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CIN L99999GJ1987PLC022333

14 May 2024

To, **BSE Limited**Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai - 400 001

Scrip Code: 524669

To,

National Stock Exchange of India Limited

Exchange Plaza, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051

Symbol: HESTERBIO

Dear Sir/Madam:

Subject: Transcripts of earnings conference call held on 10 May 2024

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the earnings conference call held by the management of the Company with investors on Friday, 10 May 2024 at 2:00 p.m. (IST) to discuss the financial results for the for the quarter and year ended 31 March 2024.

This is for your information and records.

Sincerely, For Hester Biosciences Limited

Vinod Mali Company Secretary & Compliance Officer

Enclosure: As above



"Hester Biosciences Limited Q4 FY24 Financial Results Conference Call"

10 May 2024







MANAGEMENT: Mr. RAJIV GANDHI - CEO & MANAGING DIRECTOR, HESTER

BIOSCIENCES LIMITED

Ms. Priya Gandhi - Executive Director, Hester Biosciences

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MR. NIKHIL JHANWAR - CFO, HESTER BIOSCIENCES LIMITED

MODERATOR: MR. ABDUL KADER PURANWALA - ICICI SECURITIES



Moderator:

Ladies and gentlemen, good day and welcome to Hester Biosciences Limited Q4 FY24 Financial Results Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abdul Puranwala sir. Thank you and over to you.

Abdul Puranwala:

On behalf of ICICI Securities, I welcome you all on the Q4 FY24 Earnings Conference Call of Hester Biosciences and I thank the Hester Biosciences Management Team for giving us this opportunity to host this call.

Today on this call, we have with us, Mr. Rajiv Gandhi - CEO and Managing Director; Ms. Priya Gandhi - Executive Director; Mr. Nikhil Jhanwar - CFO.

I will now hand over the call to the Hester Management Team for their "Opening Remarks". Thank you.

Priya Gandhi:

Good afternoon, everyone. This is Priya Gandhi. I am happy to have you all here for our Quarterly Update for Q4 FY24.

We released our results sometime back and I hope you all have had a chance to go through it and here I am to walk you all through our performance for the current period.

First and foremost, thankful to announce a significant milestone achievement for Hester Group with our revenue reaching the mark of Rs. 300 crores including contributions from our subsidiaries. On a consolidated basis, the revenue went up by 18% on a quarter-on-quarter basis and 14% on a year-on-year basis. On a standalone basis, the revenue increased by 20% on a quarter-on-quarter basis and 12% on a year-on-year basis.

Now delving into the performance of our division from India as well as providing some forward-looking statements.



In our Animal Healthcare Division:

Q4 FY24 showed growth which was driven by multiple factors. Despite facing challenges stemming from the regulatory changes that led to the discontinuation of two of our brands, the division has shown a positive trajectory. The healthcare within the division has shown a 12% growth quarter-on-quarter basis and an 8% growth on a year-on-year basis showing our ability to keep momentum despite facing challenges beyond our control.

On the Animal Health Vaccine segment:

We have been focused on our commitment to the Government of India by our timely and consistent supply of the Goat Pox and PPR vaccines to support the national immunization program. It is important to note that in the large animal health sector, immunization predominantly occurs through tenders reflecting that of this statement. We are actively engaged in pursuing these tenders in the nation's interest. Furthermore, we are continuing our efforts in developing vaccines at that time with the government's requirements to meet the needs of the livestock farmers across the country. Moving forward, we also aim to capitalize on the anticipated growth in the dairy sector and expand our presence in the small market this year. We also introduced three new specialized products to meet the evolving needs and broaden our portfolio.

Moving on to our Poultry Healthcare division:

We have achieved the growth of 22% in Q4. This growth trajectory has been consistent throughout the year, driven by industry recovery and our strategic introduction of diverse products meeting market demand. This year we have put significant emphasis on our technical sales services or the after-sales service to better cater to our customer's needs. This includes robust monitoring of the field performance, covering factors such as vaccine administration, storage management, efficacy evaluation through bird testing and data generation. These efforts show our commitment to innovation and responsiveness to market dynamics, positioning us stronger than ever before. In the coming times, we foresee growth opportunities driven by increasing demand for poultry products. Our focus on innovation, including the development of modified versions of some important poultry vaccines is further in our market position this year.



Coming to the Healthcare division:

Although we have encountered a slight sales dip in Q4 compared to the corresponding quarter, our cumulative performance of the financial year shows a healthy growth of about 49% compared to the year before. This year marks at first full operational level, all four quarter functioning, providing valuable insights and learnings to help us strategically plan for the upcoming year. Leveraging these learnings and building on our strengths, we are optimistic about the potential for exponential growth in the coming years. Moving ahead, we are in process of introducing new products in therapeutics, supplement and prescription, pet food diet segments, which will further distinguish our offerings in the market.

Speaking of the infrastructure at the Hester India plant regarding the BSL-3 facility, which was built earlier to produce the COVID drug substance, process of reprocessing it, I am also pleased to share with you all that we have received the final milestone grant payment from BIRAC and as mentioned, we are currently repurposing this commercial production of veterinary vaccines. This rule is aimed at further enhancing our overall manufacturing capacity.

In terms of the financial performance, we saw positive development in Q4. Our profit margins have increased primarily attributed to a strategic share product mix. Furthermore, both EBITDA and PAT missed a growth closely aligning with our enhanced sales performance. I am also pleased to highlight there are cash flows for the current year have shown improvement, marking a positive trajectory. Additionally, we have successfully reduced our debt by Rs. 30 crores, reflecting our commitment to making healthy financial position, prudent management of resources.

Now, looking at our subsidiary performance:

Hester Nepal has achieved the topline of Rs. 5.5 crores in quarter 4 and Rs. 13.5 crores in FY24. Hester Nepal executed FAO tender for the PPR vaccine and anticipating this to carry forward this year. Hester Nepal aims to increase the poultry vaccine manufacturing also to cater to the domestic as well as export needs of the middle and central Asian countries. This will improve our operational efficiency and also reduce dependency on the India plant.



Speaking of Hester Africa, we commenced our revenue generation in the current financial year, achieving a topline of Rs. 5.2 crores in the entire financial year. And as we look ahead, Hester Africa is also well prepared to meet the anticipated government orders in the coming financial year, with the primary focus on serving the East and Central African countries. And to support this endeavor, we are actively establishing a robust marketing network in these regions. Further to this, our strategic focus remains on strengthening our presence in African veterinary spheres. So, this spheres coming from vaccines tailored to address the African centric animal diseases. We have submitted dossiers of two other products important in Africa called CCPP and Sheep and Goat Pox. Through these efforts, we aim to contribute significantly to the socioeconomic needs of the continent.

In conclusion, possibility performance provides valuable insight and clarity guiding our strategic focus moving forward. We are dedicated towards navigating challenges with meticulous attention to detail and implementing robust long strategies to ensure sustained growth and success in the coming years.

And with this, I thank you all for your support and we now look forward to your questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viraj Mehta from Enigma. Please go ahead.

Viraj Mehta:

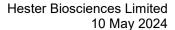
Sir, my first question is, if you look at the poultry business in India, last few months has seen a significant uptake in poultry prices, do you see now farmers spending more money towards vaccination of poultry and so in a core business, what kind of uptake do you see in India?

Rajiv Gandhi:

This is Rajiv here. I will take the question. The poultry industry is now definitely on an upswing. And this upswing makes move towards a more a progressive way of poultry farming. And yes, there is going to be an improvement on their pickup for vaccines, etc., and I am sure this is now going to continue for sure.

Viraj Mehta:

And sir, my second question is regarding the utilization of the Nepal plant, can you through some light, where are we on Nepal?



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Rajiv Gandhi:

On Nepal, we have done a reasonably good turnover. Our debt has gone, now more or less it is a very small debt that in fact we have already started paying income tax over there. This is the first time. So, that shows a sign of progress. We did a turnover of Rs. 13 crores. Now, even at this rate, we still have more than double the capacity, three times rather we can do turnover in our Nepal plant from where we are. So, we seem to be in a pole position as far as Nepal is concerned for sure, Rs. 13 crores turnover can increase it by a little more than time and as I told you, we have started paying income tax, which in itself is progress.

Moderator:

Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia:

Sir, my first question is related to the poultry business. So, just wanted to understand with poultry business, right now, prior to this quarter, we had a long period when this season was not doing well, so do we see this as a one-off quarter, or do we see a structural change in the cycle? And if you can give more color as to what gives us confidence that this is a structural upturn in the industry that would be very helpful, sir?

Rajiv Gandhi:

I just answered this in the earlier question that the poultry industry is now looking at an upswing. And I am very sure that things will remain upbeat, upswing and I think it is a positive way to take it. It is going to take it further.

Priya Gandhi:

I think it is cyclic and we can't really predict for the industry to not see this little bit of a dip going forward. But I think it had some role to play in the way people were looking at poultry and how the whole industry got impacted, but we definitely see it picking up again.

Ankit Kanodia:

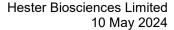
My question actually was basically more on what gives us the confidence as in any data point or any products that you can put on that will give you the confidence that it is on option that is what my question was?

Rajiv Gandhi:

So, if we have understood your question right, it is you are looking on parameters which give an indication whether the poultry industry is now going up further, etc., or you are talking about our product?

Ankit Kanodia:

No, you got my question right, sir. Regarding the poultry industry only, what parameters do you have seen which are both?





Rajiv Gandhi:

Yes, you are asking on the parameters of the poultry industry, right?

Ankit Kanodia:

Yes, sir, correct.

Rajiv Gandhi:

So, the poultry infected by feed prices, right now the ingredient prices are even okay. The demand for overall poultry is okay as our economy is doing good. Disease incidences are less at this point of time plus the Government of India has also allowed that the production of the Avian influenza vaccines, which will be launched not only by us, by other companies as well in the next 3 to 8 months, so all these are reasonably good indicators that the poultry industry is headed in itself for a good upward trend growth.

Ankit Kanodia:

So, my next question is related to the Tanzania plant. So, we all know how much time it will take and how much effort we are putting over the years in making it reach to a level of commercial production, but still the volumes to my understanding is very miniscule right now, so any color as to how we can see that shape up in FY25 or FY26, any qualitative and quantitative, why don't you like?

Rajiv Gandhi:

Yes, the Tanzania plant is what we are saying. We bid this with a very big expectation as I don't just say that we did of optimism, there is a lot of confidence which also means that while hoping for the best we have always been now prepared for the bad time. Incidentally, we have been going through the bad times and those reasons are beyond our control, war, COVID, dollar issues with all the countries that would need to purchase vaccines. So, now this is also getting type the country that getting poor things and are progressing further. Slowly, we have reasons to believe things will settle and countries will start high. In fact, there were already tenders which we had won that tenders, but because of the foreign exchange crisis, we have not been able to supply. So, it is not that nobody wants supplies, it is just that their ability to purchase has been impacted of all macro reasons and Tanzania as a country in itself is looking at getting into animal disease immunization programs. We all are working at it the same time; we have also invested reasonably well to address the private sector by creating a strong decision network. So, all these activities are happening, and we are taking small steps and we are sure that we will see good progress in a short time to come. Now again, I don't have the definition of the word short time, but we are definitely building a good distribution network which wherein we don't even depend on



the government buying where the distributors buy from us and supply directly to the poultry farmers, cattle farmers. We ourselves, there are many NGOs, we worked with GALVmed, we worked with Bill and Melinda Gates Foundation. All are trying to push and be of one voice that the government giving a free vaccine and the government not being able to give a free vaccine does not mean that you don't vaccinate. It is in the interest of the poultry farmer, the cattle farmer, to in any case vaccinate. So, these are activities that are being embarked on not only Tanzania, but in other African countries. I say all this not to just give a rosy picture, but to definitely tell you that there is work that is being done. Countries are even coming back to normalcy or even if not normal they will have to spend on immunization programs. And we definitely see business coming in the next few months.

Ankit Kanodia:

One last question if I may, sir. In the past, what we have seen during the up cycle of poultry farming, poultry segment, what we do is that our gross margin moves up comfortably between 80% and 90% and when the poultry segment is not doing well, it comes down to around 60% to 70%. Now, given that we assume that the poultry sector should do well from the current quarter onwards, do we expect the margin to further go up or because of our more contribution coming from health products incrementally, we see less scope of cost margins going up?

Priya Gandhi:

Yes, Priya here. So, with respect to the margin, I think you all are aware about the fact that we started as a poultry vaccine manufacturing company and even if you see our product portfolio within the poultry vaccine segment, we pretty much have all the vaccines to cater to the diseases that go around within the country and if you compare any multinational company also take here, they have a very big health product segment in their operations as well and that is something we are striving to achieve because along with our vaccine, we want to complement the product portfolio and introduce supplement bio security products and all these other healthcare products. So, to answer your question, I think yes, the margins will sort of shift depending on the product mix, but in the coming years, we definitely want to also focus more on health.

Moderator:

Thank you. The next question is from the line of Manish Jain from GormalOne LLP. Please go ahead.



Manish Jain:

I wanted to understand the dairy sector in India where we have seen government and private sector lending to the dairy sector rising. And lenders have been insisting on insurance of cattle and insurers have been insisting on vaccination of cattle. Now, how are you targeting to address demand coming in from this lending combined with insurance? And this will require significant increase in your distribution, making last mile availability?

Rajiv Gandhi:

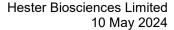
Yes, Manish, Rajiv here. The whole issue is now making the whole dairy industry more robust in the country and these are all ways to make it more robust. One thing is the biggest current situation is that the fragmentation and the fragmented industry that it is in where in dairy farmers, average population with each dairy farmer is very small compared to any other country which are milk producing. Now, lending is coming in, this is leading to a little bit of a consolidation which again is linked insurance and vaccination. We had a meeting with an insurance company, which came to meet us to even talk this about all these things, so that how do they take it and how does the cattle farmer get the vaccine, etc. It is something which is an organic thing, which is happening right now, it is an evolution. While it is good, it is happening, but it is going at a little slow pace because the area to be covered, the dairy farmers to be covered, it is very huge. Having said that, there is progress and we are even meeting with all the stakeholders and we are even working with them, identifying distributors, giving their names, connect distributors with the local people over their insurance agents, sometimes even go to our distribution centers etc. As I said, this is all evolving at the moment.

Manish Jain:

And the second thing is we have applied for a formal approval for lumpy skin vaccine. When will that come through?

Rajiv Gandhi:

Lumpy skin disease, we have acquired the technology from the Government of India ICRI and we are in the process of developing the lumpy skin disease. This year, the government is going to be using the Goat Pox vaccine to immunize cattle against lumpy skin disease as the Goat Pox vaccine has given very good immunity and it will continue to give immunity, not only India, that is common all over the world. Our developmental activity hopefully next year, around this time when the government starts again buying the vaccine, we should be ready before that for the dedicated lumpy skin disease vaccine. To put on record in Africa, we have a lumpy skin disease vaccines already





commercialized which is already being sold and we have supplied to three or four countries.

Manish Jain:

Now, if you can just give an update on the global PPR eradication program?

Rajiv Gandhi:

The global PPR eradication program as you know has been spearheaded by United Nations Food and Agriculture Organization. And they in turn depend upon funding from countries, which slowly is now improving what it was in the last 2-3 years and while there are no indications given to us or to any other manufacturer, to put on record every year, there are one or two meetings that are conducted. Another meeting is coming up in September and they are always hoping that we are ready to supply when the orders come in big quantities, etc. We are as much hopeful as what we can be towards this situation, I do not have any financial data to give you on this neither do I have any information either known to me personally or in public domain towards the progress of FAO on this.

Manish Jain:

And my last question is on poultry sector, given that we have seen increasing heat, stress, climate led variants, does that lead to more controlled poultry farming, which further increases opportunity segment for vaccination, bio security and other healthcare products from a trend perspective?

Rajiv Gandhi:

Controlled housing has always been in vogue all over the world. In India, it is also now the big people have controlled farming and yes, controlled farming would lead to a more scientific farming because how to have more chicken in a smaller area, giving them the right environment in terms of temperate, in terms of everything, biosecurity, etc. So, promoters are making sure they remain healthy because the risk in such cases if the disease sets in it could catch more among the birds as they are more closely in those houses. Yes, the more countries get into the environment, the opportunities for companies like us increase.

Moderator:

Thank you. Our next question is from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.

Madhur Rathi:

Sir, I wanted to understand that our African subsidiary made a Rs. 18 crores loss last year, so in this present financial year, in your best estimate, sir, what kind of losses, if at all, are we expecting from this subsidiary?



Rajiv Gandhi:

Yes, if there are any figures related to think, Nikhil, you can talk. But let me give it a subjective hold. The Africa plant or any plant whether it is built by us or anybody, it is never with the thought that to build up such (Inaudible) **28.51** of anything, we have been making hard. The macro environment has pushed towards this. We are hopeful that the situation will change, it could change within one month, it could change within six months, it could take eight months to change. Be rest assured, this is not a permanent situation. All this is going to improve within less than a year. So, we did incur a loss, definitely enlighten you on the breakup of the loss, how it has come. This situation, we have chosen a territory where there is nobody, where there is instability and at this time, there is intense opportunity. Once this thing starts rolling, it will itself go and take it further. We are reasonably hopeful that in this year, we should be back on track. If you ask me the exact time, I would not be able to give you answer, but definitely in this we feel that we would be able to take things forward as per plan. Now, it is Nikhil who will just enlighten you on the loss that took place.

Nikhil Jhanwar:

So, sir, if we see there has been a net loss of Rs. 18 crores for the year, but if you look at the EBITDA numbers, we are positive, almost Rs. 1.5 crore EBITDA positive. The loss is also coming out mainly from the depreciation of Rs. 6 crores and there is a foreign exchange loss which has happened in the current year because the Tanzania Shilling has depreciated very big number which almost impacted Rs. 9 crores of unrealized loss as this is not yet to be paid to the loan along with.

Moderator:

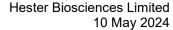
Thank you. The next question is from the line of Shyam Garg from Ladder Financial Limited. Please go ahead.

Shyam Garg:

Sir, my first question pertains to what will be our expected revenue growth in terms of volume and value for the next financial year and financial year post that?

Rajiv Gandhi:

It is like we are working hard towards it. There was a lean period. We are now again on an upswing. We are here to ensure that the topline improves and bottomline improve. We are working extremely hard, and they have reasons to believe in either case, we will be better off in this election year than what we were later or last to last year. It is what I tell you at this point of time with whatever getting to forecast we could have done internally at this point, once





beaten twice shy, we have gone through bad times. We would not really want to discuss these in terms of number, but sure it is upwards only.

Shyam Garg: Sir, my second question is with respect to that, how much that we are planning

to pay off this year?

Rajiv Gandhi: Almost we have around Rs. 25-Rs. 30 crores of debt, we get paid on an annual

basis.

Moderator: Thank you. The next follow up question is from the line of Madhur Rathi from

Counter Cyclical investments. Please go ahead.

Madhur Rathi: Sir, I am trying to understand that on consolidated basis, our Animal Health

division is doing between Rs. 31 crores and Rs. 34 crores revenues since the past four quarters, but if you see the profitability, it is fluctuating widely in the first quarter on Rs. 31 crores revenue. We did Rs. 2 crores PBIT, whereas this

quarter on Rs. 34 crores, we have done Rs. 12.3 crores PBIT. So, is this a oneoff or sir, should we expect the same kind of quarterly profitability to continue

going forward?

Priya Gandhi: So, this quarter we have progressed in our normal vaccines because as

mentioned in the tender in the immunization program for the Government of

India this quarter, I think has been the best quarter in terms of our supplying

for the tender. So, yes, in terms of the profit since the margins in the vaccines

are better, this is what it has shown. With that said, in the coming quarters,

like we just mentioned in the previous question, that right now we want to

focus on the bottomline as well as the topline. So, we are looking at easing the volume even though we are looking at a high-level budget. But at the same

time, with the increased topline, we will be able to see a stable bottom.

Madhur Rathi: And also if you could just indicate that for FY25, what kind of revenue growth

and margins are we expecting in our all three divisions?

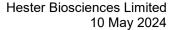
Rajiv Gandhi: I just answered that before to the earlier question, we are working towards it,

not that we want to or anything. We will take things take as it comes, we have

now back onto an upswing and we will take it....

Priya Gandhi: Animal healthcare industry itself grows at a rate of 8% to 9%. We have grown

at a 12% standalone basis. So, I think I mean this is the yardstick which is





there and now we either maintain it or get better, these are the only two options.

Madhur Rathi:

And sir lastly, wanted to understand that in the past two years we have received around Rs. 50 crores cumulatively from government grant, so going forward also, is there any unpaid portion of government grant that is left or we have got whatever we had to get?

Rajiv Gandhi:

We have got everything whatever we had to get to build the BSL-3 facility. No grant is pending be received by us by Government of India and I think that is about it.

Moderator:

Thank you. The next follow up question is from the line of Manish Jain from GormalOne LLP. Please go ahead.

Manish Jain:

I just had two housekeeping questions. We have Rs. 168 crores of capital WIP. When is that likely to be commercialized and which facility is this?

Nikhil Jhanwar:

So, this primarily pertains two items. One is our BSL-3 facility at second is the fill-finish line. So, that gives you the break up. The BSL-3 facility we have asked for purposing it from COVID other vaccine, we will get permission of that shortly or already working, or trying to get into other animal vaccines, and so that will be online, and fill-finish is near to complete and that should go on stream in the next two months' time.

Manish Jain:

And when I look at, this is for both the poultry and large animal vaccines, where Russia and other EU countries, due to the changed geopolitical situation, is there any opportunity or inquiries which are coming into Hester based on that?

Rajiv Gandhi:

Russia, no, we have not had any inquiries from Russia. In fact, let me tell you, Russia as a country is reasonably self-sufficient in most of all these things, very old R&D institutes, etc. So, there aren't any such inquiries that really have been coming to us for any of these vaccines, not a single vaccine inquiry. And I don't think any other Indian company manufacturing animal vaccines is also in line for supplies to Russia at this point. And secondly, the strains also, I will give you an example. They produce PPR vaccine, they are self-sufficient PPR vaccine, but their strain being different, they are not offering it in the tenders, etc.



Hester Biosciences Limited 10 May 2024

Manish Jain:

And once again, congratulations to the entire team for actually bringing about a significant dramatic improvement in your profitability and keeping that as the base and thirving to improvise further on it.

Rajiv Gandhi:

Thank you for your good wishes, all who we have been on call because all mean well for us and that is why the questions to understand us better and the company.

Moderator:

Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Priya Gandhi:

Thank you everyone joining and hearing us out, we hope that we have answered your questions. If not, we are also available on call, I think Nikhil is more in touch with everyone. We are always happy to answer questions. As I mentioned in the beginning of my talk, definitely our up towards of reaching Rs. 300 crores of company size is encouraging this year. Still in that transition phase, this year has given us a lot of valuable insight, clarity on our strength on which we are going to be definitely focusing strategically on **(Inaudible) 41.18** to be done. And we are committed to the animal healthcare industry as well as all our stakeholders. So, thank you all.

Moderator:

Thank you. On behalf of ICICI Securities that conclude this conference. Thank you for joining us and you may now disconnect your lines.

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