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To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001
Scrip Code: 524669

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E), Mumbai 400 051
Symbol: HESTERBIO

Respected Sir/Madam:

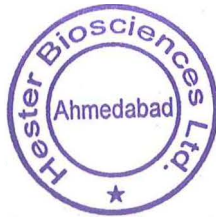
Subject: Submission of Transcripts of earnings conference call

We hereby submitting a transcript of Earnings Conference Call held by the Management of the Company with investors on Tuesday, 08.06.2021 at 2:00 p.m. to discuss the Audited Standalone and Consolidated Financial Results for the quarter and year ended 31.03.2021, for your information and record.

You are requested to take the above on record.

Sincerely,
For Hester Biosciences Limited


Vinod Mali
Company Secretary &
Compliance Officer



Enclosure: As above

HESTER

"Hester Biosciences Limited
Q4 FY2021 Conference Call"

08 June 2021

HESTER



ANALYST: MR. RAHUL JEEWANI - IIFL SECURITIES LIMITED

**MANAGEMENT: MR. RAJIV GANDHI - CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR - HESTER BIOSCIENCES
LIMITED
MR. CHETAS PATEL - GENERAL MANAGER (FINANCE)
- HESTER BIOSCIENCES LIMITED
MR. NIKHIL JHAWAR - CHIEF FINANCIAL OFFICER -
HESTER BIOSCIENCES LIMITED**

Moderator: Ladies and gentlemen, Good day, and welcome to Hester Biosciences Limited Q4 FY2021 Earnings Conference Call hosted by IIFL Capital 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 Capital Limited. Thank you and over to you Sir!

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

Rajiv Gandhi: Good afternoon everybody. As usual, it is a pleasure to interact with all of you on this quarterly call of the results of Hester Biosciences. Before I begin I would just like to make a note is that while Chetas who was a CFO continues to work with Hester as a General Manager, Finance. We have a new CFO whose name is Mr. Nikhil Jhawar. He is with me today on the call and so is Chetas so this is just to mention about the two of them.

Now with that opening note, I would like to get on to the business review of the financial year 2021. We always try to make the press note as detailed as possible so that a lot of information reaches to all of you before we all get onto the call.

Just as a recap of the information that you probably already have in your hand. On a quarter-to-quarter basis, Q4 we grew at 52% on the topline and in terms of the 12-month period overall we grew at 23%. The year gone by with COVID the quarter one was low and then slowly the business built up and more or less we recovered by the time the Q4 ended.

We were also to post a reasonable good growth of 23% which was as per the forecast so that makes us happy that even in those COVID times we were able

to achieve the turnover as what we had forecasted, but there has been a little of you can say a deviation from the projections that we had earlier made in terms of domestic sales versus the international business because the year gone by not that we did not but we could not actually export material because there were on most of the part of the year and even right now there have been too many restrictions in terms of shipping the material from India to whichever country.

Most of our vaccines rather all of our vaccines go by air shipment and air shipment was very restrictive in the whole last year. Incidentally the domestic sales covered up rather a little more than covered up for the loss in the export business and we did reasonably well wherein our domestic sales grew by approximately 29% on a year-on-year basis and if you look at just on a quarter-to-quarter, it was a 55% growth yes exports. Yes as mentioned actually it grew by 3% in the quarter but overall there was a drop of 4% on the whole financial year if you take it.

Considering that we are already towards the end of Q1 and a reasonable amount of inputs are already with us on how the year is going to be going further from here, our exports will definitely recover and we hope that our exports will grow by 100% in this financial year because more than it would be partly covering up and we are confident that all across the globe once things open up things would grow more aggressively and it would more or less make up for everything that we have lost in this year.

In terms of domestic growth, the earlier growth was around 20%, 22% which we grew 29%. We are very confident that we should be able to grow at least this percentage if not more and I think overall without any problems we should be growing at, at least 25% to 30% in this financial year as against the last financial year as far as the topline is concerned.

We also have other reasons to believe that the sales on the animal vaccines division would also take a reasonable jump; three of our products which are currently under registration that is classical swine fever, lumpy skin disease and sheep pox all these three vaccines should be registered. The Government of India is looking at immunizing programs against all these three diseases and out

of the three we are the only company manufacturing two of these vaccines that is the lumpy skin disease and the sheep pox vaccine. So we should be more or less having rather confirmed 100% of the market share whatever; however, small it starts and it goes on further. So these are a few things,

We have also focused a lot on health product. In this quarter we have launched a range of herbal products which we believe which will give us good results in this financial year, herbal products have gotten reasonably high in the trend as far as animal health is concerned and we have already launched a few products some of them are also in the pipeline to be launched.

Another range which we are looking at adding on we already have a few disinfectants. We are looking into launching a few more disinfectants. So overall if you really go to say while vaccines we would have three to four new vaccines this year, all on the animal side on the health products we would have poultry as well as animal health products both range and we are very confident that the health product business would grow at an extremely fast rate at a geometric progression and that would lead the growth at Hester Biosciences.

As I have always mentioned in the past and I repeat again all animal health companies have a bigger portion of their sales with their health products rather than the vaccines we have 70% sales of vaccines and 30% of health products so in a way that talks about the opportunity that we have to grow the business in a geometric progression.

That more or less covers whatever I would have had to say for the financial year. Rationalizing the product mix has been an endeavor which we have been doing continuously. I would not say even a year-on-year basis, on a quarter-to-quarter basis. In fact at times now talking about the bottomline at times the bottomline, the gross margins do vary and this is mainly because of the changed product mix that we might enter into in a particular quarter but if you look at it at an average of a year's time we are more or less able to achieve the percentages definitely the EBITDA and even the bottomline we are more or less there and it is our endeavor to still improve the bottomline by a few points.

With this at least I have covered all the issues as far as our animal health business is concerned before I give the line onto Nikhil for his comments on the financials with whatever he might want to say, we as you all are aware Hester has embarked on the COVID-19 vaccine initiative. There have been two initiatives that we have embarked on one is with IIT Guwahati and the second one is with Bharat Biotech. The one which IIT Guwahati for technical reasons we have not been rather our collaborator IIT Guwahati has not been able to develop the master seeds. Their role was to develop the master seed rather he is to develop the master seed give us the master seed we would start the animal trials and then take it onto human trials and then take the vaccine further.

Unfortunately the seed has not yet been developed. The project is not shelved. We have hopes to continue this project and we are hoping that sooner than later IIT Guwahati would be able to develop the master seed and give it to us. It is a recombinant vaccine.

Talking about our recent news on the MoU signed with Bharat Biotech. The MoU signed by us with Bharat Biotech is towards manufacturing the drug substance. It would be an agreement for manufacturing an intermediate that is just the drug substance, give it to them with which they would formulate and sell their final vaccine, Covaxin we have no role to play in manufacturing the final vaccine Covaxin. It is the intermediate that we would be able to we hope to manufacture.

Things are going on as per the timeline at this point of time. There are quite a few things that need to be done at our end, need to be got from Bharat Biotech, more things to be done at our end rather and it is going at a pace which has been planned and hopefully in the next between two to three months around three months time we should have some output from this project, which we have envisaged to take on our hand. This project is mainly with an objective rather than looking into profit not that we will not be making profits, not that it is going to be a loss making thing nothing of that sort, be rest assured o that neither making of any of these products would eat away into our current production facility because we are creating rather renovating a part of premises at our end that would be able to make these products so there would be no drop in our

normal production of animal vaccines and this would go on the way it is supposed to be going on.

So that covers everything while I am on the still speaking to all of you I would like to talk a little bit briefly on the subsidiaries that we have namely first one Hester Nepal. It has not been a good year for us because it is an export oriented unit and flights were completely shut in and out of Nepal neither was their tenders for FAO. There have been very minuscule tenders which we did execute also so therefore that has led to a sharp drop in terms of the topline as well as in terms of the bottomline but I think one good year and we should recover from all these things and come back to normalcy considering that like in India the gross margins are good. We just need one good year to come out of any problems that we could be or that we would be. This is not only for this time for any point of time.

Talking about Texas Life Science, it is a company which supplies us manufactures and supplies the health products. The growth of Hester Health Product business and Texas Life Science business is directly proportional and so therefore we have reasons to believe that with Hester growing Texas Life Science is bound to grow and this business would become bigger than what it is.

Talking about the bottomline as far as Texas is concerned it is not much of a relevant issue. 90% of the goods are sold into Hester at somewhere or the other between Hester or Texas the bottomline is anyway taken care of so I really do not think it is a matter of concern or even a matter for discussion.

Talking about Hester Tanzania we have started putting in more efforts in Tanzania in fact we are looking at tying up collaborating in terms of equity maybe or looking into other partnerships which we have always been looking as I have mentioned to all of you all these times hopefully we should be I think in the next in the next few weeks or something we would definitely be able to present probably a leap jump that we hope and intent to take in Hester Tanzania and try to grow the business at a very fast pace. There are very aggressive and strong talks that are at this point of time going on with many companies within Tanzania itself.

On Hester Africa the export-oriented unit which is going to be manufacturing African specific animal disease vaccines things they have slowed down a little bit but now the momentum has again picked up. Everything was to end in May but unfortunately the lockdown they had their internal problem, the political problems, the disease problem, Air Tanzania flights, the direct flights those were shut there were no way to ever there was not any way to reach Tharesalan plant directly so things which could have happened in those months in May and by end of April and May in terms of validation, commencing each and every equipment etc., we could not do those things but now things are again easing out from the middle of this month again the flights and everything are going to be resumed with Tharesalan and we hope that on a war footing we should be able to complete everything within a month's time to make sure that we have our inauguration in the month of August if not earlier.

So with this it completes my presentation and talk on the performance of Hester and in subsidiaries I think I would like to now open the question answer session and any finance related questions they would be answered by Nikhil. Over to all of you!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Sir the registration for CSF, LSD and Sheep Pox vaccine and for which country Sir?

Rajiv Gandhi: At the moment, first any product that we would want to launch they should be first registered in India and then only we can do the registration in other countries. So we are at the moment under registration in India.

Ketan Gandhi: So no plan has been finalized for the other countries?

Rajiv Gandhi: No, but the moment we get it registered we should be able to start because all the three diseases are prevalent in the African Continent so we should be able to immediately move mainly towards the African Continent and to tell you lumpy skin disease it is the disease is currently prevalent we are selling, we already

have a vaccine by the name of Goat Pox which has the strain and that strain is also working towards immunizing cattle against lumpy skin diseases so in a way we are already selling the lumpy skin disease but it is in the name of Goat Pox Vaccine.

Ketan Gandhi: Sir can you say the technology transfer update on Novopharm for Egypt and when is the first income likely to be earned from this tie-up?

Rajiv Gandhi: The income has already I think we have got already twice. There is a staggered payment schedules which would go over two to three years and we have already and their project has got a bit delayed because of this COVID and things being closed over there etc. So it is something that is already happening and it is happening in bits and pieces and it will continue happening in that manner.

Ketan Gandhi: Sir regarding the sales team in India, Nepal or Tanzania, are you planning to expand and if yes what are the share of percentage incremental?

Rajiv Gandhi: Our sales team in India also we have taken it up on to increase our sales team as far as India is concerned and this year we want to increase our sales team by 40% to 50% within India in terms of Africa in most of the countries we have firmed up a distributor and at the moment considering this current situation, COVID and all the situation what we have decided that we will appoint a distributor, make that distributor exclusive for that country and then slowly embark on putting people over there to create the demand and while in Tanzania alone we are in a process of hiring a few people and getting more aggressive in Tanzania at least. I would not be able to give you the exact number of people and all these things, because in today all these things are quite fluid on the country-to-country basis but we are sure that our sale in Tanzania would go up three to four times this financial year as compared to what it was last year.

Ketan Gandhi: Can you share your equity raising plan which we have taken the enabling resolution, the status of the project for which you want to raise the equity?

Rajiv Gandhi: We have the project in hand that is the COVID vaccine project and we are even looking at one or two other projects so we are putting in the whole structure

together and then we would soon come up with a plan and then we would go on it rather than we talk about it while things internally are still being firmed up.

Ketan Gandhi: I have a question for the Finance Team Sir. In consolidated result this quarter we have made a EBIT loss of around 1.2 Crores in animal healthcare while the full year despite the sales gone down from 63 Crores to 58 Crores EBIT has gone up from 12.6 Crores to 18 Crores why is this and this is going to be the new normal or it is one time exceptional?

Nikhil Jhawar: These are actually one time exceptional because of Nepal instance which is there because Nepal is primarily into the animal healthcare division. So that has resulted into this reduction because of the loss is going to Nepal division.

Ketan Gandhi: Can you share the likely improvement in working capital for next 12 months Sir.

Nikhil Jhawar: We would be evaluating that based on the new projects coming in and expansion plan which we are having so maybe based on that we will be evaluating for the further working capital requirements.

Ketan Gandhi: My last question is Sir our capex plan for India, Nepal and Tanzania for FY2022 and 2023?

Rajiv Gandhi: Rajiv here. The capex plan for 2022 and 2023?

Ketan Gandhi: Yes, FY2022 and FY2023 this year and next year.

Rajiv Gandhi: This year I think as far as the expansions are all that are going to happen that will happen in India while we have already made the capex in Nepal and in Tanzania and we do not think that there would be any additional significant or some inconsequential capex that might happen but which would not have any impact on the balance sheet so in short nothing in Nepal, nothing in Tanzania, everything in India.

Ketan Gandhi: Can you quantify that, India?

Rajiv Gandhi: No as I told you we are working on it and we will come back to you.

- Ketan Gandhi:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** It is a fantastic result indeed. Sir say something more about MoU with Bharat Biotech first, how much money we will invest and how the project will go?
- Rajiv Gandhi:** This project with Bharat Biotech as I have mentioned in my, while talking earlier before the question answer it is to produce the drug substance not the final finished vaccine, produce the drug substance, supply it to Bharat Biotech which intern they will use and manufacture the final vaccine. So that is what we hope to do and we in this endeavor we hope to invest approximately Rs.40 Crores towards setting up this plant towards doing this and while the details are yet I mean all this is just firming up and probably everything should firm up in the next few weeks I would be more clear and I would be able to present more details and in any case as and when things are happening with Bharat Biotech as always been presenting and I have always been making the announcement which also we would do as we progress.
- Ravi Naredi:** Yes, Sir you are whereby the way investor friendly and you give all information to us that is the fine to seeing. Give some guidance to current year growth in topline and margin Sir and Capex plan, all capex plan of the company?
- Rajiv Gandhi:** Yes, so let us look at the animal health business. Let me not give any forecast for the COVID vaccine. Keeping that aside whatever happens in that it would only add to the topline and bottomline. As far as animal health and poultry health business is concerned I am reasonably confident to grow the business more than what it has grown last year in terms of percentage. Last year it grew at 23%. We are hoping that this year we will grow at approximately 25% to 30% that is something which we are reasonably confident. As far as the bottomline is concerned it has always been our endeavor to try to improve the bottomline and the lease that you can expect is that our bottomline would be maintained at least it had this if not anything better, be rest assured on that.
- Ravi Naredi:** Capex plan Sir for whole year?

Rajiv Gandhi: Capex plan we are all working on it. We are even looking at some additional expansion plans etc. So everything we will putting to together and make one common thing and then I would like to address that issue rather than address it in bits and pieces at this point of time.

Ravi Naredi: We are mainly in animal drugs and we are going for Bharat Biotech this vaccines substance so how this changes we will manage in future?

Rajiv Gandhi: Good question. Point number one nothing that we are producing right now will be impacted or will be reduced to accommodate any activity that we are doing, what we are doing, we are embarking on with Bharat Biotech and to answer you, you might find my answer a bit evasive this definitely makes all of us our eyes and ears open to look at newer bigger diversification plans if at all they would come into the future. So I think when we are more or less ready with things we will come back to you on this and you see please keep in mind that even 70% of our revenues are in vaccine our ability to produce vaccine is reasonably high.

Ravi Naredi: Thank you very much.

Moderator: Thank you. The next question is from the line of Kuntal Shah from Oaklane Capital. Please go ahead.

Kuntal Shah: Thanks for taking my question. When I just see the financials we have invested 40 Crores in capex in 2021 73 Crores in 2020 and we are planning to invest another 40 Crores in Bharat Biotech Venture so roughly around 150 Crores of capex in last two and a half years of which the sales has not yet kicked in, typically our average asset turnover ratio has moved up from 0.5% to 0.7% with the changing products we do expect the same asset turnover you mean qualifying on a margin from that you are reshuffling your portfolio to get better margins but what about the asset turn?

Rajiv Gandhi: One minute I just want to interrupt. You mentioned that in the year FY2020 we invested 84 Crores right?

Kuntal Shah: 73 Crores.

- Rajiv Gandhi:** Sorry.
- Kuntal Shah:** 73 Crores in 2020, 40.7 Crores in 2021 and in 2022 you have earmarked 40 Crores for Bharat Biotech outlay right?
- Rajiv Gandhi:** No, 40 Crores Bharat Biotech and that is fine that is in the consolidated you are looking at right.
- Kuntal Shah:** Yes, I am looking at consolidated numbers.
- Rajiv Gandhi:** Because I was wondering that there is nothing in Hester that we have put so much money yes, so now sorry my whole focus got onto those figures and I was not able to understand so now having the figures in front of me can you repeat the question?
- Kuntal Shah:** Given this kind of capital outlay even in past that our asset turnover has improved from 0.5% to 0.71% does this changing product mix impact the asset turns what kind of asset turns we can have?
- Rajiv Gandhi:** I will tell you one thing I think what your question has a very valid point. Asset to sales turnover it is one of our objectives to continuously improve that ratio asset to sales and systematically we will push it to a much higher level than what it is at this time. Product mix is also that we are now trying to see whether it is vaccines, whether it is health product be rest assured there would not be a single project which would again dampen this ratio. Now by the time the building up of business happens again in Nepal or in Africa so do not take that as a very short-term way of looking at it in the long run our asset ratio would definitely improve substantially and it is our commitment to do that.
- Kuntal Shah:** Sir how much of that is contingent on tender business and how much of that is continue?
- Rajiv Gandhi:** In Nepal it is contingent on you can say 65% to 70% on Nepal, in India our tender business maybe hardly 5%. I mean it does not even qualified in double it does not even qualify in double digits as far as tender is concerned. In Africa also we are looking more at the private market because the rates are very good

in the private market and we have yet to look into there are so many countries who have already told us that it will come out with the vaccine we would want to buy whether they tender it, whether the private company start selling it over there this is the first time things are going to be happening in Africa. So to give you a forecast on all these would be difficult but tender business would not be a thing on which we would be dependent on for sure we will create our marketing and distribution network to sell.

Kuntal Shah: Sir are you trying to tell us that in Africa capacity utilization ramp up will be far faster given there is a latent demand?

Rajiv Gandhi: Definitely it will be far faster. Yes you have understood it right.

Kuntal Shah: Sir in Hester Nepal since the time of our investment with our partners out there the asset turn ratio has been pretty subdued for one reason or another and as you said it is dependent on the tender markets so can you guide us on what is the issues involved in FAO tenders and where we can see some, because is there a funding issue or is there a mobilization issue or what are the impediments in the FAO business out there?

Rajiv Gandhi: I think the issue is at a macro level United Nation Food and Agriculture Organization. Besides what we get catchy information I would not be able to get more details on the whole financing pattern of United Nations and on the FAO but what we have been continuously told by FAO in regular meeting please be ready for more supplies, please be ready for more supplies so this is what they have been continuously telling us and we believe then if not now at some point of time in the very near future this thing has to happen. The world I mean the United Nation each country they have all passed resolutions to eradicate PPR disease in sheep and goats. Now it has to happen. That is all that I can say at this point of time. I mean there are documents which prove that it is going to happen, beyond this, what else I can tell you. I mean, it will happen.

Kuntal Shah: Any plan for larger ticket mergers or acquisition inorganic growth any plan because you have indicated a fairly large equity raise also that is why if you could?

Rajiv Gandhi: I will tell you a Greenfield project always comes in which I personally I am more convinced about rather than an acquisition but having said that in Africa we could acquire or collaborate with distribution companies not with any production companies. So what we would acquire or what we could work with our companies that are into marketing and distribution so even if there is an acquisition cost it is not like acquiring assets etc.

Kuntal Shah: All the best. Thank you.

Moderator: Thank you. The next question is from the line of Vibha Batra from Fair Connect. Please go ahead.

Vibha Batra: Thank you for taking my question. My question is again on you have a large capital work-in-progress and not on the standalone but on consolidated balance sheet. So if you can give a broad timeline and then this full capacity will come into production and also how would that impact the interest in depreciation for next year that is one question and second is that you gave an outlook on topline and also on bottomline will be maintained. I just want to understand more if your topline is going to increase by 25% to 30%, are you expecting your margins to decline and also there was an exceptional item this year are you talking about bottomline adjusted for that?

Rajiv Gandhi: I guess Madam. I will answer your second question first and then we will go onto the first one. As you increase the business and that to on the animal health product side rather than the vaccine side it is our endeavor not to reduce the gross margins and look at product which do not make us reduce but if you want to get into extremely higher turnovers etc., while there could be a marginal drop on the gross margins but the bottom margins will still improve because ultimately the whole distribution, the infrastructure that is used is all going to be common whether it is a vaccine or a health product so I mean we have all the justifications to ensure that the bottomline is not impacted at any point of time.

Vibha Batra: But in absolute value if your topline is increasing by 25% to 30% should not bottomline also increase I mean you said if it is maintained?

Rajiv Gandhi: Madam you see it is at some point of time, at some time you look at absolute figures at sometimes you look at percentages. Yes, so I mean this is all subjective I mean and I mean at some point of time either could be good or either could be bad.

Vibha Batra: I have not really understood you were saying in percentage terms it will be maintained?

Rajiv Gandhi: Yes, I am saying madam in percentage terms we will maintain it and we will take it further for sure. What is your expectation Madam or what is your question I have not actually what is it that is there an apprehension or is there that I mean can you explain?

Vibha Batra: There is no apprehension. Just want to understand if the topline is going to increase by 25% to 30% in your opex there will be some variable expenses and some fixed expenses so I will see when you are increasing your topline one can expect that your variable expenses as a percentage would either increase or decrease in the proportion that your raw material cost are changing broadly speaking and inflation related investment, but as far as fixed expenses are concerned they would not change, they would not increase hopefully by 25% to 30% barring the CWIP when it comes into production obviously your interest and depreciation will go up. So I want to understand it at operating margin level and also our interest and depreciation so that I can make a sense on how your PAT in absolute value go up somehow?

Rajiv Gandhi: See this whole thing is fixed cost yes but they do not remain fixed continuously. If we hire more people that is going to be in the fixed cost variable cost is the raw material cost etc., so there is bound to be an increase in the fixed cost, while at the same time there will be an increase in the variable cost, the increase in the variable cost will be higher than the increase in the fixed cost so all now it depends upon the margin of the product and sometimes we might even go aggressively on one product where we might want to sell on less margins so there would be a movement plus minus somewhere or the other but be rest assured that it is our determined effort to keep the percentages the same or go better.

Vibha Batra: EBITDA margins let us say and will it be maintained at Q4 levels 32.62% or the standalone or it is FY2021 that one should be looking at 34.5.%?

Nikhil Jhavar: What will happen is maybe from see this is finally coming out from the Africa which will start from September onwards.

Vibha Batra: No I am talking about standalone EBITDA margins?

Nikhil Jhavar: Yes, from a standalone also see there are different margin levels or EBITDA levels with regard to our poultry and as regards the animal healthcare. So that will come out increase and all the margins overall it will get in line with those margins in the poultry or the healthcare segment so overall you need to look at from that perspective along with an overall increase in the absolute terms happening but yes increase would be I mean on healthcare gets increase it may having lower value.

Rajiv Gandhi: Madam I mean to answer your question in one sentence take FY2021 as the baseline for your EBITDA margins. Does that answer everything you mentioned?

Vibha Batra: Yes and why did the margins decline in Q4 I mean the dividends were lower because of the mix or there were some other?

Rajiv Gandhi: Yes, see the product mix is a constant thing that we are into. There could be some disease problem, there could be some other issue, there could be so many things which sometimes make us sell or sometimes make us not sell, sometimes they make us the market forces us to sell products, which are of less margins and then to keep the goodwill we try to sell more of that in order to make sure that the customer base continues and then we cover it up into the next quarter so all this is a strategy and it happens on a quarter-to-quarter basis but looking into the overall I mean there is always going to be a little bit of a plus minus and a variation then you could be rest assured that there will always be some variation.

Vibha Batra: Any sense on interest and depreciation at some consolidated level for FY2022?

Rajiv Gandhi: Interest and depreciation I will just tell CFO.

- Nikhil Jhawar:** Can you please repeat this question?
- Vibha Batra:** What would be at consolidated level what would be your interest likely interest assume the current interest rates and the borrowings cycles that you had projected and depreciation that you will taking because some of your CWIP when it comes into operations you would not be capitalizing interest so what would be your interest and depreciation on P&L?
- Nikhil Jhawar:** When the Tanzania capex comes in and then this will get increased otherwise it will remain constant with the current year. We have lot of current maturity of the term loans which have been there which are getting repaid so from that perspective it will reduce but then we have our plans of getting new loans and all which may increase it out in the subsequent period that is something which will come up as plan increases or how we make the funds raised at the QIP or the borrowing based on that we will evaluate.
- Vibha Batra:** And when will Tanzania plants coming to operation from second half?
- Nikhil Jhawar:** September.
- Vibha Batra:** Broadly what is the CWIP there or the gross block that will come into production?
- Nikhil Jhawar:** The 108 Crores is the CWIP as on date.
- Vibha Batra:** That is entirely for Tanzania.
- Nikhil Jhawar:** Yes, primarily it is all Tanzania.
- Vibha Batra:** That is very helpful. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Manoj Dua from Geometric Securities. Please go ahead.
- Manoj Dua:** Congratulations Rajiv bhai for the good set of numbers. I have two questions I am putting that together. What is the status of your Brucella tender which you are expecting and if it is true there any sale has been recognized from this tender in Q4?

Rajiv Gandhi: Just ask me one question after the other so I answer then, because then sometimes I might forget the first question. Brucella the tender was done and our bid was the second lowest. We decided not to compete for the lowest bid in this year. We will bid again next year. On the flip side 60% of that Brucella vaccine which has already been manufactured in anticipation we have got international orders at much higher prices so we are already taken care as far as any financial impact for Brucella is concerned.

Manoj Dua: Thank you. My second question is regarding our Nepal and Tanzania plant if any opportunity of human vaccine come in these plants are our plants technically for whatever like part manufacturing are complete can we see this opportunity if it comes can we take it or give some color about it?

Rajiv Gandhi: These thoughts have always been in our mind. Vaccine production whether it is human or veterinary, the processes are the same because the virus bacteria, their growth everything is more or less the same. Of course, in human vaccines one needs to have much more stringent infrastructure to handle those viruses because the people who themselves are handling should not be susceptible to that virus or bacteria by making some changes we could qualify to get into human vaccines in Nepal.

Manoj Dua: Tanzania that because Africa you will need a lot?

Rajiv Gandhi: Both of plants would qualify. In fact even the plant over here if we are willing to give up some our veterinary licenses we could try to do a switchover and then take things yes it would be a long time but to answer your question, yes.

Manoj Dua: Okay that is in the technical side. Do you see any possibility having that any color you are getting from people that for export side can there is a possibility from this area also like you got any policy for human vaccines?

Rajiv Gandhi: So you are talking for human vaccine?

Manoj Dua: Yes.

- Rajiv Gandhi:** For example we started talk with Bharat Biotech. Sputnik has spoken to so many other companies and even Bharat Biotech has tied up with Indian Immunological which is a veterinary company to be producing these things so these opportunities are more seeming to come now then they had ever come before and that is all that I would want to make a statement not anything more than that at this point of time.
- Manoj Dua:** Thank you and Sir best of luck.
- Moderator:** Thank you. The next question is from the line of Mitesh Shah from ICICI Securities. Please go ahead.
- Mitesh Shah:** Thanks a lot for taking my question. Congratulations for the good set of number. Sir my question is regarding the Bharat Biotech basically means the 40 Crores you are investing the clients, the Bharat Biotech are contributing something on that?
- Rajiv Gandhi:** No.
- Mitesh Shah:** Have they given any minimum assurance of taking the order?
- Rajiv Gandhi:** 100%. There is no minimum. What will I do is it they do not take it is 100%? It is doing a toll manufacturing for them so there is nothing like even 99%.
- Mitesh Shah:** Assuming the pilot opportunity for more of the companies so after the COVID how would we think about utilizing that plant you can use for the animal vaccine or we are continuously using for the human vaccine?
- Rajiv Gandhi:** We could use that capability having created a BSL class III facility it could be used to handle many other more viruses or bacteria we would qualify to handle more exotic virus and diseases bacteria etc. We will take as it comes we believe that the opportunity will be very big for us in days to come let us presume COVID is over in two years time. I think we should plan in that manner rather than think that COVID will go on forever.

Mitesh Shah: Can you quantify that what would be the means I believe that it is MoU signed and the time will but can you quantify that how many vaccines they can produce from your substance quantity of that?

Rajiv Gandhi: You mean to say the number of doses. The drug substance we are planning to have anything between 50 lakhs and 1.5 Crore doses a month.

Mitesh Shah: That will increase going forward?

Rajiv Gandhi: I do not think we will increase the capacity beyond that at this point of time. We will see how the whole thing moves and then we will take a call.

Mitesh Shah: Regarding the finance can you guide something about your gross margins how would we see the gross margin going forward because it is continuously volatile and it is difficult to?

Rajiv Gandhi: No. I will tell you it is not volatile. The word volatile it gives the impression that as well it is like fluctuating between 0 and 100 it is separate and got, see 5%, 10% here and there is always going to be there because what is happening is that product mix, poultry healthcare might sell more, animal healthcare might sell more, vaccine might sell more, medicine might sell more so all this little bit fluctuations here and there is bound to happen and we are not much concerned or worried about it and I am more or less we are sure that we should be able to be within a band as far as the gross profit margins are concerned for sure.

Mitesh Shah: Thanks a lot Sir. That is it from my end. All the best.

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

Manish Jain: Just wanted to understand that you have a set of opportunities is consistently rising for you all, for all the efforts that you have put in over the last 15, 20 years so wanted to understand you have diagnostic capability as well for animals in a very big way. Do you ever plan to use it for human diagnostic capability? That is first question. I have second one but I will go one-by-one.

Rajiv Gandhi: To tell you that sometimes there are companies who on the veterinary side they do buy antigens from us for their veterinary diagnostic which they manufacture point number one. Point number two it has always been in the back of my mind to get into animal diagnostics at this point of time there are no very clear direction or thoughts on human diagnostics what happens is diagnostic could always be an offshoot of the vaccine business because four vaccines you manufacture antigen so you manufacture a lot many things which go as a raw material in the kit so the kit becomes a byproduct or something that you are already producing so this is what it is.

Manish Jain: My second question was that are their opportunities in COVID vaccine for pets such as dogs, cats, and things like that where is there a viable opportunity there?

Rajiv Gandhi: There is an opportunity and I would want to talk on that at some later point of time when we are in a position to talk on that. You might have heard that a few lions got impacted with COVID in Hyderabad. So it is something which we are already internally looking at let us see how things progress.

Manish Jain: Perfect. I had few more questions I will join back the queue.

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

Anirudh Shetty: Thanks for taking my question. Actually just wanted to understand is this more about the exceptional items that we saw in the current year as that is somewhere around 5 Crores if you throw some color on saying that.

Rajiv Gandhi: The exceptional item you are talking about.

Anirudh Shetty: That is right.

Nikhil Jhavar: In the exceptional items there are two portions; one is there is a loss on disposal of Patan Farm that is of Rs.3.3 Crores. So that farm has been closed and those assets have been written off. So that is an item which is an one off and accordingly has been considered as an exceptional item and second is we have evaluated about the impairment analysis for the Nepal loans and advances and

considering the reduced turnover over there we have evaluated and considered that. As of now there is a provision required for this interest and loans which have been given over there so to that extent there is an impairment of Rs.1.9 Crores has been considered that is how has been explained in the results notes also.

Anirudh Shetty: If it is loan to Nepal is this being done on a conservative prudent basis and there is nothing to do with your beliefs in the company and its long-term potential is that how we should look at it?

Rajiv Gandhi: It surely has no impact in the long-term rather would not have any impact even in the short run and it is just that today everybody is impacted and I think life should change within a year's time. Be rest assured.

Anirudh Shetty: I just wanted to clarify this we have given sales, aspirational number of 25%, 30% growth in 2022 so I mean this would be excluding the COVID related businesses or including that?

Rajiv Gandhi: Yes, excluding COVID. There is no COVID business. There is no extraordinary business that has been included in it. This is all that what we have been doing and what we can do or what we had done in the past, it is additional and everything is to be added to this.

Anirudh Shetty: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal and Broacha. Please go ahead.

Charulata Gaidhani: My question pertains to the new the human side vaccine what is the timeline for the drug substance that are likely to start?

Rajiv Gandhi: Around three months time Madam.

Charulata Gaidhani: It is only drug substance right it is not the entire vaccine?

Rajiv Gandhi: Sorry.

- Charulata Gaidhani:** It is only the drug substance that you will do.
- Rajiv Gandhi:** It is the drug substance it has got nothing to do with the finished product.
- Charulata Gaidhani:** But in terms of technicality because it is a human health product and you have not been making vaccines for human health so are there any additional challenges that you perceive?
- Rajiv Gandhi:** Yes, infrastructural challenges are the ones that have taking more time for us to get into this therefore this delay and the slowed approach. It is not our ability to produce or not to produce it is the infrastructure the more stringent infrastructure requirement.
- Charulata Gaidhani:** You believe you will be able to start supplies in three months?
- Rajiv Gandhi:** Madam that is the endeavor at this point of time. It is also a commitment that we have given but these things are based on many other things that could happen, could not happen. So this is what it is at this point of time.
- Charulata Gaidhani:** How much growth do you perceive in poultry vaccines and animal health product?
- Rajiv Gandhi:** Poultry I think the growth should be approximately more around 10% to 15% and in terms of animal health approximately 50%.
- Charulata Gaidhani:** Do you see an improvement in profitability?
- Rajiv Gandhi:** Our profitability the worst case we maintain the current profitability.
- Charulata Gaidhani:** That is helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Vibha Batra from Fair Connect. Please go ahead.
- Vibha Batra:** Yes, just wanted to understand this Patan farm how much was the total value of the farm.

- Rajiv Gandhi:** Yes this the total value was 3.3 Crores that was the building over there so which has been disposed off and so that is the net write off which has been written back, written off.
- Vibha Batra:** So the entire building has written off?
- Nikhil Jhavar:** Yes, it is an immovable asset over there which has to be scrapped and they can plan has to be given back to the owner so that is how it has been done.
- Vibha Batra:** What was this farm used for, for R&D and all?
- Rajiv Gandhi:** Yes for R&D Madam.
- Vibha Batra:** Now where will all that be done whatever was done there?
- Rajiv Gandhi:** We already have another location Madam. Rather we have two other locations.
- Vibha Batra:** If you can give me some sense on the return on capital employed between poultry and animal healthcare because your incremental investments are more actually in animal?
- Rajiv Gandhi:** Madam we can give a total overall which is already there in the press note. Yes, it is there, so that we do not have the breakup and we do not even look at it that way in breaking up of all these ROE, ROCE, and ROI that is all overall Madam.
- Vibha Batra:** When you do incremental capex you maybe have some benchmarks on that minimum that this is the threshold?
- Nikhil Jhavar:** Benchmark Madam, there are other factors which we need to look at is like what are the growth which we will get in what are the EBITDA margins coming in from there so that is how we look at it but return on equity frankly speaking this comes more from the overall equity which we have put in so that is how we look at it.
- Vibha Batra:** Thank you.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

Rajiv Gandhi: Thank you all for being patient, listening to me and the conversation between all the others, the questions etc. I am sure I would have not been able to answer 100% up to your 100% expectation but the endeavor is always there and all are always free to send emails to us and try to get some more clarification on any information that you would want from us. Do keep in mind that any information requested whatever is in the public domain without any hesitation we would impart with that information and give it to you at any time. To conclude, the animal health business will continue to grow. We are very bullish about it. We are confident of growing at a good percentage on a year-on-year basis, maintaining the growth on the topline, maintaining the bottomline the least at what it has been approximately in the last one or two years. As I said there could be a little bit of a deviation here and there but nothing really much for us to be concerned about. In fact it will get one or two good opportunities it could even shoot up specifically if some vaccine business comes our way and that could set up but having said that this is the bare minimum you could expect from us continue to have the faith in the whole management of the company that is on me and my team. Be rest assured that we are working hard towards making sure that the investment made are definitely giving you returns and making at least I mean that there is wealth creation. That is something is for most in my mind as well as in the mind of the top management, our leadership team, of course with high transparency, high moral values etc. So with that I conclude. Thank you and we shall meet again in the next quarter. Thank you.

Moderator: Thank you. On behalf of IIFL Capital Limited that concludes this conference. Thank you everyone for joining us. You may now disconnect your lines.