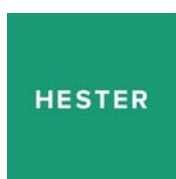


"Hester Biosciences Limited  
Q4 FY2019 Conference Call"

7 May 2019



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MR. JIGAR SHAH – CHIEF FINANCIAL OFFICER - HESTER  
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**Moderator:** Good day, ladies and gentlemen, welcome to the Q4 FY2019 Earnings Conference Call of Hester Biosciences Limited 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 Margaret 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 Team for their opening remarks. Over to you Sir!

**Rajiv Gandhi:** Good afternoon everybody. This is Rajiv Gandhi from Hester Biosciences and with me is Jigar Shah, our CFO. Always it is a pleasure to interact with all of you every quarter.

Coming to our objective Q4 and the year ended. If you have look at our last annual report, in the last para of my own statement when I say last year, there were quite a few learnings that we got in that year that is to plan better to be less dependent on any one product region etc., so in fact in the last financial year, we have actually tried to take up those issues and having learnt that two years ago we thought we need to now take advantage of the learnings and if you now see the results of our last year, it surely gives an indication that we have actually made the best use out of the learning's that we had and taken the business forward.

For the year, our achievements, financial and nonfinancial objectives, we achieved them more or less. Our bottomline, which we had committed that we would continue to improve as you see the bottomline, there has been an improvement. When Jigar Shah talks he will talk about the figures etc.

Another area, which we had focussed in the last financial year, was to reduce the dependency on any one-division region etc., there too we have succeeded quite a bit. The poultry healthcare division which contributed to nearly 90% we have got the contribution down to 26% and the animal health division, the contribution is 21%, not that this percentage has changed just because of a change in the turnover from one division to the other, overall the growth has been very good, it is just that the animal health division we focussed more and we have made it grow much more faster and in days to come it is our endeavour that both these divisions become more or less equal thereby making sure that there is no dependency and at the same time, the risk is far more spread.

Coming to international business, this year we have had a challenge and we have not been able to achieve our objective. The reasons for this are mainly external and they are registration again the same issues that we had faced last year they continue in appointing distributor getting things organized with their distributor ensuring the payments etc., so all these external factors have contributed towards us not being able to grow the exports as what we had planned in fact no where near that, but on the flip side we did make up the sales in the domestic market and we ensured that we achieve, not only achieve, we go beyond the forecast for our total topline at Hester last year.

Coming to Hester Nepal, the PPR tenders have started moving in, but not even half as what as what we would have thought, but nonetheless there has been some progress. We have been able to get a few orders and that has definitely improved the topline at Hester Nepal wherein we have shown a reasonable amount of growth from Rs.1.48 Crores sale to a near

to Rs.9 Crores sale and all these most of it has been exports. In Nepal as the exports have been moving slowly we have also started putting focus on domestic sales, we have now a distribution network, sales representative all across Nepal and this year we should definitely be able to get local sales as well besides hoping that international business specifically the PPR tenders would take up big jump.

Hester Africa, our project construction is ongoing. Everything seems to be on time at the moment. There are no major delays except by a few days in the construction, which hopefully we should be able to recover. There is no much delay and things are well within control in terms of budget as well as in terms of time and hopefully by 2020 end we should be able to come up with the first commercial batch from Hester Africa.

Texas Lifesciences, which is our company where we get our animal health products, manufactured, there also we have had reasonable progress. We are continuously shifting and have shifted most of the products to Texas Lifesciences from other locations and other companies where we used to get things manufactured and there are too, there has been a sizable jump in the business of Texas Lifesciences. The topline over there has also improved, but of course 86% of the production of Texas Lifesciences is bought by Hester Biosciences and this is a big relief for us in terms of timely supplies as well as controlling the quality of the products.

This in brief is more or less the picture between of Hester India, Nepal as well as our two subsidiaries.

Just to give a recap again things had gone well in the last financial year. We have now made forecast and hopefully this year also we are able to achieve the forecast as what we have planned and take the business further.

Now with this I will give the phone to Jigar Shah who will talk specifically on figures and after that I will again be ready for taking questions.

**Jigar Shah:**

Good afternoon everyone. I am Jigar Shah, CFO of the company.

I intend to highlight some of the key ratios further Q4 FY2019. ROE for Q4 FY2019 stands at 27.59% as against 24.68% in Q4 FY2018 while the same is 24.44% for FY2019 as against 20.92% in FY2018.

ROCE stands at 30.61% for the Q4 FY2019 as against 22.48% while the same is 28.91% in FY2019 as against 25.53% in FY2018.

ROI stands at 20.61% for the Q4 FY2019 as against 17.13% while the same is 18.25% for FY2019 as against 14.52% in FY2018.

Non-annualized EPS for Q4 FY2019 is at Rs.14.55 per share as against Rs.10.60 per share in Q4 FY2018 while the EPS for FY2019 is 51.55%, which was Rs.35.92 per share in FY2018.

Now coming to the standalone balance sheet analysis, inventory level stood at 89 days in Q4 FY2019 as against 93 days in Q4 FY2018 while the same is 102 days in FY2019 as against 103 days in FY2018.

Total receivables are at 60 days in Q4 FY2019 as against 77 days in Q4 FY2018 while the same is 69 days for FY2019 as against 85 days in FY2018.

Overall working capital cycle was 73 days in Q4 FY2019 as against 87 days in Q4 FY2018 while the same was 108 days in FY2019 as against 107 days in FY2018.

For this quarter fixed asset turnover ratio was 1.93x as against 1.54x in Q4 FY2018 while the same was 1.69x in FY2019 as against 1.39x in FY2018.

Company's standalone debt is at Rs.38.29 Crores in FY2019 as against Rs.42.61 Crores in FY2018 while the consolidated total debt is Rs.81.66 Crores as against Rs.60.02 Crores in FY2018.

The breakup of the Rs.81.66 Crores debt is from Hester Biosciences Limited India is Rs.38.29 Crores, Hester Biosciences Nepal Private Limited Rs.15.78 Crores, Hester Biosciences Africa Limited Rs.27.60 Crores.

Company has capitalized assets worth of Rs.31.78 Crores during FY2019 as against Rs.11.29 Crores in FY2018.

Company has spent Rs.0.57 Crores on R&D expenditure during Q4 FY2019 as against Rs.3.85 Crores in Q4 FY2018 while the total spending in FY2019 is Rs.3.29 Crores as against Rs.7.30 Crores in FY2018.

Now on Hester Biosciences Nepal operation, total revenue for FY2019 is recorded at Rs.9.03 Crores as against Rs.1.48 Crores. Company has registered 75.53% gross profit margin in FY2019 as against 30.85% in FY2018.

EBITDA margin is achieved at 49.26% in FY2019 as against negative EBITDA in FY2018. Company has registered a net loss for the year FY2019 at Rs.3.03 Crores as against Rs.7.36 Crores in FY2018. Accumulated total loss till FY2019 is Rs.12.64 Crores as against Rs.9.61 Crores in FY2018. Total bank borrowings are at Rs.24.27 Crores as against Rs.26.02 Crores.

Now coming to the standalone operation of the Texas Lifesciences, total revenue for FY2019 is recorded at Rs.8.35 Crores as against Rs.1.47 Crores. Company has registered a net profit of Rs.0.42 Crores as against Rs.0.05 Crores in FY2018.

Out of total revenue 86.56% of the revenue is being derived out of sales to Hester in FY2019 while the same was 61.32% in FY2018.

Total networth of the company as on March 31, 2019 is at Rs.4.63 Crores.

That completes my presentation. Thank you everyone. I am handing over to Mr. Gandhi for further question and answer round.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** My question pertains to the Tanzania plant, do we have tax exemption if yes for how much period and what is the rate?

**Rajiv Gandhi:** We have a tax exemption for 10 years, tax holiday for 10 years and hours is in an Export-Processing Zone.

**Ketan Gandhi:** Great, Sir Texas is 55% own buyers right?

**Rajiv Gandhi:** Yes.

**Ketan Gandhi:** Sir what is the cost plus mechanism for supply from Texas to us and are we thinking it to take it to 100%?

**Rajiv Gandhi:** Sorry 100% in the sense?

**Ketan Gandhi:** Ownership.

**Rajiv Gandhi:** I will answer your second question first. The balance ownership is with the old owners. They continued to manage and they are doing things very efficiently and at this point of time, I think things are good the way it is going on. On your second in terms of what is the formula on cost plus basis etc., we have internally among in our shareholders agreement, we have got these things well defined and we are going as per that.

**Ketan Gandhi:** How is the progress on backyard animal vaccination in Bihar and UP and do you plan to start that in Africa and Nepal?

**Rajiv Gandhi:** The progress in Bihar and UP is reasonably good. We have done a lot of penetration. If you see the Veterinary Social Business Division, the turnover are less, but the visibility that we are getting in rural Bihar and UP is reasonably high and I think our turnover which we did last year was

around Rs.4 Crores in that, which is growing up and if once these two states are done, we would take up more states in India itself and at the same time right now we have already embarked in fact on project in Nepal and in Africa we have agreed and committed to do these things, but that is once when our distribution network is setup when our whole supply chain is well established then we will get into it, but yes the commitment to the Gates Foundation is to also work in Africa on the similar lines as what we did in Jharkhand, Chhattisgarh and Odisha and what we are doing in UP and Bihar.

**Ketan Gandhi:** Fair enough Sir. How many years our diagnostic business can contribute to 10% of the sales?

**Rajiv Gandhi:** The diagnostic business, I do not think we are looking at up to 10% contribution at this point of time in our total turnover.

**Ketan Gandhi:** I have some more questions I will join back in the queue.

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

**Ravi Naredi:** Thanks to Rajiv Bhai. Very fantastic results, which you have given. Sir, first how much topline we can expect from Africa when full year working will be come, anything in your mind?

**Rajiv Gandhi:** For Hester Africa?

**Ravi Naredi:** Yes.

**Rajiv Gandhi:** What we have put in our forecast vaccines including health products everything over there in the long run, we are planning to do a turnover up to Rs.200 Crores over there in Africa at full capacity plus adding on a few other additional products imports from India etc.

**Ravi Naredi:** Okay and on same margin India is working?



- Rajiv Gandhi:** Yes, the same margins for sure.
- Ravi Naredi:** Next, we are maintaining some bank balance, heavily bank balances as well as short-term and long-term debt, what is the purpose Sir?
- Rajiv Gandhi:** Where are we maintaining heavy bank balance?
- Ravi Naredi:** Bank balance as well as short term debt to long-term debt?
- Rajiv Gandhi:** Because we need to continuously make sure that money is in pipeline for Hester Africa, therefore there is always a need to keep a buffer.
- Ravi Naredi:** Right exactly and Sir any progress to acquire inorganic growth?
- Rajiv Gandhi:** Our desire is always there. We are looking out, but unless and until we get an absolute right fit when I say right fit I mean we are looking at a small company, not a big company where apart from the financials, we have to also look at the philosophies how between our company and another company, so our criteria being as what it is, it is becoming very difficult for us to look at any inorganic acquisitions.
- Ravi Naredi:** Thank you from my side. If I have some more questions I will join the queue.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from Mittal & Company. Please go ahead.
- Ayush Mittal:** Good afternoon Sir. Congratulations on a very good performance once again. Sir when I look at the balance sheet, the gross block on the standalone basis absolute basis expanded from Rs.65 Crores to Rs.100 Crores, can you take up through this expansion?
- Jigar Shah:** That is the addition we have done during the year for our existing Kadi or India plants.

- Ayush Mittal:** For the Indian operations and how much of expansion, can you quantify in terms of anything or any percentage, how much of expansion this can lead to?
- Rajiv Gandhi:** You are asking in terms of doses?
- Ayush Mittal:** Not a specific doses, but maybe in terms of overall capacity as it increased by 50%, 20% and whatever number if you?
- Rajiv Gandhi:** I think we could take our capacity by up to around 50% at an average.
- Ayush Mittal:** Approximately 50% of the average, the capacity expanded by 50% by this expansion basically?
- Rajiv Gandhi:** Yes.
- Ayush Mittal:** Okay and how do you plan to utilize it in terms of this will be more towards exports going forward, because domestically you already have a very high market share, so how will you plan to utilize this addition capacity that we have treated?
- Rajiv Gandhi:** International business as well as local business, there is a lot of scope in the animal health division and we are looking at growth in geometric progression, so I think between these two, we would be able to have and even in poultry the opportunities that we have for one or two specific vaccines, I think, these are the areas where we will utilize that capacity.
- Ayush Mittal:** Sir earlier you had mentioned that the animal health business you plant to scale it up and make it at least equivalent to the current poultry business that we have. Just now you said that you see lot of growth in this area, so any timeline that you have for this kind of number to achieve?

- Rajiv Gandhi:** In a way if we say like we are growing at around 50% on a year-on-year basis approximately on the animal health care division, I think that in itself should help us, I think it should take around four to five years, it should take for us to be equal. Because even would be increasing at the same time whatever marginally.
- Ayush Mittal:** Sir Can you take us through the outlook for the next year FY2020, what kind of outlook do you see for the business for each of the segment, what kind of growth rate do you see?
- Rajiv Gandhi:** For the animal healthcare, we are looking at near to 50% growth. For the poultry as we are looking at an average of around 10% growth, so these are the two growth areas that we are looking at the minimum and of course with an improvement on the bottomline.
- Ayush Mittal:** Any numbers that we are targeting for the Nepal business for this year?
- Rajiv Gandhi:** For the Nepal business, I would want to refrain from giving any specific numbers etc., because historically we have not been able to achieve because of circumstances beyond our control, we are working hard. Our main objective is to come to a breakeven within a year, year-and-a-half and then make sure from there onwards we are able to take the business further.
- Ayush Mittal:** In this quarter in Nepal we have done more than 6 Crores of turnover, is there something that is repeatable kind of number because you are already doing very good profits in that number?
- Rajiv Gandhi:** If tender business comes in one year's time, we can do even Rs.20 Crores, Rs.30 Crores also that is not an issue, but are the tenders coming? The answer is no. So wait for us and guessing game for us as much as what it is for you, but at the same time we have started looking at domestic market, looking at private international market, we are putting in efforts, so even we are trying to push that growth; however, slow that growth or

small it may be, but we are trying to push that also. But we are coming to say in that turnaround that is for sure, you could be rest assured on that.

**Ayush Mittal:** I think in this conference, we have done pretty well this kind of numbers, sustainable numbers?

**Rajiv Gandhi:** Yes.

**Ayush Mittal:** Can you take us through some of the R&D initiatives and the spend for the year?

**Rajiv Gandhi:** In R&D, we are looking at now there are two types of R&D that we are doing. One is development of new vaccine, one is improving the efficiency of the current product and R&D not only in products in various ways how we can improve the efficiency, so it is split between these two areas and hopefully we should have two additional products in this financial year, post R&D besides health in the R&D department is towards the reducing our cost of production for various vaccines.

**Ayush Mittal:** Thanks a lot, wish you all the very best.

**Moderator:** Thank you. The next question is from the line of Srinath V from Bellwether Capital. Please go ahead.

**Srinath V:** Congratulation for the good set of numbers. I just wanted to find out what was the kind of in the last two to three quarters we have been consistently doing lot of Rs.10 Crores sales in large animal where is this demand for our product coming from is it largely tender driven or is it private market driven and on the private market side could you helps us understand how the distribution setup works, is this kind of a distributor to a veterinarian and veterinarian itself is the retailer or is there a separate retail network if you could kind of gives us an overview on the demand and the distribution set up for large animal will be very useful Sir?

- Rajiv Gandhi:** The growth has been both on the tender side as well as on the non-tender, the private market. The vaccines have been growing on the tender side, the help the other medicinal products have been growing in the private market and both have shown an equal amount of growth. In terms of distribution, the large animal population is reasonably scattered in our country. So from us to our distributor to may be one more distributor and then to the enduser or from us to the distributor to the enduser. So this is a typical channel for the animal health division.
- Srinath V:** Sir in point of sale to the farmer or to the household which has these large animals? Would it be at the veterinarian or is there a retailing set up for that?
- Rajiv Gandhi:** Sorry can you repeat the question?
- Srinath V:** I just want to know where the end sales takes place Sir, as in the final sale, is the veterinarian himself a retailer or is there a separate retailer?
- Rajiv Gandhi:** No, no, the veterinarian is not a retailer, a typical veterinarian is a doctor, he prescribes and then based on the prescription the products are bought from the nearest retailer.
- Srinath V:** Assuming India has 100 retailers for veterinary products? What would be a penetration at the retail level for our large animal products Sir?
- Rajiv Gandhi:** Our penetration at the moment is not very good. I would not use the wrong word, not very good. It is not as deep in certain states, in some states we are reasonably well covered, so if you look at an average all over the country, the potential is much more than to where we have dwelled into and we are that is where we are working towards.
- Srinath V:** Would it be 5%, 10%, some kind of very rough feel if you could give us so that we get a mental picture?

**Rajiv Gandhi:** No in a way that the market share is extremely less, but the penetration or the knowledge of where to penetrate is reasonably high with us, so giving you a percentage I am not able to just give a percentage on this, but there is a lot of additional penetration that we should and that we would to that is all that I can say.

**Srinath V:** Taking on from what Ayush was asking, could you kind of also include the guidance for veterinary social business Sir, as in how are you seeing that progress next year, both from a qualitative and quantitative perspective?

**Rajiv Gandhi:** From a quantitative perspective, I think we should grow that division at least a minimum of, it should go to around three, may be 2.5 to 3 times, we should be able to grow that division, but this is just a sort of desire that I have. I would not call it, as may guidance or I would not call it as a budgeted forecast. In terms of qualitative growth, it is tremendous. Our visibility as a company, the acknowledgement that we get towards helping small farmers to either improve their income or to spend less on their food consumption. This impact is extremely huge for us and with this support and with this the thrust, I think it makes us feel very happy than we are able to go all the way to the down rural area and try to do this. Now that thrust will not necessarily make us actually increase our business because we are only trying to sell them veterinary medicines and vaccines. We are not into elite products that having got that thrust, let use that thrust to sell anything more, so we are growing this division and it is making us feel very happy the way things are going on in this division. It is more of a qualitative objective rather than an absolute quantitative objective, let presume we grow two times, three times whatever it is, but still in terms of the topline this still would remain to be a miniscule amount so it does not impact the balance sheet as much.

**Srinath V:** We have started doing large animal also through this network Sir?

**Rajiv Gandhi:** Absolutely.

- Srinath V:** I will come back to the question queue with followup.
- Moderator:** Thank you. The next question is from the line of Manish Gandhi an Individual Investor. Please go ahead.
- Manish Gandhi:** Congratulations Rajiv Bhai. Great numbers. Overall, the way you have driven the company with your capital allocation policy I really appreciate it. So my first question is on large animal so can you just share with me who are the top players and what are the market share and how the market share has changed among top players in last few years?
- Rajiv Gandhi:** I think on the animal healthcare division, in India today the other companies that are having a good market share, I think Virbac it is a French Company but having base in India, Zydus these are the two big names that immediately come to my mind and probably each one of them doing a turnover of around Rs.400 Crores I am not very sure, I am not privy to their figures etc., so that is where market is, the potential is very good for us. The market is fragmented. The way the customers are fragmented, the companies also there are so many, there, I just named two of them doing big turnovers, but there are so many is doing Rs.5 Crores, Rs.10 Crores, Rs.2 Crore turnover so in that fragmentation, we see a lot of opportunity wherein we can try to use our strength, use our core competence, our ability, one is that vaccines is something which is very much required and two we are creating a deep distribution network, so that is what I can say for this.
- Manish Gandhi:** What is our competitive strength vis-à-vis these two large players?
- Rajiv Gandhi:** We produce animal vaccines, they do not produce animal vaccines by themselves and I think competitive advantage beyond what I said that we are vaccine manufacturers, I think we have to work hard in the field and try to create a demand for ourselves to sell the products in the market.

**Manish Gandhi:** Rajiv Bhai, as you mentioned in the annual report, about your learning's about India operation and the way you implement it, your learning's in this year, so what is your key learning, or the biggest learning or biggest learning from your Nepal plant, which is the first plant out of India, I would say first amongst many, which will come, and how would you implement in your Tanzania plant?

**Rajiv Gandhi:** It is a good question. The biggest learning that we have had from our Nepal plant is not to base any business model on a tendering basis absolutely. Our product line has got high margins, so we are able to sustain and we will turnaround and we will take it further. So this is one big learning that we had for us and in the Tanzania plant we have decided that we will focus on the private market, we will create demand, create a distribution network because today in Africa, the bigger problem is availability up to the last mile, so that is something what we are going to be doing. In fact in Tanzania besides Hester Africa we have ourselves created a small entity by the name of Hester Tanzania. Hester Africa is manufacturing and we have created one Hester Tanzania Private Limited and in that we are creating our own distribution network, so ultimately, we have many reasons to succeed because we will be able to reach the small farmer up to the bottom of the distribution channel.

**Manish Gandhi:** Right. Is it right to say Tanzania market could be much bigger than Nepal market?

**Rajiv Gandhi:** Definitely. Ethiopia and Tanzania are the two countries that have the highest animal population in Africa. One of the reasons to choose Tanzania is that once the production starts we do not have to wait for registration in other countries to do our business, we can start immediately in Tanzania because of its own large population of animal.

**Manish Gandhi:** Sir, I just would like to say in the last that I am highly impressed by what we have done in backyard poultry as you said, not only commercial but I



can understand that an entrepreneur or in a company to take effort in how many years. I would really be interested in learning more about it whenever I get a chance to meet you.

**Rajiv Gandhi:** You are more than welcome. In some of these areas where our rural people are working, I invite you to come and even join them in one or two of the events that we do over there wherein all the backyard farmers and how we educate them and how the animals are vaccinated, the pleasure of doing that is much more than the sale than the pleasure in achieving a sales over there.

**Manish Gandhi:** I completely agree and appreciate. I would get in touch with any one in the company and I would love to come to Ahmedabad also whenever I get a chance.

**Rajiv Gandhi:** Thank you. You are welcome anytime.

**Manish Gandhi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Manish Gupta from Solidarity Investment Managers. Please go ahead.

**Manish Gupta:** Firstly congratulation on the result and very, very transparent and clearly enunciated roadmap for the company. So that is very, very good for us as investors. Couple of questions, and I will just give all of them and perhaps you could answer them. Firstly Sir as you are perhaps the market leader in the animal vaccine and healthcare part of the market could you describe to us what we are doing to grow that to just grow the size of the market itself? That is the first question. Second one is for the Nepal business of approximately 9 Crores this year how much of that was from FAO vis-à-vis private market? The third question was that in the poultry market or the poultry business that it is growing at 10% or 12% how much of that growth is volume vis-à-vis pricing? So these were the three questions/

**Rajiv Gandhi:** Now let me answer the last question first and go backwards then you might have to repeat the first question. The last question is we grew the poultry division at approximately 14% and I would say that it is our price increases are very minimal. Here it could be 2%, 3% in some cases or the same, so it would all be the number of doses, the growth in number of doses, so that answers your last question. Nepal the breakup between FAO business and other business the Nepal business there are three parts in it, tenders, international tender, international-non-tender, and domestic, probably domestic would be around 10% of it and out of the other two, it could be 70:30, 70% tender and 30% non-tender, international. Now coming to your first question.

**Manish Gupta:** So, the question was that on the poultry side, we are doing a lot of work on development of the market, for example, in the social division, similarly on the animal side, I guess the question is not how big the market is but how big it could be, because the awareness about these products would be fairly low in the market. So, given that we are the leaders, the onus is on us really to grow the market as much as we can. So, given the large opportunity in front of us, just wanted to understand what is that we are doing in order to grow this business, so not a numerical answer, you know, not about whether 50% is not bad growth but you know given the size of the opportunity, I just wanted to get a flavour of what initiatives the company is doing to increase awareness of these products amongst the various stakeholders?

**Rajiv Gandhi:** One is as we are small, the easiest thing is to eat away part of the competition and get the business, so that is one thing. Point number two, vaccines, most of the state government they themselves are advertising, pushing, they have made small jingles, videos etc., in trying to push the PPR as well the Brucella vaccine, so that initiative is helping us which is made by each of the state governments. From our side, it is that our contribution to this is that we have technical people in the field and they go and they talk on the technical side and try to educate an illiterate

household or a farmer on what is the importance of various diseases and in immunizing the animals as well as what is the importance of medicines, etc. It is an activity which probably all companies and all their sales people do it, not that we are doing anything more, but considering that we are selling vaccines, which is always top of the line in terms of product, the respectability, etc., so that helps us to in people trying to people probably hearing us more, I think, beyond this that our division is small, the opportunity is very big, and in our spending also needs to be commensurate to the business that it is growing. Today companies have 400, 500 Crores turnover in that division itself, while our turnover has been around 35 Crores etc. So, we are taking small steps and we are trying our best to grow the market for ourselves.

**Manjit:** Sir, Manjit here. One last question in the animal division, what is the split between tender revenues and the private market revenues for the full year?

**Rajiv Gandhi:** You could take that as half-half.

**Manjit:** Sir, half on private market should we assume this is a baseline number and this will remain consistent and only grow from here or can it be volatile, the private market numbers?

**Rajiv Gandhi:** The fact is that the market is big, let even there be volatility but our market share being low, no volatility first of all there is no volatility and it is not going to impact us.

**Moderator:** Thank you. The next question is from the line of P. Srihari from PCS Securities. Please go ahead.

**P. Srihari:** Thanks for the opportunity. On the large animal side, I would like to know what is the market share in the area that you are present in and considering that your EBITDA margins are significantly high in this division,

where do you see the trajectory for that? Secondly on Hester Tanzania Private Limited can you please give the share holding pattern? Thank you.

**Rajiv Gandhi:** Hester Tanzania shareholding is 100% Hester India. In terms of market share, our market share is very low at this point of time. I am not even able to quantify in that neither are there any statistics officially authenticated statistics that are available, and I think we have a lot of potential and miles to go in this division. At the moment, our focus is grow the topline in this without compromising on the bottomline. What we are focusing on the products that we choose, it should not impact the bottomline at any cost. So that is all that I can say.

**P. Srihari:** Should I infer that your market share would be let us say around 20% odd and you are comfortable of holding on to the margins there?

**Rajiv Gandhi:** On the animal healthcare division?

**P. Srihari:** Yes.

**Rajiv Gandhi:** We are not 20%. We would not even qualify in a double-digit figure. If you look at it on an all India basis at this point of time.

**P. Srihari:** That is helpful. On the margin front?

**Rajiv Gandhi:** Margin front, I would not know about the other companies and how. We are very clear on our objective in not diluting the bottomline so that is where we are and I think as an analyst, as an investor, you would be able to actually give more inference on this that how are we doing vis-à-vis all other companies in terms of bottomline?

**P. Srihari:** I meant the EBITDA margin of the large animal division since it is pretty high, are you comfortable of being able to hold on to it?

**Rajiv Gandhi:** Yes.

**P. Srihari:** Thank you.

**Moderator:** Thank you. The next question is from the line of Shrinath V. from Bellwether Capital. Please go ahead.

**Shrinath V:** Just wanted to find out if we have taken any initiatives to look at the private market in Africa and build a distribution network, if you could share some light on how you are going about it because we will have the Nepal capacities as well as the African capacities kicking in a couple of years time so how would we be able to approach the private market in Africa?

**Rajiv Gandhi:** In one of the questions, my answer was that the learning's from Nepal is that we should not be too much dependent on government business or tender business so as I even mentioned to that question we have already started in creating our own distribution networks and we will be present in the private markets absolutely. In fact the private market efforts will be 90%, the tender market is just sitting in the office filling tenders and hoping to win the tender while in the private market it is a distribution network that one creates takes up sale points, hires doctors who create the demand and this is exactly what we have already started in Tanzania, the next country that we are going to be doing these things is Kenya and then Malawi, Zambia, so we are looking at the private market and pushing. Today, there is a demand but products are not available, so there are two issues in the private market. One, those who already are aware of the product but are not getting the products and the second is trying to make people aware on the products itself.

**P. Srihari:** Can we service this demand from our Nepal plant until the African plant basically comes on stream?

**Rajiv Gandhi:** The main reason to setup a plant in Africa was to make those vaccines, which will not be allowed to be made in India or Nepal. Had these vaccines been allowed, we would never ventured into duplicating any efforts anywhere in the world, all the plants that we are doing are with a clear

objective to manufacture such products, which are disallowed in other geographies or countries. So there is not going to be a duplication except on vaccine between Nepal and the African plant, which is the PPR vaccine. The rest all the vaccines to be produced in Hester Africa are such African specific animal diseases against which vaccines are not allowed to be made either in India or in Nepal.

**P. Srihari:** Thank you Sir.

**Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to the management for closing comments.

**Rajiv Gandhi:** I hope I have been able to answer all the questions. If there are any unanswered questions, you are more than welcome to email us the same and we will try our best to give you satisfactory answers to them. In short, myself and the whole team at Hester is working hard towards our objective and be rest assured that we are not leaving any stone unturned towards anything that we do would be in the interest of the company and trying to grow the business as much as we can. With this I thank you all for coming on to the call and hope to connect with you again during the next quarter's call. Thank you.

**Moderator:** Thank you. On behalf of IIFL Capital Limited that concludes this conference. Thank you for joining us. You may disconnect you lines.