

NOT JUST
ANOTHER VACCINE
MANUFACTURING
COMPANY!

25th ANNUAL REPORT
2011 - 12

Hester Biosciences Limited

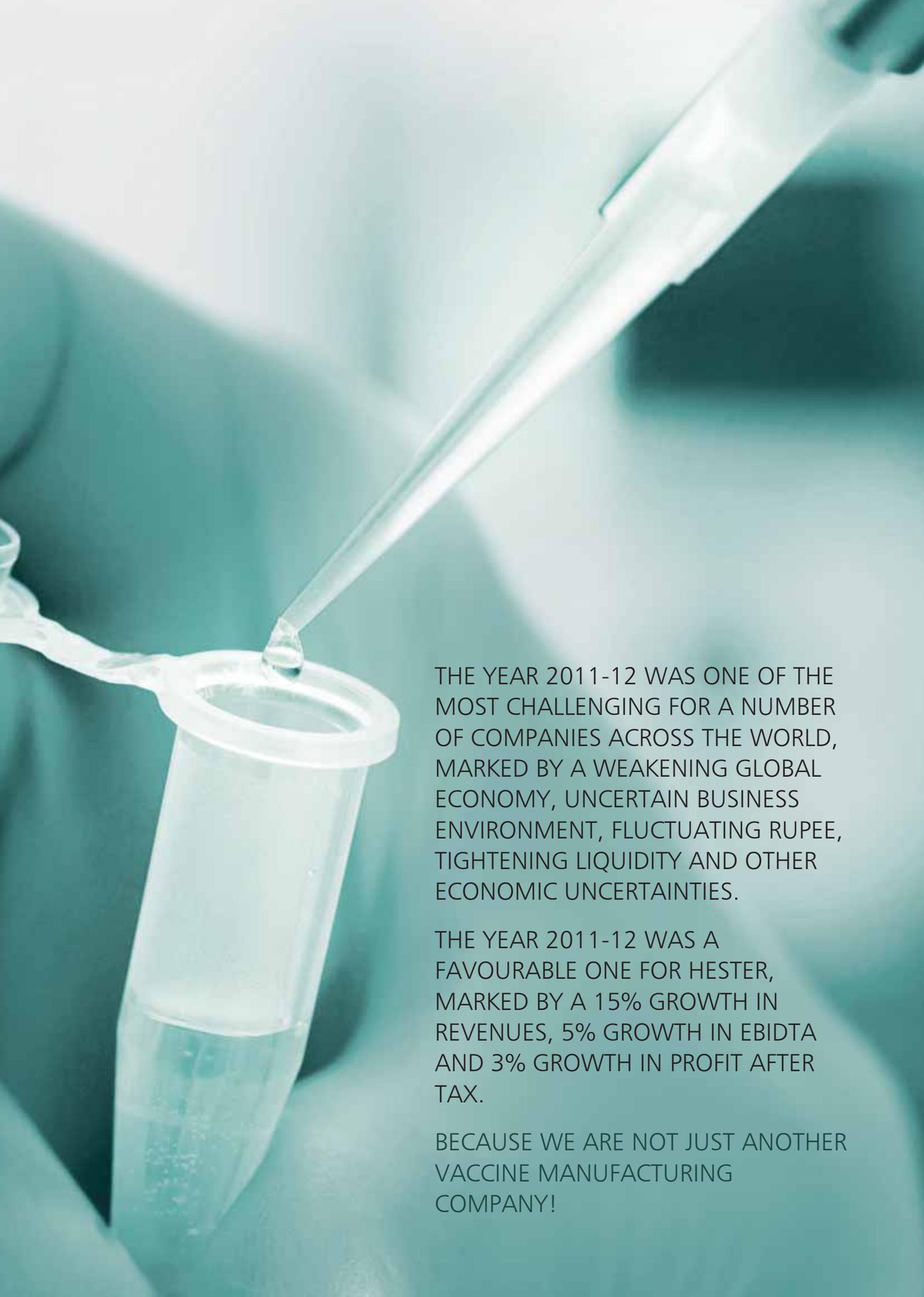
DISCLAIMER

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

CONTENTS

Corporate identity	02	Financial highlights	04
Review by CEO	06	Strengths	07
Corporate information	08	Directors' report	09
Management discussion and analysis	14		
Report on Corporate Governance	17		
Financial statements	29		





THE YEAR 2011-12 WAS ONE OF THE MOST CHALLENGING FOR A NUMBER OF COMPANIES ACROSS THE WORLD, MARKED BY A WEAKENING GLOBAL ECONOMY, UNCERTAIN BUSINESS ENVIRONMENT, FLUCTUATING RUPEE, TIGHTENING LIQUIDITY AND OTHER ECONOMIC UNCERTAINTIES.

THE YEAR 2011-12 WAS A FAVOURABLE ONE FOR HESTER, MARKED BY A 15% GROWTH IN REVENUES, 5% GROWTH IN EBIDTA AND 3% GROWTH IN PROFIT AFTER TAX.

BECAUSE WE ARE NOT JUST ANOTHER VACCINE MANUFACTURING COMPANY!



**HESTER BIOSCIENCES LIMITED
IS ONE OF THE FASTEST
GROWING POULTRY VACCINE
MANUFACTURERS IN THE
WORLD**

LEGACY

Hester Biosciences Limited was established by Mr. Rajiv Gandhi in 1987 to manufacture poultry vaccines. It was the first company to initiate poultry health diagnostic services in India.

LISTING

The Company is listed on the Bombay Stock Exchange with a market capitalisation of ₹ 722.51 million as on 31 March, 2012

PRODUCTS

The Company manufactures 39 types of live and killed (inactivated) poultry vaccines. The range of products has been recently increased by adding large animal vaccines, poultry health products and large animal health products.

CERTIFICATIONS

The Company is certified with GMP, GLP, ISO 9001:2008, ISO 14001:2005 & OHSAS

PRESENCE

The Company's primary manufacturing facility is located in Merda-Ardaj, in Gujarat with marketing offices in nine states and an international office in Nepal. The division for large animal biologicals and large animal healthcare will be commissioned in October 2012

EXPERTISE

The Company has the ability to develop customised products in line with customer needs.

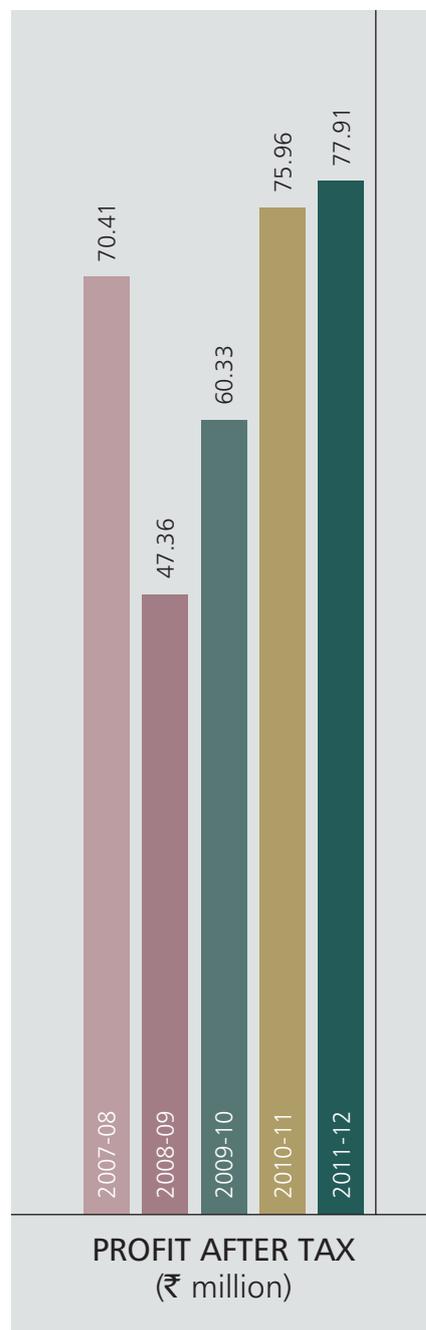
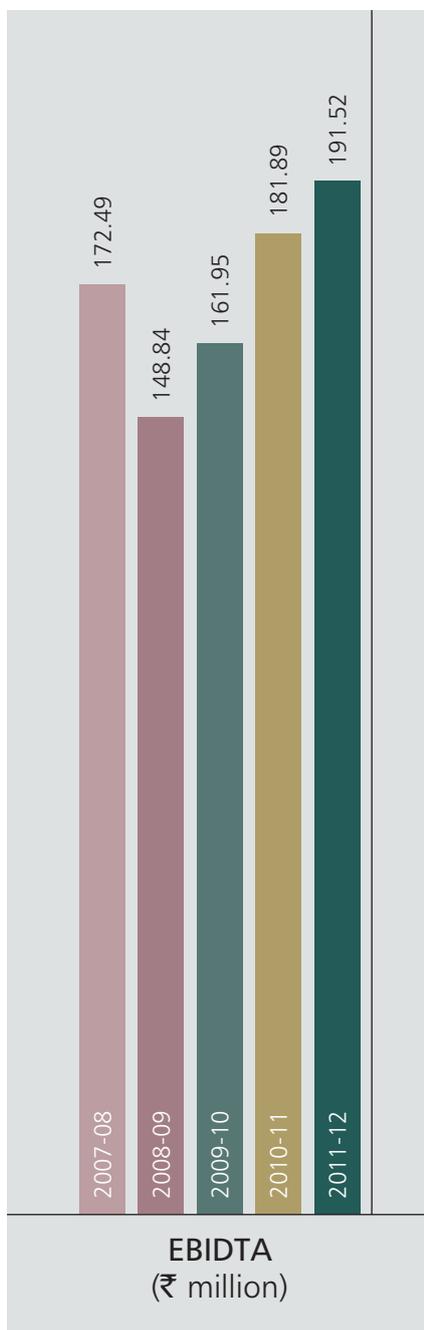
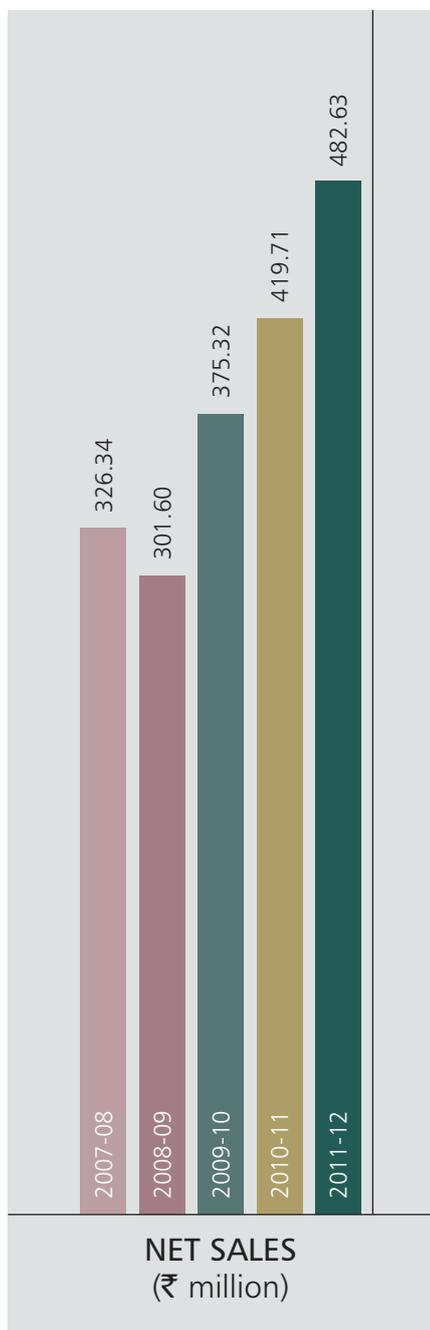
2nd

The size of the Company among poultry vaccine manufacturers in India

0.23

Debt-equity ratio as on 31 March, 2012

INSPIRING PAST. EXCITING FUTURE.



REVENUE GROWTH

15%+

OVER 2010-11

EBITDA GROWTH

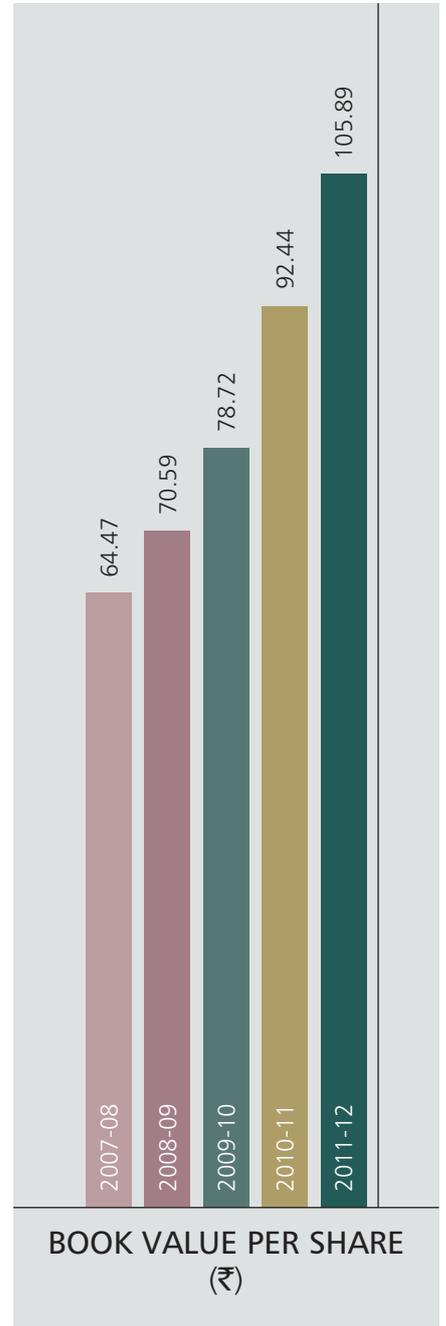
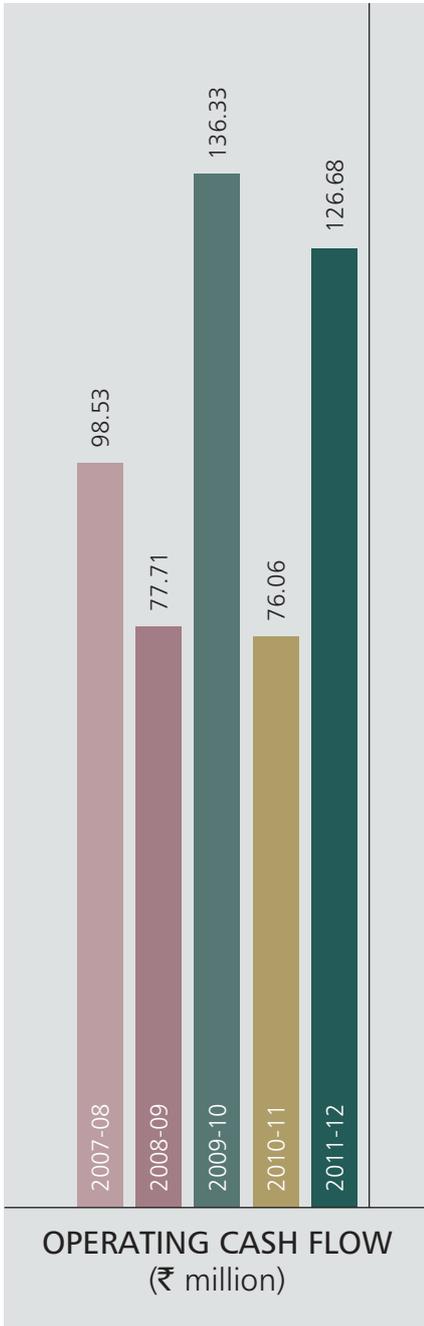
5%+

OVER 2010-11

PROFIT AFTER TAX GROWTH

3%+

OVER 2010-11



EBIDTA MARGIN

40%

IN 2011-12

NET MARGIN

16%

IN 2011-12

INTEREST COVER

5.32x

IN 2011-12

ROCE IN

26%

IN 2011-12



FROM THE HELM

“HESTER HAS REDEFINED POULTRY HEALTH MANAGEMENT NORMS IN INDIA”

A review by Mr. Rajiv Gandhi, CEO and Managing Director,
on the Company's performance and strategy

Dear Shareholders,

The year 2011-12 marked a watershed in our existence.

Having started our journey in 1987, we completed 25 years in 2011-12 and reported a 15% growth in revenues, 5% growth in EBIDTA and 3% growth in profit after tax as compared to the previous year, during a challenging period for most companies .

What made this achievement creditable is that we penetrated the market and enhanced our ability to deliver faster.

A UNIQUE BUSINESS MODEL

Hester operates one of the largest single location animal vaccine manufacturing units in Asia with a large product basket and the ability to provide technology-rich solutions. The Company specialises in the manufacture of advanced veterinary vaccines in the areas of virus propagation in specific pathogen-free embryos, tissue culture, batch fermentation of bacteria, lyophilisation and emulsion preparation.

During 2011-12, Hester strengthened its business model through the following initiatives: new product development and expansion into new verticals.

HIGHLIGHTS, 2011-12

Hester's performance in 2011-12 was driven through the following initiatives:

- The Company launched its first health product 'LACT-FD', a first-of-its-kind product for the poultry industry developed by the Company's R&D team; the Company exported the product to China for the first time
- Initiated plans for a Quality Control laboratory to enable the Company to qualify for international accreditations and expand its footprint across Europe and Asia
- Expanded its Indian footprint by strengthening the marketing team

OUR EDGE – RESEARCH AND DEVELOPMENT

Being in the unique niche of biologicals, our strength lies in cutting-edge research and development, enabling better health. The R&D team is working to develop vaccines against emerging diseases like Chicken Anaemia and Infectious Laryngotracheitis. Over the years, our R&D team developed superior vaccines to control Infectious Bursal Disease and Infectious Coryza; the result is that our GI+ product is one of the best selling of its type.

Going ahead, the team will develop vaccine against Variant Infectious Bronchitis, a poultry disease; the team also intends to develop poultry, PPR (Peste des Petits Ruminants), Goat Pox live and Brucella S-19 vaccines for large animals.

OPTIMISM

The Company invested ₹ 120 million in setting up its QC laboratory, which is expected to be commissioned by December 2012. Subsequently, the Company will be qualified for additional international accreditations, which should translate into a wider footprint across the regulated markets of Europe and Asia.

The Company also expects to reinforce its business model through three divisions - large animal biologicals, large animal health products and poultry health products – in addition to a deeper presence in its existing Poultry biological division. The Company expects to launch products related to the three new divisions starting October 2012, helping it penetrate the domestic as well as international veterinary market.

These initiatives should translate into growing revenues, enhancing value in the hands of all those who own shares in our Company.

With regards,



Rajiv Gandhi



HESTER AND UNIQUENESS

NICHE BUSINESS

The Company is India's second largest poultry vaccine manufacturer. The Company is positioned to capitalise on emerging opportunities like new veterinary diseases.

TECHNOLOGY

The Company's state-of-the-art manufacturing facilities produce quality products with high customer acceptance. The Company possesses the largest single location manufacturing facility in Asia.

ENVIRONMENT FRIENDLY

The Company received certification from Gujarat Pollution Control Board for disposing its water and contaminated waste to approved authorities in an effective manner

DIVERSIFIED

The Company is among the few in the world with a large product basket of more than 39 vaccines (live and inactivated). Further, its foray into developing vaccines for large animals (cattle, sheep and dog) has enhanced credibility.

CUSTOMER-CENTRIC

The Company has developed vaccines catering to diverse new diseases translating into longstanding customer relationships. The result: 40% of the Company's revenues in 2011-12 were generated from customers associated with the Company for more than five years

LIQUIDITY

The Company is among the few in the industry to have a modest gearing of 0.23, which made it possible to grow cash profit at a CAGR of 31% in 10 years leading to 2011-12. The Company will invest in the QC laboratory through accruals.

TEAM

The Company's growth is driven by 260 qualified members. Average revenue per employee was ₹ 1.85 million in 2011-12 (₹ 1.67 million in 2010-11)

corporate information

BOARD OF DIRECTORS

Dr. Bhupendra V. Gandhi *Chairman*
Mr. Rajiv Gandhi *CEO & Managing Director*
Mr. Sanjiv Gandhi
Mr. Darayus Lakdawalla
Mr. Ravin Gandhi
Mr. Abhinava Shukla
Mr. Vimal Ambani
Mr. Vishwesh Patel
Dr. Parimal Tripathi *Alternate Director of
Mr. Ravin Gandhi*

CHIEF FINANCIAL OFFICER

Mr. Jigar Shah

COMPANY SECRETARY

Mrs. Amala Parikh

REGISTERED OFFICE

'Pushpak' 1st Floor,
Panchvati Circle,
Motilal Hirabhai Road.
Ahmedabad 380006

CORPORATE OFFICE

'Pushpak' 1st Floor,
Panchvati Circle,
Motilal Hirabhai Road.
Ahmedabad 380006

MANUFACTURING UNIT

Village : Merda Adraj,
Taluka : Kadi,
District : Mehsana, Gujarat - 382 721.

BANKERS

Bank of India
Navrangpura Branch,
Ahmedabad - 380 009.

AUDIT COMMITTEE

Mr. Vimal Ambani *Chairman*
Mr. Abhinava Shukla *Member*
Mr. Vishwesh Patel *Member*

SHAREHOLDERS' GRIEVANCE COMMITTEE

Mr. Abhinava Shukla *Chairman*
Mr. Vishwesh Patel *Member*
Mr. Vimal Ambani *Member*

REMUNERATION COMMITTEE

Mr. Vishwesh Patel *Chairman*
Mr. Abhinava Shukla *Member*
Mr. Vimal Ambani *Member*

AUDITORS

M/s. Shah Nariealwala & Co.
Chartered Accountant
608, 'Shitiratna', Panchvati, Ellisbridge,
Ahmedabad – 380 006.

REGISTRAR & TRANSFER AGENTS

M/s. Sharepro Services (India) Pvt. Ltd.
(Ahmedabad Branch)
416-420 4th.Floor, Devnandan Mall
Opp. Sanyash Ashram, Ashram Road, Ellisbridge
Ahmedabad-380006

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directors' report

Dear Shareholders,

Your Directors are pleased to present the 25th Annual Report with the Audited Accounts of the Company for the year ended 31.3.2012.

Financial Results:

(₹ In Millions)

Particulars	Current year	Previous Year
Total Income	485.07	421.03
Profit before Depreciation & Tax	163.24	156.62
Less: Depreciation	41.23	44.78
Profit Before Tax	122.01	111.84
Less: Provision for Tax		
Deferred Tax	(0.98)	(1.09)
Current Tax	45.00	40.00
Income tax of earlier year	0.08	(3.03)
Fringe Benefit Tax		
Net Profit After Tax	77.91	75.96
Balance of Profit & Loss Account	117.40	82.62
Profit available for appropriation	195.31	158.58
Dividend on equity shares	5.67	18.17
Dividend Tax	0.92	3.02
General Reserve	40.00	20.00
Balance carried to Balance sheet	148.72	117.39
Earnings per share (Basic/Diluted)	13.74	14.63

Financial Highlights

Sales

Your company posted a turnover of ₹ 482.63 million in the financial year ended on 31.3.2012, as compared to ₹ 419.71 million in the previous year.

Profitability

Your company's PBT for the year ended 31.3.2012 was recorded at ₹ 122.02 million, a compared to ₹ 111.84 million in the previous year.

Earnings Per Share

EPS was at ₹ 13.74 as on 31.3.2012 as against ₹ 14.63 as on 31.3.2011.

Net Worth

The Company's net worth as on 31.3.2012 was at ₹ 600.50 million as compared to ₹ 479.85 million as on 31.3.2011.

Preferential Allotment of Shares

Your company has converted 480,000 Equity Warrants into Equity Shares by making an allotment of Equity Shares. These shares were allotted on 11 February 2012 at a price of ₹ 137 per share (including a share premium of ₹ 127 per share). The said shares are listed at The Bombay Stock Exchange. With this allotment, the Paid-up share capital of the Company stands enhanced to ₹ 56.71 Million

Dividend

Your Directors have recommended a dividend payment of Re. 1 per equity share of ₹ 10 each for the financial year 2011-12. This dividend is subject to approval by the shareholders at the ensuing AGM. Historically, we have been declaring higher dividends. This year, though our profits do substantiate giving as much dividend as last year, the board has proposed to conserve the internal accruals for the upcoming capital expenditure towards constructing a new QC laboratory. With the completion of this QC laboratory, Hester would qualify to get international accreditations, which would help towards registering its products in the regulated markets in Europe and in Asia.

Issue of Bonus Shares

The Board of Directors of your Company have proposed the issue of Bonus Equity Shares, to its existing members, by capitalising a sum of ₹ 28,356,000 (Rupees Twenty Eight Million, Three Hundred and Fifty Six Thousand Only) from the credit of Securities Premium Account and/or any other reserves, by way of issue of 1 (One) new equity share for every 2 (Two) existing equity shares held.

Review of Operations

The last financial year saw a steady growth in the sales. The sales area coverage within India remained the same, thereby giving an indication of growth in terms of market share.

CRISIL upgraded our credit rating on various banking facilities from 'BBB-' to 'BB+'.

A major breakthrough for us this year has been that we have developed a thermo-stable New Castle Disease live vaccine for poultry. Till date, we have been manufacturing the conventional Newcastle Disease live vaccine which requires a

cold chain during transportation and during storage. Unlike the conventional vaccine, our thermo-stable vaccine would be able to withstand temperatures up to 35 degrees Celsius. Rural India as well as Rural Africa (our target markets) both have limitations in maintaining a cold chain. Due to this limitation, backyard poultry farmers are unable to have access to this vaccine. Backyard poultry farms have a very high mortality rate due to Newcastle Disease. Newcastle disease is a disease of great economic importance. An outbreak of Newcastle disease deprives the farmer from his livelihood. The use of this thermo-stable vaccine would change the economics of backyard farmers. The vaccine is currently under registration and we hope to start commercial sales by January 2013.

Certifications

We continue to be a GMP and an ISO 9001-2008 certified company. Besides, we have now been granted additional certifications: GLP (Good Laboratory Practices), Environmental Management Systems (EMS) ISO 14001:2004 and Occupational Health and Safety (OHSAS) 18001:2007 certifications.

Future Prospects

Our company is poised for an upward spiral growth in the coming years. Beginning this financial year, Hester has launched 3 additional divisions - Large Animal Biologicals, Large Animal healthcare and Poultry healthcare, besides its existing Poultry Biologicals division. The products in the new division would be launched in phases beginning from October 2012. With the launch of these divisions, Hester expects a better penetration in the domestic as well as in the international veterinary market.

Energy Conservation

(Information under section 217(1)(e) of the Companies Act, 1956.)

The Company has a continuous focus on energy conservation. Regular studies are conducted to analyse quantitative energy conservation patterns, and variances are rigorously scrutinised. The Company regularly benchmarks its energy conservation levels and consistently works towards improving efficiencies, towards getting the cost of energy down for every unit produced.

Total energy consumption and energy consumption per unit of production :

Particulars		31.03.2012	31.03.2011
(A) Power & Fuel Consumption:			
Electricity:			
(a) Purchased Units	Kwh	3497955.00	3059660.00
Total Amount	₹	22380361.00	18222772.59
Rate/Unit	₹	6.40	5.96
(b) Own Generation through Diesel Genset			
Units	Kwh	60466.00	56925.00
Units per Litre of Diesel Oil	Kwh	3.05	3.09
Cost/Unit	₹	14.98	14.06
(B) Consumption per Unit of production:			
Electricity consumed per vial (in units)		1.61	2.35

Foreign Exchange Earnings & Outflow

Foreign exchange earnings during the year towards sale of goods were ₹ 29.21 million as compared to ₹ 32.98 million during the previous year. Total outflow of foreign exchange during the year towards purchase of materials, trading goods, travelling expenses and purchase of capital items was ₹ 56.70 million as compared to ₹ 47.81 million during the previous year.

Directors:

In accordance with the provisions of the Articles of Association and of the Companies Act 1956, Mr. Sanjiv Gandhi and Mr. Darayus Lakdawalla, Directors of the Company, retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Rajiv Gandhi, CEO and Managing Director of the Company, whose term expired on 31 December, 2011, was re-appointed for further period of 3 years, with effect from 1 January, 2012.

The brief particulars of all directors, for which approval of members for their appointments or re-appointments are sought, have been provided in the Notice of The Annual General Meeting pursuant to Clause 49 of the Listing Agreement relating to Corporate Governance.

Public Deposits:

The Company has not invited or accepted any deposits under Section 58A of the Companies Act, 1956, from the public, during the year.

Finance:

The working capital requirement was funded through enhanced bank limits. The capital expenditures were funded

through the additional working capital & term loans from the bankers as well as through internal accruals.

“Group” For Inter Se Transfer Of Shares

As required under Clause 10(1) (a) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011, persons constituting “Group” (within the meaning as defined in the Monopolies and Restrictive Trade Practice Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 3 & 4 of the aforesaid SEBI Regulations are given as under :

List of Persons

- | | |
|---------------------|--|
| 1. Rajiv Gandhi | 11. Darayus Lakdawalla |
| 2. Nina Gandhi | 12. Zubin Lakdawalla |
| 3. Ravin Gandhi | 13. Kanti Gandhi |
| 4. Bela Gandhi | 14. Dinesh Gandhi |
| 5. Bhupendra Gandhi | 15. Urmilaben Gandhi |
| 6. Shaila Gandhi | 16. Yash Gandhi |
| 7. Sanjiv Gandhi | 17. Priya Gandhi |
| 8. Hetal Gandhi | 18. Biolink Healthcare Limited |
| 9. Madhuri Kapadia | 19. Hester Diagnostics Private Limited |
| 10. Anup kapadia | 20. Hester Coatings Private Limited |

Subsidiary Company

Your Company has two subsidiary Companies namely Hester Biosciences (Mauritius) Limited and Hester Biosciences Nepal Private Limited. The former is Wholly Owned Subsidiary Company and later is Step down subsidiary, wherein Hester Biosciences (Mauritius) Limited is holding 65 % stake in Hester Biosciences Nepal Private Limited. Details for both the subsidiaries are as under:

Hester Biosciences (Mauritius) Limited (HBML)

This Company has been incorporated in the Month of February 2011, as a wholly (100%) owned subsidiary of Hester Biosciences Limited. The Company has not yet started its activities and hence only administrative expenses are incurred.

Hester Biosciences Nepal Private Limited (HBNPL)

HBNPL is a subsidiary of HBML. HBML holds 65% stake in HBNPL, hence becoming an indirect subsidiary of Hester Biosciences Limited. HBNPL will be in the business of manufacturing large animal vaccines in Nepal.

Compliance of Section 212 of the Companies Act, 1956

In terms of general exemption granted by Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 8.2.2011, under section 212(8) of the Companies Act, 1956, the Audited Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of our subsidiaries need not to be attached with the Balance Sheet of the Company subject to complying with the certain conditions. These documents will be made available upon request by any member of the Company interested in obtaining the same. However, the brief financial details of the subsidiaries have been furnished under "Financial details of Subsidiary Company", forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiaries. These documents will also be available for inspection during business hours at our registered office. The details of the accounts of individual subsidiary companies are available on the website of the Company.

Corporate Governance:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, a separate section on Corporate Governance and certificate obtained from practicing Company Secretary confirming its compliance, is provided separately and forming part of this Report. The Board of Directors supports the basic principles of corporate governance. In addition to this, the board lays strong emphasis on transparency, accountability and integrity.

Report on Management Discussion and Analysis is provided in separate section and forming part of this report.

Formation of Various Committees:

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed which forms part of this report.

Particulars of Employees:

The information required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees is not applicable to the Company, as no employees drawing remuneration of ₹ 6,000,000 or more per annum employed throughout the year or ₹ 500,000 or more per month employed for a part of the year.

Directors' Responsibility Statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 I would like to state the following:

In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, at the end of the financial year ended on 31 March, 2012.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the attached statements of accounts for the year ended 31 March, 2012 on a going concern basis.

Auditors & Auditors Report:

M/s. Shah Narielwala & Co.; Chartered Accountants, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Notes forming part of the accounts are self explanatory and therefore, do not require any further comments.

Acknowledgement:

Your Directors express their appreciation for the assistance and cooperation received from Bank of India, various government authorities, customers, vendors and members during the year under review. Your directors also wish to place on record their deep sense of appreciation for the committed services by the executives, staff and workers of the Company.

By order of the Board

14 August, 2012
Ahmedabad

Rajiv Gandhi
CEO & Managing Director

management discussion and analysis

Indian economy

Though India's economic growth declined to 6.5% in 2011-12, the lowest in nine years, the country continued to remain one of the fastest-growing economies of the world. The fiscal deficit is likely to come down to 5.76%, below the 5.9% of GDP budgeted by the government. According to Planning Commission estimates, India is expected to grow from 8.1% in the current Plan to 9-9.5% across the Twelfth Five Year Plan (Source: Hindustan Times)

Inflation compelled the RBI to tighten credit flow and raise interest rates. Interest rates hardened on 11 occasions since July 2010, causing national investment to shrink by ₹ 621 billion during the period. There was a decline in inflation towards the close of 2011-12. Meanwhile, the Indian rupee remained under stress as net inflows declined from around US\$ 29 billion in 2010 to under US\$ 300 million in 2011.

Revised Estimates of GDP at Factor Cost by Economic Activity

(At 2004-05 prices)

Industry	Percentage change over previous year	
	2011-12	2010-11
1. Agriculture, forestry & fishing	2.8	7.0
2. Mining & quarrying	-0.9	5.0
3. Manufacturing	2.5	7.6
4. Electricity, gas & water supply	7.9	3.0
5. Construction	5.3	8.0
6. Trade, hotels, transport and communication	9.9	11.1
7. Financing, insurance, real estate & business services	9.6	10.4
8. Community, social & personal services	5.8	4.5
9. GDP at factor cost	6.5	8.4

Revised Estimates of GDP at Factor Cost by Economic Activity

(At current prices)

Industry	Percentage change over previous year	
	2011-12	2010-11
1. Agriculture, forestry & fishing	11.6	17.7
2. Mining & quarrying	17.1	21.5
3. Manufacturing	9.9	14.7
4. Electricity, gas & water supply	9.6	10.2
5. Construction	14.6	16.5
6. Trade, hotels, transport and communication	18.0	18.2
7. Financing, insurance, real estate & business services	19.2	21.7
8. Community, social & personal services	15.0	15.3
9. GDP at factor cost	15.0	17.5

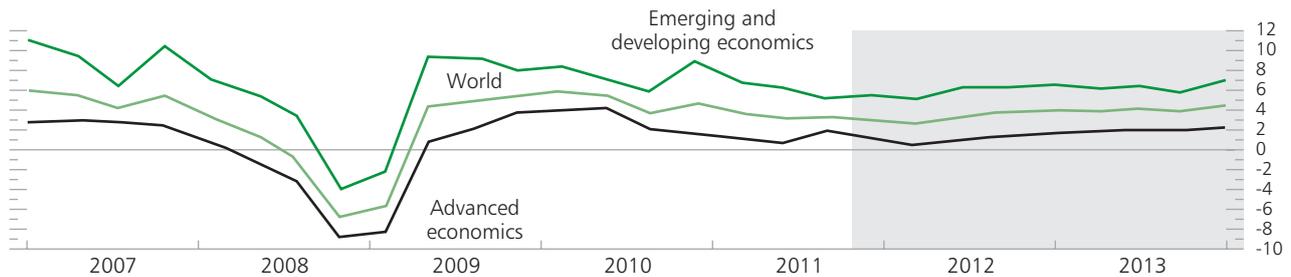
Global economy

The IMF believes that global prospects are gradually strengthening after the setback during 2011, though downside risks remain. This is mainly due to improved economic activity in USA during the second half of 2011 and pursuance of more effective policies in the euro area which have reduced the threat of a sharp global slowdown.

Global growth is projected to drop from 4% in 2011 to 3.5% in 2012 because of weak activity during the second half of

2011 and the first half of 2012. However, growth is expected to revert to the 2011 level in 2013 when hopefully the pending issues are ironed out successfully especially by the developed nations. Policy has played an important role in lowering systemic risk such as ECB's three-year longer-term refinancing operations (LTROs), aggressive fiscal adjustment programs, and the launch of major product and labor market reforms. This has to an extent helped to stabilise conditions in the euro area thus relieving pressure on banks and sovereigns.

Figure 1. Global GDP growth
(Percent; quarter over quarter, annualised)

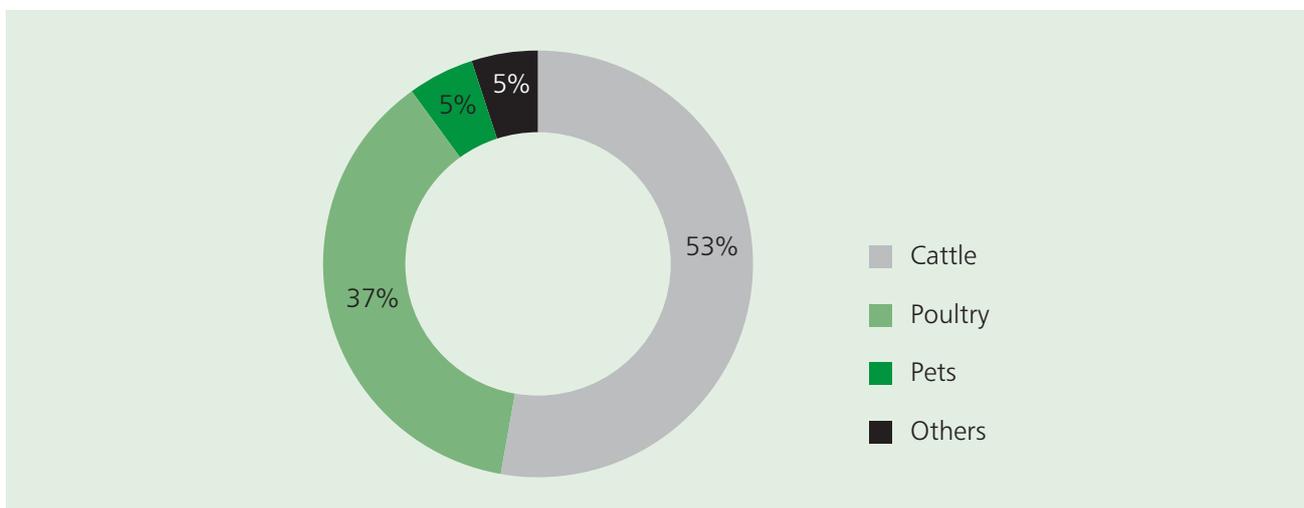


(Source: IMF staff estimated)

Indian Veterinary Industry

The size of Indian Veterinary Industry in 2009 was ₹ 18,285 Million (USD 332 Million) out of which Biological/Biosecurity products held 29% share, Feed Additives held 30% and Therapeutics held 41%.

Indian Veterinary Industry – Species wise



(Source: CLFMA Report 2009)

Indian Poultry and Dairy Statistics

Poultry sector is one of the fastest growing industries of the Indian economy than any other sector contributing about \$230 million to the Gross National Product. Poultry sector is one of the fastest growing industries of the Indian economy than any other sector contributing about \$230 million to the

Gross National Product. India produces 2.3 Mio tonnes of broiler meat . USA & China tops with 15 and 10 Mio tonnes respectively. So, immense potential exists. India produces 3.6% of global egg production, i.e., 60 billion eggs . The Indian poultry sector will keep growing as demand keeps increasing with higher income and better awareness about healthy foods.

Indian Livestock Population Data

All values in Millions

Species	Total Cattle Population			Milch Cattle Population		
	2003	2007	Growth	2003	2007	Growth
Cow	185.2	199.1	8%	64.5	73	13%
Buffalo	97.9	105.3	7.6%	51	54.5	7%
Total Cattle	283.1	304.4	7.5%	115.5	127.5	10.4%

(Source: 18th Livestock Census Report)

Species	2003	2007	Growth
Sheep	61.5	71.6	16%
Goat	124.4	140.5	13%
Total	185.9	212.1	14%

(Source: 18th Livestock Census Report)

Trends in the Indian Livestock Sector

- India is the world’s largest producer of milk producing (117 Mio Tonnes, 2010 – 121.5 Mio Tonnes, 4% growth)
- The Indian dairy sector is unique : 40% indigenous cows, 46% buffaloes, 14% crossbreds. Buffalo milk contribute 55% to the total milk production
- Home to the world’s largest dairy herd, India nonetheless faces a milk supply gap : Immense scope
- Increased consumption of dairy products
- Increased spent on dairy products
- Focus on the Nutritional Products
- Major companies have started separate team for nutritionals
- Driven by Generics, 90% of the market is composed of branded generics

- Un-organised cattle segment
- Monsoon – dependant
- Treatment in the hands of non qualified as well as qualified professionals
- Traditional Sheep segment
- Livestock industry Growth is believed to be 7-8%, no published data available
- Driven by efficiency pressures faced by Dairy Farmers who are trying to increase milk production / productivity while containing costs
- Transition from “Supplementary Income” to full scale “Commercial Farms”
- Hugely competitive at all levels – multinational, national and local

report on corporate governance

The Securities and Exchange Board of India (SEBI) has stipulated Corporate Governance Standards for Listed Companies vide Clause 49 in the listing agreement with the Stock Exchanges.

Corporate Governance is Corporate discipline extended transparency, integrity and accountability towards all stakeholders. Corporate Governance helps to achieve excellence to enhance stakeholders value by focusing on long-term value creation without compromising on integrity, social obligations and regulatory compliances.

Company's Philosophy on Corporate Governance

Hester Biosciences Limited, has always been committed to the principal of sound Corporate Governance to promote the effective functioning of the Board and its Committee & to assist it in the exercise of its responsibility. Our Board exercises its fiduciary responsibilities in the widest sense of the term.

The Company's continued endeavor is to achieve good governance which ensures our performance rules with integrity whereby ensuring the truth, transparency accountability & responsibility in all our dealings with our employees, shareholders, consumers & the community at large. Apart from compliance with the Statutory provisions of Company Law, allied acts & Listing Agreements, our disclosure seeks to attend best practice in corporate governance. We believe that sound corporate governance is critical to enhance & retain stakeholders trust.

The Board of Directors represents the interest of the Company's stakeholders, for optimising long term value by way of providing necessary guidance and strategic vision to the Company. The Board also ensure that the Company's management and employees operate with highest degree of ethical standard. Corporate Governance is strongly driven by our values such as quality, commitment, customer orientation & integrity.

Board of Directors

The Company's Board comprises of 8 Directors (excluding one alternate Director) with a mix of executive/non-executive and promoter/independent directors. Out of total Board Members, Chairman is Non-Executive Promoter Director, Managing Director is Executive Promoter Director, two are Non-Executive Promoter Directors and other 4 are Non-Executive Independent Directors . The composition of Board complies with the requirements of the Corporate Governance code with 50% of the directors being non-executive Independent Directors.

The Board normally meets once in a quarter. Additional Meetings are held as and when required. During the year under review, Board of Directors of Hester met 5 times, viz 24 May, 2011, 19 July, 2011, 20 October, 2011, 4 February, 2012 & 11 February, 2012 and the 24th Annual General Meeting was held on 3 September, 2011. The gap between any two meetings did not exceed four months. The agenda papers along with notes and other supporting were circulated in advance of the Board Meeting with sufficient information as required under Clause 49 of the Listing Agreement.

The table below provides the composition of the Board, their attendance at Board Meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director & Designation & Age	Category & Nature of employment	Date of Appointment	No. of other Directorship Held In public companies in India	No. of other Board committees of which Member(M)/ Chairman(C)	Board meeting attended	Attendance at the last AGM	No. of Shares held & % holding (of the Company)
Dr. Bhupendra V Gandhi Chairman, 70 Years	Non Executive Non Independent Director	03/12/1992	0	0	1	No	465,098 8.20%
Mr. Rajiv Gandhi CEO & Managing Director 50 Years	Executive Non Independent Director - Contractual Employment	29/04/1987	1	0	5	Yes	558,606 9.85%
Mr. Sanjiv Gandhi Director 47 Years	Non Executive Non Independent Director	29/04/1987	1	0	2	Yes	446,480 7.87%
Mr. Darayus Lakdawalla Director 51 Years	Non Executive Independent Director	01/03/1990	1	0	2	Yes	15,720 0.28%
Mr. Ravin Gandhi Director 39 Years	Non Executive Non Independent Director	22/04/1999	0	0	–	No	268,880 4.74%
Mr. Vimal Ambani Director 51 Years	Non Executive Independent Director	01/02/2003	2	0	2	Yes	52,217 0.92%
Mr. Abhinava Shukla Director 67 years	Non Executive Independent Director	01/02/2003	0	0	4	Yes	–
Mr. Vishwesh Patel Director 35 Years	Non Executive Independent Director	23/05/2010	2	0	4	No	27,500 0.48%
Dr. Parimal Tripathi* 52 Years	Non Executive Non Independent Director	27/06/2003	0	0	–	No	–

*Alternate Director to Mr. Ravin Gandhi

- Notes:** 1. This number excludes the directorships/committee memberships held in private companies and also of the Company. Committee include Audit Committee and Shareholders' Grievance Committee as per Clause 49 of The Listing Agreement.
2. As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies & membership of board committees (audit/remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship, except Dr. Bhupendra V. Gandhi, Mr. Sanjiv Gandhi & Mr. Ravin Gandhi who are relative of Managing Director of the Company. Non-executive Directors have no transaction with the Company, except receiving sitting fees for attending Board Meetings. The details of sitting fees, commission and remuneration paid to each director appear later under the disclosure relating to Remuneration to Directors.

Details Of The Directors Seeking Appointment/Re-appointment In Forthcoming Annual General Meeting:

Name of Director	Mr. Darayus Lakdawalla	Mr. Sanjiv Gandhi	Mr. Rajiv Gandhi
Date of Birth	18.02.1961	15.03.1965	11.07.1962
Date of appointment	01.03.1990	29.04.1987	29.04.1987
Qualifications	F.G.A (London) B. Com	Graduate of Arts in inter disciplinary Science (U.S.A.)	B.Com Diploma in Marketing Management & Poultry Management
Expertise in specific functional areas	Financial Marketing	General Management	General Management
List of Co. in which Directorship held	1. Gujarat Credo Mineral Industries Limited	1. Biolink Healthcare Limited 2. Hester Diagnostics Private Limited	1. Biolink Healthcare Limited 2. Hester Diagnostics Private Limited 3. Sinsui India Private Limited 4. Caffil Private Limited 5. Hester Biosciences (Mauritius) Ltd. 6. Hester Biosciences Nepal Private Limited
Chairman/ Member of the Committees of the Board of Directors of the Co.	NiL	NIL	NIL
Chairman/ Member of the committees of Directors of other Co.	NIL	NIL	NIL

Code of Conduct

The Board of Directors has adopted the Code of Business Conduct and Ethics for the Directors and Senior Management. The said Code has been communicated to the Directors and the Members of the senior Management. All Board Members and Senior Managerial Personnel have affirmed compliance with the code of conduct for the year ended on 31 March, 2012. A declaration to this effect duly signed by CEO of the Company is attached herewith and forms part of Corporate Governance Report.

Audit Committee:

The Audit Committee comprises of 3 members. Mr. Vimal Ambani as the Chairman of the Committee and Mr. Abhinava Shukla & Mr. Vishwesh Patel as the Members. All members are Non-Executive Independent Directors.

The above composition meets all the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

During the year under review, 4 meetings were held on 24 May, 2011, 19 July, 2011, 20 October, 2011 and 4 February, 2012. The chairman of Audit Committee had attended last Annual General Meeting of the Company held on 3 September, 2011. The Audit Committee at its Meeting held on 24 May, 2011, reviewed the Annual Accounts for the year 2010-11 and recommended the accounts for approvals by the Board of Directors. The Audit Committee at its meeting held on 19 July, 2011, 20 October, 2011 and 4 February, 2012, reviewed the unaudited financial results for the quarter ended on 30 June, 2011, 30 September, 2011 and 31 December, 2011.

Details of attendance of members of the Audit Committee are as under:

Name	Designation	Attendance
Mr. Vimal Ambani	Chairman	2
Mr. Abhinava Shukla	Member	4
Mr. Vishwesh Patel	Member	4

Mr. Jigar Shah, CFO is a regular invitee and also acting as Secretary to the Audit Committee. Statutory Auditors are also invited in the Meeting.

Broad Terms of Reference

The broad terms of reference of the Committee as approved by the Board includes overseeing of the Company's financial reporting process, the appointment of statutory auditors and internal auditors, reviewing the quarterly and annual financial statements before submission to the Board for approval, compliance with listing and other legal requirements relating to financial statements, reviewing adequacy of the internal and internal audit function, etc.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with stock exchange or any other applicable law.

The Audit Committee has reviewed the Management Discussion and Analysis of financial condition and results of operations forming part of this Annual Report and other information as mentioned in Clause 49 (II)(E) of the Listing Agreement.

Shareholders' Grievance Committee :

The Shareholders' Grievance Committee as a committee of the Board has been constituted mainly to focus on the redressal of

Shareholders' / Investors' Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. The Shareholders' Grievance Committee comprises of 3 members, Mr. Abhinava Shukla as the Chairman of the Committee & Mr. Vishwesh Patel and Mr. Vimal Ambani as the Member. All members are Non-Executive Independent Directors.

During the year, 4 meetings were held on 24 May, 2011, 19 July, 2011, 20 October, 2011 and 4 February, 2012. During the year, the Company had received 2 complaints from the Shareholders. Both of them have been resolved and no complaint was pending as on 31 March, 2012.

Mr. Jigar Shah, CFO provides secretarial support to the Committee. The Company has appointed Mrs. Amala Parikh as a Company Secretary. She has been appointed as a designated Compliance officer.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchange and hence the handling of physical transfer of shares is minimal. The Board has delegated powers for approving transfer and transmission of shares and issue of duplicate shares to Share Transfer Committee. The Share Transfer Committee met 13 times during the year. The Company has no transfers pending at the close of the financial year.

The following table summarises the status of investor complaints received during the period. These were attended within a reasonable period of time

Sr. No.	Nature of Complaints / Requests	Opening as on 01-04-11	Received	Resolved	Pending as on 31-03-12
1.	Non-receipt of Dividend warrant	–	2	2	–
2.	Non-receipt of Annual Reports / Sticker	–	–	–	–
3.	Non-receipt of shares after transfer / Rights Shares	–	–	–	–
4.	Letters received from SEBI / ROC / Stock Exchanges	–	–	–	–
5.	Others – Demat Credit	–	–	–	–
	Total	–	2	2	–

Remuneration Committee :

The Remuneration Committee as a committee of the Board has been constituted mainly to determine and recommend to Board, the Company's policies on remuneration packages for executive and non- executive directors. The Remuneration Committee comprises of 3 members, Mr. Vishwesh Patel as the Chairman of the Committee & Mr. Vimal Ambani & Mr. Abhinava Shukla as the Members.

One meeting was held as on 20 October, 2011, in which re-appointment of Mr. Rajiv Gandhi with revised terms and condition was recommended for Board's approval. This meeting was attended by Mr. Vishwesh Patel, the Chairman and Mr. Abhinava Shukla as member.

The Company pays remuneration to its Managing Director by way of Salary, Perquisites and Allowances, as approved by the members in general meeting. Non- executive Directors have no transaction with the Company, except receiving sitting fees for attending Board Meetings and Audit Committee Meetings. The Company does not pay any severance fees. The details of remuneration paid to directors are provided below in this report under the head Remuneration to Directors.

Remuneration to Directors :

Name of Director	Designation	Remuneration (including perquisites) paid ₹	Sitting Fees paid ₹	Commission paid ₹	Total Remuneration ₹
Dr. Bhupendra V. Gandhi	Chairman	NIL	5,000/-	NIL	5,000/-
Mr. Rajiv Gandhi	CEO & Managing Director	3,449,487/-	NIL	NIL	3,449,487/-
Mr. Sanjiv Gandhi	Director	NIL	5,000/-	NIL	5,000/-
Mr. Darayus Lakdawalla	Director	NIL	5,000/-	NIL	5,000/-
Mr. Ravin Gandhi	Director	NIL	NIL	NIL	NIL
Mr. Vimal Ambani	Director	NIL	15,000/-	NIL	15,000/-
Mr. Abhinava Shukla	Director	NIL	30,000/-	NIL	30,000/-
Dr Parimal Tripathi	Alternate Director	NIL	NIL-	NIL	NIL
Mr. Vishwesh Patel	Director	NIL	30,000/-	NIL	30,000/-
Total		3,449,487/-	90,000/-	NIL	3,539,487/-

Subsidiary Company:

Hester Biosciences (Mauritius) Limited is the wholly owned subsidiary of the Company and Hester Biosciences Nepal Private Limited is subsidiary of Hester Biosciences (Mauritius) Limited as on 31 March, 2012. Both are non - material non-listed subsidiary Companies. The Audit Committee reviews the financial statements, particularly, the investments made in subsidiary Companies. Minutes of the Wholly Owned subsidiary Company is being placed before the Board for its review. The Board also reviews the accounts of the said Subsidiary Company on regular basis.

Other Compliances:

The Company has no materially significant related party transactions with its promoters, the directors or the management or relatives etc. that may have potential conflicts with the interests of the Company at large.

For details about related parties transactions, see Note No. 35 of Notes on Accounts of balance sheet of the Company.

There were no instances of non-compliance or Penalties, imposed on the Company by the Stock Exchange/(s) or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years.

In preparation of the financial statements, the Company has followed the Accounting Standards issued by ICAI. The significant accounting policies which are consistently applied have been set out in the Notes to the Accounts.

Business risk evaluation and management is an ongoing process within the Organisation. A detailed exercise on the Business Risk Management is yet to be carried out covering all aspects of business operations.

During the Financial Year, the Company has fully utilised an amount of ₹ 65,760,000/-, which was raised through issuance of 480,000 Equity Shares of ₹ 10/- each at a premium of ₹ 127/- per share to Promoters/Non-promoters on a preferential basis, by converting Equity Warrants into Shares as on 11 February, 2012.

The Management Discussion and Analysis Report have been separately given in this Annual Report as required under clause 49 of the Listing Agreement.

The Company has already appointed Mr. Rajiv Gandhi, as CEO & Managing Director and Mr. Jigar Shah, as CFO of the Company. Certification from the both was placed as a part of good Corporate Governance practice in the Annual Accounts of FY 2011-12.

General Body Meetings :

Details of the last three Annual General Meetings are as under :

AGM	Date	Time	Venue	No. of special Resolutions passed
22nd AGM	18 August, 2009	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana, Gujarat 382 721	1 (One)
23rd AGM	28 July, 2010	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana, Gujarat 382 721	1 (One)
24th AGM	3 September, 2011	11.00 a.m.	Village : Merda Adraj Taluka : Kadi Dist : Mehsana, Gujarat 382 721	0

At the AGM held on 18 August, 2009, special resolution was passed for re-appointment of Mr. Rajiv Gandhi, as CEO & Managing Director of the Company as per section 198,269 and other applicable provisions of the Act. At the AGM held on 28 July, 2010, One Special Resolution was passed, for allotment of 480,000 warrants per section 81(1A) and other applicable provisions of the Act.

The special resolutions indicated above were passed by show of hands.

Postal Ballot:

The Company has not passed any resolution through postal ballot during the year under reference. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed through Postal Ballot.

CEO/CFO Certification:

The Company is duly placing a certificate to the Board from the CEO & Managing Director and Chief Financial Officer in accordance with the provisions of Clause 49(V) of the Listing Agreement. The aforesaid certificate duly signed by the CEO & Managing Director and Chief Financial Officer in respect of the financial year ended 31 March, 2012 has been placed before the Board and given elsewhere in this Annual Report.

Means of Communication:

During the year, quarterly, half-yearly and annual financial results of the Company were submitted to the stock exchanges immediately after the conclusion of the Board meetings and were also published in any two newspapers namely, in Business Standard (English) and Economics Times (English & Gujarati). These results are also put on the Company's website: www.hesterbiosciences.co.in.

The Company also informs by way of intimation to the stock exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters.

Shareholders' Information :

Plant : Village: Merda Adraj
Taluka : Kadi
Dist : Mehsana, Gujarat 382 721

Registered Office : 'Pushpak' 1st Floor
Panchvati Circle, Motilal Hirabhai Road, Ahmedabad 380 006.
Phone : 079 – 26445107, Fax : 079 – 26445105
E-mail : mail@hester.in
Website : <http://www.hester.in>

Branches:**Coimbatore**

No.18, Ashok Layout,
Civil Aerodrome Post,
Sitra, Coimbatore - 641 014.

Hyderabad

House No.7-4-10/3, Yesodara Nagar,
Opp. Medicare Hospital,
Sagar Ring Road, L.B.Nagar, Hyderabad - 500 074

Bangalore

No 14, 4th Main, 4th block, 1st Stage,
Near Indian Academy College,
Opp Regency Magnum Apartment,
Hennur Main Road, HBR Layout,
Kalyanagar Post, Bangalore 560043.

Pune

Gat No.1313, Near Sriram Warehousing,
Pune-Saswad Road,
At.Post.Wadki, Tal. Haweli,
Dist. Pune-412308
Maharashtra (India)

Panchkula

DSS-25 Sector-12 Panchkula
Near Yadav Bhawan.
Panchkula -134109 (Haryana)

Date, Time, Venue of Annual General Meeting :

The 25th Annual General Meeting of the members of the company is scheduled to be held on Friday, the 14 September, 2012 at 11.00 a.m. at Ahmedabad Textile Mills' Association Hall (ATMA Hall), Ashram Road, Navrangpura, Ahmedabad 380 009. All the members are invited to attend the meeting.

The Members / Proxies who intend to attend the meeting are requested to bring the Attendance slip sent herewith duly filed in to the meeting.

Financial Calendar :

■ **Financial year 2011-12 (1 April, 2011 to 31 March, 2012) Results were announced on**

- | | |
|--------------------|---|
| - 19 July, 2011 | - First Quarter |
| - 20 October, 2011 | - Half year |
| - 4 February, 2012 | - Third quarter |
| - 15 May, 2012 | - Fourth quarter and annual (unaudited) |

■ **Financial year 2012-13 (1 April, 2012 to 31 March, 2013) Results will be announced on**

- | | |
|--------------------------------|--|
| - Second week of August 2012 | - First quarter and annual for F.Y. 2011-12(audited) |
| - First week of November, 2012 | - Half year |
| - First week of February 2013 | - Third quarter |
| - Last week of May 2013 | - Fourth quarter and annual (audited) |

■ **Record Date: Tuesday, the 28 August, 2012.**

Annual General Meeting: Friday, 14 September, 2012 at 11.00 a.m.

Details of Shares

Types of shares	: Equity Shares
No. of paid up shares	: 56,71,200
Market lot of shares	: 1 share

Stock Code

Name of Stock Exchange	Code no.
Mumbai Stock Exchange	524669

Listing

The Company's shares are listed and traded on Bombay Stock Exchange of India (BSE) at Mumbai. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2012-2013.

Stock Data : Monthly share price data on BSE for the financial year 2011-12 is as under :

Month	High (₹)	Low (₹)	Average (₹)	Volume (No. of shares)
April 2011	149.40	115.10	132.25	18,436
May 2011	130.50	120.00	125.25	15,323
June 2011	132.90	121.15	127.03	4,188
July 2011	127.75	116.30	122.03	23,022
August 2011	125.00	108.10	116.55	35,514
September 2011	126.00	105.55	115.78	11,746
October 2011	119.00	105.00	112.00	8,047
November 2011	118.35	100.55	109.45	6,582
December 2011	112.00	92.55	102.28	9,485
January 2012	119.40	101.35	110.38	14,404
February 2012	144.40	115.50	129.95	26,291
March 2012	135.00	121.10	128.05	25,434

Shares held in Physical and Dematerialised Form :

The Company's shares are compulsorily traded in dematerialised mode. As on 31 March, 2012, 91.71% shares were held in dematerialised form and balance 8.29% shares were held in physical form. Those shareholders whose shares are held in physical form are requested to dematerialised the same at the earliest in their own interest. The demat security code (ISIN) for the equity shares is INE782E01017

Distribution of Shareholding (as on 31 March, 2012)

a. On the basis of Shares held

No. of Equity Shares held (Range)	No. of shareholders	Percentage to total share-holders	No. of Shares held	Percentage to total shares held
Up to 500	3,000	88.92	366,758	6.47
501 – 1000	127	3.76	103,148	1.82
1001 – 2000	77	2.28	116,089	2.05
2001 – 3000	30	0.89	79,789	1.41
3001 – 4000	29	0.86	104,602	1.84
4001 – 5000	10	0.30	4,6061	0.81
5001 – 10000	33	0.98	224,710	3.96
10001 – 20000	24	0.71	350,404	6.18
Above 20000	44	1.30	4,279,639	75.46
Total	3,374	100.00	5,671,200	100.00

b. On the basis of Category

Sr.	Description	No. of members		No. of shares	
		Nos.	%	Nos.	%
A	Promoters Holding				
	Directors & Relatives	23	0.68	2,801,064	49.39
	Promoters' Companies	4	0.12	241,892	4.27
B	Non Promoter Holding				
	Resident Individual (incl. HUF)	3,223	95.52	2,018,723	35.60
	Non Resident Individual	32	0.95	360,873	6.37
	Mutual Fund, Nationalised Bank etc.	3	0.09	9,000	0.16
	Foreign Institutional Investor	1	0.03	20,815	0.36
	Domestic Companies	82	2.43	212,851	3.75
	Clearing Members and House/others	6	0.18	5,982	0.10
	Total:	3,374	100.00	5,671,200	100.00

Share Transfer System :

Applications for transfer of shares in physical form are processed by the Company's Registrar & Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd. The Share Transfer Committee constituted for transfer / transmission of shares, issue of duplicate shares and allied matters. The Committee considers and approves the share transfer once in fortnight subject to transfer instrument being valid and complete in all respects.

The Company has obtained half yearly certificates from Company Secretary in Practice for compliance of share transfer formalities as per the requirement of Clause 47(c) of the Listing Agreement with Stock Exchange. The Company has also carried out Quarterly Secretarial Audit for the reconciliation of Share Capital as required under SEBI circular no. 16 dated 31 December, 2002.

Pan Requirement for Transfer of Shares in Physical Form

The Securities & Exchange Board of India (SEBI) has mandated the submission Permanent Account Number (PAN) for securities market transactions & off market/private transactions

involving Transfer of Shares in Physical Form of Listed Companies. Therefore it shall be mandatory for the transferee(s) to furnish a copy of the PAN Card to the Company/Registrar & Share Transfer Agents for Registration of such transfers. Members/Investors are therefore requested to make note of the same & submit their PAN Card copy to the Company/ Registrar & Share Transfer Agents.

Details of Dividend

The Board of Directors has recommended Dividend @ Re.1/- per share (10%) for financial year 2011-2012, as compared to @ ₹ 3.50 per share (35%) for last year. The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:

- (i) to those members whose names are on the Register of Members on 28 August, 2012 or to their mandates.
- (ii) in respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) at the end of business hours on 28 August, 2012.

Details of Unclaimed Dividend

Accounting year	Date of declaration of dividend	Dividend payment %	Amount (in ₹)	Expected date of transfer of unclaimed dividend of IEPF
2005-06	14 July, 2006	15	285,687/-	19 August, 2013
2006-07	11 September, 2007	20	214,208/-	17 October, 2014
2007-08	28 August, 2008	25	257,415/-	3 October, 2015
2008-09	18 August, 2009	25	627,145/-	23 September, 2016
2009-10	28 July, 2010	30	377,925/-	2 September, 2017
2010-11	3 September, 2011	35	397,646/-	9 October, 2018

Outstanding GDRs/ADRs/Warrants/Any other Convertible Instruments

The Company does not have any outstanding instruments of the captioned type.

Nomination Facility

It is in the interest of the shareholders to appoint nominee for their investments in the Company. Those members who are holding shares in physical mode and has not appointed nominee or want to change the nomination, are requested to send us nomination form duly filed in and signed by all the joint holders.

Change in Shareholders details In case you are holding your shares in dematerialised form (e.g. in electronic mode), communication regarding change in address, bank account details, change in nomination, dematerialisation of your share certificates or other inquiries should be addressed to your DP where you have opened your Demat Account, quoting your

client ID number. In case of physical holding of shares, any communication for change of any details should be addressed to our R&T agent of the Company M/s. Sharepro Services (India) Pvt. Ltd., as per address mentioned below.

Investors Communication

Share Transfers / Dematerialisation or other queries relating to Shares of the Company should be addressed to :

M/s. Sharepro Services (India) Pvt. Ltd.

Unit : Hester Biosciences Limited

416-420 4th Floor, Devnandan Mall

Opp. Sanyash Ashram, Ashram Road, Ellisbridge

Ahmedabad-380006

Ph. 079 – 26582381 to 84

Fax : 079 – 26582385

e-mail: sharepro@shareproservices.com

investor@hesterbiosciences.co.in

Declaration Under Code of Conduct

As required under Clause 49(l)(D) of the Listing Agreement, it is hereby affirmed that all the Board Members and Senior Management Personnel have complied with Code of Conduct of the Company. The Company has obtained confirmation for the compliance of Code of Conduct from the Board Members and Senior Management Personnel on an annual basis

Ahmedabad
14.8.2012

Rajiv Gandhi
CEO & Managing Director

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Mr. Rajiv Gandhi, Chief Executive Officer & Managing Director and Mr. Jigar Shah, Chief Financial Officer of Hester Biosciences Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and Loss account, its schedule and notes to the accounts and cash flow statements for the year ended 31 March, 2012 and that to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statement together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards , applicable laws and regulations.
2. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept the responsibilities for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee
 - a. significant change in internal control over financial reporting during the year.
 - b. significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
 - c. instances of significant fraud of which we have become aware and involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Ahmedabad
14.8.2012

Rajiv Gandhi
Chief Executive officer &
Managing Director

Jigar Shah
Chief Financial Officer

Corporate Governance Compliance Certificate

Registration No. : L99999GJ1987PLC022333

Nominal Capital: ₹ 65,000,000/-

To,
The Members of
Hester Biosciences Limited

In accordance with Clause 49 of the Listing Agreement entered into by Hester Biosciences Limited with the Stock Exchange, I have examined all the relevant records of the Company relating to its compliance of conditions of Corporate Governance as stipulated in revised Clause 49, for the financial year ended on 31 March, 2012.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and the re-presentations made by the Directors and the Management, I certify that the Company has complied with the mandatory conditions of Corporate Governance as stipulated in abovementioned Listing Agreement, except that :

- the formal Risk Management Policy should be adopted by the Board, covering detail area of risk involved in the organisation
- the Code of Conduct & Quarterly Financial Results are yet to be placed on website of the Company.

I further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Ahmedabad

Date : 14.8.2012

Name of Company Secretary : TAPAN SHAH

Membership No. : FCS4476

C. P. Number : 2839

Auditors' Report

To

The Members of HESTER BIOSCIENCES LIMITED.

1. We have audited the attached Balance Sheet of Hester Biosciences Ltd. as at 31 March, 2012 and also the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the order"), as amended, issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii. The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply, in all material respects, with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - v. On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the statement on Significant Accounting Policies and Notes to the financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India;
 - a. in the case of the Balance sheet, of the state of affairs of the Company as at 31 March, 2012;
 - b. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For SHAH NARIELWALA & CO

Chartered Accountants

[FRN: 109708W]

(Naishadh H. Shah)

Partner

Place : Ahmedabad

Date : 14 August, 2012

Member ship No: 042323

Annexure to Auditors' Report

Annexure to the Auditors' Report referred to in Paragraph-3 of our report of even date

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government under section 227(4A) of the Companies Act, 1956 and in terms of the information and explanations given to us and also on the basis of such checks as we considered appropriate, we further report that:

- 1) In respect of its fixed assets:
 - i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - ii) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - iii) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- 2) In respect of its inventories:
 - i) The inventory has been physically verified during the year as also at the end of the year by management. In our opinion, the frequency of verification is reasonable.
 - ii) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - iii) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3) In respect of loans granted or taken to / from companies, firms or other parties in the Register maintained under Section 301 of the Companies Act, 1956:
 - i) The Company has granted interest free loans to two Companies listed in the register maintained under Section 301 of the Companies Act, 1956. Outstanding balance of loans granted at the year end was ₹ 2,036,444/- (₹ 1,069,829/-). Maximum outstanding at any time during the year of loans granted was ₹ 2,142,799/- (₹ 1,088,557/-).
 - ii) In our opinion and according to the information and explanations given to us, terms and conditions on which interest free loans have been granted to companies / other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
 - iii) The interest free loans granted by the Company are repayable on demand.
 - iv) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, paragraphs (iii) (e) to (g) of the Order are not applicable to the Company.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal controls system.
- 5) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956; to the best of our knowledge and belief and according to the information and explanation given to us:
 - i) We are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - ii) There are no transactions, which are made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and are exceeding the value of rupees five lakhs in respect of any party during the year.
- 6) The Company has not accepted any deposits from the public.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account, relating to materials and other items of cost maintained by the Company in respect of product where pursuant to the rules made by the Central Government, the maintenance of Cost Records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. The same have been examined and audited by an independent cost accountant.

- 9) In respect of statutory and other dues :
- i) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor Education and Protection Fund, Employees' state insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it, during the year.
 - ii) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth-tax, sales-tax, customs duty, excise duty and cess were outstanding, as at 31 March, 2012 for a period of more than six months from the date they became payable.
 - iii) According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, wealth tax, excise duty, service tax or cess that have not been deposited with appropriate authority on account of dispute.
- 10) The Company does not have accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003(as amended) is not applicable to the Company.
- 14) The Company is not dealing or trading in shares, securities, debentures and other investments.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institution.
- 16) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- 18) During the year company allotted Equity Shares to parties and companies covered in the register maintained under section 301 of the Act, by conversion of equity warrants preferentially allotted to such parties and companies in the immediate preceding previous year at a price not prejudicial to the interest of the Company.
- 19) During the period covered by our audit report, the Company has not issued any debentures.
- 20) The Company has not raised money through a public issue during the year. Accordingly clause 4(xx) of the order is not applicable.
- 21) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **SHAH NARIELWALA & CO**
Chartered Accountants
 [FRN: 109708W]

(Naishadh H. Shah)
Partner

Place : Ahmedabad

Date : August 14, 2012

Member ship No: 042323

Balance Sheet as at 31 March, 2012

(Figures in `)

Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a) Share Capital	3	56,712,000	51,912,000
b) Reserves and Surplus	4	543,783,551	411,502,921
c) Money received against share warrants	5	-	16,440,000
		600,495,551	479,854,921
2) Non-Current Liabilities			
a) Long-term borrowings	6	12,886,452	35,092,824
b) Deferred tax liabilities (Net)	7	24,479,981	25,458,127
		37,366,433	60,550,951
3) Current Liabilities			
a) Short-term borrowings	8	127,315,810	147,852,792
b) Trade payables	9	40,035,400	33,261,424
c) Other current liabilities	10	42,137,611	47,090,078
d) Short-term provisions	11	72,109,548	48,654,916
		281,598,369	276,859,210
Total		919,460,353	817,265,082
II. ASSETS			
1) Non-current assets			
a) Fixed assets	12		
i) Tangible assets		364,424,305	390,231,651
ii) Intangible assets		902,026	1,482,969
iii) Capital work-in-progress		63,039,076	444,537
b) Non-current investments	13	25,000,000	25,000,000
c) Long term loans and advances	14	30,002,305	25,090,831
		483,367,712	442,249,988
2) Current assets			
a) Inventories	15	275,627,570	226,797,004
b) Trade receivables	16	143,636,306	132,172,932
c) Cash and cash equivalents	17	11,934,130	9,087,330
d) Short-term loans and advances	18	4,894,635	6,957,828
		436,092,641	375,015,094
Total		919,460,353	817,265,082
Significant Accounting Policies	2		

Accompanying notes form part of financial statement

As per our report of even date attached.

For Shah Narielwala & Co.

Chartered Accountants

FRN: 109708W

For & on behalf of Board

 Naishadh H. Shah
Partner
 Membership No.: 42323

 Rajiv Gandhi
CEO & Managing Director

 Sanjiv Gandhi
Director

 Jigar Shah
CFO

 Amala Parikh
Company Secretary

 Place : Ahmedabad
 Date : August 14, 2012

 Place : Ahmedabad
 Date : August 14, 2012

Statement of Profit and Loss for the year ended 31 March, 2012

(Figures in ₹)

Particulars	Note No.	Year ended 31 March, 2012	Year ended 31 March, 2011
I. Revenue from operations	19	482,634,161	419,714,423
II. Other Income	20	2,439,389	1,313,608
III. Total Revenue (I +II)		485,073,550	421,028,031
IV. Expenses:			
Cost of materials consumed	21	119,212,727	113,757,012
Purchase of Stock-in-Trade		6,719,552	1,890,902
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	(51,448,792)	(54,585,483)
Employee benefit expense	23	68,680,848	58,193,293
Financial costs	24	28,269,427	25,276,435
Depreciation and amortisation expense	25	41,234,108	44,779,212
Other expenses	26	150,387,537	119,878,666
IV. Total Expenses		363,055,407	309,190,037
V. Profit before tax (III - IV)		122,018,143	111,837,994
VI. Tax expense:			
1) Current tax		45,000,000	40,000,000
2) Income Tax of Earlier Years		84,447	(3,032,280)
3) Deferred tax		(978,145)	(1,090,183)
VII. Profit for the period (V-VI)		77,911,841	75,960,457
VIII. Earning per equity share:			
1) Basic & Diluted		13.74	14.63
Significant Accounting Policies	2		

Accompanying notes form part of financial statement

As per our report of even date attached.

For **Shah Narielwala & Co.**

Chartered Accountants

FRN: 109708W

For & on behalf of Board

Naishadh H. Shah

Partner

Membership No.: 42323

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Jigar Shah

CFO

Amala Parikh

Company Secretary

Place : Ahmedabad

Date : August 14, 2012

Place : Ahmedabad

Date : August 14, 2012

Cash Flow Statement for the year ended 2011-12

(Figures in ₹)

Particulars	31 March, 2012		31 March, 2011	
A: CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax as per Statement of Profit and Loss		122,018,143		111,837,994
Adjustments for:				
Depreciation	41,234,108		44,779,212	
Interest & Other Income	(1,332,790)		(957,435)	
Profit on sale of Fixed Aset	(430,000)		-	
Interest & Finance Charges	28,269,427	67,740,745	25,276,435	69,098,212
Operating Profit before Working Capital Change		189,758,888		180,936,206
Adjustments for:				
Trade and Other Receivables	(11,463,374)		(22,014,662)	
Inventories	(48,830,566)		(57,180,750)	
Trade Payables & Other Liabilities	7,337,689		10,533,743	
Loans & Advances	(2,848,281)	(55,804,532)	(11,328,172)	(79,989,841)
Cash generated from Operating Activity		133,954,356		100,946,365
Payment of Taxes		(7,274,973)		(24,889,640)
Net Cash from Operating Activity		126,679,383		76,056,725
B. CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets		(15,924,828)		(42,071,850)
Sale of Fixed Assets		1,550,000		4,273,087
Capital W.I.P. & Live Stock Addition		(62,635,530)		(778,057)
Change in Creditors for Capital Expense		2,147,518		538,542
Investment in Subsidiary Company		-		(25,000,000)
Interest & Other Income		1,332,790		957,435
Net Cash used in Investing Activities		(73,530,050)		(62,080,843)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Issue of Share Warrants		49,320,000		16,440,000
Proceeds/ (Repayment) of Long Term Borrowings		(29,625,793)		(17,372,454)
Short Term Bank Borrowings (Net)		(20,536,982)		29,130,435
Dividend Paid		(18,172,654)		(14,794,575)
Dividend Distribution Tax Paid		(3,017,677)		(2,586,580)
Interest paid		(28,269,427)		(25,276,435)
Net Cash Flow from Financing Activity		(50,302,533)		(14,459,609)
Net Increase in Cash & Cash Equivalents		2,846,800		(483,727)
Cash & Cash Equivalent as at (Op Balance)		9,087,330		9,571,057
Cash & Cash Equivalent as at (Cl Balance)		11,934,130		9,087,330
For Significant Accounting Policy Refer Note 2				

As per our report of even date attached.

 For **Shah Narielwala & Co.**
Chartered Accountants

FRN: 109708W

Naishadh H. Shah
Partner

Membership No.: 42323

Rajiv Gandhi
CEO & Managing Director
Jigar Shah
CFO
Sanjiv Gandhi
Director
Amala Parikh
Company Secretary

Place : Ahmedabad

Date : August 14, 2012

Place : Ahmedabad

Date : August 14, 2012

Notes to Financial Statements for the year ended 31 March, 2012

Note 1 CORPORATE INFORMATION

Hester Biosciences Limited (the 'Company') is a public limited company domiciled in India and listed on Bombay Stock Exchange (BSE). The Company is engaged in manufacturing of Poultry vaccines having its manufacturing set up at Merda Adraj village, Mehsana District, Gujarat. Company is also engaged in trading of Poultry Vaccines.

The Company has its subsidiary namely Hester Biosciences (Mauritius) Limited, Mauritius which is considered in these Consolidated Financial Statements.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

a) ACCOUNTING CONVENTION:

The accompanying consolidated financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of current – non current classification of assets and liabilities.

b) USE OF ESTIMATES:

The preparation of consolidated financial statements in conformity with GAAP requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future period.

c) REVENUE RECOGNITION:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

Revenue from sale of products is recognised on dispatch or appropriation of goods in accordance with the terms of sale and rewards of ownership have passed to the buyer. Sale of goods is recorded net of trade discounts, rebates, VAT/Sales Tax and excise duty.

Interest income is recognised on a time proportion basis considering the amount outstanding and applicable interest rate.

d) FIXED ASSETS & DEPRECIATION / AMORTISATION:

Fixed assets are stated at historical cost less accumulated depreciation. Costs include expenditure directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised as part of the cost.

Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

Cost of fixed assets not ready for use before the balance sheet date is disclosed as capital work-in-progress. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date is disclosed under long term loans and advances.

Depreciation on assets acquired and used in old project is being calculated on Straight Line method basis and on assets acquired for new project (commissioned during March'2007) is calculated on Written Down Value Method basis.

e) IMPAIRMENT OF ASSET:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount.

Notes to Financial Statements for the year ended 31 March, 2012

Note 2 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

f) INVENTORIES:

Inventories are valued at lower of cost or market value.

Cost of work-in-progress and finished goods are ascertained considering direct costs plus a share of manufacturing overheads. Cost of raw materials and packing materials is arrived at, by using FIFO Method.

g) INVESTMENTS:

Non-current investments are stated at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of investment, if any.

Current investments are carried at lower of cost and fair value determined on an individual investment basis.

h) BORROWING COSTS:

Cost of borrowed funds directly attributable to the acquisition or construction of qualifying assets has been capitalised and included in the cost of fixed assets till such assets are ready to be put to use. Other borrowing costs are recognised as expenses in the period in which they are incurred.

i) FOREIGN CURRENCY TRANSACTIONS:

- i) Foreign currency transactions are recorded at the exchange rates prevailing at the time of the transaction.
- ii) Monetary items representing assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates prevailing on balance sheet date.
- iii) Investments in equity capital of company registered outside India are carried in the Balance Sheet at the rates prevailing on the date of transaction.

j) RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged against the Profit for the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to the fixed assets and is depreciated on the same basis as other fixed assets.

k) PROVISION FOR RETIREMENT BENEFITS:

Post-employment benefit plans

i) Defined Contribution Plan:

Contribution for provident fund are accrued in accordance with applicable Statutes and deposited with the Regional Provident Fund Commissioner.

ii) Defined Benefit Plan:

The liabilities in respect of gratuity and leave encashment are determined Using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit & loss for the period in which they occur.

Contributions in respect of gratuity are made to the Group Gratuity Scheme with Life Insurance Corporation of India. Employee benefits recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for Unrecognised past service cost and as reduced by the fair value of respective fund.

l) EARNING PER SHARE:

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share the net profit for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Notes to Financial Statements for the year ended 31 March, 2012

Note 2 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

m) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents for the purpose of cash flow statement comprise cash on hand and balance at Bank including fixed deposits with an original maturity period of less than three months and short term investments with an original maturity of three months or less.

n) TAXATION:

i. Current Tax:

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

ii. Deferred Tax Provision:

Deferred Tax charge or credit is recognised on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. It is calculated using the applicable tax rates and tax laws that have been enacted by the balance sheet date. The deferred tax assets is recognised and carried forward only to the extent that there is reasonable certainty that the asset will be realised in future. At each Balance-sheet date, recognised and unrecognised Deferred Tax Assets are reviewed.

Note 3 SHARE CAPITAL

(Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
AUTHORIZED CAPITAL		
6,500,000 (P.Y. 6,500,000) Equity Shares of ₹ 10/- each.	65,000,000	65,000,000
	65,000,000	65,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
5,671,200 (P.Y. 5,191,200) Equity Shares of ₹10/-each fully paid up	56,712,000	51,912,000
Total	56,712,000	51,912,000

Note 3.1 The Reconciliation of the number of shares outstanding is set out below:

Equity Shares at the beginning of the year	5,191,200	5,191,200
Add: conversion of warrants into shares(Refer Note 34)	480,000	-
Outstanding at the end of the year	5,671,200	5,191,200

Note 3.2 Rights, Preferences and Restriction attached to Shares:

Share capital of the Company consists of one class of equity shares having a Par value of ₹10/- Per Share. Each holder of equity share is eligible for one vote per share held. The dividend proposed by the Board of Director is subject to the approval of the Shareholders in the ensuing Annual General Meeting except Interim Dividend.

In the event of liquidation the equity Shareholders are eligible to receive the remaining Asset of the Company after distribution of all preferential amounts, in proportion to their Shareholding.

Note 3.3 The details of shareholders holding more than 5% shares

(Figures in ₹)

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares	% held	No. of Shares	% held
Rajiv Gandhi	558,606	9.85	503,606	9.70
Dr. Bhupendra V. Gandhi	465,098	8.20	304,010	5.86
Nina Gandhi	460,560	8.12	419,560	8.08
Sanjiv Gandhi	446,480	7.87	391,480	7.54
Ravin Gandhi	-	-	268,880	5.18
Bela Gandhi	-	-	267,090	5.15

Notes to Financial Statements for the year ended 31 March, 2012

Note 4 RESERVE & SURPLUS		(Figures in ₹)	
Particulars	As at 31 March, 2012		As at 31 March, 2011
General reserve			
As per Last Balance Sheet	180,000,000		160,000,000
Add: Transferred from Statement of Profit and Loss	40,000,000	220,000,000	20,000,000
Securities Premium			
As per Last Balance Sheet	114,107,105		114,107,105
Add: On issue of shares	60,960,000	175,067,105	
Surplus- Statement of Profit & Loss			
As per Last Balance Sheet	117,395,816		82,622,236
Add: Profit for the year	77,911,841		75,960,457
		195,307,657	158,582,693
Less: Appropriations			
- Proposed Dividend	5,671,200		18,169,200
- Dividend Tax	920,011		3,017,677
- Transferred to General Reserve	40,000,000		20,000,000
		148,716,446	117,395,816
Total		543,783,551	411,502,921

Note 5 MONEY RECEIVED AGAINST SHARE WARRANTS

Nil(P.Y. 480,000) Equity Warrants		-	16,440,000
Total		-	16,440,000

Note 5.1

Each warrant carry option to be convertible into 1 number of equity share of ₹ 10/- each within 18 months from the date of allotment of warrants at a price of ₹ 137/-per share.

Note 6 LONG TERM BORROWINGS

Term Loan			
- From Bank		9,873,434	30,174,252
Hire Purchase Loans			
- From Bank		2,864,958	3,893,112
- From Other Parties		148,060	1,025,460
Total		12,886,452	35,092,824

Notes to Financial Statements for the year ended 31 March, 2012

Note 6 LONG TERM BORROWINGS (Contd.)

Note 6.1 Repayment terms and security offered for the loans are set out as below:

Particulars and security offered	Rate of Interest	Terms of repayment	Repayable in	
			Number of installments	Each installment of ₹
BOI Loan No. 0006 is secured against mortgage of Office building and furniture/fixtures	14.5% ^	Quarterly	20	1150000
ICICI Bank Loan is secured by hypothecation of specific vehicle/car	10.03%	Monthly	60	53140*
Kotak Mahindra Bank Ltd. Is secured by hypothecation of specific vehicle/car	11.15%	Monthly	48	19750*
HDFC Bank loan is secured by hypothecation of specific vehicle/car	11.15%	Monthly	60	16200*
Fed. Bank Fin. Loan is secured by hypothecation of specific vehicle/car	9.18%	Monthly	48	57000*
Fed. Bank Fin. Loan is secured by hypothecation of specific vehicle/car	9.81%	Monthly	60	12300*
Fed. Bank Fin. Loan is secured by hypothecation of specific vehicle/car	11.47%	Monthly	36	13614*
Reliance Consumer Finance loan is secured by hypothecation of specific vehicle/car	14.50%	Monthly	60	12550*
Reliance Consumer Finance loan is secured by hypothecation of specific vehicle/car	12.63%	Monthly	48	10778*
Reliance Consumer Finance loan is secured by hypothecation of specific vehicle/car	12.63%	Monthly	48	27216*

^ Interest rate on loan is varying, which is linked to base rate of Bank, from time to time.

* Installment includes interest.

Note 7 DEFERRED TAX LIABILITIES (NET)

(Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
Deferred Tax Liabilities		
- Gratuity (Advance)	444,942	11,292
- Excess of Net Block over Written Down Value as per provision of I.T. Act	24,480,356	25,827,937
Total Deferred Tax Liabilities(A)	24,925,298	25,839,229
Deferred Tax Assets		
- Claim U/s 43B of I.T. Act, 1961	445,317	381,102
Total Deferred Tax Assets (B)	445,317	381,102
Net Deferred Tax Liabilities (A-B)	24,479,981	25,458,127

Note 8 SHORT TERM BORROWINGS (Secured)

(Figures in ₹)

Loan Repayable on Demand		
- From Bank- Cash Credit ^	127,315,810	147,852,792
Total	127,315,810	147,852,792

Note 8.1

BOI-CC 5102 and BOI- STAR Channel A/c are secured by hypothecation of stocks.

BOI-CC 5103 is secured by hypothecation of book debts.

Interest rates on Loans are varying, which are linked to base rate of Bank, from time to time.

Notes to Financial Statements for the year ended 31 March, 2012

Note 9 TRADE PAYABLES
(Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
Trade Payables(Refer Note 33 for details of due to Micro, Small & Medium Enterprises as defined under MSMED Act, 2006)	40,035,400	33,261,424
Total	40,035,400	33,261,424

Note 10 OTHER CURRENT LIABILITIES

Current Maturities of Long Term Borrowings		
- Term Loans	20,300,818	27,291,827
- Hire Purchase Loans	2,581,615	3,010,027
Unclaimed Dividends	2,347,131	2,350,585
Advance from Debtors	668,785	1,142,931
Creditors for Capital expense	5,869,706	3,722,188
Duties and Taxes	6,903,054	4,559,684
Other Liabilities	3,466,502	5,012,836
Total	42,137,611	47,090,078

Note 11 SHORT TERM PROVISIONS

Provision For Employees Benefit		
Leave Encashment	1,388,027	1,147,206
Others		
Proposed Dividend	5,671,200	18,169,200
Tax on Dividend	920,011	3,017,677
Provision for Tax (Net of Advance Tax)	64,130,310	26,320,833
Total	72,109,548	48,654,916

Note 12 FIXED ASSETS
(Figures in ₹)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01 April, 2011	Additions during the year	Disposals during the year	As at 31 March, 2012	Up to 01 April, 2011	For the year	Adjustment during the year	Upto 31 March, 2012	Net Carrying value as on 31 March, 2012	Net Carrying value as on 31 March, 2011
A Tangible Assets (Refer Note 2 (d))										
1										
Land & Site Development	1,660,844	-	-	1,660,844	-	-	-	-	1,660,844	1,660,844
Factory Building	12,094,768	-	-	12,094,768	5,787,596	403,965	-	6,191,561	5,903,206	6,307,171
Plant & machineries										
- Imported	4,552,524	-	-	4,552,524	2,743,370	216,245	-	2,959,615	1,592,909	1,809,154
- Indigenious	33,490,107	-	-	33,490,107	18,929,356	1,590,780	-	20,520,136	12,969,971	14,560,751
Electrical Installations	3,088,718	-	-	3,088,718	2,023,446	146,714	-	2,170,160	918,557	1,065,271
Utilities	3,365,753	-	-	3,365,753	2,290,770	159,873	-	2,450,643	915,110	1,074,983
Furniture & fixtures	1,245,262	-	-	1,245,262	849,166	78,825	-	927,991	317,271	396,096
Office Equipments	1,048,165	-	-	1,048,165	534,933	49,788	-	584,721	463,444	513,232
Vehicles	8,783,728	-	-	8,783,728	5,887,739	777,036	-	6,664,775	2,118,953	2,895,989
Computers	1,564,121	-	-	1,564,121	1,485,915	-	-	1,485,915	78,206	78,206
Dead Stock	169,064	-	-	169,064	124,069	10,701	-	134,770	34,294	44,995
Storage Equipment	431,276	-	-	431,276	155,184	20,486	-	175,670	255,606	276,092
Scooters	25,083	-	-	25,083	24,258	-	-	24,258	825	825
Dead Stock Canteen	32,598	-	-	32,598	32,030	-	-	32,030	568	568
TOTAL (A1)	71,552,013	-	-	71,552,013	40,867,834	3,454,413	-	44,322,247	27,229,765	30,684,178
Previous Year Figures	71,552,013	-	-	71,552,013	37,411,358	3,456,476	-	40,867,834	30,684,179	34,140,655

Notes to Financial Statements for the year ended 31 March, 2012

Note 12 FIXED ASSETS (Contd.)										(Figures in ₹)	
Particulars	Gross Block				Depreciation / Amortisation				Net Block		
	As at 01 April, 2011	Additions during the year	Disposals during the year	As at 31 March, 2012	Up to 01 April, 2011	For the year	Adjustment during the year	Upto 31 March, 2012	Net Carrying value as on 31 March, 2012	Net Carrying value as on 31 March, 2011	
2 Tangible Assets -											
New Project											
Land & Site Development	12,336,400	-	1,120,000	11,216,400	-	-	-	-	11,216,400	12,336,400	
Factory Building	114,744,807	-	-	114,744,807	37,387,858	7,735,694	-	45,123,552	69,621,255	77,356,949	
Office Building	115,258,980	2,523,283	-	117,782,263	10,083,917	5,262,440	-	15,346,357	102,435,906	105,175,063	
Guest House-Building	4,191,825	-	-	4,191,825	218,865	198,648	-	417,513	3,774,312	3,972,960	
Plant & Machineries											
- Imported	14,998,420	419,826	-	15,418,246	6,219,092	1,231,359	-	7,450,451	7,967,795	8,779,328	
- Indigenious	129,666,766	3,645,135	-	133,311,901	49,593,442	11,342,065	-	60,935,507	72,376,394	80,073,324	
- Indegenious	-	685,000	-	685,000	-	23,240	-	23,240	661,760	-	
Electrical Installations	33,799,252	1,462,274	-	35,261,526	14,332,740	2,726,392	-	17,059,132	18,202,394	19,466,512	
Utilities	31,536,924	40,709	-	31,577,633	13,534,193	2,504,650	-	16,038,843	15,538,790	18,002,731	
Furniture and Fixtures	17,958,913	3,871,482	-	21,830,395	7,315,407	2,006,161	-	9,321,568	12,508,827	10,643,506	
Office Equipments	5,556,919	900,977	-	6,457,896	1,732,901	601,821	-	2,334,722	4,123,174	3,824,018	
Factory Equipments	220,606	395,394	-	616,000	5,085	38,506	-	43,591	572,409	215,521	
Computer	4,257,875	603,356	-	4,861,231	1,835,876	1,035,852	-	2,871,728	1,989,503	2,421,999.00	
Storage Equipment	3,583,727	427,515	-	4,011,242	1,080,342	392,573	-	1,472,915	2,538,327	2,503,385	
Vehicles	18,250,576	935,513	-	19,186,089	3,808,319	2,084,986	-	5,893,305	13,292,784	14,442,257	
Live Stock	333,520	325,355	284,364	374,511	-	-	-	-	374,511	333,520	
TOTAL (A2)	506,695,509	16,235,819	1,404,364	521,526,964	147,148,037	37,184,387	-	184,332,424	337,194,540	359,547,472	
Previous Year Figures	468,563,226	42,405,370	4,273,087	506,695,509	106,813,946	40,334,091	-	147,148,037	359,547,472	361,749,280	
TOTAL (A1+A2)	578,247,521	16,235,819	1,404,364	593,078,976	188,015,871	40,638,800	-	228,654,671	364,424,305	390,231,649	
Previous Year Figures(A1+A2)	540,115,238	42,405,370	4,273,087	578,247,522	144,225,304	43,790,567	-	188,015,871	390,231,651	395,889,935	
B Intangible Assets											
Software	3,144,460	14,364	-	3,158,824	1,661,491	595,307	-	2,256,798	902,026	1,482,969.00	
TOTAL (B)	3,144,460	14,364	-	3,158,824	1,661,491	595,307	-	2,256,798	902,026	1,482,969	
Previous Year Figures	3,144,460	-	-	3,144,460	672,846	988,645	-	1,661,491	1,482,969	2,471,614	
C Capital											
Work-in-progress	444,537	62,594,539	-	63,039,076	-	-	-	-	63,039,076	444,537	
TOTAL (C)	444,537	62,594,539	-	63,039,076	-	-	-	-	63,039,076	444,537	
Previous Year Figures	-	444,537	-	444,537	-	-	-	-	444,537	-	
Current Year Total	581,836,518	78,844,722	1,404,364	659,276,876	189,677,362	41,234,107	-	230,911,469	428,365,407	392,159,155	
Previous Year Total	543,259,698	42,849,907	4,273,087	581,836,519	144,898,150	44,779,212	-	189,677,362	392,159,157	398,361,549	

Note 13 NON CURRENT INVESTMENTS (Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
Trade Investments		
Unquoted Investment in Equity Instrument		
- Investment in subsidiary		
550,975 (P.Y. 550,975) Equity Shares each of US\$ 1/- in Hester Biosciences Mauritius Ltd.	25,000,000	25,000,000
Total	25,000,000	25,000,000

Notes to Financial Statements for the year ended 31 March, 2012

 Note **14** LONG TERM LOANS AND ADVANCES (Unsecured, Considered Good) (Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
Capital Advances	7,332,580	2,713,037
Security Deposit	6,485,567	7,129,024
Loans & Advances to related parties (Refer Note 35)		
Hester Biosciences (Mauritius) Ltd.	1,166,012	268,042
Advance to group companies	870,432	801,787
Other Loans & Advances		
Advance to others	2,913,446	2,881,284
Advance to staff*	11,234,268	11,297,657
Total	30,002,305	25,090,831

Out of the advance to staff ₹ 4,832,051/-(P.Y. ₹ 5,266,393/-) are due from officer of the Company.

 Note **15** INVENTORIES

Raw Material	10,559,970	17,445,973
Work-in-Progress	205,982,036	167,242,079
Finished Goods	45,014,416	34,667,864
Stock-in-Trade	3,015,968	653,685
Stores & Spares	3,795,207	2,417,311
Packing Material	7,259,973	4,370,092
Total	275,627,570	226,797,004

 Note **16** TRADE RECEIVABLES (Unsecured, Considered Good)

Outstanding for a period exceeding six months	53,527,532	45,047,728
Others	90,108,774	87,125,204
Total	143,636,306	132,172,932

 Note **17** CASH & CASH EQUIVALENT

Cash on Hand	2,957,737	1,382,187
Balance with Banks	6,090,433	4,938,545
Fixed Deposit with Banks	2,885,960	2,766,598
Total	11,934,130	9,087,330

17.1 Balance with banks include Unclaimed Dividend Amount of ₹2,347,131/- (P.Y. ₹2,350,585/-)

17.2 Following are the balances with bank held as margin money or security against borrowing, guarantees and other commitments ₹ 2,885,960/-(P.Y. 2,766,599/-)

17.3 Fixed deposits include ₹2,231,120(P.Y. ₹2,675,089) having maturity period of more than 12 months.

 Note **18** SHORT TERMS LOANS AND ADVANCES (Unsecured, considered Good)

- Creditors Advance for Goods	252,344	1,395,537
- Creditors Advance for Expense	534,767	691,041
- Advance to Staff	1,510,955	1,493,805
- Advance recoverable in cash or kind	2,596,569	3,377,445
Total	4,894,635	6,957,828

Notes to Financial Statements for the year ended 31 March, 2012

Note 19 REVENUE FROM OPERATIONS (Figures in ₹)		
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Local Sales	455,965,722	384,299,631
Trading Sales	3,417,180	2,985,890
Export Sales	29,208,328	32,977,671
	488,591,230	420,263,192
Less: Excise Duty	5,957,069	548,769
Total	482,634,161	419,714,423

Note 20 OTHER INCOME		
Interest Income		
- From Bank Deposits	1,040,133	584,840
- From Others	244,657	201,789
Miscellaneous Income	319,533	328,191
Rent Income	48,000	48,000
Exchange profit & Loss(Net)	357,065	150,788
Profit on Sale of Fixed Asset	430,000	-
Total	2,439,389	1,313,608

Note 21 COST OF MATERIAL CONSUMED		
Opening Stock	17,445,973	14,484,662
Add: Purchases	112,326,725	116,718,323
	129,772,698	131,202,985
Less: Closing Stock	10,559,970	17,445,973
Total	119,212,727	113,757,012

Note 22 CHANGE IN INVENTORIES (Figures in ₹)			
Particulars	Year ended 31 March, 2012		Year ended 31 March, 2011
Closing Stock			
- finished Goods	48,030,384		35,321,549
- Semi-finished Goods	205,982,036	254,012,420	167,242,079
			202,563,628
Opening Stock			
- Finished Goods	35,321,549		52,355,025
- Semi-finished Goods	167,242,079	202,563,628	95,623,120
			147,978,145
Total		(51,448,792)	(54,585,483)

Note 23 EMPLOYEE BENEFIT EXPENSES (Figures in ₹)		
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Salaries, Wages & Bonus	63,026,814	53,865,419
Contribution to P.F./Gratuity Fund	2,480,205	2,077,076
Staff Welfare	3,173,829	2,250,798
Total	68,680,848	58,193,293

Notes to Financial Statements for the year ended 31 March, 2012

Note 24 FINANCIAL COST		(Figures in ₹)	
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011	
Interest Expense	27,166,287	24,422,736	
Other Borrowing Cost	1,103,140	853,699	
Total	28,269,427	25,276,435	

Note 25 DEPRECIATION & AMORTISED COST			
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011	
Depreciation - SLM	3,454,413	3,456,476	
Depreciation - WDV	37,184,388	40,334,091	
Amortisation of Intangible Asset	595,307	988,645	
Total	41,234,108	44,779,212	

Note 26 OTHER EXPENSES		(Figures in ₹)	
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011	
Manufacturing Expense			
Power and Fuel	28,858,591	22,593,756	
Consumption of stores	4,332,472	5,074,205	
Excise Duty*	3,077,886	2,696,500	
Repairs & Maintenance - Machinery	6,459,315	5,533,503	
Packing Expense	14,538,018	9,546,520	
Quality Control and Testing Expense	1,791,092	1,972,108	
R & D Expense	11,291,874	6,932,300	
Repairs and Maintenance - Building	1,248,093	745,698	
Repairs and Maintenance - Electrical	753,187	955,740	
Other Production Expense	8,273,935	6,182,655	
Feed Exp.	5,462,333	1,248,729	
Growth Media Centre Expense	1,318,381	199,194	
	87,405,177		63,680,908
Selling And Distribution Expense			
Selling Expense	3,672,776	3,302,921	
Sales Promotion	3,999,256	3,618,261	
Sales Tax Expense	1,023,775	1,200,500	
Carriage Outward Expense	12,413,797	9,988,117	
Travelling Exp.	2,979,173	2,958,972	
Commission on Sales	1,016,013	950,099	
	25,104,790		22,018,870
Establishment Expense:			
Postage/Courier, Telephone Expense	3,583,964	3,919,138	
Insurance Expense	1,708,948	1,354,207	
Legal , Professional and Consultancy	6,239,461	4,593,247	
Printing and Stationery	1,467,816	1,118,165	
Travelling and Conveyance	3,554,239	4,910,131	
Director's Travelling	3,035,053	2,802,331	
Rent, Rates and Taxes	4,849,451	3,223,416	
Repairs and Maintenance - Others	2,115,914	2,743,584	
Vehicle & Petrol Expense	4,720,099	4,363,216	
Electricity Charges	707,950	620,145	
Conference and Seminar Expense	1,063,786	454,764	
Membership Fees	785,748	710,130	
AGM Board Meeting	157,905	176,539	

Notes to Financial Statements for the year ended 31 March, 2012

Note **26** OTHER EXPENSES (Contd.) (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Donation	201,401	627,320
Bad Debts W/off	7,449	142,262
Miscellaneous Expense	2,725,094	1,932,020
Prior Period Expense	206,516	-
Payment to Auditor		
- As Auditor	353,745	315,000
- For Taxation Matters	143,744	123,000
- For Other Services	240,842	45,773
- For Reimbursement of Expense	8,445	4,500
	37,877,570	34,178,888
Total	150,387,537	119,878,666

*Excise Duty shown under expenditure represents the aggregate of Excise Duty borne by the Company and difference between excise duty on opening & closing stock of finished goods.

Note **27** PROVISION AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

CONTINGENT LIABILITIES & COMMITMENTS:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net-off advances) ₹ 28.81 million (P.Y. ₹ 1.85 million).

Note **28**

Figures are rounded off to nearest rupee.

Note **29**

In the opinion of the Board of directors, loans and advances are of the value stated in the Balance Sheet, to be realised in the normal course of business and provision for all known liabilities have been made in the books of accounts which are adequate and not in excess of the amount reasonable required.

Note **30**

The management of the Company has during the year carried out technical evaluation for identification of impairment of assets, if any in accordance with the Accounting Standard (AS) 28, issued by the Institute of Chartered Accountants of India. Based on the judgment of the management and as certified by the directors, no provision for impairment of the asset is considered necessary in respect of any of the assets of the Company.

Note **31**

The amount of loans and advances include ₹ 2,036,444 (P.Y. ₹ 1,069,829/-) loans to companies, Firms and persons as listed in the register maintained under Section 301 of the Companies act, 1956. Maximum outstanding during the year was ₹ 2,142,799/- (P.Y. ₹ 1,088,557/-)

Note **32**

32. Balance of Trade Receivables, Trade Payables and Loans and Advances are as per books and subject to confirmation reconciliation from respective parties.

Notes to Financial Statements for the year ended March 31, 2012

Note 33

The Management has initiated the process of identifying enterprise which have provided goods & services to the Company and which qualify under the definition of Micro and Small Enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises outstanding as on March 31, 2012 has been made in the financials statements based on information received and such amount outstanding as on March 31, 2012 from Micro and Small Enterprises is NIL, which the auditors have relied upon. Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provision of the Act is not expected to be material.

Note 34

34.As per terms & conditions approved at the Annual General Meeting of the Company held on 28th July, 2010, Company had allotted 480,000 convertible warrants, to promoters group and non promoters on preferential basis on 12th August, 2010 on receipt of subscription amount of ₹34.25/- per warrant.

Pursuant to the terms & conditions of Equity warrants, during the year 480,000 warrants were converted into 480,000 equity shares of ₹10/- each fully paid at premium of ₹127/- per share.

Note 35 RELATED PARTY DISCLOSURES

i) List of Related Parties :

Related parties with whom transactions have taken place during the year.

a) Subsidiary Company

1. Hester Biosciences (Mauritius) Limited

b) Group Companies/Associates / Individual Relatives:

1. Hester Coatings Pvt. Ltd.
2. Sinsui (India) Pvt .Ltd.
3. Biolink Healthcare Pvt. Ltd.

c) Key Management Personnel:

1. Rajiv Gandhi – C.E.O & Managing Director.
2. Jigar Shah – C.F.O

ii) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

(Figures in ₹)

Sr. No.	Nature of Transactions	Subsidiary Company	Group Companies/ Associates/Individual Relatives	Key Management Personnel
1.	Advance Given	897,970 (268,042)	75,000 (127,500)	Nil (5,000,000)
2.	Advance Repaid	Nil (Nil)	6,355 (Nil)	800,000 (1,548,260)
3.	Outstanding Balance Included in Long term Loans & Advances	1,166,012 (268,042)	870,432 (801,787)	4,832,051 (5,266,393)
4.	Director's Remuneration	Nil (Nil)	Nil (Nil)	3,449,487 (3,346,936)
5.	Rent- MD's Residence	Nil (Nil)	600,000 (600,000)	Nil (Nil)
6.	Interest Received/Receivable	Nil (Nil)	Nil (Nil)	365,658 (170,982)
7.	Salary Paid	Nil (Nil)	Nil (Nil)	3,531,279 (3,022,449)
8.	Investment in Equity Shares	25,000,000 (25,000,000)	Nil (Nil)	Nil (Nil)

Note: Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

Notes to Financial Statements for the year ended March 31, 2012

Note 36

Additional Information as required under Para 3, 4C and 4D of part II Schedule VI of the Companies Act, 1956 are as under:

A. Quantity (Net of returns) and Sales Value of each class of goods dealt with by the Company.

Class of Goods	U.O.M.	Year ended 31 March, 2012		Year ended 31 March, 2011	
		Quantity	Value (₹)	Quantity	Value (₹)
(i) Manufacturing					
Killed Vaccines	Bottles	182,538	175,324,707	150,263	160,167,822
Live Vaccines	Vials	1,534,293	303,820,052	1,112,398	256,560,711
Feed Additives	Vials	1,467	72,222	-	-
TOTAL		1,718,298	479,216,981	2,110,589	416,728,533
(ii) Trading					
Kits	Nos.	128	34,17,180	105	2,942,890
Ai Rod For Poultry	Nos.	-	-	29,900	29,812
Funnel For Poultry	Nos.	-	-	110	913
Rubber Pipe For Ai Rod	Mtr.	-	-	100	12,275
TOTAL		128	3,417,180	30,215	2,985,890

B. Value and Quantitative break-up in respect of opening and closing stock of each class of goods traded. (Previous year's figures are given in brackets)

Class of Goods	U.O.M.	Opening Stock		Closing Stock	
		Quantity	Value (₹)	Quantity	Value (₹)
(i) Manufacturing					
Killed Vaccines	Bottles	13,902 (25,645)	7,564,984 (16,948,388)	14,626 (13,902)	7,017,874 (7,564,984)
Live Vaccines	Vials	247,246 (434,235)	26,285,086 (32,590,348)	303,211 (247,246)	37,578,034 (26,285,086)
Diluents		-	817,794 (978,475)	-	364,811 (817,794)
Feed Additives	Vials	-	-	1,366	53,697

Class of Goods	U.O.M.	Opening Stock		Closing Stock	
		Quantity	Value (₹)	Quantity	Value (₹)
(ii) Trading					
Kits	Nos.	21 (74)	653,685 (1,837,814)	31 (21)	963,070 (653,685)
Feed Additives	Bottles	-	-	2004	2,052,898

Note: 33 Kits are used for own in house consumption. (P.Y:34 Kits)

C. Value and Quantitative break-up of purchase of goods traded in:

Class of Goods	U.O.M.	Year ended 31 March, 2012		Year ended 31 March, 2011	
		Quantity	Value (₹)	Quantity	Value (₹)
Kits	Nos	199	4,666,654	89	1,854,559
Ai Rod For Poultry	Nos.	-	-	29,900	27,540
Funnel for Poultry	Nos.	-	-	110	643
Rubber pipe foray Rod	Mtrs.	-	-	100	8,160
Feed Additives	Bottles	2,004	2,052,898	-	-

Notes to Financial Statements for the year ended March 31, 2012

Note 36 (Contd.)
D. i) Raw Material Consumption:

Class of Goods	U.O.M.	Year ended 31 March, 2012		Year ended 31 March, 2011	
		Quantity	Value (₹)	Quantity	Value (₹)
Growth Media	Nos	4,366,857	50,135,074	4,104,899	65,350,525
Other Chemicals	–	–	15,764,385	–	8,628,732
Concentrate	–	–	53,313,268	–	39,777,755
Total			119,212,727		113,757,012

E. C.I.F. value of Import of Goods/Raw Materials ₹ 44,521,478 /- (Previous Year ₹ 44,529,715/-)

F. Raw Material Consumption:

Class of Goods	Year ended 31 March, 2012		Year ended 31 March, 2011	
	Quantity	Value (₹)	Quantity	Value (₹)
Imported	45.76	54,552,509	36.09	41,056,955
Indigenous	54.24	64,660,218	63.91	72,700,057
Total		119,212,727		113,752,012

Note 37 EXPENDITURE IN FOREIGN CURRENCY FOR
(Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Purchase/Materials/Trading goods/ Packing (including payment to creditors)	44,521,478	44,529,715
Travelling	1,139,195	1,118,079
Capital Expenditure(Furniture & Machinery)	2,311,752	-
Membership Fee	1,455,010	231,788
Consultancy & Professional Fess	3,337,315	1,928,872
R & D Expenditure	3,936,151	-

Note 38

F.O.B. value of exports ₹ 29,208,328/- (P.Y. ₹ 32,977,671/-)

Note 39
Disclosure as per As-15 (Revised) on “ Employee Benefit ” for the year ended 31st March,2012
a) Defined Contribution Plans

The Company made contribution towards provident fund to defined contribution retirement benefit plans for qualifying employees. The provident fund plan is operated by the regional provident fund commissioner, the Company required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefit.

The Company recognised ₹ 1.64 million (P.Y 1.29 million) for provident fund contribution in the profit and loss account. The contributions payable to this plan by the Company are at rates specified in the rules of the scheme.

b) Defined benefit Plan

The Company made annual contribution to the employee’s Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India, a funded benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or a part thereof in excess of six months. Vesting occurs upon completion of five years of service.

Notes to Financial Statements for the year ended March 31, 2012

Note 39 (Contd.)

The present value of define benefit obligation and the related current service cost were measured using the projected unit credit method as per actuarial valuation carried out at balance sheet date.

The following table sets out the funded status of the gratuity plan and the amount recognised by the Company's financial statement as at 31st March 2012.

i) Change in benefit obligations: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Projected benefit obligations at beginning of the year	4,204,082	3,311,883
Service Cost	663,113	614,827
Interest Cost	346,837	264,951
Actuarial (Gain) / Loss	234,945	142,433
Benefits Paid	–	(130,012)
Projected benefit obligations at the end of year	5,448,977	4,204,082

ii) Change in plan Asset: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Fair value of plan assets at the beginning of the period	4,238,074	2,580,545
Expected return on plan assets	349,641	206,444
Contribution	2,181,757	1,549,212
Benefit paid	–	(130,012)
Actuarial Gain/(Loss) on plan asset	50,667	31,885
Fair value of plan assets at the end of the period	6,820,139	4,238,074
Total actuarial gain/(loss) to be recognised	(184,278)	(110,548)

iii) Expenses recognised in income statement: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Current service cost	663,113	614,827
Interest Cost	346,837	264,951
Expected return on plan asset	(349,641)	(206,444)
Net Actuarial Gain/(Loss) to be recognised	184,278	110,548
Expense recognised in P/L	844,587	783,882

iv) Assumptions used in accounting for the Gratuity plan: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Discount rate previous period	8.25%	8.00%
Discount rate current period	8.50%	8.25%
Rate of return on plan asset previous period	8.25%	8.00%
Rate of return on plan asset current period	8.50%	8.25%
Salary escalation previous period	6.00%	6.00%
Salary escalation current period	6.00%	6.00%

Notes to Financial Statements for the year ended March 31, 2012

 Note **39** (Contd.)

 v) Amount recognised in the Balance sheet: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Liability at the end of the period	5,448,977	4,204,082
Fair value of the plan assets at the end of the period	6,820,139	4,238,074
Difference	1,371,162	(33,992)
Amount recognised in the balance sheet	1,371,162	(33,992)

 vi) Actual Return on Plan Assets : (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Expected Return on Plan Assets	349,641	206,444
Actuarial Gain/(loss) on Plan Assets	184,278	31,885
Actual Return on Plan Assets	533,919	238,329

 vii) Balance sheet Reconciliation: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Opening Net Liability	(33,992)	731,338
Expenses As Above	844,587	783,882
Employers Contribution Paid	(2,181,757)	(1,549,212)
Closing Net Liability	(1,371,162)	(33,992)

 Note **40** EARNINGS PER SHARE

Calculation of Net Profit available for Equity Shareholders:

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
A. Net Profit After Tax	77,911,841	75,960,458
Profit available to Equity shareholders	77,911,841	75,960,458
B. Weighted Average No. of Eq. Shares of ₹ 10/- each	5,671,200	5,191,200
C. Basic and diluted Earning per share	13.74	14.63

The Equity warrants being dilutive potential shares issued at a fair price during the year have not been considered as having diluting effect on earning per share in the current year.

Notes to Financial Statements for the year ended March 31, 2012

Note 41

As the Company's business activity, in the opinion of the Management, falls within a single primary segment i.e. Veterinary (Poultry) Vaccines, which are subject to same risks and returns, the disclosure requirements of Accounting Standard (AS) – 17 "Segment Reporting" issued by the Institute of chartered Accountants of India are, in the opinion of the management, not applicable.

Note 42

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

Note 43

These financial statements have been prepared in format prescribed by the Revised Schedule VI notified under the companies Act, 1956. This has significantly impacted the presentations and disclosures made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to confirm to current year's classification/disclosure.

As per our report of even date attached.

For **Shah Narielwala & Co.**

Chartered Accountants

FRN: 109708W

For & on behalf of Board

Naishadh H. Shah

Partner

Membership No.: 42323

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Jigar Shah

CFO

Amala Parikh

Company Secretary

Place : Ahmedabad

Date : August 14, 2012

Place : Ahmedabad

Date : August 14, 2012

Consolidated Auditors' Report

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HESTER BIOSCIENCES LIMITED AND ITS SUBSIDIARY

We have audited the attached Consolidated Balance Sheet of Hester Biosciences Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March, 2012 and the Consolidated Statement of Profit & Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the consolidated financial statements of the subsidiary, whose financial statements reflect total assets of Rs.60,963,713/- as at 31 March, 2012, Total Revenue of ₹ Nil, Net Loss of ₹1,826,573/- and Net Cash Inflow amounting to ₹ 18,224,928/- for the period ended on that date. These financial statements and other financial information have been audited by other auditors in the respective countries whose report have been furnished to us, and, our opinion is based solely on the reports of those auditors.

We report that these financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, as notified under Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of separate audit reports of other auditor on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanation given to us, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31 March, 2012;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the consolidated Profit of the Group for the year ended on that date, and
- (c) in the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the Group for the year ended on that date.

For **SHAH NARIELWALA & CO**
Chartered Accountants
[FRN: 109708W]

(Naishadh H. Shah)
Partner

Place : Ahmedabad
Date : August 14, 2012

Member ship No: 042323

Consolidated Balance Sheet as at 31 March, 2012

(Figures in ₹)

Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a) Share Capital	3	56,712,000	51,912,000
b) Reserves and Surplus	4	540,885,254	410,673,732
c) Money received against share warrants	5	-	16,440,000
		597,597,254	479,025,732
2) Minority Interest		13,004,494	6,402,279
3) Non-Current Liabilities			
a) Long-term borrowings	6	12,886,452	35,092,824
b) Other Long term liabilities	7	24,095,735	-
c) Deferred tax liabilities (Net)	8	24,479,981	25,458,127
		61,462,168	60,550,951
4) Current Liabilities			
a) Short-term borrowings	9	127,315,810	147,852,792
b) Trade payables	10	40,631,169	33,414,505
c) Other current liabilities	11	42,137,611	47,090,078
d) Short-term provisions	12	72,109,548	48,654,916
		282,194,138	277,012,291
Total		954,258,054	822,991,253
II. ASSETS			
1) Non-current assets			
a) Fixed assets	13		
i) Tangible assets		393,039,461	390,231,651
ii) Intangible assets		902,026	1,482,969
iii) Capital work-in-progress		63,039,076	444,537
b) Non-current investments		-	-
c) Long term loans and advances	14	36,035,905	48,891,960
		493,016,468	441,051,117
2) Current assets			
a) Inventories	15	275,627,570	226,797,004
b) Trade receivables	16	143,636,306	132,172,932
c) Cash and cash equivalents	17	36,999,331	15,927,603
d) Short-term loans and advances	18	4,978,379	7,042,597
		461,241,586	381,940,136
Total		954,258,054	822,991,253
Significant Accounting Policies	2		

Accompanying notes form part of financial statement

As per our report of even date attached.

For **Shah Narielwala & Co.**

Chartered Accountants

FRN: 109708W

For & on behalf of Board

Naishadh H. Shah

Partner

Membership No.: 42323

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Jigar Shah

CFO

Amala Parikh

Company Secretary

Place : Ahmedabad

Date : August 14, 2012

Place : Ahmedabad

Date : August 14, 2012

Consolidated Statement of Profit and Loss for the year ended 31 March, 2012

(Figures in ₹)

Particulars	Note No.	Year ended 31 March, 2012	Year ended 31 March, 2011
I. Revenue from operations	19	482,634,161	419,714,423
II. Other Income	20	2,439,389	1,313,789
III. Total Revenue (I +II)		485,073,550	421,028,212
IV. Expenses:			
Cost of materials consumed	21	119,212,727	113,757,012
Purchase of Stock-in-Trade		6,719,552	1,890,902
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	(51,448,792)	(54,585,483)
Employee benefit expense	23	68,680,848	58,193,293
Financial costs	24	28,280,492	25,282,990
Depreciation and amortisation expense	25	41,234,108	44,779,212
Other expenses	26	153,425,123	120,208,862
IV. Total Expenses		366,104,058	309,526,788
V. Profit before tax (III - IV)		118,969,492	111,501,424
VI. Tax expense:			
1) Current tax		45,000,000	40,000,000
2) Income Tax of Earlier Years		84,447	(3,032,280)
3) Deferred tax		(978,145)	(1,090,183)
VII. Profit for the period (V-VI)		74,863,190	75,623,887
VIII. Share of loss of subsidiary transfer to Minority Interest		1,222,078	3,213
IX. Profit for the period(after adjustment for minority interest) (VII+VIII)		76,085,268	75,627,100
X. Earning per equity share:			
1) Basic & Diluted		13.20	14.57
Significant Accounting Policies	2		

Accompanying notes form part of financial statement

As per our report of even date attached.

 For **Shah Narielwala & Co.**
Chartered Accountants

FRN: 109708W

For & on behalf of Board

Naishadh H. Shah
Partner

Membership No.: 42323

Rajiv Gandhi
CEO & Managing Director
Sanjiv Gandhi
Director
Jigar Shah
CFO
Amala Parikh
Company Secretary

Place : Ahmedabad

Date : August 14, 2012

Place : Ahmedabad

Date : August 14, 2012

Consolidated Cash Flow Statement for the year ended 31 March 2012

(Figures in ₹)

Particulars	31 March, 2012		31 March, 2011	
A: CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax as per Profit and Loss Statement		118,969,492		111,501,424
Adjustments for:				
Foreign Fluctuation Reserve	(242,534)		(495,832)	
Depreciation	41,234,108		44,779,212	
Interest & Other Income	(1,332,790)		(957,435)	
Profit on sale of Fixed Asset	(430,000)		-	
Interest & Finance Charges	28,280,492	67,509,276	25,282,990	68,608,935
Operating Profit before Working Capital Change		186,478,768		180,110,359
Adjustments for:				
Trade and Other Receivables	(11,463,374)		(22,014,662)	
Inventories	(48,830,566)		(57,180,750)	
Trade Payables & Other Liabilities	7,780,377		10,686,824	
Loans & Advances	14,920,273	(37,593,290)	(35,214,070)	(103,722,658)
Cash generated from Operating Activity		148,885,478		76,387,701
Payment of Taxes		(7,274,973)		(24,889,640)
Net Cash from Operating Activity		141,610,505		51,498,061
B. CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets		(44,539,984)		(42,071,850)
Sale of Fixed Assets		1,550,000		4,273,087
Capital W.I.P. & Live Stock Addition		(62,635,530)		(778,057)
Change in Creditors for Capital Expense		2,147,518		538,542
Investment in Subsidiary Company		-		-
Interest & Other Income		1,332,790		957,435
Net Cash used in Investing Activities		(102,145,206)		(37,080,843)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Minority Interest		7,824,293		6,405,492
Issue of Share Warrants		49,320,000		16,440,000
Proceeds/ (Repayment) of Long Term Borrowings		(29,625,794)		(17,372,454)
Government Grant		24,095,735		-
Short Term Bank Borrowings (Net)		(20,536,982)		29,130,435
Dividend Paid		(18,172,654)		(14,794,575)
Dividend Distribution Tax Paid		(3,017,677)		(2,586,580)
Interest paid		(28,280,492)		(25,282,990)
Net Cash Flow from Financing Activity		(18,393,571)		(8,060,672)
Net Increase in Cash & Cash Equivalents		21,071,728		6,356,546
Cash & Cash Equivalent as at (Op Balance)		15,927,603		9,571,057
Cash & Cash Equivalent as at (Cl Balance)		36,999,331		15,927,603
For Significant Accounting Policy Refer Note 2				
Accompanying notes form part of financial statement				

As per our report of even date attached.

For Shah Narielwala & Co.

Chartered Accountants

FRN: 109708W

Naishadh H. Shah

Partner

Membership No.: 42323

Rajiv Gandhi

CEO & Managing Director

Sanjiv Gandhi

Director

Jigar Shah

CFO

Amala Parikh

Company Secretary

Place : Ahmedabad

Date : August 14, 2012

Place : Ahmedabad

Date : August 14, 2012

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 1 CORPORATE INFORMATION

Hester Biosciences Limited (the 'Company') is a public limited company domiciled in India and listed on Bombay Stock Exchange (BSE). The Company is engaged in manufacturing of Poultry vaccines having its manufacturing set up at Merda Adraj village, Mehsana District, Gujarat. Company is also engaged in trading of Poultry Vaccines.

The Company has its subsidiary namely Hester Biosciences (Mauritius) Limited, Mauritius which is considered in these Consolidated Financial Statements.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

a) ACCOUNTING CONVENTION:

The accompanying consolidated financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of current – non current classification of assets and liabilities.

b) USE OF ESTIMATES:

The preparation of consolidated financial statements in conformity with GAAP requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future period.

c) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements relate to Hester Biosciences Limited ('the Company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis.

- i) The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standards (AS) 21 – "Consolidated Financial Statements".
- ii) The operations of foreign subsidiary are considered as non-integral part of the operations of parent company. All revenue items are considered at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the "foreign exchange fluctuation reserve".
- iii) Minority Interest's share of net profit / loss of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- iv) Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and equity of the Company's shareholders.
- v) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

d) REVENUE RECOGNITION:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

Revenue from sale of products is recognised on dispatch or appropriation of goods in accordance with the terms of sale and rewards of ownership have passed to the buyer. Sale of goods is recorded net of trade discounts, rebates, VAT/Sales Tax and excise duty.

Interest income is recognised on a time proportion basis considering the amount outstanding and applicable interest rate.

e) FIXED ASSETS & DEPRECIATION / AMORTISATION:

Fixed assets are stated at historical cost less accumulated depreciation. Costs include expenditure directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised as part of the cost. Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 2 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Cost of fixed assets not ready for use before the balance sheet date is disclosed as capital work-in-progress. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date is disclosed under long term loans and advances.

Depreciation on assets acquired and used in old project is being calculated on Straight Line method basis and on assets acquired for new project (commissioned during March'2007) is calculated on Written Down Value Method basis.

f) IMPAIRMENT OF ASSET:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount.

g) INVENTORIES:

Inventories are valued at lower of cost or market value.

Cost of work-in-progress and finished goods are ascertained considering direct costs plus a share of manufacturing overheads. Cost of raw materials and packing materials is arrived at, by using FIFO Method.

h) INVESTMENTS:

Non-current investments are stated at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of investment, if any.

Current investments are carried at lower of cost and fair value determined on an individual investment basis.

i) FOREIGN GOVERNMENT GRANTS:

Foreign Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and grants will be received. Grant payment received before creation of capital assets is treated as grant received in advance.

Foreign Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of assets. The grants recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

j) BORROWING COSTS:

Cost of borrowed funds directly attributable to the acquisition or construction of qualifying assets has been capitalised and included in the cost of fixed assets till such assets are ready to be put to use. Other borrowing costs are recognised as expenses in the period in which they are incurred.

k) FOREIGN CURRENCY TRANSACTIONS:

- i) Foreign currency transactions are recorded at the exchange rates prevailing at the time of the transaction.
- ii) Monetary items representing assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates prevailing on balance sheet date.
- iii) Investments in equity capital of company registered outside India are carried in the Balance Sheet at the rates prevailing on the date of transaction.

l) RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged against the Profit for the year in which it is incurred. Capital expenditure on Research and Development is shown as an addition to the fixed assets and is depreciated on the same basis as other fixed assets.

m) PROVISION FOR RETIREMENT BENEFITS:

Post-employment benefit plans

i) Defined Contribution Plan:

Contribution for provident fund are accrued in accordance with applicable Statutes and deposited with the Regional Provident Fund Commissioner.

ii) Defined Benefit Plan:

The liabilities in respect of gratuity and leave encashment are determined Using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit & loss for the period in which they occur.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 2 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Contributions in respect of gratuity are made to the Group Gratuity Scheme with Life Insurance Corporation of India. Employee benefits recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for Unrecognised past service cost and as reduced by the fair value of respective fund.

n) EARNING PER SHARE:

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share the net profit for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

o) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents for the purpose of cash flow statement comprise cash on hand and balance at Bank including fixed deposits with an original maturity period of less than three months and short term investments with an original maturity of three months or less.

p) TAXATION:
i. Current Tax:

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

ii. Deferred Tax Provision:

Deferred Tax charge or credit is recognised on timing differences, being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. It is calculated using the applicable tax rates and tax laws that have been enacted by the balance sheet date. The deferred tax assets is recognised and carried forward only to the extent that there is reasonable certainty that the asset will be realised in future. At each Balance-sheet date, recognised and unrecognised Deferred Tax Assets are reviewed.

Note 3 SHARE CAPITAL
(Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
AUTHORIZED CAPITAL		
6,500,000 (P.Y. 6,500,000) Equity Shares of ₹ 10/- each.	65,000,000	65,000,000
	65,000,000	65,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
5,671,200 (P.Y. 5,191,200) Equity Shares of ₹10/-each fully paid up	56,712,000	51,912,000
Total	56,712,000	51,912,000

Note 3.1 The Reconciliation of the number of shares outstanding is set out below:

Equity Shares at the beginning of the year	5,191,200	5,191,200
Add: conversion of warrants into shares(Refer Note 34)	480,000	-
Outstanding at the end of the year	5,671,200	5,191,200

Note 3.2 Rights, Preferences and Restriction attached to Shares:

Share capital of the Company consists of one class of equity shares having a Par value of ₹10/- Per Share. Each holder of equity share is eligible for one vote per share held. The dividend proposed by the Board of Director is subject to the approval of the Shareholders in the ensuing Annual General Meeting except Interim Dividend.

In the event of liquidation the equity Shareholders are eligible to receive the remaining Asset of the Company after distribution of all preferential amounts, in proportion to their Shareholding.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 3 SHARE CAPITAL (Contd.)

Note 3.3 The details of shareholders holding more than 5% shares

(Figures in ₹)

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares	% held	No. of Shares	% held
Rajiv Gandhi	558,606	9.85	503,606	9.70
Dr. Bhupendra V Gandhi	465,098	8.20	304,010	5.86
Nina Ghandhi	460,560	8.12	419,560	8.08
Sanjiv Gandhi	446,480	7.87	391,480	7.54
Ravin Gandhi	-	-	268,880	5.18
Bela Gandhi	-	-	267,090	5.15

Note 4 RESERVE & SURPLUS

(Figures in ₹)

Particulars	As at 31 March, 2012		As at 31 March, 2011	
General reserve				
As per Last Balance Sheet	180,000,000		160,000,000	
Add: Transferred from Statement of Profit and Loss	40,000,000	220,000,000	20,000,000	180,000,000
Securities Premium				
As per Last Balance Sheet	114,107,105		114,107,105	
Add: On issue of shares	60,960,000	175,067,105	-	114,107,105
Surplus- Statement of Profit & Loss				
As per Last Balance Sheet	117,062,459		82,622,236	
Add: Profit for the year	76,085,268		75,627,100	
Less: Transferred to Translation Reserve				
		193,147,726		158,249,336
Less: Appropriations				
- Proposed Dividend	5,671,200		18,169,200	
- Dividend Tax	920,011		3,017,677	
- Transferred to General Reserve	40,000,000		20,000,000	
		146,556,515		117,062,459
Foreign Fluctuation Reserve				
As per Last Balance Sheet	(495,832)			
Add: Income for the period	(242,534)	(738,366)	(495,832)	(495,832)
Total		540,885,254		410,673,732

Note 5 MONEY RECEIVED AGAINST SHARE WARRANTS

Nil(P.Y. 480,000) Equity Warrants		-	16,440,000
Total		-	16,440,000

Note 5.1

Each warrant carry option to be convertible into 1 number of equity share of ₹ 10/- each within 18 months from the date of allotment of warrants at a price of ₹ 137/-per share.

Note 6 LONG TERM BORROWINGS

Term Loan			
- From Bank		9,873,434	30,174,252
Hire Purchase Loans			
- From Bank		2,864,958	3,893,112
- From Other Parties		148,060	1,025,460
Total		12,886,452	35,092,824

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 6 LONG TERM BORROWINGS (Contd.)

Note 6.1 Repayment terms and security offered for the loans are set out as below:

Particulars and security offered	Rate of Interest	Terms of repayment	Repayable in	
			Number of installments	Each installment of ₹
BOI Loan No. 0006 is secured against mortgage of Office building and furniture/fixtures	14.5% ^	Quarterly	20	1150000
ICICI Bank Loan is secured by hypothecation of specific vehicle/car	10.03%	Monthly	60	53140*
Kotak Mahindra Bank Ltd. Is secured by hypothecation of specific vehicle/car	11.15%	Monthly	48	19750*
HDFC Bank loan is secured by hypothecation of specific vehicle/car	11.15%	Monthly	60	16200*
Fed. Bank Fin. Loan is secured by hypothecation of specific vehicle/car	9.18%	Monthly	48	57000*
Fed. Bank Fin. Loan is secured by hypothecation of specific vehicle/car	9.81%	Monthly	60	12300*
Fed. Bank Fin. Loan is secured by hypothecation of specific vehicle/car	11.47%	Monthly	36	13614*
Reliance Consumer Finance loan is secured by hypothecation of specific vehicle/car	14.50%	Monthly	60	12550*
Reliance Consumer Finance loan is secured by hypothecation of specific vehicle/car	12.63%	Monthly	48	10778*
Reliance Consumer Finance loan is secured by hypothecation of specific vehicle/car	12.63%	Monthly	48	27216*

^ Interest rate on loan is varying, which is linked to base rate of Bank, from time to time.

* Installment includes interest.

Note 7 OTHER LONG TERM LIABILITIES
(Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
Government Grant	24,095,735	-
Total	24,095,735	-

Note 7.1

Government Grant received in advance represents receipt of ₹ 376,928/- as advance payment towards grant sanctioned for setting up project of " Production of Animal Vaccines" in Nepal.

Note 8 DEFERRED TAX LIABILITIES (NET)

Deferred Tax Liabilities		
- Gratuity (Advance)	444,942	11,292
- Excess of Net Block over Written Down Value as per provision of I.T. Act	24,480,356	25,827,937
Total Deferred Tax Liabilities(A)	24,925,298	25,839,229
Deferred Tax Assets		
- Claim U/s 43B of I.T. Act, 1961	445,317	381,102
Total Deferred Tax Assets(B)	445,317	381,102
Net Deferred Tax Liabilities(A-B)	24,479,981	25,458,127

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 9 SHORT TERM PROVISIONS		(Figures in ₹)	
Particulars	As at 31 March, 2012	As at 31 March, 2011	
Loan Repayable on Demand			
- From Bank- Cash Credit ^	127,315,810	147,852,792	
Total	127,315,810	147,852,792	

Note 9.1

BOI-CC 5102 and BOI- STAR Channel A/c are secured by hypothecation of stocks.

BOI-CC 5103 is secured by hypothecation of book debts.

^ Interest rates on Loans are varying, which are linked to base rate of Bank, from time to time.

Note 10 TRADE PAYABLES

Trade Payables(Refer Note 33 for details of due to Micro, Small & Medium Enterprises as defined under MSMED Act, 2006)	40,631,169	33,414,505
Total	40,631,169	33,414,505

Note 11 OTHER CURRENT LIABILITIES

Current Maturities of Long Term Borrowings		
- Term Loans	20,300,818	27,291,827
- Hire Purchase Loans	2,581,615	3,010,027
Unclaimed Dividends	2,347,131	2,350,585
Advance from Debtors	668,785	1,142,931
Creditors for Capital expense	5,869,706	3,722,188
Duties and Taxes	6,903,054	4,559,684
Other Liabilities	3,466,502	5,012,836
Total	42,137,611	47,090,078

Note 12 SHORT TERM PROVISIONS

Provision For Employees Benefit		
Leave Encashment	1,388,027	1,147,206
Others		
Proposed Dividend	5,671,200	18,169,200
Tax on Dividend	920,011	3,017,677
Provision for Tax(Net of Advance Tax)	64,130,310	26,320,833
Total	72,109,548	48,654,916

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 13 FIXED ASSETS

(Figures in ₹)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01 April, 2011	Additions during the year	Disposals during the year	As at 31 March, 2012	Up to 01 April, 2011	For the year	Adjustment during the year	Upto 31 March, 2012	Net Carrying value as on 31 March, 2012	Net Carrying value as on 31 March, 2011
A Tangible Assets (Refer Note 2 (d))										
1 Land & Site Development	1,660,844	-	-	1,660,844	-	-	-	-	1,660,844	1,660,844
Factory Building	12,094,768	-	-	12,094,768	5,787,596	403,965	-	6,191,561	5,903,206	6,307,171
Plant & Machineries										
- Imported	4,552,524	-	-	4,552,524	2,743,370	216,245	-	2,959,615	1,592,909	1,809,154
- Indigenous	33,490,107	-	-	33,490,107	18,929,356	1,590,780	-	20,520,136	12,969,971	14,560,751
Electrical Installations	3,088,718	-	-	3,088,718	2,023,446	146,714	-	2,170,160	918,557	1,065,271
Utilities	3,365,753	-	-	3,365,753	2,290,770	159,873	-	2,450,643	915,110	1,074,983
Furniture & fixtures	1,245,262	-	-	1,245,262	849,166	78,825	-	927,991	317,271	396,096
Office Equipments	1,048,165	-	-	1,048,165	534,933	49,788	-	584,721	463,444	513,232
Vehicles	8,783,728	-	-	8,783,728	5,887,739	777,036	-	6,664,775	2,118,953	2,895,989
Computers	1,564,121	-	-	1,564,121	1,485,915	-	-	1,485,915	78,206	78,206
Dead Stock	169,064	-	-	169,064	124,069	10,701	-	134,770	34,294	44,995
Storage Equipment	431,276	-	-	431,276	155,184	20,486	-	175,670	255,606	276,092
Scoters	25,083	-	-	25,083	24,258	-	-	24,258	825	825
Dead Stock Canteen	32,598	-	-	32,598	32,030	-	-	32,030	568	568
TOTAL (A1)	71,552,013	-	-	71,552,013	40,867,834	3,454,413	-	44,322,247	27,229,765	30,684,178
Previous Year Figures	71,552,013	-	-	71,552,013	37,411,358	3,456,476	-	40,867,834	30,684,179	34,140,655

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01 April, 2011	Additions during the year	Disposals during the year	As at 31 March, 2012	Up to 01 April, 2011	For the year	Adjustment during the year	Upto 31 March, 2012	Net Carrying value as on 31 March, 2012	Net Carrying value as on 31 March, 2011
2 Tangible Assets - New Project										
Land & Site Development	12,336,400	28,615,156	1,120,000	39,831,555	-	-	-	-	39,831,555	12,336,400
Factory Building	114,744,807	-	-	114,744,807	37,387,858	7,735,694	-	45,123,552	69,621,255	77,356,949
Office Building	115,258,980	2,523,283	-	117,782,263	10,083,917	5,262,440	-	15,346,357	102,435,906	105,175,063
Guest House-Building	4,191,825	-	-	4,191,825	218,865	198,648	-	417,513	3,774,312	3,972,960
Plant & Machineries										
- Imported	14,998,420	419,826	-	15,418,246	6,219,092	1,231,359	-	7,450,451	7,967,795	8,779,328
- Indigenous	129,666,766	3,645,135	-	133,311,901	49,593,442	11,342,065	-	60,935,507	72,376,394	80,073,324
- Indigenous	-	685,000	-	685,000	-	23,240	-	23,240	661,760	-
Electrical Installations	33,799,252	1,462,274	-	35,261,526	14,332,740	2,726,392	-	17,059,132	18,202,394	19,466,512
Utilities	31,536,924	40,709	-	31,577,633	13,534,193	2,504,650	-	16,038,843	15,538,790	18,002,731
Furniture and Fixtures	17,958,913	3,871,482	-	21,830,395	7,315,407	2,006,161	-	9,321,568	12,508,827	10,643,506
Office Equipments	5,556,919	900,977	-	6,457,896	1,732,901	601,821	-	2,334,722	4,123,174	3,824,018
Factory Equipments	220,606	395,394	-	616,000	5,085	38,506	-	43,591	572,409	215,521
Computer	4,257,875	603,356	-	4,861,231	1,835,876	1,035,852	-	2,871,728	1,989,503	2,421,999.00
Storage Equipment	3,583,727	427,515	-	4,011,242	1,080,342	392,573	-	1,472,915	2,538,327	2,503,385
Vehicles	18,250,576	935,513	-	19,186,089	3,808,319	2,084,986	-	5,893,305	13,292,784	14,442,257
Live Stock	333,520	325,355	284,364	374,511	-	-	-	-	374,511	333,520
TOTAL (A2)	506,695,509	44,850,975	1,404,364	550,142,119	147,148,037	37,184,387	-	184,332,424	365,809,695	359,547,472
Previous Year Figures	468,563,226	42,405,370	4,273,087	506,695,509	106,813,946	40,334,091	-	147,148,037	359,547,472	361,749,280
TOTAL (A1 + A2)	578,247,521	44,850,975	1,404,364	621,694,132	188,015,871	40,638,800	-	228,654,671	393,039,461	390,231,649
Previous Year Figures(A1 + A2)	540,115,238	42,405,370	4,273,087	578,247,522	144,225,304	43,790,567	-	188,015,871	390,231,651	395,889,935
B. Intangible Assets										
Software	3,144,460	14,364	-	3,158,824	1,661,491	595,307	-	2,256,798	902,026	1,482,969.00
TOTAL (B)	3,144,460	14,364	-	3,158,824	1,661,491	595,307	-	2,256,798	902,026	1,482,969
Previous Year Figures	3,144,460	-	-	3,144,460	672,846	988,645	-	1,661,491	1,482,969	2,471,614
C. Capital Work-in-progress										
	444,537	62,594,539	-	63,039,076	-	-	-	-	63,039,076	444,537
TOTAL (C)	444,537	62,594,539	-	63,039,076	-	-	-	-	63,039,076	444,537
Previous Year Figures	-	444,537	-	444,537	-	-	-	-	444,537	-
Current Year Total	581,836,518	107,459,878	1,404,364	687,892,032	189,677,362	41,234,107	-	230,911,469	456,980,562	392,159,155
Previous Year Total	543,259,698	42,849,907	4,273,087	581,836,519	144,898,150	44,779,212	-	189,677,362	392,159,157	398,361,549

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note **14** LONG TERM LOANS AND ADVANCES (Unsecured, Considered Good) (Figures in ₹)

Particulars	As at 31 March, 2012	As at 31 March, 2011
Capital Advances	14,532,192	26,782,208
Security Deposit	6,485,567	7,129,024
Loans & Advances to related parties (Refer Note 35)		
Advance to group companies	870,432	801,787
Other Loans & Advances		
Advance to others	2,913,446	2,881,284
Advance to staff*	11,234,268	11,297,657
Total	36,035,905	48,891,960

Out of the advance to staff ₹ 4,832,051/- (P.Y. ₹ 5,266,393/-) are due from officer of the Company.

Note **15** INVENTORIES (As verified, valued and certified by the management)

Raw Material	10,559,970	17,445,973
Work-in-Progress	205,982,036	167,242,079
Finished Goods	45,014,416	34,667,864
Stock-in-Trade	3,015,968	653,685
Stores & Spares	3,795,207	2,417,311
Packing Material	7,259,973	4,370,092
Total	275,627,570	226,797,004

Note **16** TRADE RECEIVABLES (Unsecured, Considered Good)

Outstanding for a period exceeding six months	53,527,532	45,047,728
Others	90,108,774	87,125,204
Total	143,636,306	132,172,932

Note **17** CASH & CASH EQUIVALENT

Cash on Hand	2,957,737	1,382,187
Balances with Banks	31,155,634	11,778,818
Fixed Deposit with Banks	2,885,960	2,766,598
Total	36,999,331	15,927,603

17.1 Balance with banks include Unclaimed Dividend Amount of ₹ 2,347,131/- (P.Y. ₹ 2,350,585/-)

17.2 Following are the balances with bank held as margin money or security against borrowing, guarantees and other commitments ₹ 2,885,960/- (P.Y. ₹ 2,766,599/-)

17.3 Fixed deposits include ₹ 2,231,120 (P.Y. ₹ 2,675,089) having maturity period of more than 12 months.

Note **18** SHORT TERMS LOANS AND ADVANCES (Unsecured, considered Good)

- Creditors Advance for Goods	252,344	1,395,537
- Creditors Advance for Expense	534,767	691,041
- Advance to Staff	1,510,955	1,493,805
- Advance recoverable in cash or kind or for value to be received	2,680,313	3,462,214
Total	4,978,379	7,042,597

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 19 REVENUE FROM OPERATIONS (Figures in ₹)		
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Local Sales	455,965,722	384,299,631
Trading Sales	3,417,180	2,985,890
Export Sales	29,208,328	32,977,671
	488,591,230	420,263,192
Less: Excise Duty	5,957,069	548,769
Total	482,634,161	419,714,423

Note 20 OTHER INCOME		
Interest Income		
- From Bank Deposits	1,040,133	584,840
- From Others	244,657	201,789
Miscellaneous Income	319,533	328,372
Rent Income	48,000	48,000
Exchange profit & Loss(Net)	357,065	150,788
Profit on Sale of Fixed Asset	430,000	-
Total	2,439,389	1,313,789

Note 21 COST OF MATERIAL CONSUMED		
Opening Stock	17,445,973	14,484,662
Add: Purchases	112,326,725	116,718,323
	129,772,698	131,202,985
Less: Closing Stock	10,559,970	17,445,973
Total	119,212,727	113,757,012

Note 22 CHANGE IN INVENTORIES (Figures in ₹)			
Particulars	Year ended 31 March, 2012		Year ended 31 March, 2011
Closing Stock			
- finished Goods	48,030,384		35,321,549
- Semi-finished Goods	205,982,036	254,012,420	167,242,079
Opening Stock			
- Finished Goods	35,321,549		52,355,025
- Semi-finished Goods	167,242,079	202,563,628	95,623,120
Total		(51,448,792)	(54,585,483)

Note 23 EMPLOYEE BENEFIT EXPENSES (Figures in ₹)		
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Salaries, Wages & Bonus	63,026,814	53,865,419
Contribution to P.F./Gratuity Fund	2,480,205	2,077,076
Staff Welfare	3,173,829	2,250,798
Total	68,680,848	58,193,293

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 24 FINANCIAL COST		(Figures in ₹)	
Particulars	As at 31 March, 2012	As at 31 March, 2011	
Interest Expense	27,166,287	24,422,736	
Other Borrowing Cost	1,114,205	860,254	
Total	28,280,492	25,282,990	

Note 25 DEPRECIATION & AMORTISED COST			
Particulars	As at 31 March, 2012	As at 31 March, 2011	
Depreciation - SLM	3,454,413	3,456,476	
Depreciation - WDV	37,184,388	40,334,091	
Amortisation of Intangible Asset	595,307	988,645	
Total	41,234,108	44,779,212	

Note 26 OTHER EXPENSES		(Figures in ₹)	
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011	
Manufacturing Expense			
Power and Fuel	28,858,591	22,593,756	
Consumption of stores	4,332,472	5,074,205	
Excise Duty*	3,077,886	2,696,500	
Repairs & Maintenance - Machinery	6,459,315	5,533,503	
Packing Expense	14,538,018	9,546,520	
Quality Control and Testing Expense	1,791,092	1,972,108	
R & D Expense	11,291,874	6,932,300	
Repairs and Maintenance - Building	1,248,093	745,698	
Repairs and Maintenance - Electrical	753,187	955,740	
Other Production Expense	8,273,935	6,182,655	
Feed Exp.	5,462,333	1,248,729	
Growth Media Centre Expense	1,318,381	199,194	
	87,405,177		63,680,908
Selling And Distribution Expense			
Selling Expense	3,672,776	3,302,921	
Sales Promotion	3,999,256	3,618,261	
Sales Tax Expense	1,023,775	1,200,500	
Carriage Outward Expense	12,413,797	9,988,117	
Travelling Exp.	2,979,173	2,958,972	
Commission on Sales	1,016,013	950,099	
	25,104,790		22,018,870
Establishment Expense:			
Postage/Courier, Telephone Expense	3,601,043	3,919,138	
Insurance Expense	1,708,948	1,354,207	
Legal, Professional and Consultancy	6,734,412	4,839,868	
Printing and Stationery	1,467,816	1,118,165	
Travelling and Conveyance	3,554,239	4,910,131	
Director's Travelling	3,035,053	2,802,331	
Rent, Rates and Taxes	4,849,451	3,223,416	
Repairs and Maintenance - Others	2,115,914	2,743,584	
Vehicle & Petrol Expense	4,720,099	4,363,216	
Electricity Charges	707,950	620,145	
Conference and Seminar Expense	1,063,786	454,764	
Membership Fees	785,748	710,130	
AGM Board Meeting	157,905	176,539	

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 26 OTHER EXPENSES		(Figures in ₹)	
Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011	
Donation	201,401	627,320	
Bad Debts W/off	7,449	142,262	
Miscellaneous Expense	4,193,204	1,947,720	
Prior Period Expense	206,516	-	
Foreign Exchange Difference	816,899	-	
Payment to Auditor			
- As Auditor	594,292	382,875	
- For Taxation Matters	143,744	123,000	
- For Other Services	240,842	45,773	
- For Reimbursement of Expense	8,445	4,500	
		40,915,156	34,509,084
Total		153,425,123	120,208,862

*Excise Duty shown under expenditure represents the aggregate of Excise Duty borne by the Company and difference between excise duty on opening & closing stock of finished goods.

Note 27 PROVISION AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

CONTINGENT LIABILITIES & COMMITMENTS:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net-off advances) ₹ 28.82 million (P.Y. ₹ 1.85 million).

Note 28

Figures are rounded off to nearest rupee.

Note 29

In the opinion of the Board of directors, loans and advances are of the value stated in the Balance Sheet, to be realised in the normal course of business and provision for all known liabilities have been made in the books of accounts which are adequate and not in excess of the amount reasonably required.

Note 30

The management of the Company has during the year carried out technical evaluation for identification of impairment of assets, if any in accordance with the Accounting Standard (AS) 28, issued by the Institute of Chartered Accountants of India. Based on the judgment of the management and as certified by the directors, no provision for impairment of the asset is considered necessary in respect of any of the assets of the Company.

Note 31

The amount of loans and advances include ₹ 2,036,444 (P.Y. ₹ 1,069,829/-) loans to companies, Firms and persons as listed in the register maintained under Section 301 of the Companies act, 1956. Maximum outstanding during the year was ₹ 2,142,799/- (P.Y. ₹ 1,088,557/-)

Note 32

32. Balance of Trade Receivables, Trade Payables and Loans and Advances are as per books and subject to confirmation reconciliation from respective parties.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 33

The Management has initiated the process of identifying enterprise which have provided goods & services to the Company and which qualify under the definition of Micro and Small Enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises outstanding as on 31 March, 2012 has been made in the financials statements based on information received and such amount outstanding as on 31 March, 2012 from Micro and Small Enterprises is NIL, which the auditors have relied upon. Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provision of the Act is not expected to be material.

Note 34

As per terms & conditions approved at the Annual General Meeting of the Company held on 28th July, 2010, Company had allotted 480,000 convertible warrants, to promoters group and non promoters on preferential basis on 12th August, 2010 on receipt of subscription amount of ₹34.25/- per warrant.

Pursuant to the terms & conditions of Equity warrants, during the year 480,000 warrants were converted into 480,000 equity shares of ₹10/- each fully paid at premium of ₹127/- per share.

Note 35 RELATED PARTY DISCLOSURES

i) List of Related Parties :

Related parties with whom transactions have taken place during the year.

a) Group Companies/Associates / Individual Relatives:

1. Hester Coatings Pvt. Ltd.
2. Sinsui (India) Pvt .Ltd.
3. Biolink Healthcare Pvt. Ltd.

b) Key Management Personnel:

1. Rajiv Gandhi – C.E.O & Managing Director.
2. Jigar Shah – C.F.O

ii) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

(Figures in ₹)

Sr. No.	Nature of Transactions	Group Companies/ Associates/Individual Relatives	Key Management Personnel
1.	Advance Given	75,000 (127,500)	Nil (5,000,000)
2.	Advance Repaid	6,355 (Nil)	800,000 (1,548,260)
3.	Outstanding Balance		
	Included in Long term Loans & Advances	870,432 (801,787)	4,832,051 (5,266,393)
4.	Director's Remuneration	Nil (Nil)	3,449,487 (3,346,936)
5.	Rent- MD's Residence	600,000 (600,000)	Nil (Nil)
6.	Interest Received/Receivable	Nil (Nil)	365,658 (170,982)
7.	Salary Paid	Nil (Nil)	3,531,279 (3,022,449)
8.	Investment in Equity Shares	Nil (Nil)	Nil (Nil)

Note: Disclosure is made of only those related parties with whom transactions have taken place during the year or there is balance at the end of the year.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 36

Disclosure as per As-15 (Revised) on " Employee Benefit " for the year ended 31 March, 2012

a) Defined Contribution Plans

The Company made contribution towards provident fund to defined contribution retirement benefit plans for qualifying employees. The provident fund plan is operated by the regional provident fund commissioner, the Company required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefit.

The Company recognised ₹ 1.64 million (P.Y 1.29 million) for provident fund contribution in the profit and loss account. The contributions payable to this plan by the Company are at rates specified in the rules of the scheme.

b) Defined benefit Plan

The Company made annual contribution to the employee's Group Gratuity Cash Accumulation Scheme of the Life Insurance Corporation of India, a funded benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or a part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of define benefit obligation and the related current service cost were measured using the projected unit credit method as per actuarial valuation carried out at balance sheet date.

The following table sets out the funded status of the gratuity plan and the amount recognised by the Company's financial statement as at 31 March 2012.

i) Change in benefit obligations:

(Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Projected benefit obligations at beginning of the year	4,204,082	3,311,883
Service Cost	663,113	614,827
Interest Cost	346,837	264,951
Actuarial (Gain) / Loss	234,945	142,433
Benefits Paid	–	(130,012)
Projected benefit obligations at the end of year	5,448,977	4,204,082

ii) Change in plan Asset:

(Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Fair value of plan assets at the beginning of the period	4,238,074	2,580,545
Expected return on plan assets	349,641	206,444
Contribution	2,181,757	1,549,212
Benefit paid	–	(130,012)
Actuarial Gain/(Loss) on plan asset	50,667	31,885
Fair value of plan assets at the end of the period	6,820,139	4,238,074
Total actuarial gain/(loss) to be recognised	(184,278)	(110,548)

iii) Expenses recognised in income statement:

(Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Current service cost	663,113	614,827
Interest Cost	346,837	264,951
Expected return on plan asset	(349,641)	(206,444)
Net Actuarial Gain/(Loss) to be recognised	184,278	110,548
Expense recognised in P/L	844,587	783,882

Notes to Consolidated Financial Statements for the year ended 31 March, 2012

Note 36 (Contd.)

iv) Assumptions used in accounting for the Gratuity plan: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Discount rate previous period	8.25%	8.00%
Discount rate current period	8.50%	8.25%
Rate of return on plan asset previous period	8.25%	8.00%
Rate of return on plan asset current period	8.50%	8.25%
Salary escalation previous period	6.00%	6.00%
Salary escalation current period	6.00%	6.00%

v) Amount recognised in the Balance sheet: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Liability at the end of the period	5,448,977	4,204,082
Fair value of the plan assets at the end of the period	6,820,139	4,238,074
Difference	1,371,162	(33,992)
Amount recognised in the balance sheet	1,371,162	(33,992)

vi) Actual Return on Plan Assets : (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Expected Return on Plan Assets	349,641	206,444
Actuarial Gain/(loss) on Plan Assets	184,278	31,885
Actual Return on Plan Assets	533,919	238,329

vii) Balance sheet Reconciliation: (Figures in ₹)

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
Opening Net Liability	(33,992)	731,338
Expenses As Above	844,587	783,882
Employers Contribution Paid	(2,181,757)	(1,549,212)
Closing Net Liability	(1,371,162)	(33,992)

Note 37 EARNINGS PER SHARE

Calculation of Net Profit available for Equity Shareholders:

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
A. Net Profit After Tax	76,085,268	75,627,100
Profit available to Equity shareholders	76,085,268	75,627,100
B. Weighted Average No. of Eq. Shares of ₹ 10/- each	5,671,200	5,191,200
C. Basic and diluted Earning per share	13.20	14.57

The Equity warrants being dilutive potential shares issued at a fair price during the year have not been considered as having diluting effect on earning per share in the current year.

Notes to Consolidated Financial Statements for the year ended 31 March, 2012**Note 38**

As the Company's business activity, in the opinion of the Management, falls within a single primary segment i.e. Veterinary (Poultry) Vaccines, which are subject to same risks and returns, the disclosure requirements of Accounting Standard (AS) – 17 "Segment Reporting" issued by the Institute of chartered Accountants of India are, in the opinion of the management, not applicable.

Note 39

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

Note 40

These financial statements have been prepared in format prescribed by the Revised Schedule VI notified under the companies Act, 1956. This has significantly impacted the presentations and disclosures made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to confirm to current year's classification/disclosure.

For **Shah Narielwala & Co.**
Chartered Accountants
FRN: 109708W

For & on behalf of Board

Naishadh H. Shah
Partner
Membership No.: 42323

Rajiv Gandhi
CEO & Managing Director

Sanjiv Gandhi
Director

Jigar Shah
CFO

Amala Parikh
Company Secretary

Place : Ahmedabad
Date : August 14, 2012

Place : Ahmedabad
Date : August 14, 2012

Financial Information of Subsidiary Companies

Particulars regarding subsidiary company, pursuant to general exemption granted by Ministry of Corporate Affairs vide its General Circular No: 2/2011 dated February 8, 2011

Particulars	Hester Biosciences (Mauritius) Limited		Hester Biosciences Nepal Private Limited	
	(In USD)	(In INR)	(In USD)	(In INR)
Reporting Currency				
Financial year of the subsidiary companies ends on	31 March, 2012	31 March, 2012	31 March, 2012	31 March, 2012
Exchange rate	1.00	51.16	0.62	1.00
Share Capital	550,975	28,185,953	61,340,000	38,030,800
Reserves	(30,044)	(1,536,946)	-	-
Total Assets	552,241	28,250,717	100,591,666	62,366,833
Total Liabilities	552,241	28,250,717	100,591,666	62,366,833
Investments (Excluding Investments in Subsidiaries)	-	-	-	-
Turnover	-	-	-	-
Profit Before Taxation	(22,948)	(1,173,939)	(1,817,162)	(1,126,640)
Provision for Taxation	-	-	-	-
Profit After Taxation	(22,948)	(1,173,939)	(1,817,162)	(1,126,640)
Proposed Dividend	-	-	-	-

Ten Year Financial Statistics

YEAR ENDED ON 31 March	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Manufacturing Sales	42.84	73.18	157.94	196.55	216.01	322.41	297.84	367.83	416.73	479.21
Trading Sales	1.29	3.63	4.45	4.83	2.27	3.93	3.76	7.49	2.98	3.42
NET SALES	44.13	76.81	162.39	201.37	218.28	326.34	301.60	375.32	419.71	482.63
Other Income	0.51	0.04	0.40	0.30	2.63	2.75	0.92	0.81	1.31	2.44
TOTAL INCOME	44.64	76.85	162.79	201.67	220.91	329.09	302.52	376.13	421.02	485.07
Total Expenses	32.67	52.03	93.69	112.05	130.16	156.60	153.68	214.18	239.13	293.55
(a) (Increase)/decrease in Stock in trade	-0.85	3.82	-9.29	-7.02	-22.54	-19.90	-41.36	-40.21	-54.59	-51.45
(b) Trading Purchase	1.79	1.71	5.20	2.61	3.05	4.23	3.28	7.25	1.89	6.72
(c) Consumption of Raw material	8.22	13.22	43.30	45.26	70.94	62.82	71.31	91.43	113.76	119.21
(d) Manufacturing Expenses	5.73	8.47	18.28	26.88	22.21	34.50	36.51	57.08	60.98	87.41
(e) Staff Cost	7.57	9.04	13.86	15.16	19.64	29.94	36.66	49.97	58.19	68.68
(f) Selling, General & Admn.Expenses	10.21	15.77	22.35	29.16	36.87	45.01	47.28	48.65	58.89	62.98
Interest	2.74	2.63	2.44	2.57	6.98	26.55	28.88	23.63	25.28	28.27
Depreciation	2.54	2.70	3.20	3.54	4.41	36.85	38.44	42.33	44.78	41.23
Amortisation of Preliminary Exp.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROFIT BEFORE EXTRA ORDINARY ITEM	6.69	19.49	63.46	83.52	79.36	109.09	81.52	96.00	111.83	122.02
Extra Ordinary item	0.01	0.09	0.00	14.87	0.00	0.00	0.00	0.00	0.00	0.00
PROFIT BEFORE TAX	6.68	19.41	63.46	68.64	79.36	109.09	81.52	96.00	111.83	122.02
Provision for taxation	2.12	8.72	24.03	24.20	27.85	38.69	34.16	35.67	35.88	44.11
NET PROFIT	4.56	10.68	39.43	44.45	51.51	70.41	47.36	60.33	75.96	77.91
BALANCE SHEET AS AT	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SOURCES OF FUNDS :										
Paid-up Equity share capital	35.27	35.27	35.27	37.08	51.91	51.91	51.91	51.91	51.91	56.71
Preference Share Capital	14.05	14.05	14.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity Warrants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.44	0.00
General Reserve & Surplus	6.53	8.53	36.09	99.40	227.56	282.78	314.56	356.73	411.50	543.78
Loan Funds	23.37	17.02	16.11	16.91	223.58	201.43	187.66	201.49	213.25	140.20
TOTAL	79.23	74.87	101.53	153.39	503.05	536.12	554.13	610.13	693.10	740.69
APPLICATION OF FUNDS :										
Net Fixed Assets	39.90	40.61	45.59	46.47	348.79	409.04	405.31	398.36	392.16	365.32
Capital Work - in - Progress	0.00	0.00	0.00	24.01	5.55	0.00	0.00	0.00	0.00	63.04
Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00	25.00
Net Current Assets	28.26	39.25	64.91	91.65	165.52	146.05	174.71	238.32	301.40	311.81
Profit & Loss A/c	8.22	-0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Exp.	0.78	0.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets / Liabilities	2.08	-5.03	-8.97	-8.74	-16.81	-18.97	-25.89	-26.55	-25.46	-24.48
TOTAL	79.23	74.87	101.53	153.39	503.05	536.12	554.13	610.13	693.10	740.69
EQUITY DIVIDEND	-	-	12%	15%	20%	25%	25%	30%	35%	10%

(₹ in 'Million)



Corporate Office

'Pushpak' 1st Floor, Panchvati Circle, Motilal Hirabhai Road
Ahmedabad 380006

notice

NOTICE is hereby given that **25th** Annual General Meeting of the Members of Hester Biosciences Limited, will be held on Friday, the **14 September, 2012** at 11.00 a.m. at Ahmedabad Textile Mills' Association Hall (ATMA Hall), Ashram Road, Navrangpura, Ahmedabad 380 009 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March, 2012 and Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. Sanjiv Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Darayus Lakdawalla, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

Special Business

6. To re-appoint Mr. Rajiv Gandhi, CEO and Managing Director of the Company

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:-

"RESOLVED THAT pursuant to Section 198, 269,309,310 and other applicable provisions, if any of the Companies Act,1956, read with and in accordance with the conditions specified in Schedule XIII of the said Act and as recommended by the Remuneration Committee, the consent of the Company be and is hereby accorded for the re-appointment of Mr. Rajiv Gandhi as a CEO & Managing Director of the Company with effect from 1 January, 2012 for a period of 3 years or till the CEO & Managing Director resigns from the office of Directorship, as set out in the explanatory Statement annexed hereto".

"FURTHER RESOLVED THAT in the event of any statutory amendment or modification under the Companies Act,

1956, Board of Directors be and is hereby authorised to vary, enlarge, increase and modify the remuneration including salary, commission, perquisites, allowances, etc. within such prescribed limit or ceiling and aforesaid remuneration draft agreement between the Company Mr. Rajiv Gandhi, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General meeting.

"FURTHER RESOLVED THAT Board of Directors be and are hereby authorised to take such steps as may be necessary to give effect to this Resolution."

7. To Increase the Authorised Share Capital of the Company and making consequential amendments in Capital Clause of Memorandum and Articles of Association of the Company.

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 16, 94 of the Companies Act, 1956 and other applicable provisions, if any, Authorised Share Capital of the Company be and is hereby increased from ₹ 65,000,000/- (Rupees Sixty Five Million Only) to ₹ 105,000,000/- (Rupees Hundred and Five Million Only) by addition of 4,000,000 (Four Million) Equity Shares of ₹ 10/- (Rupees Ten) each.

"FURTHER RESOLVED THAT existing Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following new Clause V:

"The Authorised Share Capital of the Company is ₹ 105,000,000/- (Rupees Hundred and Five Million Only) divided into 10,500,000 (Ten million and Five Hundred Thousand Only) Equity Shares of ₹ 10/- (Rupees Ten) each."

"FURTHER RESOLVED THAT pursuant to provisions contained under Section 31 of the Companies Act, 1956, Article 5(a) of the Article of the Company be and is hereby substituted by the following Article 5(a):

"5(a) The Authorised Share Capital of the Company is as per Clause V of the Memorandum of Association of the Company as amended from time to time, with power to increase or reduce the share capital of the Company and to divide the share capital for the time being into several

classes and to attach thereto respectively such preferential, qualifies or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company.”

8. To Issue Bonus Share

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:-

“**RESOLVED THAT** pursuant to the provisions of the section 81 and other applicable provisions of the Companies Act, 1956 and Article 195 of the Article of Association of the Company and subject to the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subject to such approvals, permissions and sanctions as may be necessary and also subject to such terms, conditions and modifications as may be prescribed in granting approvals, permissions, sanctions, by appropriate authority or authorities and agreed to by the Board of Directors of the Company (hereinafter called the Board, which term shall be construed as to include any Committee which the Board may have constituted or may hereafter constitute to exercise the powers including the powers conferred vide this resolution), the consent of the Company be and is hereby accorded to the Board for capitalisation of ₹ 28,356,000/- (Rupees Twenty Eight Million Three Hundred Fifty Six Thousand Only) out of Securities Premium Account and/ or any other reserves being eligible for the purpose and as may be deemed appropriate and suitable by the Board, by issue of bonus shares with face value of ₹ 10/- each to be credited as fully paid up to the existing equity shareholders of the Company whose names appear on the Register of the Member / list of beneficial owners maintained by the Depositories as on such date to be fixed by the Board, in proportion of 1 (One) equity share for every 2 (Two) equity shares held by them, subject to the following terms and conditions:

1) The new equity shares shall be allotted subject to the provisions of Memorandum and Articles of Association of the Company and shall in all respect rank pari passu with the existing fully paid up equity shares of the Company including the right to participate in full in

dividend, if any, that may be declared for the financial year in which the bonus shares are allotted;

- 2) No allotment letters shall be issued to the allottees of the said bonus shares. The share certificate in respect of the said bonus shares allotted shall be sent to the respective allottees within prescribed time, except in case of allottees who are holding the existing equity shares in electronic/demat form, to whom the bonus shares will be credited to their demat accounts;
- 3) No fractional certificates shall be issued in respect of any fractional entitlement, but that new equity shares in respect of fractions shall be consolidated and allotted to any such person(s), appointed by the Board on the express understanding that such person(s) shall sell the new equity shares so allotted to such person (s) at such price (s) as they may think fit, as soon as practicable, and pay to the Company the net sale proceeds (after deducting all expenses, if any, incidental to the sale), which proceeds shall be distributed by the Company pro-rata amongst the shareholders entitled thereto;
- 4) The allotment of bonus shares to non-resident members of the Company shall be subject to approval, if necessary, of Reserve Bank of India under the Foreign Exchange Management Act, 1999 and Rules framed there under.

“**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board (hereinafter called the Board, which term shall be construed as to include any Committee which the Board may have constituted or may hereafter constitute to exercise the powers including the powers conferred vide this resolution) be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the issue or distribution of new equity shares, which shall be final and binding on all members of the Company and other interested persons.”

Date: 14.8.2012

For Hester Biosciences Limited

Registered Office :

‘Pushpak’ 1st Floor,

Panchvati Circle

Motilal Hirabhai Road

Ahmedabad 380 006 Gujarat

Rajiv Gandhi

CEO & Managing Director

Notes

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least ₹ 50,000/-.
- Explanatory Statement under section 173(2) of the Companies Act, 1956 is enclosed.
- The Proxies should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- The Record Date for Members of the Company will be on **Tuesday, the 28 August, 2012** for the purpose of Dividend
- The payment of Dividend as recommended by the Directors if approved at the Meeting, will be made:
 - (i) To those members whose names are on the Register of Members on **Tuesday, the 28 August, 2012** or to their mandates
 - (ii) In respect of shares held in electronic form, to those "deemed members" whose names appears of the statement of beneficiary ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) at the end of business hours on **Tuesday the 28 August, 2012**.
- At the ensuing Annual General Meeting, Mr. Sanjiv Gandhi and Mr. Darayus Lakdawalla, retire by rotation and being eligible offer themselves for re-appointment. Mr. Rajiv Gandhi also proposed to be reappointed as CEO & Managing Director of the Company. The information or details pertaining to them to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges is furnished in the statement of Corporate Governance published elsewhere in this Annual Report.
- Members are requested to contact our Registrar and Transfer Agent for any query related to shares, dividend and other inquiry at following address.

M/s. Sharepro Services (India) Pvt Ltd.
Unit : Hester Biosciences Limited
(Ahmedabad Branch)
416-420, 4th.Floor, Devnandan Mall,
Opp. Sanyas Ashram, Ellisbridge,
Ahmedabad-380006.
Tel Nos.: 079 26582381 to 84
Fax No: 079 26582385
Email: sharepro@shareproservices.com
Contact person: Ms. Bharti Parikh
- Please Quote folio no. / DP ID & CL. ID for any Communication for their shareholding.
- Bring the copy of Annual Report at the meeting.
- Members wishing to claim their unclaimed dividend for the FY. 2005-06, 2006-07, 2007-08, 2008-2009, 2009-2010 & 2011-2012 are requested to correspond with the Secretarial Department or the Registrar of the Company.
- The Company's shares are listed at Mumbai Stock Exchanges. The Company has paid listing fees to Mumbai Stock Exchange for financial year 2012-2013.
- **Green initiative matter**

The Ministry of Company Affairs (MCA) has taken the "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated April, 2011 and Circular No. 18/2011 dated 20 April, 2011) alongwith paperless compliance by compliances by companies through electronic mode.

Keeping in view underlying theme and circular issued by MCA, we propose to send all documents to be sent to shareholders like General Meeting Notice including the AGM, Annual Report including Audited Financial Statements, Director Report, Auditor Report etc. to our shareholder in electronic form, to the email address provided by them and made available to us by the Depositories.

Please also note that you will be entitled to be furnished free of cost, with a copy of the Annual Report of the Company and all other documents required by law to be attached thereto, upon receipt of a requisition from you, any time, as a member of the Company such a requisition may be sent to the Registered Office of the Company at the address given below.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 6

Mr. Rajiv Gandhi, CEO & Managing Director was appointed by the Company and his terms expired on 31 December, 2011. The Board of Directors, on the recommendation of the Remuneration Committee, at their meeting held on 20 October, 2011 has decided to re-appoint him for a further period of 3 years, on the terms and conditions, as mentioned in the Remuneration draft agreement, with effect from 1 January, 2012, subject to approval of the shareholders. The appointment and terms of remuneration payable to Mr. Rajiv Gandhi as a CEO & Managing Director of the Company, as mentioned below, are within the permissible limits under schedule XIII of the Companies Act, 1956. The remuneration package will be as follows:

(a) **Salary:** ₹ 300,000/- p.m.

(b) **Perquisites:** In addition to the salary, the following perquisites shall be allowed to the Managing Director and the total value of perquisites shall be restricted to an amount equal to the annual salary.

Category - "A"

i) Housing:

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of ₹ 50,000/- per month, subject to a limit of 20% of his salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing, including maintenance of all, at the residence of the Managing Director at the entire cost of the Company.

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in accordance with the Income-tax Rules, shall not exceed 10% of the salary.

ii) Medical Reimbursement:

Medical Expenses actually incurred for self and family shall be reimbursed by the Company under the Mediclaim Policy.

iii) Leave Travel Concession:

The Company shall provide leave travel fare for the Managing Director and his family once in a year.

iv) Personal Accident Insurance:

The Company shall pay Personal Accident Insurance upto ₹ 10,000/- per annum.

v) Club Fee :

The Company shall pay and / or Reimburse Fees and Expenses (excluding admission and Life membership fees) of clubs, subject to a maximum of two clubs.

Category - "B"

i) The Company shall contribute towards Provident Fund/Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.

ii) The Company shall pay Gratuity at the rate not exceeding half month's salary for each completed year of service.

iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of, will be allowed to be encashed at the end of the term as per rules of the Company.

The perquisite under this Category shall not be included in the computation of ceiling on remuneration.

Category - "C"

1. The Company shall provide a Car with Driver at the entire cost of the Company for use for the business of the Company. Use of Car for personal purposes shall be billed by the Company.

2. The Company shall provide telephone including mobile phone at the residence of the Managing Director at the entire cost of the Company. Personal long-distance calls shall be billed by the Company.

3. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual traveling, lodging and boarding expenses incurred by him for attending meetings of the Board of Directors and/or committees thereof.

4. The remuneration referred to above is subject to the limit

of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company, on the remuneration of the Managing Director and other Executive Directors of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under (a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.

5. In the event of cessation of office during any financial year, a ratable proportion of the aforesaid remuneration shall be payable by the Company.
6. The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.
7. "Family" means the spouse, dependent children and dependent parents of Managing Director.
8. Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be allowed.

Any and All expenditure actually and properly incurred on Company's business shall be reimbursed to the Managing Director. He shall however not be entitled to any Sitting Fees.

The Board recommends the resolution for approval of Shareholders. Except Mr. Rajiv Gandhi, himself and Mr. Sanjiv Gandhi, Mr. Ravin Gandhi and Dr. Bhupendra V. Gandhi, relatives of him, none of the other Directors are interested or concerned in this resolution.

Item No. 7

The Board of Directors of the Company have approved to issue Bonus Shares by capitalising part of the balance lying in Securities Premium Account and/or any other reserves in the Company to reflect the paid-up capital appropriate to the size of its operation. To implement the above decision, it is necessary to increase Authorised Share Capital to ₹ 10.50 Crore and consequent amendment in Clause V (Capital Clause) of the Memorandum and the Article 5(a) of Articles of Associations of the Company. Shareholder's approval is required pursuant to provisions contained u/s 16, 31 and 94 of the Companies Act, 1956.

The proposal outlined above is in the interest of the Company and the Board recommends the passing of the resolution set

out under item no. 7 of the accompanying Notice as a Special Resolution.

None of the Directors of the Company are in any way concerned or interested in the forgoing resolution for increase in Authorised Share capital of the Company.

Item No. 8

The Company has grown over the years and its last year's turnover was in excess of ₹ 480 Million. The paid-up equity shares capital stands at ₹ 56.71 Million. The Company has accumulated Reserve and Surplus of over ₹ 543 Million and the Company has never declared /issued bonus shares in the past. Further, this is 25th year of the Company. In order to reflect the paid up share capital at an appropriate level, your Directors propose to issue Bonus Equity Shares by capitalisation of a sum of ₹ 28,356,000/- (Rupees Twenty Eight Million Three Hundred Fifty Six Thousand Only) standing to the credit of Securities Premium Account and/or any other reserves, by way of issue of 1 (One) new equity share for every 2 (Two) existing equity shares held. Such fully paid Bonus Equity Shares shall be distributed to such Members whose names shall appear on its Register of Member/Record Date or in the respective beneficiary account with the respective Depository Participants, on the 'Book Closure Date' / 'Record Date' to be determine by the Board of Directors of your Company, (which shall be deemed to include any committee thereof) for the purpose of issue of Bonus Equity Shares.

The Bonus Shares so allotted shall rank pari passu in all respects with the existing equity share of the Company except that Bonus Share shall be eligible for dividend that may be declared for the Financial Year 2012-13 and thereafter.

The Board of Directors recommends the resolution for approval of the shareholders.

None of the Directors of the Company are in any way concerned or interested in the foregoing resolution, except, to the extent of bonus shares which may be received by them, their relatives or any concern in which they are interested in proportion to their respective shareholding in the Company.

Date: 14.8.2012

For Hester Biosciences Limited

Registered Office :

'Pushpak' 1st Floor,

Panchvati Circle

Motilal Hirabhai Road

Ahmedabad 380 006 Gujarat

Rajiv Gandhi

CEO & Managing Director

Hester Biosciences Limited

Registered Office:

'Pushpak' 1st Floor, Panchvati Circle, Motilal Hirabhai Road, Ahmedabad 380 006 Gujarat 382 721

PROXY FORM

L.F. No.: _____

I, We, _____
of _____ being a member/members of Hester Biosciences Limited hereby
appoint _____ of _____
as my / our proxy to vote for me / us and on my / our behalf at the **25th Annual General Meeting** of the Company to be
held at **11.00 a.m. on Friday the 14 September, 2012** at Ahmedabad Textile Mills' Association Hall (ATMA Hall), Ashram Road,
Navrangpura, Ahmedabad 380 009.

As witness my / our hand (s) this _____ day of _____ 2012.

Affix a
Re. 1.00
Paisa Revenue
Stamp

(Signature(s) of the Shareholder(s))

Note : The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid meeting.



Hester Biosciences Limited

Registered Office:

'Pushpak' 1st Floor, Panchvati Circle, Motilal Hirabhai Road, Ahmedabad 380 006 Gujarat 382 721

ATTENDANCE SLIP

Members or their proxies are requested to present this for admission, duly signed in accordance with their specimen signature registered with the Company, the admission will, however, be subject to verification to signature and such other checks, as may be necessary.

NAME & ADDRESS OF THE SHAREHOLDER	LEDGER FOLIO NO. DP ID – CLIENT ID	NO.OF SHARES HELD

I hereby record my presence at the **25TH ANNUAL GENERAL MEETING** of the Company held on **Friday the 14 September, 2012** at **11.00 a.m.**

Signature of the Shareholder or Proxy



