

**HESTER**

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**31 October 2018**

**To,**  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001

**To,**  
**National Stock Exchange of India Limited**  
Exchange Plaza,  
Bandra – Kurla Complex,  
Bandra (E), Mumbai 400 051

Scrip Code: 524669

Symbol: HESTERBIO

Respected Sir/Madam,

**Subject: Submission of Transcripts of earnings conference call**

We hereby submitting a transcript of Earnings Conference Call held by the Management of the Company with investors on 29 October 2018 at 2.00 p.m. to discuss the Unaudited Standalone Financial Results for the quarter and half year ended on 30 September 2018, for your information and record.

You are requested to take the above on record.

**Sincerely,**  
**For Hester Biosciences Limited**



**Rajiv Gandhi**  
**CEO & Managing Director**  
DIN: 00438037



“Hester Biosciences Limited  
Q2/H1 FY2019 Earnings Conference Call”

29 October 2018



**ANALYST: MR. ABHISHEK SHARMA – IIFL CAPITAL LIMITED**

**MANAGEMENT: MR. RAJIV GANDHI – CHIEF EXECUTIVE OFFICER &  
MANAGING DIRECTOR– HESTER BIOSCIENCES LIMITED  
MR. JIGAR SHAH – CHIEF FINANCIAL OFFICER -  
HESTER BIOSCIENCES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Hester Biosciences Limited Q2 FY2019 Earnings Conference Call, hosted by IIFL Capital Limited. 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. Abhishek Sharma from IIFL Capital Limited. Thank you and over to you Sir!

**Abhishek Sharma:** Thanks and good day everyone. This is Abhishek from IIFL Institutional Equities. I thank the Hester Management Team for giving us the opportunity to host this call. From Hester, we have with us today Mr. Rajiv Gandhi, CEO & Managing Director and Mr. Jigar Shah, Chief Financial Officer. I will now hand over the call to the Hester Management for their remarks, which would be followed by Q&A. Over to you Sir!

**Rajiv Gandhi:** Good afternoon everybody. This is Rajiv Gandhi, CEO & Managing Director, Hester Biosciences and with me is Jigar Shah, our CFO. It is always nice again to be connected with all of you through this conference call.

Talking about our company’s performance results Q2 as well as H1, I would say that we have been moving as per our target in our sales and profitability. We have maintained the desired growth level for both, the sales as well as the profitability and we hope that this year in the coming two quarters or so, we go ahead this way maybe a little higher growth than what we have already done up to the first half in this financial year.

Our sales have gone up by 20% and in terms of forecast against performance, we have touched 96% in sales and in terms of profitability we have touched 101% of the forecasted profit as compared to the sales.

There could be one observation by all of you as far as our EBITDA margins are concerned, which shows a slight drop in the quarter-to-quarter comparison from 39.16 to 37.04 while on a half yearly from 38.26 to 37.76.

To this I would like to present that there is a minor drop but this drop is reasonably insignificant to the overall thing, also we are well above our normal percentages of around 35%, 36%, so a drop in a quarter and then again making it up in the next quarter, this is part of the routine business as we go ahead, I am sure water find its own level, all this will definitely if you take a running average I am sure we would be more or less okay.

In terms of looking at the growth on an half yearly basis our poultry business has grown by 12.73% while our animal healthcare division has grown by 36%. Both have shown a reasonable good growth.

In terms of domestic sales and exports, domestic sales have grown by 16.82% while exports have grown by 31.45%. On a quarter-to-quarter basis yes exports grew to 99.37%. Our local business seems to be going on fairly normally with a poultry segment of ours doing has projected and growing further.

On the animal side we have been able to bag the few tenders. We have been able to penetrate the market more inside, so both these factors have led to a reasonable good growth on the animal healthcare division.

On the Nepal front, the tenders continue to be slow and therefore we are yet to pickup the momentum as what we had earlier forecasted or planned for which we had made all the – what we had envisioned. Our sales were Rs.1.48 Crores as against 1.07 on a half yearly comparison while our gross margins in the first half-year stood at 77 lakhs as compared to 5 lakhs in the corresponding half year.

On the profit side, yes we are still down there, yet to come out of the red. Our loss stands at 4.45 as against 4.94 in the corresponding quarter last year, but we have reasons to believe based on a few enquiries and correspondences that we have had besides attending a few conferences related to the PPR vaccines, we are confident that this PPR tender business should pickup in the next between three to nine months time and which should then set the ball rolling absolutely and we are extremely confident to overcome all these, to neutralize all the loss that we have had, it is just that we need one or two small breaks and that would set the balance sheet exactly as what we had projected.

On the Africa front our manufacturing project is as per target, we have appointed the contractors all and the work has started going on over there and has committed hopefully we should get into production before the end of the calendar year 2020.

On the trading front in Africa that the exports growth definitely gives an indication that we are more or less on track over there and we are trying to still penetrate the market in a much bigger manner, but considering the current exchange situation, etc., these things lead to a little bit of our hurdle, but having said that I am sure we will be able to overcome all these hurdles and try to take the matter forward.

On the Texas Life Sciences as you are aware, Hester has a controlling interest in Texas Life Sciences Private Limited, a company that manufactures health products. So over a period of last one, one-and-a-half years we have diverted all our health products manufacturing from outside from third party into Texas Life Science and this is doing well, it is picking up well. More than the profitability issue, our focus is quality and timely delivery to us from any source that we acquire and therefore the main reason in order to make sure that both these factors are well within our control we acquired Texas Life Sciences and things are progressing reasonably well.

To take things further in the first half of this financial year we hope to have this growth, we hope to continue the growth in this year and as we would go as per the projections as what we have committed to end in this financial year around Rs.160 Crores to Rs.165 Crores, so it seems we are well on track.

Considering the reasonable good profitability as well as considering the dividend payout policy adopted by the company, we have proposed and we have declared the second interim dividend in this financial year. We have declared a dividend of 20% based on the results of Q2 that is Rs.2 per share, so these are the synopsis for the year that is in progress.

I would give the phone to now Jigar Shah who would talk precisely on the finances after which we would get into a question answer session. Over to Jigar!

**Jigar Shah:**

Good afternoon everyone. I am Jigar Shah, CFO of the company. We will discuss unaudited standalone financial results of Q2 FY2019 and H1 FY2019.

From this financial year company's operations are divided into three business divisions poultry healthcare, animal healthcare and newly added veterinary social business. Under the poultry healthcare division company has booked sales of Rs.29.62 Crores in Q2 FY2019 as against Rs.29.57 Crores in Q2 FY2018 while sales for H1 FY2019 is recorded at Rs.62.32 Crores as against Rs.55.28 Crores in H1 FY2018.

In poultry healthcare division 0.16% growth is registered in Q2 FY2019 as against Q2 FY2018 while 12.74% growth is recorded in H1 FY2019 as against H1 FY2018.

Under the animal healthcare division sales booked at Rs.11.18 Crores in Q2 FY2019 as against Rs.8.54 Crores in Q2 FY2018 while sales for H1 FY2018 is recorded at Rs.14.80 Crores as against Rs.10.88 Crores in H1 FY2018.

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In animal healthcare division 30.82% growth is registered in Q2 FY2018 as against Q2 FY2018. While 36.04% growth is recorded in H1 FY2019 as against H1 FY2018. In veterinary social business division revenue for Q2 FY2019 is recorded at Rs.1.32 Crores while sales for H1 FY2019 is recorded at 2.85 Crores. This is the first year for this division.

Now coming to the geographical sales and the profitability of the company, company's total domestic sale is Rs.34.21 Crores in Q2 FY2019 as against Rs.34.50 Crores in Q2 FY2018 while in the half-yearly comparison total domestic sales in H1 FY2019 is Rs.69.53 Crores as against Rs.59.52 Crores in H1 FY2018 thereby 16.82% growth is recorded in H1 FY2019.

Company's total export sale is Rs.7.21 Crores in Q2 FY2019 as against Rs.3.62 Crores in Q2 FY2018 thereby overall 99.37% growth is recorded in Q2 FY2019 as against Q2 FY2018. While in half yearly comparison total export sales in H1 FY2019 is Rs.8.72 Crores as against Rs.6.64 Crores in H1 FY2018 thereby overall 31.45% growth is registered in H1 FY2019 as compared to H1 FY2018.

Total sales in Q2 FY2019 are recorded at Rs.42.54 Crores as against Rs.38.48 Crores in Q2 FY2018 thereby company has achieved a growth of 10.56% in Q2 FY2018 as against Q2 FY2018.

Total sales in H1 FY2019 are recorded at Rs.80.80 Crores as against Rs.67.52 Crores in H1 FY2018. Overall sales growth in H1 FY2019 is registered at 19.67% as against H1 FY2018. EBITDA margin is achieved at 37.04% of total sales for Q2 FY2019 as against 39.16% of total sales in Q2 FY2019 while in H1 FY2019 EBITDA margin is achieved at 37.76% of total sales as against 38.26% in H1 FY2018.

Net profit margin is achieved at 23.53% of total sales for Q2 FY2019 as against 23.01% of total sales in Q2 FY2018 whereas in H1 FY2019 net profit margin is 24.28% of total sales as against 22.28% in H1 FY2018.

Now coming to the balance sheet analysis inventory level stood at 103 days in Q2 FY2019 as against 81 days in Q2 FY2019 while the same is 108 days in H1 FY2019 as against 92 days in H1 FY2018.

Total receivables are at 64 days in Q2 FY2019 as against 68 days in Q2 FY2018 whilst the same is 67 days in H1 FY2019 as against 78 days in H1 FY2018. Overall working capital cycle was for 72 days in Q2 FY2019 as against 55 days in Q2 FY2018 while the same was 73 days in H1 FY2019 as against 71 days in H1 FY2018.

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For this quarter fixed asset turnover ratio was 1.68x as against 1.75x in Q2 FY2018 while the same was 1.60x in H1 FY2019 as against 1.53x in H1 FY2018. Company's total debt is Rs.47.60 Crores in H1 FY2019 as against Rs.48.21 Crores in H1 FY2018.

Company has invested Rs.3.49 Crores in capex during the Q2 FY2019 as against Rs.4.06 Crores in Q2 FY2018. While total investment in capex during the H1 FY2019 is Rs.4.04 Crores as against Rs.8.36 Crores during H1 FY2018. Company has spent Rs.1.00 Crores on R&D expenditure during the Q2 FY2018 as against Rs.0.77 Crores in Q2 FY2018. While total spending in H1 FY2019 is Rs.1.93 Crores as against Rs.2.13 Crores in H1 FY2018.

Now coming to the key financial ratios ROE for the Q2 FY2019 stands at 25.26% as against 26.31% in Q2 FY2018 while the same is 24.94% for H1 FY2019 as against 22.35% in H1 FY2018.

ROCE for Q2 FY2019 stands at 31.63% as against 33.19% in Q2 FY2018 while the same is 30.43% in H1 FY2019 as against 27.93% in H1 FY2018.

ROI for Q2 FY2019 stands at 16.97% as against 16.94% in Q2 FY2018 while the same is 16.75% for H1 FY2019 as against 14.39% in H1 FY2018.

Non-annualized earning per share for Q2 FY2019 is at Rs.11.68 per share as against Rs.10.41 per share in Q2 FY2018 while the same is Rs.23.06 per share for H1 FY2019 as against Rs.17.68 per share in H1 FY2018.

The Board of the Directors declared second interim dividend of 20% that is Rs.2 per share for this financial year.

Now coming to the Hester's Nepal operations total revenue for Q2 FY2019 is recorded at Rs.0.14 Crores, while the same was Rs.0.01 Crores in Q2 FY2018. In H1 FY2019 total revenue is recorded at Rs.1.60 Crores as against Rs.0.63 Crores in H1 FY2018.

During H1 FY2019 company has registered 52% gross margin profit and a positive EBITDA. Company has registered a net loss of Rs.3.13 Crores in Q2 FY2018 as against Rs.2.75 Crores in Q2 FY2018 while the same was Rs.4.45 Crores in H1 FY2019 as against Rs.4.94 Crores in H1 FY2018. Total bank borrowing is Rs.24.48 Crores at H1 FY2019 as against Rs.26.58 Crores in H1 FY2018.

Now coming to the standalone operation of Texas Life Sciences Private Limited, total revenue for Q2 FY2019 is recorded at Rs.2.03 Crores as against Rs.0.38 Crores in Q2 FY2018

while total revenue for the H1 FY2019 is recorded at Rs.3.41 Crores as against Rs.1.02 Crores in H1 FY2019.

Total profit for Q2 FY2019 is Rs.0.17 Crores while the same is Rs.0.26 Crores for H1 FY2019.

Out of total revenue 88% of the revenue is being derived out of the sales to the Hester Biosciences India in Q2 FY2019 while the same is 88% in H1 FY2019 that completes my presentation. Thank you everyone. I am handing over to Mr. Gandhi.

**Rajiv Gandhi:** Yes, I am ready to take questions.

**Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** Sir, for Africa plant do we have any tax exemption and if yes then for how many years?

**Rajiv Gandhi:** We have set up an export oriented unit in Africa and there are tax exemptions towards that for till the new policy comes, it is ongoing right now tax exemption over there.

**Ketan Gandhi:** Sir, for how many years can you sunset clause is there?

**Rajiv Gandhi:** There is no sunset clause for that at the moment, no nothing.

**Ketan Gandhi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

**Ravi Naredi:** This quarter, other expenses rises to March around it is 27%, so Mr. Rajiv will be able to tell something about that?

**Rajiv Gandhi:** There has been an increase in the sales and other expenses. There are two things is, one is that there have been some trade discount that we have offered in order to get the sales. At the same time we have also taken some international services towards the market reach, market penetration etc., so these two are reasons which has impacted on the increase in the selling



general expenses, but all these expenses have been incurred with a long-term view and over a period of time averaging them outcome it would more or less neutralize this high impact.

**Ravi Naredi:** Second this international development you are telling other expenses you have done, what is the nature and what impact will come from we will provide the goods from India or Nepal something you can tell us?

**Rajiv Gandhi:** It could come from India, it could come from Nepal both the territories because whatever the goods are manufactured and marketed and sold out of Nepal, all marketing activities everything is handled from Hester India itself, so at this point of time it would be very difficult to give a bifurcation between these two, but there are charges, there are expenses to be incurred to try to evaluate for an unknown territory.

**Ravi Naredi:** Okay, second, poultry healthcare has not risen this quarter even it has down in turnover, so will you tell something about it?

**Rajiv Gandhi:** Yes, there has been a drop, you can say on a Q2-to-Q2 basis, it has been flat 0.16%, but on an H1 basis, we have gone up by 12%. These are cycles in the sense I am not talking about any high or low in cycle, sometimes it happens that business is got at the end of the month or the end of the quarter, which moves on to the next quarter or which is so the benefit gets in the next quarter because it is invoiced on the first etc., so certain things are there is always a plus and minus into these things plus the whole issue is that the poultry we are maintaining a little higher than the growth rate of the poultry industry in itself, so that also is an indication it is not that we have lost any market share nothing at all, it just that this happens there is no much I would say I would not be able to pinpoint anything specific to this.

**Ravi Naredi:** Okay and last question if you allow me till we get momentum through Nepal whether we have extra capacity from India to supply anywhere demand comes?

**Rajiv Gandhi:** We have enough capacity to supply if the demand comes, but the product manufactured in Nepal is not allowed to be manufactured over here, so whenever the demand comes it will go to Nepal and it will be supplied from Nepal. Nepal plant is ready. It is not that we are not able to supply or till the time we can supply from India as soon as the orders come they will be shipped from Nepal.

**Ravi Naredi:** Anywhere in the world?

**Rajiv Gandhi:** Yes.

- Ravi Naredi:** Thank you Rajiv. You are doing a very hard work and very intelligent work. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anirudh Shetty from Solidarity Investments. Please go ahead.
- Anirudh Shetty:** Thank you for taking my question. My first question is regarding the Hester Nepal plant, so we have been tracking the UN website and we have seen that there have been a couple of orders that have come out for countries like Afghanistan and Somalia, in the sense that we have that order issued is about Rs.12 Crores give or take in the first half of FY2019. So given that we have bagged about Rs.1.5 Crores worth of revenue in that period, it works to about 10% to 12% kind of conversion rate, so just wanted to get a sense of who are the competitors who have bagged up majority of these orders?
- Rajiv Gandhi:** The PPR order, are you referring, your study shows that PPR orders have been bagged by us are to the value of 10% of the total orders placed?
- Jigar Shah:** What we have done is we have gone to the UN website where they have to disclose all the tenders that have been issued and we have seen a couple of tenders there have been issued in Somalia and Afghanistan which worked out about Rs.12 Crores. As per your disclosed numbers Hester's Nepal say it is around Rs.1.5 Crores right now so that works towards 12% of the total orders issued.
- Anirudh Shetty:** I am talking about orders issues or what type of orders, which vaccine orders issued accordingly?
- Jigar Shah:** PPR.
- Anirudh Shetty:** PPR Rs.12 Crores orders have been issued?
- Jigar Shah:** No, there are Rs.12 Crores orders issued Sir.
- Anirudh Shetty:** How many have been issued as per you understand?
- Rajiv Gandhi:** It would be difficult for me to get into the specifics of this right now that how many have been issued, how many have not been issued, but the orders value of – there is nothing even close to the figures that you are saying in fact majority of it has been executed by us till date.
- Anirudh Shetty:** Thank you. We will come back in the queue for any followup.

- Rajiv Gandhi:** Being a tender issued and then actually it is being executed these are two different things, is there any data that you have which shows the execution of those orders of Rs.12 Crores?
- Anirudh Shetty:** Not execution just the tenders that have been issued, so there was about half a million dollars from Afghanistan and about one-and-a-half from Somalia.
- Rajiv Gandhi:** I would say that we are today majority supplier out of the tenders, which have actually concluded towards supply.
- Anirudh Shetty:** That is great news. Thank you. If there are any other questions we will get back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Viraj Mahadevia an Investor. Please go ahead.
- Viraj Mahadevia:** Mr. Gandhi congratulations on stable set of numbers. Just a further question on the tender business, on the PPR WHO website or FAO website, they indicate three tenders actually Pakistan, Somalia and Afghanistan. Additionally there have been a lot of domestic market tenders from various states, can you throw a little bit of light on that?
- Rajiv Gandhi:** Pakistan and Somalia tenders have not even been executed so far.
- Viraj Mahadevia:** Right, we have been floated, but not executed or award it?
- Rajiv Gandhi:** Yes.
- Viraj Mahadevia:** Have they been awarded earlier?
- Rajiv Gandhi:** No.
- Viraj Mahadevia:** And domestic market?
- Rajiv Gandhi:** Domestic market for India I think we have supplied to the least is 50% and to the maximum we would have got 70% of the share.
- Viraj Mahadevia:** Right and are these seasonal or they linked in anyway to government finances?
- Rajiv Gandhi:** They are linked to government finances not seasonal, but linked to government finances.

- Viraj Mahadevia:** Understood, so given where you may see slightly lull period going forward because there has been a lot of activity in the last three, four months.
- Rajiv Gandhi:** Yes, in the sense before the year end we hope to see a little bit of a bigger surge and then again things go down in the first, second quarter in every financial year, because the government tendering process is also such that March 31, everything needs to be cleared otherwise it gets lapsed.
- Viraj Mahadevia:** Correct Q4 will be much better you are hoping.
- Rajiv Gandhi:** Yes, this has got nothing to do with vaccines, overall tendering business is of that nature.
- Viraj Mahadevia:** Right, okay helpful and question on other expenses, so you elaborated on that, can we assume that now this will be the new normal operating expenses going forward on other expenses over these more one off in nature, the incremental sort of 30 million from prior quarters?
- Rajiv Gandhi:** So getting into international business and trying to push the sales, there has to be efforts put in by putting in time as well as money, it would be inappropriate for me to say the deficit and now we will reap the benefits or we will all the time be incurring this many or this high expenditure either that would not be based on any logic or fact, but we would take things as they come as long as our net-net bottomline is not impacted. We will not do anything that impacts the bottomline, no expenses will be made even if the sales are not correlated we will not shoot out so much into the open that it would distort our bottomline, it is a commitment from me to all of the shareholders.
- Viraj Mahadevia:** Understood, thank you.
- Moderator:** Thank you. The next question is from the line of Manish Gandhi an Individual Investor. Please go ahead.
- Manish Gandhi:** First of all congratulations on the work done in the backyard poultry and detailed report which you have put is really in fascinating to read that report. I have two questions. My first question is about the plant we are putting in Tanzania, so of course we will get foundation they must be very happy with our work in the backyard poultry, but for them it is philanthropy and for us is the profit, so how the partnership works there of course not partnership, how the terms are there any restrictions on us or the obligations limit on the profitability margin or anything like that?

**Rajiv Gandhi:** No, there are no such obligations on our functioning. There are no directives which we have to follow towards defining our profitability etc., but yes we have committed to them that besides doing our normal business, which we are entitled to and which we will do, we will fulfill the obligations of making the vaccines available to the small holder farmers to the backyard farmers that is the commitment that we have made and which goes hand in hand with our commitment or to sell in the normal market, because we are anywhere going to be creating a distribution network, this is not go into any commitment given to the Gates Foundation does not hamper the functioning of the company in fact it adds on to the turnover that we intend to do.

**Manish Gandhi:** That is great. Sir my next question is when we have so much things in place like Nepal, we can go to Rs.50 Crores plus whenever full capacity then we have Tanzania \$30 million in the full capacity and the backyard only in three states we are, so what makes you so excited and confident that again in the last quarter you announced that we are looking for acquisition in Africa and planning to raise up to Rs.100 Crores, so what are the risks involved and so how do you think about it because Africa is relatively new continent for us, so we are putting so much resources so just want your thoughts on that.

**Rajiv Gandhi:** First to answer the first part of the question that we have things going around at various places but we also have the team, we have the inner bandwidth to address all these issues. Our leadership team being fortified by people under them, people hired at various locations so that goes on over there. Any acquisition that we want to do, any expansion that we want to do, it would be well within the lines of something that we are doing or may be a little bit different from what we are doing, but we are all the time looking at ways on how to take the business from one level to the other level and talking about risks yes, there is a risk in African, which is perceived as higher than what it is perceived in the western part of the world, but at the same time the markets are growing higher, the disposable income of people is increasing higher in these areas, the population is increasing in these areas, yes there are social issues, which are very different from what one encounters in the western world, but partly because of the risk itself involved in it there are opportunities. Now somebody has to try to knock at those opportunities, we have decided to knock in those opportunity, we will make sure that as much as possible, we will try to mitigate the risks and we will move on and if anything still comes our way we will work out in find a solution at that point of time. It is not that we have taken a blind risk, it is a risk taken by taking all considerations into account.

**Manish Gandhi:** Okay no obviously I know you do not have clients. I was not intending to say that?

**Rajiv Gandhi:** No neither do I intent to say that but that is what I am explaining like we cannot exactly the define what is risky and what is not risky, we are taking it for let us see what happens, as things come ahead we will address the issues.

**Manish Gandhi:** Thanks and I would love to have detailed discussion when I can have a chance and meet you.

**Rajiv Gandhi:** You are more than welcome to Ahmedabad. You can even come and have a look our plant. It would be our honor and pleasure to have you here.

**Manish Gandhi:** Thank you very much and all the best.

**Moderator:** Thank you. The next question is from the line of Harsh Kapadia, Individual Investor. Please go ahead.

**Harsh Kapadia:** I just wanted to ask you is there any update on the Africa acquisition that you were looking it?

**Rajiv Gandhi:** We are looking at unable to get thing in our hand sometimes they are opportunities, we think we are very close to it, but then they again drift away. At the moment, I am not able to give any precise information on it because the information available and the opportunities available on hand to us or in itself we have to go a little bit deeper into it.

**Harsh Kapadia:** And is there any timeline for the QIP?

**Rajiv Gandhi:** No, there is no timeline. Any investment opportunity would be confirmed first and then we would going for a QIP, it would not be that we would go in for QIP and then try to look at something to put in the money that we already have in our bank.

**Harsh Kapadia:** For the funding that we have received for the Tanzania plant, most of the figures were mentioned in dollars so do we have any currency risk on the company in terms of the payments to be made in future?

**Rajiv Gandhi:** Our plant is an export-oriented plant in Tanzania invoicing all would be done in dollar term. The loan would be repaid in dollar term, the current money that is coming in dollar terms so in a way there would be natural hedging by way of exports and that is about it if you consider that as a risk fine, it is risk, but we do not think it should be risk because it is dollar to dollar, it is not dollar to Tanzanian Shilling or Indian rupee or anything of that sort.

**Harsh Kapadia:** Thank you so much.

- Moderator:** Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.
- Ankit Kanodia:** Thanks for taking my questions and congratulations for that. I just had one question to ask, given where we are today if we take a couple of years' view from today so what do you think on two biggest risks for us?
- Rajiv Gandhi:** Two biggest risks, I would say risk is one if it at all FAO or the world decides not to take PPR vaccine to an eradication level that could be a risk for sure, chances are very poor for this to happen that way and beyond that I think any major political instability that could arise in the geographies that we are going to be working in. I think these are the two big risks that we feel could be there.
- Ankit Kanodia:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** I have question on the guidance so I have not able to attend the Q4 call so when you mentioned Rs.160 Crores to Rs.165 Crores of revenue guidance are you talking about total companies tenure loan or in only for manufacturing sales?
- Rajiv Gandhi:** Standalone.
- Giriraj Daga:** But including trading sales?
- Rajiv Gandhi:** Including the trading sales which is anyway not to be level of manufacturing sales, but we are talking about the total turnover of Hester India.
- Giriraj Daga:** Okay but margin is expected to be maintained versus last year?
- Rajiv Gandhi:** Yes that is commitment which we have repeatedly given and which we ourselves are very much firm for ensuring that the margins do not drop at all. In fact they will be improving quarter to quarter so all that it is improvement please do not take this as the every high should not be taken as a benchmark but yes we are here to make sure that there is no dust, too much on the downside in terms of bottomline.
- Giriraj Daga:** My second question like what is the total capex were done in Nepal and what is the total capex should be Tanzania?

- Rajiv Gandhi:** Tanzania is \$80 million project, \$4 million is our loan and the rest is coming from the Gate foundation. In Nepal we have a total project of around Rs.52 Crores and all has got over more than a year ago, there is nothing that has been even spent in the last one year.
- Giriraj Daga:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** This time inventory is rising by Rs.10 Crores so any specific region to hold such a good sin in our end?
- Rajiv Gandhi:** It has built up I mean as I said at some point there are few ups and deviations in terms of product mix, in terms of inventory control so it has and we are trying to make sure that we do not lose out on any international orders that come are way etc., so yes I agree with you that there is increase in inventory, but it is something, which is not so much disproportionate, it is a 10% increase more or less.
- Ravi Naredi:** Right and second one you have taken some short-term loan also and we are having some cash balance also so why not we repay the short-term loan or limit so we can save the interest, anything you want to say?
- Rajiv Gandhi:** There have been some pay offs done in order to take leverage of all these things. I do not have the exact figures in everything right now in front of me, but our financial management is reasonably okay and let me buy some point to give you this explanation and I am not exactly precisely ready with this question of what you have asked.
- Ravi Naredi:** Okay and this Rs.160 Crores turnover is not included by Nepal plant, is it correct?
- Rajiv Gandhi:** Absolutely 100% correct.
- Ravi Naredi:** It is only Indian plant okay?
- Rajiv Gandhi:** Yes.
- Ravi Naredi:** And whatever the Nepal plant turnover will come it will be addition?
- Rajiv Gandhi:** That is additional because here the primary call is the investors call and the primary business that we are addressing I am right now talking from Hester India platform so anything that we



say giving big consolidated balance sheet, which things done less in India or not as relevant to the shareholders as things happening more over here and partly happening or not happening in Nepal so I think to answer your question in one sentence standalone India.

- Ravi Naredi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ashmit Ladani from Progressive Shares. Please go ahead.
- Ashmit Ladani:** Sir this which is related to the trading sales that we have?
- Moderator:** Thank you. The line for the current participant has dropped. We will take the next question from the line of Viraj Mahadevia an Individual investor. Please go ahead.
- Viraj Mahadevia:** One more question regarding the agreement with the Gates Foundation, the revenue figures for vial doses already has been a reason that is in dollar denominated right? So any weakening of the rupee would technically benefit us, can you clarify?
- Rajiv Gandhi:** You are talking about the Africa project?
- Viraj Mahadevia:** Africa project not the loan actual sales the predetermined sales value, dollar value right I think there is minimal threshold that we have to charge.
- Rajiv Gandhi:** The sales is also in dollar value and our loan is in dollar value yes?
- Viraj Mahadevia:** Right so technically if we have any benefits in the currency movement that incremental would come to us, this operating cost should be in INR or in their local currency?
- Rajiv Gandhi:** Operating cost would be in Tanzania Shillings while the revenues would be in dollars and outflow towards the repaying the loan would be in dollars.
- Viraj Mahadevia:** Understood so there would be part currency benefit actually?
- Rajiv Gandhi:** Either benefit or things go slow adverse that there could be part so there is no currency surety that we have in our hands either there is no reason for us to insulate ourselves from all these things.
- Viraj Mahadevia:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen as there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

**Rajiv Gandhi:** Thank you all for being on the line and hearing me out patiently. I hope I have been able to answer your questions. I think at least one question I could not answer for which I have requested if we could follow it up offline. Do not hesitate to come to ask us any questions at anytime for your queries. It is our duty and responsibility to ensure that all stakeholders' queries are answered so that at any point of time, you are well informed. The issues is not doing profitable business or less profitable more, the issue is exhibiting transparency to all of you so that you are with us all the time and understand our situation whether it is good or whether it is bad. Thank you all once again on behalf of Jigar and myself. It was nice to be on the call and hope to talk to you again in the next quarter or anytime in between if you all are there to ask me anything or in Ahmedabad. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of IIFL Capital Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.