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“Hester Biosciences Limited Q3 FY2017
Earnings Conference Call”

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CHORUSCALL®

ANALYST: MR. RAHUL JEEWANI – INDIA INFOLINE LIMITED

**MANAGEMENT: MR. RAJIV GANDHI – CEO & MANAGING
DIRECTOR– HESTER BIOSCIENCES LIMITED
MR. JIGAR SHAH – CHIEF FINANCIAL OFFICER -
HESTER BIOSCIENCES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Hester Biosciences Q3 FY2017 earnings conference call hosted by India Infoline 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 India Infoline Limited. Thank you and over to you Sir!

Rahul Jeewani: Good day everyone. This is Rahul from IIFL Institutional Equities. I thank the Hester Management Team for giving us the opportunity to host this call. From Hester, we have with us today Mr. Rajiv Gandhi, CEO & Managing Director and Mr. Jigar Shah, Chief Financial Officer. I will now hand over the call to the Hester Management team for their opening remarks. Over to you Sir!

Rajiv Gandhi: Good afternoon everybody. This is Rajiv Gandhi from Hester Biosciences and accompanying me is Jigar Shah, our CFO. As always it is nice to be on this concall and to give a brief on the working of the company on a quarter-to-quarter basis.

Coming to our current results that were published just today in the morning and the overall working of the Company, our business overall as compared to Q1, Q2, Q3 in this financial year have been steady in all the three quarters, but overall there has been a good growth as compared to the last year nine months business as you see we have grown around 21% in terms of topline in the last 9 months.

As you are aware we have four divisions poultry vaccines, large animal vaccines, poultry health products and large animal health products and apart from these four divisions we always have a look, we breakup the sales into domestic as well as exports.

First coming to these four divisions our large animal vaccines and health division put together has done reasonably well in the third quarter. The growth has been higher than what we had projected because of increasing the penetration into the market, opening up a few new territories and also partly

because of the contract that we have been awarded due to tender business specifically on the PPR vaccine

Now we have also launched in our today's press note we have also stated that we have launched the Brucella vaccine, which also would now come in partly on the tender business and partly in the private distribution and marketing business. With these we see a further growth in the large animal vaccine segment in out of the four quarters as we see.

Poultry vaccines has been growing steadily because we are the second largest market share and we are keeping that market share and eating a little bit though slowly, but surely eating away, eating more into the market share and increasing our market share.

Our profitability has also shown improvement in this Q3 as well as overall in the nine months and as the attribution towards this improve profitability goes on the same reasons as probably what I would have mentioned in the earlier quarters that is a strict credit control, inventory management and a better product mix. Better product mix in fact has been a big contributor this time because we have surely rationalized maybe product mix as compared to the, what we have done is we have now correlated with our production batch size with the marketing forecast and tried to make sure that the markets are able to absorb each batch that we produce rather than producing smaller batches and which would have been higher in our cost. Overall as I said it has been a steady growth.

As far as Nepal is concerned we have commenced commercial production. There have been residual sales that we have executed within Nepal in itself. Our big first order is expected to be executed in the next 15 to 30 days, which would be in Africa for the PPR vaccine, for the one of the tenders that we have won, so that should be a big boost to our sales as far as Nepal business is concerned. Besides we have now also put up a new strategy within Nepal to increase the domestic sales in Nepal besides of course continuing the process of bidding for tenders for the PPR vaccine internationally. Incidentally now we will have two vaccines for which we will be able to bid internationally, one from Nepal that is PPR and one from India that is the Brucella vaccine.

Our inventory control as well as on the outstanding side on the working capital needs it has been reasonably systematic. In our Q3, our stock position has surely gone up very marginally as well as our debtors. We have deliberately increased our credit period for some customers in some markets within India and this is to neutralize the impact of the less cash availability within the economy due to the demonetization, but this has been a very minor increase that we have done and we would call it inconsequential for our working.

Even the working cycle it has yes it is 92 days in the Q3 and as compared to the nine months, which has been 80 days this also because of, there are two things, one is because of requiring to give more credit and besides that we have still curtailed sales and therefore we have a little bit of higher inventory, so all these things combined together, have made a few days gone up, but it is all inconsequential, so these are the broad areas that I would like to talk on the current status as far as overall business is concerned. What I will do is I will give the phone onto Jigar Shah, our CFO, he will talk about the figures, after that I will take specific questions and I will even address any specific points. Thank you.

Jigar Shah:

Good afternoon everyone. I am Jigar Shah, CFO of the company. I will discuss unaudited financial results of the Q3 and nine months ended on FY2017. The Company's operations are divided into four business verticals; poultry vaccine, poultry health products, large animal vaccines, large animal health products.

Under the poultry vaccine division Company has achieved sales of Rs.23.07 Crores in Q3 FY2017 as against Rs.20 Crores in Q3 FY2016. While sales for the nine months ended on FY2017 has been recorded at Rs.74.63 Crores as against Rs.61.59 Crores in nine months ended on FY2016. Under the poultry health products division sales booked at Rs.1.04 Crores in Q3 FY2017 as against Rs.1.35 Crores in Q3 FY2016. While sales for the nine months ended on FY2017 has been recorded at Rs.2.53 Crores as against Rs.3.88 Crores in nine months ended FY2016.

Overall 12.93% growth has been achieved in the poultry division in Q3 FY2017 as against Q3 FY2016. While 17.87% growth is recorded in nine months FY2017. Under the large animal vaccine Division Company has

booked sales of Rs.1.89 Crores in Q3 FY2017 as against Rs.0.02 Crores sales in Q3 FY2016. While sales for the nine months ended on FY2017 has been recorded at Rs.2.32 Crores as against Rs.0.06 Crores sales in nine months ended FY2016.

Under the large animal health products Division Company has booked sales of Rs.1.82 Crores in Q3 FY2017 as against Rs.1.99 Crores in Q3 FY2016. Whereas sales for the nine months ended FY2017 has been recorded at Rs.6.72 Crores as against Rs.5.39 Crores in nine months ended FY2016. Overall 84% growth is registered in Q3 FY2017 as against Q3 FY2016 while 65.82% growth is recorded in nine months ended FY2017.

Now coming to the total sales and profitability of the Company, Company has recorded sales of Rs.28.52 Crores in Q3 FY2017 as against Rs.24.18 Crores in Q3 FY2016. Thereby company has achieved growth of 17.98% in Q3 FY2017 as against Q3 FY2016. While comparing nine months performance total sales for nine months ended FY2017 is recorded at Rs.88.28 Crores as against Rs.72.71 Crores in nine months ended FY2016. Thereby company has achieved growth of 21.42%, company's total export sales is Rs.1.93 Crores in Q3 FY2017 while in nine months performance total export sale is recorded at Rs.8.91 Crores in FY2017 as against Rs.8.18 Crores in FY2016.

EBITDA is achieved at 32.93% in Q3 FY2017 as against 31.81% in Q3 FY2016 while in nine months comparison EBITDA is achieved at 33.19% as against 32.07% in nine months ended FY2016. We have earned net profit of Rs.5.80 Crores at 20.34% total sales in Q3 FY2017 as against Rs.4.76 Crores at 19.68% of total sales in Q3 FY2016. In nine months comparison net profit of Rs.17.77 Crores is earned at 20.13% of total sales in FY2017 as against 13.72% at 18.87% of total sales in nine months ended FY2016.

Now coming to the balance sheet analysis, inventory level is reduced to 107 days in Q3 FY2017 as against 123 days in Q3 FY2016 while the same is 104 days in nine months ended on FY2017 as against 122 days at nine months ended FY2016.

Debtors were decreased to 2.50 months in Q3 FY2017 as against 3.29 months in Q3 FY2016 while the same is 2.42 months in nine months ended FY2017 as against 3.29 months in nine months ended FY2016.

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Overall working capital cycle was 92 days in Q3 FY2017 as against 83 days in Q3 FY2016 while the same was 80 days in nine months ended FY2017 as against 92 days in FY2016.

Fixed asset turnover in Q3 FY2017 stood at 1.43 as against 1.45 times in Q3 FY2016 while the nine months data is 1.47 times as against 1.45 times. Company's total debt is Rs.30.51 Crores at nine months ended FY2017 as against 39.60 Crores at nine months ended FY2016.

Recently CARE has upgraded credit ratings of the company for long-term credit facility it has been upgraded from BBB plus to A minus and short-term credit facility has been upgraded from A3+ to A2, the Company will get benefit of interest leverage in coming quarter.

Company has invested Rs.6.19 Crores as a capex in Q3 FY2017 while at the nine months ended FY2017, the total investment in capex stands at Rs.11.27 Crores.

The Nepal plant has been commercialized on November 15, 2016 and the total project cost is Rs.52.11 Crores.

Coming to the financial ratios ROE for the Q3 FY2017 stands at 20.17% as against 19.08% in Q3 FY2016 while the same stands at 20.54% in nine months ended FY2017 as against 18.29% in nine months ended FY2016.

ROCE stands for the Q3 FY2017 stands at 22.70 as against 18.43 in Q3 FY2016 while the same stands at 23.54% in the nine months ended FY2017 as against 18.84% in nine months ended FY2016.

ROI stands at 13.78% as against 12.26% in Q3 FY2016 while the same stands at 14.03% in nine months ended FY2017 as against 11.75% in nine months ended FY2016. Earning per share for Q3 FY2017 is at Rs.6.82 paise per share as against Rs.5.59 per share in Q3 FY2016 while the same is Rs.20.89 paise per share in nine months ended FY2017 as against Rs.16.13% per share in nine months ended FY2016. That completes my presentation. Thank you everyone. I am handing over to Mr. Rajiv Gandhi.

Rajiv Gandhi:

Before we go on to take the call, I just want to address one issue and that is export business. We have fallen short of our export targets in these nine months totally and it has not impacted the total sales in the Company, because in domestic sales we have made up more so by good sales in the large animal health and the vaccine division.

We hope that our registrations would come up soon our products would get registered in few of these African countries, our distribution network which we have already started the process in creating it we have reasons to believe that in this quarter that is January to March, there should be a sizeable difference and get the average up for our exports of the full year and taking it further from there, we still believe that our exports will become the key growth business drivers in the next few years to come while within India it would be the large animal health products, so that was something which I just wanted to talk before we get onto the question and answers.

Moderator: Thank you very much. We will now begin with the question and answer session. We will take the first question from the line of Harsh Vijay Shah from Crescita Investments. Please go ahead.

Harsh Vijay Shah: Good afternoon Mr. Rajiv and Mr. Shah and first of all congratulations on a very good set of numbers. My question was first of all from Nepal, so in this quarter did we do any sales from Nepal?

Jigar Shah: In this quarter, the sales in Nepal have been very marginal, very negligible sales, because we started production in the month of November and we have just building our inventory mainly getting ready for the execution of the first major order which should have actually gone, but which will go now in the next 15 to 30 days time.

Harsh Vijay Shah: That African order right?

Jigar Shah: Yes. The delay is got nothing to do with Hester. It is the procedural documentation delay on the part of few for which we are waiting for some documents and the order would be executed as per that.

Harsh Vijay Shah: What is the size of that order Sir if am I ask?

Jigar Shah: I think we would not really want to get onto this specifics on rupee or dollar terms of specific orders if you do not mind Sir.

Harsh Vijay Shah: Sir apart from that last time also you have mentioned from Africa, we do have active tender orders from where we are also planning ourselves into different tenders where there are other I guess, four or five competitors along with us?

Jigar Shah: Yes.

Harsh Vijay Shah: So, how is the current market looking over there?

- Jigar Shah:** I think everything remains the same. It is just because we have not been able to execute order, it probably might give an impression or perception that things are slow, it is not so at all, this is the first time we would be executing orders, it is the first time that our registration process is going through. I think we are well within our forecasted business and planning and I think in six months time all these things should settle and we should have an ongoing routine business on a day-to-day basis out of Nepal.
- Harsh Vijay Shah:** Second question was on our recently launched Brucella vaccine. So what is the market of Brucella?
- Rajiv Gandhi:** The Brucella vaccine as far as the Indian market is concerned, it is between 15 and 20 Crores. We are now the second private manufacturer of Brucella vaccines in the country and we hope to get a sizable market share for the current business that is anywhere there from the government tender.
- Harsh Vijay Shah:** Sir from this quarter we started with our Nepal plant, but from a depreciation perspective, depreciation on year-on-year basis has decreased actually. So what was the depreciation calculation done in this quarter differently?
- Jigar Shah:** This result is a standalone so the consolidated effect you will see in the annual results and then you will get the full details about the depreciation and blocks and so. I can give you the figure of the capex and consolidated figure will be 33.87 Crores apart from the 79 of the Indian capex so total will be 112 Crores of the consolidated figure.
- Harsh Vijay Shah:** Last question was on poultry vaccines. You said we have the second highest market share in India. Sir, how much market share do we have and who is the player?
- Rajiv Gandhi:** Player number one is Venky's. We believe we have a market share of around 30% to 35%.
- Harsh Vijay Shah:** Then Venky should be demanding 50% plus?
- Rajiv Gandhi:** Probably little less than 50% but something around there.
- Harsh Vijay Shah:** I have other questions, but I will get back in the queue Sir. Thank you very much Sir.
- Moderator:** Thank you. We will take the next question from the line of Afzal Mohammed from Karvy Stock Broking. Please go ahead.
- Afzal Mohammed:** Good afternoon all. Sir my first question is of the 3.5 Crores PPR order that you had on hand do you have additional orders currently?

- Rajiv Gandhi:** Yes, there are additional orders.
- Afzal Mohammed:** You expect to execute those orders by the end of this financial year, by end of March?
- Rajiv Gandhi:** May or may not be because of as I said this is the first time that we are getting through the system, our Company registration, our logistics setting up, etc., these vaccines need to be hand delivered up to the depots of SCO, etc., so all this is happening. Probably that may not and most of the orders would be executed in the first quarter of the next financial year.
- Afzal Mohammed:** Sir, how much margin would you expect in PPR? It should be above than the average across the other vaccines?
- Rajiv Gandhi:** Yes, it could be a little more and it should be a rather little more than our average margins.
- Afzal Mohammed:** How much order did you execute for Brucella in India?
- Rajiv Gandhi:** We have just launched. In fact my press note today states that we have launched the Brucella vaccine. Our first execution will be in the next 10 to 15 days. There is not even Re.1 order that we have executed so far for Brucella.
- Afzal Mohammed:** Do you have any orders Sir?
- Rajiv Gandhi:** Yes, we have orders. We have two tender orders already on hand.
- Afzal Mohammed:** Regarding diagnostic do you plan to manufacture those kits at the Ahmedabad plant?
- Rajiv Gandhi:** Absolutely, yes and we will launch the division in the month of February as committed earlier. It is as per plan.
- Afzal Mohammed:** How much capex would you plan to spend?
- Rajiv Gandhi:** There is no capex for diagnostics because we are using the same facility, the manufacturing facility that we are using for our vaccines, the same quality control, so there the capex would be very marginal in consequential that I would need to report to.
- Afzal Mohammed:** You expect to generate revenues from diagnostics by the end of this quarter?
- Rajiv Gandhi:** Yes, by the end of this quarter and/or beginning from the next financial year.

Afzal Mohammed: Sir, the diagnostics (inaudible) 24.28 business you expect again a very high margins in this year?

Rajiv Gandhi: Margins high but turnover low at this point of time.

Afzal Mohammed: Low turnover and animal medicines, would you plan to launch as opposed to vaccines and medicines?

Rajiv Gandhi: Yes.

Afzal Mohammed: I mean would you be manufacturing at the Ahmedabad plant?

Rajiv Gandhi: Yes, we would be doing our own manufacturing. At the moment as we speak we are getting the products manufactured by other manufacturers on a loan license basis, but soon we would be creating our own facility wherein we will produce all our products by ourselves, medicines, feed additives, disinfectants and everything.

Afzal Mohammed: Sir there is a large jump in the segment profit for large animals. So is this because of the health products?

Rajiv Gandhi: It is mainly because of the vaccines. We have executed a few orders of PPR vaccines within India. We have also started pushing the vaccines, the Goat Pox Vaccine, which we are selling in the trade, so these are the reasons and therefore we are extremely confident that this division will definitely grow at a good pace in the coming quarter and we will add Brucella to it now. We have already added to it so now the business would come from that as well.

Afzal Mohammed: Thank you. That is all from my side.

Moderator: Thank you. We take the next question from the line of Manish Jain from SageOne Investment. Please go ahead.

Manish Jain: Hi Rajiv just extending this large animal profitability. So is the loss making face over and the business is on a sustainable profitable track from here on.

Rajiv Gandhi: Yes.

Manish Jain: And the second question was we had initiated the sales program in Chhattisgarh, West Bengal, and Jharkhand. Have you added any new states and what is the progress in these states?

- Rajiv Gandhi:** We have not added any new states. The progress is very good and looking into our performance the Gate Foundation has recognized our ability and we would soon be working on a similar model with their support in the African continent in the East African countries.
- Manish Jain:** Excellent and my last question was on poultry vaccines where domestically we have done around 74 Crores in nine months can one assume a similar run rate on an annualized basis?
- Rajiv Gandhi:** Yes absolutely undoubtedly I would say.
- Manish Jain:** Jigar, you mentioned 30 Crores of total debt this is consolidated debt?
- Jigar Shah:** No it is not the consolidated debt. Consolidated debts are 30 Crores for the Indian results while Nepal is at 17.18 Crores totally it will be 47.69 Crores.
- Manish Jain:** Compared to what last year in December quarter?
- Jigar Shah:** That I have to refer and I will give you offline.
- Manish Jain:** Thanks. I will join back the queue.
- Moderator:** Thank you. We take the next question from the line of Abhishek Anand from Centrum Broking. Please go ahead.
- Abhishek Anand:** Sir just one clarification rather, I mean, there were some media news on possible Avian Flu and culling of some birds in Gujarat so do you see any risk from that side impacting our business in anyway?
- Rajiv Gandhi:** Not at all, zero. Bird flu is the disease bird flu is not prevalent in India once in a while it comes due to the migratory birds. The e Government of India has got a very firm policy in place to cull that is slaughter the birds wherever these area in influenza is found in these birds so there is absolute high level of containment and again removal of those disease and this activity does not impact our business at all. If you have read in the papers you would see it has occurred in small pockets in Ahmedabad City on the outskirts but it does not say anywhere that a commercial poultry farm has been impacted by Avian Flu, Bird Flu disease.
- Abhishek Anand:** But you do not see that as a risk even going ahead.
- Rajiv Gandhi:** No, I do not see that as a risk. The government is doing reasonably well in controlling the disease and this being the time where migratory birds are passing by from certain

pockets in India there could be a chance and this is nothing to do with any management or good or bad management. A flying bird can rest anywhere and it could have come with a disease from anywhere.

Abhishek Anand: Thanks a lot. Sir second, my question was on the Brucella vaccine that we are launching you said that the market size around 15 Crores, 20 Crores. So in number of doses how big will the size be and at what price are we sort of looking to launch this?

Rajiv Gandhi: In terms of the pricing for the vaccine, I will just let, you know, the approximate pricing because in tender business it is nothing hidden. What was the other question while I get that data from my office from within my office, what was the other question?

Abhishek Anand: Sir the other question is what is the on the R&D front, I just wanted to understand we in licenses this we had in-licensed with PPR for at least the domestic market does as far as I understand from IVRI so what is our R&D relationship with them, what sort of royalty do we need to pay and going ahead also so I just want to understand that what the international market was the vaccine developed in-house completely or the R&D was done externally so just little bit color here would really helpful?

Rajiv Gandhi: To answer to your question Brucella vaccine is to sold between Rs.30 and Rs.50 a dose point number one. So that answers Brucella. On the other, on the technology front we have had a technology transfer agreement with Indian Veterinary Research Institute from where we got the Goat Pox, we got the PPR, we got the Brucella, there are nominal royalties that we have to pay, nothing that could be of any consequence to the business that we are looking at it. As far as international business is concerned the product that we sell internationally at the same product that we produce India for the Indian market. We have the similar product, similar packing, similar branding everything whether it is India, whether it is abroad, most of these vaccines apart from getting technology from a few institutes it is all in-house.

Abhishek Anand: So as far as I understand for R&D we do not really have to spend that much because we take we are able to in license lot of the products from IVRI right?

Rajiv Gandhi: Not only IVRI there are other sources also from where we get technology and then we try to adapt the technology to our to in producing vaccine ourselves. So therefore there is an R&D cost but it has not been so consequential. The only consequent R&D expenditure that is ongoing is that we are developing our recombinant vaccine towards which the results should come out sometime by the end of this calendar year.

Abhishek Anand: Sir this the obviously there are four, five other players who have also had in-license they say for example the PPR vaccine so will they be also eligible, to fight for global tenders or you feel that since you have relationship with FAO and you will be in a better position to garner market share there?

Rajiv Gandhi: No this has got nothing to do with the relationship. It is a very objectively designed business model by FAO so relationships do not count what count is the quality and the strain. Nobody from India will qualify to supply anywhere in Africa except us and we will qualify because of our Nepal plant not because of our India plant, because worldwide they use the Nigerian strain and not the Sungri strain. So that is my answer to your question.

Abhishek Anand: Sir just lastly on the PPR if you could give some indication of what sort of an addressable size we do understand it is a half a billion sort of a year opportunity but in for us what is the size of the product that we are looking at and how should one assume to what extent we could bid for tenders in this opportunity?

Rajiv Gandhi: Bidding for tenders is that we will bid for any which tender that comes in our way and try to even do selling to distributors and as this is just starting it is very difficult for me today to give you a trend analysis or a particular way in which the vaccines will be tendered and will be supplied etc. The way we are new with the PPR vaccine world over the eradication programme is as much new. So probably in the next one year's time the trends would be more or less set for the next 15 years.

Abhishek Anand: Sir I had asked for the Brucella the number of doses also which are sold in India?

Rajiv Gandhi: If you take a 15 Crores, 20 Crores if you take 20 Crores around it could be and just if you are looking at 20 Crores lakh thousand so divided by 30 so anything between 5 and 8 million doses or in terms of lakhs around 50 to 60 lakh doses.

Abhishek Anand: Sir our pricing will be at discount to this 30 to 50?

Rajiv Gandhi: Our pricing would take care of the market pricing the demand and all these things so this is the commercial thing. One thing you could be rest assured that we are here to get the business so I am sure we would work accordingly to get business and get tenders as well as supplied it in the private market.

Abhishek Anand: Great Sir. Thanks a lot for resolving all these queries.

Moderator: Thank you. We take the next question from the line of Manish Gupta from Solidarity Investments. Please go ahead.

Manish Gupta: Thank you for taking my question. Sir could you talk a little bit about what is going to influence the base of adoption of the animal vaccine market in India, whenever you look at our population of cattle and you are talking about 5 to 8 million doses a year, the potential seems much higher so what is going to influence the size of the market?

Rajiv Gandhi: Yes, your question is very valid. The potential is immensely higher than what this market is, in fact the chances are that these vaccines could grow even two to three times on a year-on-year basis, the current situation in our country is that the cattle population is extremely fragmented. There are farmers having three, four, five, eight, ten, fifty thousand buffalos and to address this market right up to the ground level, it requires and immense big distribution and marketing network as well as the willingness on the side of the cattle farmers to use the vaccine, but with the whole business getting more into competition with government looking into breeding or animal breeding activities etc., and putting in more scientific tools to increase the milk yields in India as you may be aware our current yield is reasonably poor. So all these things put together make us believe that there will be a sizable spurt in vaccines, health product as far as the large animal segment is concerned when I say large animal specifically cattle, sheep, goat in cattle I mean buffalos and cows.

Manish Gupta: The next question I have is that any of these vaccines at present imported into India Goat pox and Brucella?

Rajiv Gandhi: No not even one.

Manish Gupta: All of it with this domestic manufacturing?

Rajiv Gandhi: Absolutely.

Manish Gupta: Could you just list some other private players Sir who are supplying these products in the market?

Rajiv Gandhi: Indian Immunologicals.

Manish Gupta: The next question I had Sir is that as per management estimate when do you think the Nepal plant will breakeven at an EBITDA level which year?

Rajiv Gandhi: The thing is that we are really hoping that the tender business picks up fast in the next one year's time and our endeavor is to try to push a lot of tender business from our Nepal plant in the next one year's time whether we do breakeven in one year's time or a little more than that time will tell depending upon the business that we are able to execute from the time. I am not trying to deflect your question or not trying to give you

a perfect idea on this, but depending a lot on tender business for me to commit something had it been our own marketing activities, yes, the whole owners is on us in pushing the product selling the product distributing the product but here there is an outside element on which I am dependent therefore I am not able to give you a concrete response to what you say. That does not mean that we are going to go on a year-on-year basis and we are not committed nothing but we will try to get this as soon as possible our endeavor is to get to reach to that within a year's time.

Manish Gupta: Sir my last question is how much fixed cost have we incurring right now in the distribution that we set up in Africa?

Rajiv Gandhi: Sorry in the distribution in Africa?

Manish Gupta: Yes Sir sales and distribution we might have get over we might have sales involved.

Rajiv Gandhi: Yes we are in the process of creating our depots and creating all these things probably our till now we would have spent approximately 1.5 to 2 Crores in Africa towards these creations of all these things and our budgeted plan is to spend around 6 to 8 Crores in just creating this infrastructure.

Manish Gupta: Sir all of that would it be routed through your P&L account?

Rajiv Gandhi: Sorry.

Manish Gupta: The expenditure that we are doing right now do we show that as capex?

Rajiv Gandhi: No it will not come in our P&L account.

Manish Gupta: Thank you so much.

Moderator: Thank you. We take the next question from the line of Saravanan Viswanathan from Unifi Capital. Please go ahead.

Saravanan V: Sir as we got Brucella vaccine what is the targeted markets internationally and have we done the registrations and any indicative market size on the targeted markets?

Rajiv Gandhi: The Brucella vaccine is also becoming a very important market internationally there is no registration done because our registration has just come recently as you are aware today in our press note we have included Brucella, a launch of Brucella vaccine. So this is something that we are going to be launching. Brucella is a very big problem internationally I do not have the figures on hand, but I have reasons to believe that this

market in term of dollar could even surpass the PPR market in terms of value, because the price of this vaccine is more than ten times the price of the PPR vaccine.

- Saravanan V:** So in the first phase what will be our target market which geography?
- Rajiv Gandhi:** In the first phase for Brucella, we are in this first six to eight months our focus is only on India and then getting onto the African market, if you read there are reports there are outbreaks of Brucella in South Africa and vaccines has not been available over there.
- Saravanan V:** My second question to Jigar. Because of this credit rating upgrade and would you be looking at any refinance possibilities to get the benefit of interest reduction or whenever it comes up for renewal you will renegotiate?
- Rajiv Gandhi:** I will just answer it and even Jigar can he is right in front of me. We are at the movement with State Bank of India. It is a good working relationship with them this credit rating will decrease our interest cost marginally. We hope to continue with Bank of India and we have been given additional loans we have taken small loans from another bank but our main bank we would continue with State Bank of India. There are opportunities that are available by doing some shifts and getting still further marginal rate of interest but we believe that we are here in for a longer haul trying to just jump or a momentary minor drop and then again try to rock the board I do not think that is something that would shoot up.
- Saravanan V:** Completely understand. So what will be our cost of funds now at this point in time rupee debt and the dollar debt?
- Jigar Shah:** It is approximately 10.50% to 11%.
- Saravanan V:** This is the blended cost of the standalone and consolidated?
- Jigar Shah:** No it is a standalone cost of India business.
- Saravanan V:** And on the consolidated level.
- Jigar Shah:** Consolidated level it must be a 0.5% lesser than what we are paying right now because Nepal is less below the 10%.
- Saravanan V:** So Nepal also is it a rupee debt or there is some foreign currency debt involved?
- Jigar Shah:** No rupee debt, Nepali rupee debt.

- Saravanan V:** Thank you all the best.
- Moderator:** Thank you. Ladies and gentlemen we take the last question. We take the follow-up question from the line of Manish Jain from SageOne Investment. Please go ahead.
- Manish Jain:** I just had two questions if you can give insights on your plans for Africa are you planning to set up a plant there have you taken a decision on that?
- Rajiv Gandhi:** All our presentation, the one also on our net incidentally we have changed our website. I would request all of you to have a look at our new website. We are very excited in the creation of it and the old presentation as well as the new presentation it very clearly states that in the long run we want to setup a manufacturing unit in Africa. As we speak we are at the moment setting up the distribution network. We have people who are there or who are doing a market research for Africa specific diseases in Africa, our desire to set up the plant is 100% based on all the feedback and all that we get within the next six months we will convey our precise decision towards this.
- Manish Jain:** Thanks and second question was to Jigar sustainable tax rate change what can that be?
- Jigar Shah:** Yes, we will be in a normal tax for this coming quarter in the year also because for getting the 100% in a MAT it will require a heavy capex and it is not in our target so we will be in a normal capex starting from this quarter.
- Manish Jain:** So routine capex for you all from here on will be what?
- Jigar Shah:** Routine capex will be yearend will be the 18 Crores totally for the Indian plant, this India specifics.
- Manish Jain:** Because Nepal you do not need to spend anymore now?
- Jigar Shah:** No already the capex is done.
- Manish Jain:** Fair enough thanks.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. On behalf of India Infoline, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.
- Rajiv Gandhi:** Thank you for all being on the call and it is always nice to speak to all of you and if there are any questions do email us the same. Most willingly we shall answer the same. Thank you. Good-bye!