

Press Release

2 February 2024

Hester Biosciences Q3 & 9M FY24 Results

9M FY24 Standalone and Consolidated Revenue up by 10% and 13%, respectively

Q3 FY24 Standalone and Consolidated Revenue down by 7% and 11%, respectively

Hester today announced the unaudited financial results for Q3 & 9M FY24.

Standalone Financial Highlights

Revenues

(₹ Million)

Division	Q3			9M		
	FY24	FY23	Change %	FY24	FY23	Change %
Animal Healthcare	301.50	368.87	-18%	830.87	848.60	-2%
Poultry Healthcare	348.82	323.18	8%	991.28	1,023.70	-3%
Petcare	4.73	6.03	-22%	22.16	11.61	91%
Others*	-	-	-	267.89	-	-
Product Sales	655.05	698.08	-6%	2,112.20	1,883.91	12%
License & services fees	-	9.65	-	10.63	49.13	-78%
Revenue from Operations	655.05	707.73	-7%	2,122.83	1,933.04	10%

* includes exports of other pharmaceutical products

Animal Healthcare Division

- In Q3 FY24, the Animal Healthcare division experienced an overall sales decline of 18%. This downturn can be attributed to two main reasons:
 - Goat Pox Vaccine Sales Decline: Vaccine sales within the division decreased by 32% in Q3 FY24. This decline was primarily due to the lower demand of Goat Pox Vaccine (GPV). In the preceding year, there was a surge in demand for GPV following an outbreak of Lumpy Skin Disease (LSD) in cattle. Q3 FY24, sales of GPV remained steady as the demand normalised.
 - Discontinued Health Products: Two of our products, CurX Injection and iSumovet, were discontinued in response to new drug regulations prohibiting the use of Ketoprofen for animal treatment. To make a note, excluding the two products, health product sales increased by 17% in the last quarter. Our introduction of CurX LA as a substitute for CurX in the last quarter has shown promising sales performance, reflecting our commitment to expansion amid regulatory challenges.
- The quarterly supplies of the PPR vaccine for the National PPR Immunisation Program of the Government of India have consistently increased, in line with the agreed schedule. Our continued supply of the PPR vaccine to the Government remains on track, showing our commitment towards supporting national immunisation efforts.

Poultry Healthcare Division

- In Q3 FY24, the Poultry Healthcare division achieved a 8% growth, driven by two main reasons:
 - Poultry Vaccine Industry Turnaround:** The industry witnessed a positive turnaround, driven by steady consumer demand, stable prices of meat and egg products, indicating a shift towards growth, with overall vaccine sales contributing to this upswing.
 - Strong Growth in Health Products:** Health product sales surged by an impressive 34% this quarter, reflecting robust performance in this segment.
- In the division, we launched a modified version of the Newcastle Disease vaccine - a crucial element in poultry health. This version of the product will optimise our sales performance and deliver superior output in Q4.

These developments collectively indicate a promising trajectory for the following quarters.

Petcare Division

In Q3 FY24, the Petcare division still being in its growth stage with a smaller turnover, on a Quarter to Quarter to comparison, there was a sales dip of INR 1.30 million. However, while considering the cumulative performance for nine months, the division showed an impressive overall growth of 91%.

It is important to note that there has been an overall downturn in the pet market post COVID-19, as there has been a noticeable decrease in pet ownership, resulting in reduced demand for pet-care products. Having said that, the division's robust performance over the nine months highlights its resilience and potential for future growth, towards capturing part of the existing market, despite the current lull in pet adoption.

Profitability Analysis

(₹ Million)

Particulars	Q3			9M		
	FY24	FY23	Change %	FY24	FY23	Change %
Gross Profit margin	67%	70%	-3%	64%	68%	-4%
EBITDA	115.68	180.23	-36%	338.63	390.54	-13%
PAT	64.75	107.29	-40%	197.28	260.79	-24%
EPS (In ₹, not annualised)	7.61	12.61	-40%	23.19	30.66	-24%

- Overall gross profit margin in Q3 FY24 experienced a decline compared to Q3 FY23, primarily due to:
 - The reduction in vaccine sales, specifically attributed to the Goat Pox Vaccine (GPV), contributed to the overall decrease in gross profit margin.
 - Overall change in product mix wherein the contribution of health products in total sales increased from 27% to 33% in Q3 FY24.
- EBITDA de-grew by 36% due to lower vaccine sales along with change in product mix within vaccines.
- PAT de-grew by 40% as the previous quarter included one-time license & service fees of ₹ 9.65 million.

Consolidated Financial Highlights

(₹ Million)

Particulars	Q3			9M		
	FY24	FY23	Change %	FY24	FY23	Change %
Revenue from operations	669.83	749.44	-11%	2,252.91	1,987.92	13%
EBITDA	101.55	187.59	-46%	377.33	389.34	-3%
PAT (excl. OCI)	40.20	121.58	-67%	147.71	223.21	-34%
EPS (In ₹, not annualized)	4.73	14.29	-67%	17.36	26.24	-34%

Consolidated results include operations of subsidiaries from Nepal and Tanzania

1. Hester Nepal had a turnover of ₹7.91 million in Q3 FY24 and ₹80.57 million in 9M FY24, with overall Net Loss of ₹9.42 million in Q3 and net profit of ₹20.21 million in 9M FY24. Despite facing challenges such as reduced exports and international tender opportunities, the company is actively mitigating these effects by emphasising its domestic business, which demonstrates significant potential for growth.
2. Hester Africa sustained export sales totaling ₹7.26 million in Q3 FY24 to East African countries, predominantly in LSD and CBPP vaccines. Over the course of 9M FY24, export sales amounted to ₹44.39 million. However, the company experienced an overall loss of ₹36.30 million in Q3 and ₹134.87 million in 9M FY24. These losses primarily stem from unmet sales targets and costs such as exchange rate fluctuations on borrowings and depreciation.

Way Forward

1. With a push in the sales of health products in both divisions, accepting a lesser margin in health products, our goal is to substantially increase the sales as well as the sales cycles of health products, thereby ensuring a surge in profitability.
2. Leveraging the stabilisation of the poultry industry, we are closely monitoring the performance of our vaccines in the field and actively upgrading key products. We are in the process of acquiring technology from ICAR-IVRI to develop a modified version of the Infectious Bursal Disease (IBD) vaccine for chickens, utilising Subviral Particle Based technology. This enhancement will offer superior protection, improved safety, and eliminate any risk of immunosuppression in poultry.
3. We are strategically expanding our pet division by introducing new product lines and categories, ensuring a comprehensive range of offerings to meet diverse consumer needs.

Conclusion

Hester India

1. All indicators clearly show an upward trend in sales and profitability after a few quarters of downward trend.
2. The current situation has clearly moved us away from weightage on any one division or on any product range, moving us away from any negative impact on any division or any product line.

The results will be seen in the following quarters.

Hester Nepal

- Hester Nepal will substantially increase its domestic sales as all permissions for domestic sales have been received (Hester Nepal being an Export Oriented Unit)

Hester Africa

- Hester Africa would have temporary struggles for two quarters but beyond that we see a surge in sales within Tanzania as well as in exports to Eastern African countries where registrations are on-going.

Head Office

Pushpak, 1st Floor
Panchvati Circle
Motilal Hirabhai Road
Ahmedabad 380006
Gujarat, India
Phone +91 79 26445106

Factory

Village Merda-Ardraj
Taluka Kadi
District Mehsana
Gujarat 382721, India
Phone +91 2764 285 502
+91 2764 285 453

Email mail@hester.in
Toll Free 1800 233 7937
www.hester.in

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About Hester Biosciences Limited:

Hester Biosciences Limited is one of the India's leading animal health company, manufacturing vaccines and health products since 1997. Hester has three divisions:

1. Poultry Healthcare division
2. Animal Healthcare division
3. Petcare division

- It is the world's largest manufacturer and supplier of PPR vaccine, having approximately 75% of the world market.
- It has over 70% market share in Goat Pox vaccine in India which is being used to immunise cattle against Lumpy Skin disease.
- It is the second largest poultry vaccine manufacturer, with approximately 35% market share in India.

Hester's vaccine capabilities include multiple platforms such as Chick Embryo Origin, Continuous Cell line, Tissue Culture and Fermentation based live as well as inactivated vaccines.

Hester recognises the vision of ONE HEALTH, and works on improving the health of animals by enabling better health for human beings.

For more information, please visit www.hester.in