Early Warning System

IFC-45374

HIKAL III

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Quick Facts

Countries	India
Specific Location	Maharashtra- Pune,Mahad, Taloja; Gujarat-Panoli; Karnataka-Jigani
Financial Institutions	International Finance Corporation (IFC)
Status	Completed
Bank Risk Rating	B
Voting Date	2022-01-05
Borrower	HIKAL LIMITED
Sectors	Agriculture and Forestry, Education and Health, Industry and Trade
Investment Amount (USD)	$ 50.00 million

Project Description

According to IFC documents, IFC is proposing an investment up to $50 million in Hikal for a multi-year CAPEX program entailing several projects (the “Project”). The CAPEX plan proposals are spread across various business segments and production facilities to be implemented over the next 2-3 years as follows; i) pharmaceuticals (capacity expansion of existing products, expansion of manufacturing facilities for human health APIs and for animal health APIs at the Jigani facility); ii) crop protection (capacity expansion for existing products, expansion of the manufacturing facility at Mahad); iii) expansion of the R&D facility in Pune (pilot plant, laboratory and kilo laboratory; and iv) effluent treatment plant, solvent recovery unit and utility upgradation (e.g., at facilities where Zero Liquid Discharge system is not yet installed as described in the PS3 section below.)

At the pharmaceutical manufacturing facilities, Hikal has an API product pipeline across therapeutic areas related to diabetes, anti-thrombotics, hypertension, anti-inflammation and analgesic for human health. At crop protection manufacturing facilities, the product range of active ingredients and intermediates includes algaecides, insecticides, fungicides, biocides and others.

This is IFC’s third investment in Hikal. IFC made two direct investments in Hikal in July 2008 and March 2013 previously which are no longer active.

The Project will be located at the Company’s existing manufacturing facilities in India including in Mahad (Maharashtra), Taloja (Maharashtra), Panoli (Gujarat), Jigani (Karnataka) and Pune (Maharashtra).

Early Warning System Project Analysis

People Affected By This Project

This is a Category B project in accordance with IFC's Environmental and Social Sustainability Policy. Key E&S risks and impacts include: ii) the Company's E&S management system (ESMS) including organizational capacity so as to effectively manage operations in aligned with the Performance Standards, national requirements and good international industry practice (GIIP; ii) fair, safe and healthy working conditions including occupational health and safety (OHS) and COVID infection control aligned with local regulatory requirements and current good manufacturing practices (cGMPs) as applicable to the pharmaceutical and pesticide sector; iii) pollution prevention including emission and discharge of volatile organic compounds and other gaseous compounds; iv) compliance with local and international regulatory requirements for hazardous chemicals and material use aligned with GIIP; v) management of risks and impacts on communities associated with storage and transport of hazardous materials; vi) life and fire safety and onsite and & off-site emergency preparedness systems; and 7) cumulative impacts.

It may be noted that in January 2022 and subsequent to the original disclosure of this Environmental and Social Review Summary (ESRS) document, as per several media reports, IFC understands that 6 people died and 23 were hospitalized in the city of Surat, state of Gujarat in India, due to exposure to certain toxic fumes. Hikal has since clarified that the tanker involved in transporting the material in question was not the same tanker that left the company's premises. IFC understands that this matter is under investigation and this ESRS may be further updated once the Company updates all stakeholders on the status. Meanwhile, in line with the requirements of the IFC Performance Standards, an Environmental and Social Action Plan (ESAP) has been updated and agreed upon as enclosed.

Investment Description

- International Finance Corporation (IFC)

IFC proposes to fund up to US$50 million to part finance the Company’s multi-year capital expenditure plan.

Private Actor Relationship

Mr. Jai Hiremath and family with related entities hold 69% stake are the promoter shareholders. The Company is publicly listed in India and the balance is held by financial institutional investors and general public.

Private Actors Description

Established in 1988, Hikal Limited (“Hikal” or the “Company” - https://www.hikal.com/) undertakes custom manufacturing of key intermediates and Active Pharmaceutical Ingredients (“APIs”) for pharmaceuticals, animal health as well as crop protection companies globally. Hikal has six manufacturing facilities in India including two pharmaceutical facilities in Jigani (State of Karnataka), one pharmaceutical facility and one crop protection facility in Panoli (State of Gujarat), one crop protection facility in Mahad (State of Maharashtra), one crop protection fatuity in Taloja (Stete of Maharashtra). In addition, there is a research and development (R&D) facility in Pune (State of Maharashtra).

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	HIKAL III	Client	Industry and Trade

Contact Information

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ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://disclosures.ifc.org/#/inquiries

If you believe that your request for information from IFC has been unreasonably denied, or that this Policy has been interpreted incorrectly, you can submit a complaint at the link above to IFC's Access to Information Policy Advisor, who reports directly to IFC's Executive Vice President.

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org

Bank Documents

- Environmental and Social Review Summary
- Summary of Investment Information

Media

- Gujarat: Six Factory Workers Die, 22 Hospitalised After Inhaling Toxic Chemical Fumes