



"Hester Biosciences Limited
Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Hester Biosciences Limited Q1 FY2021 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jeewani from IIFL Securities. Thank you and over to you Sir!

Rahul Jeewani: Good afternoon everyone. This is Rahul from IIFL Securities. I thank the Hester management team for giving us the opportunity to host this call. From Hester we have with us today, Mr. Rajiv Gandhi, CEO and Managing Director and Mr. Chetas Patel, Chief Financial Officer. I will now hand over the call to the management for their opening comments post which we can have the Q&A session. Over to you Sir!

Rajiv Gandhi: Good afternoon to everybody as always, it is very nice to again interact with you as always and here I am today to talk to you on Q1 FY2021 results. I am sure that all of you already have the press release with you and I would just directly go on to the subjective matters the ratios etc., are also mentioned on page one of the press note and after I finish we would be opened to taking question and answers and if there are any specific finance related questions our CFO, Chetas would answer them.

Coming to the business Q1 FY2021 if we compare it to the Q4 of last year and we compare it to Q1, the sales in Q1 last year and the sales were higher so were the sales also in Q4 higher, last year as you were aware it was a tough period for us all throughout the year and there were certain reasons for our profitability reaching to whatever it was. Coming back to the Q1 though our sales have been less this year as compared to Q1 and the last Q4 we have done reasonably okay compared to the COVID-19 situation plus in the month of April where we were in an extremely tight situation because of lockdown as well as transportation issues we were not able to move material.

Coming under life-saving category we were allowed to manufacture but then of course we could not move the goods and then things slowly started opening up in the end of April then May and June and so therefore our sales with residual sales in April we did reasonably good in May and better than that in the month of June, yes totally we still fell short of the corresponding Q1 at that point of time as I said the sales progressed upward our gross margins again showed a little bit of a decline and this decline is mainly due to the nature of situation in Q1.

Now Q1 due to COVID, there was a situation where poultry farms, dairy farms all of them were as much fighting for survival as what overall industry was fighting for survival. During that survival time it would be automatic that the procurement would be done for those goods and services which are just essential likewise if you talk of vaccines and health products only the essential vaccines or health products were being bought by the end user and our sale of certain products which would have been otherwise high value products for selling like growth promoters and enhancement of weight improving the efficiency of feed improving the milk yield all those type of products which are even more profitable for us to sell as against atypical antibiotic or a one or two low cost vaccines which are given continuously to the poultry farms but we did sales of products which are lesser in value lesser in profitability and therefore our gross margin showed a little bit of a decline but this surely was a temporary situation and things are now getting back to normalcy at the end of the day a poultry farm, dairy etc., they need all inputs they need all scientific input to take on their business further and to efficiently produce meat, eggs, milk, wool etc., because ultimately it is an income source for them that is the whole basis of their rearing these animals.

I definitely see that there will be a trend change coming back to the usual. Expenses did seem have gone down they could have gone down more but for the moment we have succeeded in definitely reducing our expenses partly I mean naturally because of less travel, less movement there has been a complete lockdown on travel expenses along with the actual lockdown and also during this time we tried to improve and look at certain efficiencies in terms of transport. There was a lot of time that we had on hand in trying to look at various aspects of

business etc., so we have taken it up upon ourselves and as committed in the past calls in my notes in my report that the bottomline is as important for us and it is my assurance and commitment to rise up back to the profitability the near past historical profitability that we have shown on a year-on-year basis so we have already started working on them and even we have adapted ourselves to the new philosophy of working reorganizing things etc.

Coming to exports, our exports were zero in the month of April, zero in the month of May but we had pending orders and we did a reasonably good export business in one month itself and there was a total growth on a quarter-to-quarter basis by 12% which considering that there was no sale in two months and all the sale happened just in one month we are quite happy and even as we speak in the month of July also orders are being executed. Now there are international cargo flights that have opened up and things are definitely looking up for exports overall because of all the hard work that we have put in the earlier quarters towards registering towards creating sales team etc.

Taking things further from here I definitely personally see a positive trend domestic as well as internationally and this is visible absolutely in the second quarter and various internal steps in Q1 which is also would impact the coming quarters is that we have always mentioned that we want to reduce the dependency on any one division on any one product etc. We are into vaccines as well as health products, health products include medicines, curative, preventive, growth promoters etc., we are definitely now in the vaccine we have got a reasonable good market share as far as poultry is concerned. On the animal side cattle, sheep, goat, buffalo etc., 90% of the vaccines are supplied through tender where there are no actual marketing efforts that we need to make. We have now started focusing aggressively on the health products which in terms of revenues would be rather bigger than vaccines overall in days to come so this focus with health products would definitely make a positive impact as well as make the topline grow reasonably fast and if you are coming on to the vaccine for the animal health specifically the Brucella vaccine as you are aware I have been saying this I did mention in the last quarter and in the quarter earlier than that we bid the

tenders have been opened the government of India was to start procuring the Brucella vaccine from February. Unfortunately due to the COVID reasons this whole thing has got delayed. In our communication with the central government with the ministries with the department of animal husbandry personally I have reasons to believe that this should start very soon probably in the next 60 days or so towards the government of India starting their procurement of Brucella vaccine for which we are one of the two contenders for this Brucella vaccine supply under the National Animal Disease Control Program of the Government of India.

Talking about the human COVID vaccine, our status remains that things are under research and development and as committed we seem to be heading to start the animal trials sometime in the month of November, December. The timeline continues to be what we had earlier told and as far as the current status is concerned it truly gives us an indication that we are moving positively towards maintaining the timeline at least for this moment. Overall the COVID pandemic situation has impacted micro as well as macro level issues. It has been a game changer in many ways and we are working hard towards adapt ourselves to the changing environment as well as towards the changing needs internally within the organization and there have been everything has changed in terms of communication, in terms of people moving meeting, creating, demand etc., all these things there has been many changes we are adapting ourselves and all this definitely I think is headed towards getting in more efficiencies into our organization.

Coming to Hester, Nepal we have done significantly low because of the lockdown. Nepal there was a lockdown plus complete stoppage of all international flights even as on today there are not any international flights moving in and out so had there been orders we would have not been able to execute it. There were not any orders so it is not that we have lost any business. It is just that orders have not come from FAO but now things have started moving, tenders have started coming and things are looking up. Besides FAO procurement there are direct country orders. There are two orders which we have already confirmed in this financial year based on that what we already have we believe that we will be able to meet

our this year's topline and the bottomline target as far as Hester Nepal is concerned. The focus also is now on the domestic sales. In fact the sales that we have done at the moment in Nepal it is all the residual sale it all comes from domestic sales but everything was in fact more shut than what it is even over here.

Texas Life Sciences our subsidiary which manufactures health products as I mentioned earlier that we intend to focus on our animal health product range we have made an additional investment we had a right issue of Rs.1.5 Crores that is 15 million Indian Rupees towards expanding our assets buying we acquired the neighboring plot which already has a building which is rather a pharma formulation unit so having acquired that we will now expand our capacity towards producing more of the products that we are already producing as well as adding other type of product range over there like injectables etc., so we would add on to this and we would grow the business in Texas Life Science in commensurate to the growth that what we see in Hester Biosciences India notwithstanding the registrations of Hester Texas we would do also independently in Africa so we would also in the next six to eight months time we foresee that Texas would also directly export to Hester Tanzania.

Hester Tanzania surprising part or the difference between our lockdown over here and in Tanzania was that in Tanzania the lockdown implications are now being seen. In the early times there were not as many strict it was not as a strict lockdown as what we have seen in India but now things are catching up even over there. The only problem that we have now is that we are not able to move people from India to Tanzania to execute all the installation of equipment, utilities etc. Work is going on there. As we see there is a delay of approximately two weeks at this point of time there could be a little more delay because of this inability to move from here to there but we do not foresee anything because major delay because we are also seeing in fact in some of the agencies etc., the work has been faster for things which we are not dependent anything from outside Tanzania things have happened fast the whole construction is over. Roads are ready cemented roads in the whole plant etc., so that way we are moving reasonably fast in our manufacturing facility that we are constructing over there and we have got a

lot of support from the government in a way that they are very supportive in issuing us licenses, in trying to help us towards every single thing in getting visas etc., there is no delay that we see in terms of our needs, there are no unfulfilled needs that we have as far as the government of Tanzania is concerned. Overall, it has been a little bit of a low sales in this year if you talk about geography and domestic we were down by 11% in sales, exports grew by 12%. The poultry division, there was a degrowth of 11% but on the animal healthcare there was a growth of 6% and overall the sales have gone down by 8% so this is all from me from my side. With this I give the mike back to the host and I am willing to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kuntal Shah from Oaklane Capital. Please go ahead.

Kuntal Shah: I have questions on we are R&D human vaccine front but my question was what are the skill set, cost and timeline and risk reward you perceive in this area and how does this compare with the animal companion vaccine for pet dogs and cats and all those things because that is an area which is not yet covered by us. Secondly or as far as diagnostic initiatives are concerned for both poultry and large animals what are the new products you have in development and are you planning to setup lab in Nepal and Tanzania similarly to what you have done in Sanand? On FMD side what are your capex plan for Nepal, Tanzania and India and as far as the financials are concerned can you give the exact number of gross debt and receivable situation and inventory situation which was pertaining to the last quarter where we saw inventory had spiked to Rs.63 Crores and receivables was more than Rs.58 Crores, also the question is we have a healthy cash balance and we are debt also so I presume that once our capex is over we will be getting capital grants so can we use some kind of a flexi term where our cash is better utilized to repay the debt in short term and some kind of short term we do not miss out on the difference between the borrowing cost and the cost of the money we keep in the bank?

Rajiv Gandhi: Question one on human vaccines timeline etc. On the human vaccine side we are all geared up to complete up to the animal trials at this point of time and then we would have to take on the commercial or the production and then the human phase one, phase two, phase three, phase four trials etc. We are in talk with companies who are keen to work with us towards the manufacture as well taking the human trials etc. So at this point of time i would not be able to really give you an idea about those things. Talks are at a reasonable confidential level but definitely they are at a reasonable high level in terms of finalizing on how we would want to take it further. So we have been able to identify probable partners who could work with us towards everything after the animal trials have been successfully over so that is for the human thing. The second one was diagnostics. You have mixed up two things one is a diagnostic laboratory and one is a diagnostics kits that we could manufacture. So these two are different things in Anand we have a diagnostics lab where we get samples and we do analysis on the health of the flock, on the health of the cattle, sheep, goat yes we would in days to come have a laboratory of that sort in Africa, in Tanzania we hope to set up such a lab at the moment we have no plans to set up a lab like of that sort in Nepal because the country is very small most of our business is export related, getting the samples everything from outside into Nepal would definitely be a challenge etc., so that is not what we are going to be doing then what was your next question?

Kuntal Shah: Another question was on any thoughts on the companion animals?

Rajiv Gandhi: Companion animal at the moment there are no plans that we have to get into companion animals. We do not see anything in the near horizon to get onto companion animals. Companion animal market is a very big market in the West and in the United States but in India that market is relative I would say on a relative basis it is extremely small and we would continue our focus on production animals at this point of time.

Kuntal Shah: My unanswered questions were you know regarding FMD?

- Rajiv Gandhi:** Foot and Mouth disease yes FMD is a disease that we would get into. We are working and looking at various options. We are yet a little far away from being able to give you a surety on a plan further if we get into FMD, it will definitely be that we will construct a new plant we will raise finances and we will start the whole project by ourselves but at this point of time I am not in a position to give you any precise timeline or a commitment on that.
- Kuntal Shah:** Any comment on that, what is the status of exact growth that we have right now and the receivables and inventory situation spilled over from last quarter?
- Rajiv Gandhi:** Our gross debt in India is Rs.39.12 Crores in Q1 FY2021 as on Q1 FY2020 it was Rs.41.35 Crores marginal reduction.
- Kuntal Shah:** And receivables?
- Rajiv Gandhi:** I do not have the receivables figure with me while I am talking to you but to give you a little idea on the receivables during the COVID time we could have done much, much bigger sales had we been loose and had we been more or less restrictive and not worrying about payment but we have been as restrictive in our sales as what we were before definitely to some clients we have given more credit etc., but I have reason to believe that our receivables have not shot up in any which way higher than what they would have been in those earlier times. In fact yes while I am talking to you our receivables are 44 and in Q4 it was also 40 so it does not go up at all and marginally by some of 10 lakhs or something like that.
- Kuntal Shah:** We have capital work-in-progress in Tanzania around 74 Crores and we have debt of around Rs.76 Crores and we have cash of around Rs.23 Crores so is there some way to have some kind of working capital which gets knocked off so we do not end up paying the difference between the cost of keeping money in our bank versus cost of borrowing and what is the cost of borrowing anyway we are incurring in this?

- Rajiv Gandhi:** Cost of borrowing is 3% per annum. Probably that answers your question that it is not a thing and our focus right now is just setting up this whole plan properly even as we have money we have not deployed funds anywhere in trying to reduce or earn something out of all those things because we have just kept it is a foreign country we are very conservative in this way and we would want to play it conservative.
- Kuntal Shah:** Excellent. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Viraj Mahadevia an Individual Investor. Please go ahead.
- Viraj Mahadevia:** Rajiv, not bad results I guess given the circumstances. Couple of questions from my end one is Hester achieved sales of poultry vaccines and healthcare products of 100 Crores to 125 Crores clearly these were difficult conditions for poultry customers can you assume 125 Crores as a base for this business?
- Rajiv Gandhi:** You are talking at vis-à-vis our last year's turnover?
- Viraj Mahadevia:** It is absolute amount Rs.125 Crores is that the absolute bottom level for this category?
- Rajiv Gandhi:** We will do more than that.
- Viraj Mahadevia:** So this is the worst it will get is what you are saying?
- Rajiv Gandhi:** Yes absolutely.
- Viraj Mahadevia:** Can you share the value of exports in consolidated sales in FY2020 and what was the growth during the year and what growth do you expect in the new financial year?
- Rajiv Gandhi:** On a consolidated basis approximate growth in terms of export in terms of percentage has been 11%.

Viraj Mahadevia: In FY2020?

Rajiv Gandhi: No, I am talking about Q1 in FY2020 I think I would have shared the figures earlier with you last time in the call but the total exports they were around 10% or something as compared to the sales last year if I am not mistaken yes they were around 10%. This year it has gone to 11% in Q1 but this percentage will definitely increase. I mean you can imagine there was zero sale in April and May.

Viraj Mahadevia: Right so the share of exports this year will increase?

Rajiv Gandhi: Yes the share of exports will increase were in domestic versus international business and the share of health products will increase in terms of vaccines versus health products?

Viraj Mahadevia: Then tell me Rajiv Bhai is health product increase I would suspect health products are slightly lower margin products right versus our vaccine so if we have an adverse mix change towards health products our blended margins will move down are you suggesting that?

Rajiv Gandhi: Our selection of products is such even on the health products that yes there is a little difference but the difference is little as I said it is not something that here we have gross margins if you take our gross margins in the 60s but then the health products are at a gross margin of 40s so that the whole average shifts it is nothing of that sort.

Viraj Mahadevia: Okay understood can you share the status of Brucella and PPR for India as well as PPR exports from India...

Rajiv Gandhi: See these are figures of last year which I would have covered in my last in my call last year and because we have done reasonably well in Nepal where we converted ourselves into becoming profitable in terms of we have reasons to believe that Q1 has gone dry Q2, Q3, Q4 we will make up and we will definitely cover up because this movement is going to pick up there is no other way but for the movement to pick up in terms of Brucella the tenders are out bid accepted it is just a matter of

time before which the business would start for Brucella vaccine in India and that in itself is we are looking forward to that business.

Viraj Mahadevia: Excellent, and can we assume that the working capital terms on these tenders are pretty reasonable and in line with your broader working capital or can we expect?

Rajiv Gandhi: Absolutely I can tell you that there has been no delay as far as this is the first time that we would be dealing under a central tender but we have been supplying Brucella, PPR in India to states everything is it is more or less in line with our usual credit terms it is nothing extraordinary at all. It is completely secure to answer your question, it is fully secured.

Viraj Mahadevia: Okay perfect last question Rajiv Bhai mentioned that there is some cost cutting that you all have done now clearly in the last call you mentioned that we are increasing our field cost for the field our sales and marketing so that is going to increase I guess some of the employee benefits expenses so or are we here talking about other expenses as the category as you reported it where you are looking to prune costs and this will be the new normal going forward.

Rajiv Gandhi: Yes one is of course there has been no salary cuts in the organization but travel costs have come down tremendously and a lot of other administrative operational costs we have cut down and that definitely is helping us and you will see this see in this quarter had our sales been even higher by Rs.2 to Rs.3 or Rs. 4 Crores the whole thing would have appeared differently because if you see our costs and everything has gone, our costs have gone down in this quarter itself, it is the lesser sale that is making us compare ourselves with Q4 in terms of expenses or corresponding Q1 but had this quarter had given us a little more sale view our figures would have reflected that very easily.

Viraj Mahadevia: Okay all the best for the year ahead.

Rajiv Gandhi: Thank you

- Moderator:** Thank you. The next question is from the line of Udit Jain from Karvy Stock Broking. Please go ahead.
- Udit Jain:** Yes thanks for taking my question Sir. I wanted to ask about you know how do we see the health segment going forward let us say three to four years down the line?
- Rajiv Gandhi:** Health is a very big segment and I think this segment is definitely going to grow we are adding more products we have many products in the pipeline to come up and if you see a typical animal health company worldwide the sales of their health products is always much more than the sales of their vaccines maybe two or three times we are one of those a very different or whatever you call it where vaccine sales is some three times or something to that of the health product sales so I think the opportunities are immense and we are now putting in a lot of efforts as far as health products is concerned another thing that I would want to just I remembered right now while I was answering Viraj's call that he mentioned that the gross margins would be less the capital investment required initially to make health products is far more lesser than what it requires for vaccine so our initial cost capital cost itself would be very low that would also contribute towards higher profitability and so coming back to your question health products is definitely a growth area that we are looking at very seriously and when I say health products it includes medicines, health products growth promoters, disinfectants, etc.
- Udit Jain:** Sir when you say the health segment should be let us say three to five x of the vaccine segment do you feel that kind of you know uh kind of customer level awareness is there in India to take that power?
- Rajiv Gandhi:** I mean I do not have statistics to give you an idea you can take some of these companies that are big in India on the animal health side Virbac then you can say Zoetis you can even take the animal health division of Zidas etc., I mean their 70% of the sales would be coming from the health products and that too on the animal side rather than the poultry side.
- Udit Jain:** Understood Sir. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Krishna Parikh from Sameeksha Capital. Please go ahead.
- Krishna Parikh:** Congratulations this was a good quarter given the scenario I just wanted to ask what was the maintenance capex for FY2020?
- Rajiv Gandhi:** The maintenance capex in the sense the engineering side the maintenance of the plant I have not understood...
- Krishna Parikh:** The certain capex that you have to do to maintain the capacities at the same level?
- Rajiv Gandhi:** Okay I do not have that figure in mind but I would not mind sharing that figure with you I do not have it right now that's fine that's okay with all the papers that I have but I do not have this figure with me, but I will share it with you nonetheless.
- Krishna Parikh:** Okay thank you and also Hester Tanzania I might have missed that part but why are we having such a huge increase in profit?
- Rajiv Gandhi:** Hester Tanzania is a trading company and products over there in Africa are sold at much more higher prices than what they would be sold over here so it could be that this quarter we sold products where our profitability was even higher than what it would have been otherwise so it would have just been that product mix the sales yes the profitability is high but the sales are low I have not dwelled into myself on actually the product mix that has been sold over there because there are health products as well it is not just vaccines alone, but profitability overall in Africa is higher than what it is in India.
- Krishna Parikh:** Okay because we have doubled our sales and I think more than from 0.25 to 3.78 is the profitability so that is a mind-boggling term..
- Rajiv Gandhi:** No I will tell you see now while you were asking the question I was just internally I was being told that there are one or two products and there are one or two customers from where we got some specific orders which were extremely highly

profitable so over and above the normal profit so that has also contributed towards us making this high level of profit in Tanzania.

Krishna Parikh: Okay that is fantastic I think, thank you that is all from my side.

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

Manish Jain: First of all congratulations on very steady numbers despite the COVID covet background now on a strategic level the world has realized how difficult it is to make vaccines and your vaccine range will be the largest in the world once Sundanya starts now you have mentioned in your press release that certain game-changing impact longer term has happened for Hester so can you just give us some strategic insights what are the broad positives and negatives longer terms which have happened due to the pandemic?

Rajiv Gandhi: See due to the pandemic there was a lot of time for introspection not only for us, for I am sure everybody all of us who are on this call and everywhere in the world so it has given us a lot of time to think and re-look at things which probably I would not say doing it wrong but we would have been doing it in a certain manner that one because of the constraints of actual business not happening and two because of a lot of time in our hand we started viewing things in a different manner and trying to make sure that how we are able to really move further with these changing things, another thing is that I have come to a firm conclusion that on the marketing side the cost of marketing due to the travel the movement of the sales team definitely the marketing cost should go down not only for us across Verizon for most of the companies whether it is rural or whether it is urban marketing through talking on the phone or video conferences or trying to show it through the laptop a simple thing is what I am trying to say is that even in terms of annual report being printed now we do not have to print the annual report so you know all these things all put together they have reduced our cost even internationally people are now willing to talk, willing to discuss, I will tell you earlier we had to go to certain countries to talk to their higher officials during this

time we have been talking to two government officials and all is everything is on video and now hopefully we might be getting the PPR orders directly from the country so this whole travel cost one it is going to change and in terms of efficiency I think it will have a long term impact because we have been internally thinking on many of these things and how to change things etc., another thing is that we have spent a lot of time in reorganizing things internally looking at projects which projects have been doing good which have not been doing good in the earlier times when you have been just busy continuously doing things you overlook many of these things and you just hope that things are happening but all these things overall has changed and I think the mindset of people is now much more clearer and has no physical meeting is required to do business that in itself is a very big change I would say.

Manish Jain: Great and I just needed one clarification you were mentioning that Brucella opportunity in India is around Rs.100 Crores per annum, PPR is around Rs.12 to 15 per annum conservatively how much share can Hester get from that?

Rajiv Gandhi: In terms of our production capabilities given a six months time we could gear up to any level as what the government of India might want us to produce Brucella vaccine but we would definitely need six to eight months' time to gear up as on today if you ask us what is our capacity for Brucella vaccine we are in any case geared up to around you can say around Rs.40 Crores.

Manish Jain: Perfect right I had few more but will join the queue.

Moderator: Thank you. The next question is from the line of Manish Gandhi, an individual investor. Please go ahead

Manish Gandhi: I just have two to three questions. The first question is related to Tanzania plant so is there even a small risk of we are not getting the funding from Bill Gates?

Rajiv Gandhi: Zero and the money is already come in our bank account.

Manish Gandhi: Okay so that is great and so pardon me I will always ask about raise fund, the second thing is our dependence on say if you have tenders and as we have seen in India and Nepal that it is a lumpy business and what is happening in the world geopolitically and there are numbers of WHO structurally going we do not know so how dependent we are and what are the risk you see in even Tanzania regarding that?

Rajiv Gandhi: Tanzania plant has not been constructed or not been planned for FAO tenders Nepal definitely we are concerned with FAO and not WHO but yes both belong to the United Nations, on the other side as FAO tenders have happened less last year there have been countries who are now directly even buying the PPR vaccine from their own funds rather than waiting for FAO tenders it is something like this PPR is a disease which is causing a lot of commercial loss in sheep and goat farming and this loss can only be mitigated by use of PPR vaccine and the cost benefit ratio is like 1 is 200 you spend one rupee on a vaccine, you save or you earn hundred rupees so even to whatever happens in terms of funding yes things can get delayed but I would say that there is no chance of this becoming an issue that oh here we have a plant and now nobody is buying PPR no chance at all if you look at the world requirement what FAO was to spend 15 billion in 15 years, 1 billion every year in 1 billion say 50% of the cost goes towards buying the vaccine and 50% administering, 50% is 500 million let us talk of business which is coming to 10% of that even if it comes to 10% of them trust me we would be running around helter skelter trying to execute orders.

Manish Gandhi: Let us hope for the best and lastly Rajiv Bhai so in animal health as you suggested so we comparatively late entrant into animal health and vaccines and our competitors are much bigger than us in size say three four five years before when we started, so how our competitive position has moved vis-à-vis competitors?

Rajiv Gandhi: Yes we are a small player at the moment on the animal health I agree with you but on the vaccine side figures are available on the net tenders that have been issued by states supplies that have been made as far as PPR and Brucella is concerned anybody can verify that data Hester biosciences in terms of PPR we

have made supplies to 80% of the countries state tenders that have been issued and in Brucella we would be more or less at that level maybe 10% less level say 70% so in terms of company yes in the turnover we would be smaller but in terms of this particular vaccine because other companies are even making other vaccines also so if you look at Brucella and PPR alone definitely we are bigger than any company that you would say In fact I would want to make one bold statement for all of you do know Hester Biosciences between India and Nepal today is the world's biggest supplier of PPR vaccine there is nobody even half of our size who has supplied, I mean there is nobody big who has even made even 50% of supplies of what Hester Biosciences has made in the world so that is something which definitely should give you an idea as far as our vaccine capability is concerned in terms of health product, we are growing the business, we are very small, we know we are very small there are companies which have even in India Rs.100, Rs.200 Rs.300 Crores turnovers we are working towards becoming big.

Manish Gandhi: Right so do you plan to take market share from others or do you feel that market itself will go in animal health product and why if I am farmer if I am buying some bigger competition will now buy products from Hester?

Rajiv Gandhi: One is that we have to snatch something from the current market I cannot say that our products will only be penetrated where the market is growing definitely we are here to take a part of the existing market share and why should one buy our product vis-à-vis the competitors product or what they are already buying that is for our sales team and us to pursue push and convince them and to make them buy, this is a continuous process for anybody in marketing, anywhere in the world whether it is vaccines, computers, health products, furniture anything so we have to push ourselves in and we will push ourselves with that is all.

Manish Gandhi: Right okay all the best, thank you very much.

Rajiv Gandhi: Thank you.

Moderator: Thank you. The next question is from the line of Anirudh Shetty from Solidarity Portfolio. Please go ahead.

Anirudh Shetty: Hi thanks for taking my question just to continue the last question on this market share doing some health products so do we have any sort of cost advantage or like a better product that will allow us to gain market share?

Rajiv Gandhi: I mean everybody says that their product is the best so do we also, but you know there are competitors everybody is selling similar products if not similar a little change in formulation etc., it is at the end of the day our marketing capability the philosophy and the zeal, the zest, the determination and the technical inputs of a product with which we try to sell a product is going to make a product sell so I mean product is good and a lot is also on the marketing capabilities of the company. All companies whether it is animal health or anything everybody has similar products so and we definitely I cannot say that our product protein C or some other product is the only product and it is completely different etc., I would it would be a wrong statement but we have to show what are the benefits of our product, the cost benefit analysis has to be given and we will try to sell our product that.

Anirudh Shetty: Sir my next question was on the FAO PPR opportunity intuitively it seems very large but just wanted some sense on you know if you guys have done some math on over the life of this program if essentially how many goats or sheep will be vaccinated and approximately what is the cost for vaccine so then what can the market opportunities for this?

Rajiv Gandhi: Yes point number one it is not an it is not intuitive there is an FAO document that is available and if you have access to that if you can just do a Google search on FAO PPR you will be able to access that document I do not have those figures ready with me in hand right now but over 15 to 20 years they want to eradicate this disease, there are past historical data available on how a disease has been eradicated for example smallpox in human being, rinder pest in cattle so there are instances this should be a repetition of what has happened in the past and there is a good reasoning available for succeeding towards eradicating this disease to answer your question I do not have specific figures in hand right now number of sheep, goat to be vaccinated etc.

Anirudh Shetty: Okay and just a basic question on the vaccine so like for our key products like PPR, Brucella and some of our poultry vaccine what is the frequency the animal or the poultry needs to be given the vaccine and is it like a onetime thing or does it have to be given over the life?

Rajiv Gandhi: Various diseases have to be addressed in a different manner to give you a simple example one takes polio vaccine once in one's lifetime while you might take an influenza vaccine every year so likewise there are some diseases which require a onetime shot some diseases which require a repetitive shot now the repetition depends upon the characteristic of the disease and the animal or the host ability to have the protection against it so different diseases have different ways and vaccination schedule in poultry Markek's is a disease where you only vaccinate them once on day one of the one day old chick, Brucella is a vaccine you vaccinate only once to a calf in poultry there are see PPR and all these vaccines are to be given repeatedly, in poultry there is a new castle disease vaccine life which might have to be given every three to four months depending on the nature of the disease in that environment so each disease has its own characteristic and the host ability to protect itself from that.

Anirudh Shetty: Very helpful. Thank you so much.

Moderator: No questions in the queue Sir as of now over to you for closing comments.

Rajiv Gandhi: So thank you all for being there asking questions if there are unanswered questions please direct them directly to me I would make sure that I would satisfactorily answer all the questions towards I think there was a question on the maintenance we even tried to answer that question one more thing that if you all have seen our press note on page three in the end we have given the link for the Brucella disease and the Brucella disease vaccine film that we have made as Hester Biosciences I would urge each one of you to have a look at this video film it is not for the promotion of the vaccine to any one of you but it will give you a little idea on the Brucella disease it is just a general knowledge that could help towards understanding the Brucella disease as well as the vaccine so with that I thank all of

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you to come on to the call taking out time, considering us as relevant enough to come and hear me out and ask questions, hope this thing continues in future every quarter and thank you all once again and we shall remain in touch. Thank you.

Moderator:

Thank you. Ladies and gentlemen on behalf of IIFL Securities Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.