the same. While the crop business grew by about 2% by value but over 45% in volume.

Moderator: We have a question from Ankit Manocha from Adezi Ventures.

Ankit Manocha: If I look at your margin profile of the two different businesses, they're obviously heading in two different directions currently. So I mean, this H2 EBITDA margin that you have done -- H1 EBITDA margin that you've done of 15.5%, where do we think -- what is the trajectory or estimated number for this for H2 or for FY '26?

Sameer Hiremath: So as I said earlier, the question was asked, how will H2 perform compared to H1. And we feel that H2 will be stronger than H1. And that's historically the Hikal trend. If you look at our business in the last 4, 5 years, H2 has always performed better than H1 because the nature of our customers and the cyclical nature of some of our business, especially our crop business, which will be strong on the quarter 4 closing of the year.

And Pharma also, we expect some new launches to happen in quarter 4 of this year. So we see a stronger H2 compared to H1, which will have a better EBITDA margin profile compared to H1.

Ankit Manocha: And this better EBITDA margin profile should also hold for FY '26? And what kind of improvements are we seeing?

Sameer Hiremath: Yes, we are seeing positive momentum going forward into FY '26 from the Pharma division for sure. We expect growth in both revenue and margins in FY '26 compared to FY25. On the crop business, I think the worst is behind us. It will only get better. And we will start seeing improvements from -- if not H1, maybe by H2, definitely of next year, next financial year.

Ankit Manocha: Thanks for the color. My second question is with regard to the capacity that has been recently put up or the capacity headroom that you currently have. So I mean, what is the capacity utilization in the different divisions in Pharma as well as in Crop Protection? And what is the current capacity headroom that you have accordingly for growth in both the divisions?

Sameer Hiremath: So, Pharma is currently about 75% to 80%, depending on the plant at generic side. Crop were closer to 55% to 60% right now.

Ankit Manocha: And the new capex that you -- if you put up anything on what side?

Sameer Hiremath: On the Pharma side, it's more on the Pharma side, the new capacity is coming on stream.

Ankit Manocha: So this 75% would be not be accounting for that, correct?

Sameer Hiremath: No. It will come on stream next year. And it take 1 or 2 years to commercialize. It doesn't get immediately operational.

Ankit Manocha: Understood. And finally, I mean, what are the top line growth expectations over the next, say, 3 years, say, on a total revenue basis for the company?

Sameer Hiremath: I'd say we -- we're not giving any forward-looking statements and guidance right now because of the uncertainty in the Crop division. But all I can say is that we expect a stronger H2 over H1 and a stronger FY '26 over FY25. I'm not in a position to give you any forward numbers, estimates right now.

Moderator: Thank you so much. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to management for closing comments.

Sameer Hiremath: Thank you for everyone for joining our quarterly earnings call and for your continued interest in our company. We appreciate your support as we navigate through the challenges of the global business environment. As we conclude this call, we want to assure you that we are here to address any further questions or concerns. Please feel to reach out to us or our Investor Relations Partners, Strategic Growth Advisors. Once again, thank you for your participation, and have a very good evening. Thank you.

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