

## Press Release

**10 August 2022**

### Hester Biosciences Limited Q1 FY23 Results

**Q1 FY23 Standalone revenues down 14%, Consolidated revenues down 16%**

Hester today announced the unaudited financial results for Q1 FY23.

### Standalone Financial Highlights

#### Division Revenues

(INR Million)

Divisions	Q1			FY22
	FY23	FY22	Change %	
Poultry Healthcare	348.35	444.55	-22%	1,673.82
Animal Healthcare	117.44	104.01	13%	481.20
<b>Product Sales</b>	<b>465.79</b>	<b>548.56</b>	<b>-15%</b>	<b>2,155.02</b>
License & services fees	39.49	36.49	8%	38.49
<b>Revenue from Operations</b>	<b>505.28</b>	<b>585.05</b>	<b>-14%</b>	<b>2,193.51</b>

#### Product Category Revenues

(INR Million)

Particulars	Q1			FY22
	FY23	FY22	Change %	
Vaccines	307.40	437.15	-30%	1,622.20
Health Products	158.39	111.41	42%	532.82
<b>Total Product Sales</b>	<b>465.79</b>	<b>548.56</b>	<b>-15%</b>	<b>2,155.02</b>

- Vaccine sales declined by 30% in Q1 FY23 compared to the corresponding quarter, largely due to two reasons:
  - The comparative period last year had hugely benefited from one-off sales on account of the then prevailing poultry disease outbreak. Our sales were near to a record high due to the outbreaks.
  - The decline was in the sales of poultry vaccines in Q1 FY23. The poultry industry continued to face strong headwinds on account of increased cost of inputs (mainly feed) and pricing pressure on eggs and broiler birds. Consequent to severe margin pressure, the poultry industry sharply reduced new bird placements along-with initiatives towards input cost optimisation.
- Sales of health products grew by 42% on back of a strong momentum gained from new product introductions and territorial expansion.

## Profitability Analysis

(INR Million)

Particular	Q1 FY23	Q1 FY22	Change	FY22
Gross Profit margin on product sales	65%	69%	-4%	71%
Operating EBITDA	91.98	181.49	-49%	605.69
Operating EBITDA Margin	18%	31%	-13%	28%
PAT (excl. OCI)	50.05	122.37	-59%	395.17
PAT Margin	10%	21%	-11%	18%
EPS (in INR, not annualized)	5.88	14.38	-59%	46.45

- Individually, the gross margins of the vaccines and the health products have been in line with the corresponding quarter, however, the overall margins have reduced due to the increase in the proportion of health products sales which have lower gross margins compared to vaccines. Health Products sales constituted 34% of the total sales in Q1 FY23, versus 20% in Q1 FY22.
- Operating EBITDA and PAT margin have declined due to :
  - Reduction in vaccine sales as explained above
  - Relative increase in marketing expenses in Q1 FY23 as against in Q1 FY22 which were significantly lower due to Covid travel restrictions (notwithstanding the higher sales in Q1 FY22 due to disease situation in poultry)
  - Increased market development cost in Animal Health and Petcare Divisions on account of company's continuous efforts in expansion activities. These are expected to moderate over next few quarters as growth in sales picks up in new territories.

## Going further

The company is confident of arresting the degrowth in Q2 as well as hopes to improve the profitability as follows:

### On the vaccine side:

- The recent outbreak of Lumpy Skin Disease (LSD) in certain parts of the country since July 2022 is expected to result in additional sales in Q2 FY23.
- The Company was a successful bidder in a government tender for PPR vaccine for sheep & goat, the supplies for which are likely to start from September 2022.

### On the Health Product side:

It is our endeavour to improve the profitability. Over next couple of quarters, Hester will focus on growing sales on back of improving the sales productivity of the marketing team as well as launching new products and entering new territories.

### Petcare division

The Company launched a new division for Petcare during Q1 with 10 products. Activities related to market development, field force establishment and product pipeline are ongoing. Petcare Division will emerge as a steady long term growth driver, given the increasing adoption of pets in the country.

### **Consolidated Financial Highlights**

**(INR Million)**

Particulars	Q1			FY22
	FY23	FY22	Change	
Revenue from operations	506.95	601.86	-16%	2,350.06
Net Profit (excl. OCI)	35.60	110.19	-68%	394.84
EPS (In INR, not annualized)	4.19	12.95	-68%	46.41

- Consolidated results also include operations of subsidiaries at Nepal and Tanzania.
- Hester Nepal has registered 16% growth in domestic revenues, however, there were no tender sales in the current quarter due to delay in tendering by FAO and other multilateral institutions.
- Hester Tanzania has just started commercial operations and recently received regulatory approvals for four products with two additional products under approval process. Revenues are expected to start in Q2.

### **Status on Hester's initiatives in Covid-19 vaccine**

- The Company, in consortium with Gujarat Biotechnology Research Centre (GBRC), Government of Gujarat (GoG), has entered into a term sheet agreement with Bharat Biotech India Limited to manufacture the Drug Substance for *Covaxin* under the Mission Covid Suraksha Scheme of Government of India.
- The project is to manufacture Drug Substance equivalent of up to 7 million doses per month.
- The construction of BSL-3 facility is nearing mechanical completion. Planning and preparation for commissioning is ongoing. The facility is expected to be ready for commercial operation in Q3 FY23.
- This facility is a multi-purpose facility to handle other micro-organisms beyond Covid-19.

### **Other developments**

1. The Company is strengthening its new product vaccine pipeline by developing new vaccines like Classical Swine Fever (CSF), Sheep Pox and an improved version of Brucella vaccines.
2. Bulk antigen production capacity expansion project is completed and trial runs are ongoing. Expansion of Fill-Finish line capacity is expected to be completed by Q4 FY23. These 2 expansions will double the production capacity in vaccines.
3. The recent notification by Government of India to allow the manufacture and sale of Avian Influenza Inactivated vaccine, H9N2 strain, will contribute to our sales from Q3.

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**About Hester Biosciences Limited:**

Hester Biosciences Limited is one of the India's leading poultry and animal vaccine manufacturing company, since 1997. Hester operates in two broad product segments

1. Vaccines
  2. Health products
- It is the world's largest manufacturer and supplier of PPR vaccine, having approximately 75% of the world market
  - It is now the second largest poultry vaccine manufacturer, with approximately 35% market share in India.

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

Hester recently forayed into human vaccines by building a new BSL III drug substance manufacturing facility intended to manufacture Covid-19 and such other human vaccines.

Hester recently launched the Petcare Division with a view to focus on needs of companion animals.

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

For more information, please visit [www.hester.in](http://www.hester.in)