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26 May 2022

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

Dear 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 Friday, 20 May 2022 at 2:00 p.m. (IST) to discuss the Standalone and Consolidated Audited Financial Results for the quarter and year ended 31 March 2022.

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 FY22 Financial Results Conference Call”**

May 20, 2022

HESTER



MANAGEMENT: **MR. RAJIV GANDHI - CEO & MANAGING DIRECTOR,
HESTER BIOSCIENCES LIMITED
MS. PRIYA GANDHI - EXECUTIVE DIRECTOR, HESTER
BIOSCIENCES LIMITED
MR. NIKHIL JHANWAR - CHIEF FINANCIAL OFFICER,
HESTER BIOSCIENCES LIMITED**

MODERATOR: **MR. ROHAN JOHN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Hester Biosciences Limited Q4 FY22 Financial Results Conference Call hosted by ICICI Securities. 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 the 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. Rohan John from ICICI Securities. Thank you and over to you, sir.

Rohan John: Thank you. Good afternoon everyone and welcome to the Hester Bio's Q4 FY22 Earnings Conference Call. We have the senior management, Mr. Rajiv Gandhi - CEO & Managing Director; Ms. Priya Gandhi - Executive Director and Mr. Nikhil Jhanwar - the CFO participating in this call. I thank the management who give ICICI Securities the opportunity to host this call. Over to you, sir.

Rajiv Gandhi: Thank you all for joining in today's call. Good afternoon and thank you. Our results were declared today, the press note has also been sent and we tried to make it as faster as possible, more so because of the results that what you would have already read rather than going onto figures, I would try to address the subjective part and then would be open to questions from all of you which my team and I, we would try our best to answer them.

Looking into the results broadly, our revenues have just gone up marginally that is 5% for the whole year and our PAT in fact is down by 1%. The poultry healthcare division has shown a little bit of a degrowth in Q4 while a growth of 11% in terms of the full year and the animal healthcare division has shown a growth of 22% in the whole year and 17% in Q4. Looking into specific vaccines and health products, sale of vaccines has grown by 5% and the health products by 44%. One thing you should keep in mind that whatever the growth are in terms of revenue, all have been in terms of numbers because our prices have not changed. This is just to note that, it is not any price increase that has shown this revenue, it is definitely an important factor. On the outset, I would just like to talk a little bit on the poultry industry at this point. The industry is going through a tough situation. Egg prices, meat prices, all are lower than the production cost and therefore it become extremely difficult for poultry farmers to actually buy their resources towards hearing the poultry, in fact some would have shrunk their population, some would try to not use certain inputs, etc., and try to just pull on and push on and take it further. This is cyclical, this is

not going to be a permanent thing, so we definitely hope that this turns around as the situation changes.

Looking at little bit of the comparison between FY21 and FY22, FY21 being the COVID year as what normally it is being referred to as in these days, overall, it had been a bad year for most of the people, but for Hester Biosciences, the end of Q3 FY21 and the whole of Q4 FY21 had been extremely good, in fact we had the highest all-time record fail in Q4. In Q3, we did all time high, then again in Q4, it even broke that record, Q4 mainly Q2, big demand for poultry coupled with a disease problem in the poultry industry which force people to look at preventive curative measures in order to make sure that their poultry population grows properly and that they are able to generate the desired revenues. Therefore, as FY21 had reached a very good peak, a very good hike, therefore FY22 in comparison has been much lower, the industry being the number one reason for things being slow. So, that is the one thing which I wanted to tell all of you. Another thing is that if you see from our fresh mode, our health products have grown by 44% in the FY from 21 to 22. Now health products are formulations, it comprises of vitamins, antibiotics, enzymes, other pharma raw material chemicals etc. The prices of all these have shot up tremendously in the last one year for various reasons, earlier the freight prices went up and the geopolitical reason, raw material coming less into the country, etc., and we have been continuously buying these products, raw materials at the available prices, but we have not increased our sales prices and that is one of the reasons which has definitely cost us bottom line. The raw material prices had gone up, so therefore our selling prices were not changed and we had to absorb all this, so that was another reason why our bottomline got hit.

One more and that is the third factor which I would like to highlight is the licensing and the service fees. If you would notice from the press note, in the year FY21, we had the licensing and serviced fees, we earned Rs. 17.57 crores as against only Rs. 3.85 crores in the financial year 22. So, this also directly impacted the bottomline as we were just one say piece that we would have got in these two years. So, these three factors have totally impacted our topline as well as our bottomline, but as I said this is cyclical and I am sure in weeks or probably in a month or two, everything would be set right and there are these cycles always come at one time, it is touching bottom and then again it touches the peak, so we are reasonably confident that we should be able to have this turnaround sooner than later and we should be back bouncing up.

We have also started additional penetration to cover all India with the health product with the animal health product range as well as the poultry healthcare division with the health products and our trust has now always been as I have mentioned regularly in our press note at times, in our calls, in our last annual report. As far as poultry is concerned, we already have an approximate 30% to 35% market share while we are extremely small in the animal healthcare division and that is something which we are now focusing on and we want to reduce the gap, in fact reduce the dependency on any one division not by reducing the sale in that, but by increasing the sale of the other division.

Coming onto what next from here, our pet division has already been launched and in fact it has just been this month that three of our products, they have been on the shelf and we should be launching 6 other products in the next few months making the total to 9 and aggressively marketing the pet products and we hope that next year we should also be able to launch two vaccines for the pets.

Talking a little bit about the COVID-19 drug substance manufacturing, the construction is over, all the machinery plant and machinery which got a lot delayed because of again various reasons, not getting shipped from various countries and that delayed the whole project, but now we have put that behind all the machinery are in the place. We should be soon beginning the validation of our facility and then get onto trial production. One question that would come in everybody's mind about the COVID-19 vaccine as the incidences are going down all over the world, also in India, what is the future of this. This has also come in our mind and in fact this was always in our mind when we even initiated the project. It is just to tell you all that the facility that we have created, our BSL3 facility, that is the multipurpose facility. We could use it to grow other microorganisms, some other virus, some other bacteria for vaccine development and it is not that this is a COVID-19 specific facility for the drug substance for the inactivated bulk antigen. As far the drug substance is concerned for COVID-19, our focus remains to produce that and sell it to Bharat Biotech who in turn will make the Covaxin vaccine, but at the same time, we have already started putting in our minds together on what next to do in case if the demand for the COVID-19 vaccine goes down. So, that is all from the COVID side.

Looking at Hester Nepal, it has been a good year for us as far as Nepal is concerned. We have done an all-time high turnover in Nepal. We had business, in fact, we did turnover of Rs. 13.9 crores as against Rs. 4 crores of the earlier year and this sales has just not been restricted to the FAO tenders. We had even got orders directly from countries for PPR, it also includes turnover of around Rs. 2 crores something from local sales which still this year we had no sales within Nepal. We are putting in a lot of trust to even capture the domestic market in Nepal, so overall Nepal seems to be looking good.

Talking about Hester Africa, we have already commercially launched the Newcastle Disease Vaccine for poultry, we had launched the PPR vaccine, we have already produced CBPP vaccine, which is for Bovine that is for cattles which is under test right now, so we should be getting the selling license in the next few weeks. One thing that has happened in Africa that earlier as per the commitment that we had got from various countries including Tanzania for their countries to buy these vaccines, due to their current situation in the country, there is no movement on those front, not from commitments they are able to give at this point of time, but having said that we are putting in a lot of trust from the private market. We are trying to make vaccines available throughout the country as far as Tanzania is concerned and this is the first time that people in Tanzania are able to buy these vaccines of the shell from distributor. The cost of each of these vaccines, whether it is poultry, cattle, sheep, goat, swine is never too high, it is just that the people, the market in the African continent is very fragmented and even though it is of a small value, people are hesitant in spending by themselves, but we are trying to educate them and we are trying to revolutionize, change the whole marketing and distribution in Tanzania, let us see how this is accepted and how do we take it further, but we are reasonably confident that this should work out.

Talking about other developments over here, as already mentioned in the press notes, I would not like to really go much in detail. The PPR tender was floated by the government of India, we were L1 and the supplies which were to start from January or February, they have not yet stated, but the supplies should start within a month's time. We have been awarded the tender and the business should start within a month's time and the approximate business what we are expecting in this year is approximately between Rs. 9 to Rs. 15 crores. The tender was for 20 crores doses of PPR vaccine which would be valued at approximately Rs. 24-Rs. 25 crores, but as the year has already begun, I think

there would be some spill off on to the next financial year. There are other vaccines which are under development and they would be soon launched and last but not the least, the expansion plans that we have already mentioned in our earlier calls the bulk inactivated antigen for the animal vaccines, the fill finish, the bulk antigen facility should be going on stream in this quarter itself while the fill finish should go on in Q3 in this financial year, but with this our capacity would go up by two times and that would give us a lot of strength to push products and even push the sale of inactivated bulk antigen, try to export it to certain European countries for the production of their vaccines. So, this is an overall of this quarter and the financial year and with this, I would like to hand over the call to the organizers and accept questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: So, my first question was related to our international foray only, as in both in case of Nepal and Africa, what we have earlier projected and how things have panned out, there has been a complete difference in that, so standing today, how do we see these businesses say 2-3 years, 5 years out compared to the domestic market here, how do we see that in our, I don't want anything in numbers perspective, but qualitatively thinking, how do you think the impact of these two big market would be compared to the domestic market in India?

Rajiv Gandhi: Let me first talk about the PPR disease situation and the vaccine. United Nations stands committed towards eradicating PPR from the world. So, that is something which is going to gain traction in the next few years' time, though delayed, but it will gain a lot of traction. That is going to churn a lot of business as far as Hester Nepal is concerned as well as Hester Africa. Regularly, at least once in 8-10 months, we have a discussion with FAO and they always keep asking us, I hope you are ready with quantities that we would need, etc., and we always tell them that you just worry about the orders and leaving the manufacturing to ourselves. Now, with Africa plant also ready, we have two locations from which we would be able to export, so I definitely see this as a good business opportunity. Today, if you really go to see PPR vaccine, you take a worldwide survey of the supply of PPR vaccine, Hester Biosciences actually produces and sells, has more than 70% to 75% market share in PPR all across the world including India as the country. It is just that the volumes

are small, but these volumes are bound to go up in the next few years. So, that is talking about Hester Nepal. Even if the volume goes up by 2 or 3 times, FAO is talking about some 15 times or 20 times more of volume than this, but even if it goes up marginally, we would have sold out and all our manufacturing capacity as far as Nepal is concerned. Now, coming to Hester Africa, the vaccines that we are going to be producing over there, the African continent is having all of these diseases over there. It is just that how it is addressed and how this vaccine reaches to the cattle farmer, poultry farmer down the line. Unfortunately, what has happened, since the beginning of the calendar year 2020 till today, there has been something or the other that has been coming up in terms of COVID, then in terms of the geopolitical situation across the globe, so things have been a little bit in a turmoil. I think our plans are that we will just continue trying to develop the private markets, educate people, create a good marketing network and I can also tell you that the margins by selling it in through the private, through the trade are immensely high, than what it would be in terms of the tenders, etc., are concerned. I think there has been a little bit of delay, but I don't see any reason why we should fall short of the original plans we had except in terms of time.

Ankit Kanodia:

My next question would be related to if you see over the last 3-4 years, contribution of our healthcare products are increasing to our total revenue, right, and we all know that vaccines are far more margin accretive compared to the healthcare products, so how do we see again 2-3 years, 4 years down the line, our margin and definitely about our ROE as well, return metrics as well and how do we look at when we have more and more of healthcare products and what would be the competitive intensity there because I think if my understanding is correct, the market of healthcare product is far more competitive compared to vaccine, so how do we position ourselves against that?

Rajiv Gandhi:

Your questions have been quite a few. Point number one, that healthcare products definitely have a big market and definitely there is immense competition, I would just say little competition, immense competition. Two is margins, health products are always less in terms of margins than vaccines which is definitely an acceptable fact, but the growth can come immense in these health products. Now, look at it, you mentioned on return on investment, capital invested, etc. If you look at a vaccine entity, Vaccine Company the ratio for capital is to turnover is very adverse as what it is in the health products.

So, given a situation that our health product business increases up to great levels with lower gross margins, but overall, we will still be as profitable and at some point of time, if the whole business becomes big and it goes up to Rs. 1,000 etc., or even more than that then you see the total amount involved, the total profits would be reasonably high and the capital invested to churn out as much business of health products is definitely far less than what it would be for vaccines. So, in the long run, we would definitely be able to make up, yes, but the margin are low and these are the ways that we will be able to make up.

Ankit Kanodia: That really helped sir, so in that case, if I could understand it right, like in our recent foray into the companion market where we are not going to the vaccine first, but rather we are going into the healthcare products, so that would actually help us in that sense of scaling up faster compared to what we were doing earlier, is that understanding correct?

Rajiv Gandhi: Perfect, without a doubt.

Moderator: Thank you. The next question is from the line of Aditya Nahar from Alpna Enterprises. Please go ahead.

Aditya Nahar: Sir, if you could just talk about the capital work in progress which has just shot up on an annual basis from last year to this year?

Rajiv Gandhi: The capital expenditure has gone up because of the COVID-19, the facilities as well as the expansion on the animal vaccine side for the bulk antigen as well as the fill finish unit, so these are the three areas which have been into a high capital expenditure. The total expenditure as far as the COVID vaccine project is concerned, it is around Rs. 70 crores from our side and as far as the other two projects is concerned, that is Rs. 50 crores, yes, Rs. 50 crores from the other two and Rs. 70 crores in this.

Aditya Nahar: And just my second question and my last question is, grant that you have received from the BIRAC under COVID Suraksha, will it be contingent on the specific milestone as you have mentioned, could you mention those milestones please, if that is okay?

- Rajiv Gandhi:** The milestone, one, signing the agreement done; two is with the civil work done, we are yet to get the disbursement, third is regulatory approval, so I think that is about it.
- Moderator:** Thank you. The next question is from the line of Manoj Dua from Geometrics. Please go ahead.
- Manoj Dua:** As you told that this facility which you are making for Bharat Biotech can be used for other product also, in case, COVID subsidize and become the pandemic and can you give some more color into that, usually used only for human vaccines or it can be used for animal vaccines also?
- Rajiv Gandhi:** The facility is the BSL3 facility, it could be used for handling microorganisms of animals as well as human being, so it is capable of doing either.
- Moderator:** Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.
- Ankit Kanodia:** Sir, in terms of plant based beef this is something which is catching our attention in the Western countries, so do we have any vision or idea as to where this kind of market can be in 5 to 10 years and how does it affect the demand of our products in that 10?
- Rajiv Gandhi:** I think the first thing after this call, I will do a Google search on this and these thing, to be very honest I am not aware of this at all and I don't have the ability to answer you on this.
- Ankit Kanodia:** No problem sir, maybe we can include that in our annual report if it is possible.
- Rajiv Gandhi:** Okay, just make a note.
- Ankit Kanodia:** So, basically sir, in Western countries there are many people who don't want to become a nonvegetarian, so they are coming up with options which is where you don't eat actually nonveg food, you are eating plant based food and it taste like a nonveg food?
- Rajiv Gandhi:** I think they can be, I mean I don't even know on the lighter side, why even waste time and doing all these things, just eat the vegetables.

Ankit Kanodia: I agree with you, sir because I am also vegetarian, but this is how the market is moving.

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

Manish Jain: I just wanted to know about the animal health products where you have grown quite well, although on a low base, what are the kind of opportunities you see in India, Nepal and Africa?

Rajiv Gandhi: The opportunities are humongous as far as health products are concerned and at all the places only thing is that in India the competition is high, therefore the market penetration activity takes a little longer time, even in Nepal, it being a very small market and quite a few people over there, but we are able to make dents in Nepal, but Africa the opportunity is humongous. Anything sold over here at say Rs. 100 is sold at nothing less than Rs. 150-Rs. 200 anywhere in the African continent and that is the minimum. It could be 3 times the price, also 4 times the price also, so that is an area which we are looking at aggressively. One of the reasons for us to invest in Trishul which we have taken 50% is to make inroads with health products as an existing company they are already selling health products, last year even they had turnover of approximately \$4 million and they are hoping to do around \$6 to \$8 million this year, so that is a focus area for us and we are very confident and as I earlier mentioned the cost for manufacturing these products is not as high as the investments that are required in vaccine, so overall we see a good opportunity as well as a good focus from our side on to this segment.

Manish Jain: And the second question I had was in Trishul, you have 50% stake, would you want to continue that 50% the way you have in Texas where the existing management team will continue or do you have aspirations to increase your stake here?

Rajiv Gandhi: One is stake and one is management. We would want to continue these units to be managed by the old 100% owners who today are also partners in both of them. As far as stake is concerned, we have not yet given a thought you want to just continue at this level because state issues become quite sensitive issues and then the discussions lead to too many other thoughts. For the moment, we just continue the way it is. Let us see how things take us if there

are additional investments needed, if the partners have the ability and willingness to invest, we will take it at that time, but for the moment no change.

Manish Jain: And one quick last question before I join the queue is, when do you expect to start your Egypt operations where you had an alliance with the Egyptian company?

Rajiv Gandhi: Our alliance is of two type, one is technology transfer and the two is rights for international business. Their project has also got a little bit delayed, in fact, had their project not got delayed, our service fees and licensing fees would have again gone up in this financial year itself, but their project has got delayed and we understand their current situation. I think their project would go on stream at the earliest after 2 years.

Moderator: Thank you. The next question is from the line of Vijay Kapoor, an Investor. Please go ahead.

Vijay Kapoor: Just a couple of questions, I think I am joining late, you might have already discussed this, could you share a little bit more plans on the pet division and what kind of numbers you are also looking at that? That was one question and related question would be, if you could share broadly where you see Hester in 2-3 years, like in 2025 to look at, in the past you have indicated that for India, you were looking at primarily growing 20% year-on-year and reaching about Rs. 500 Cr in the next 2 to 3 years and for Africa about Rs. 250 Cr, so would you continue to maintain that guidance overall or anything would change given the change in the environment?

Rajiv Gandhi: Let me take the second question and then Priya, she will talk on the pet. In terms of our growth plans forecast, the African market and the current geopolitical situation which was again preceded by COVID, etc., has definitely put a little bit of, I would say, has slowed down the rate at which what we wanted to do, but in India we are reasonably confident that in the next 2 years, we should have a very good and a massive jump as far as our business is concerned considering that we are going to put in a lot of focus on health products, on pets, and take it further. On Africa, we would wait and watch for another one year's time on how things are going to shape up, how the economies are going to again get back to where they were, but at the same time, we are pushing hard as I just mentioned on the private sector market creating awareness, creating a good marketing and distribution network, I

think a lesser quantity in terms of number sale would still help us get a higher revenue, higher topline, higher bottomline because the prices are good, the margins are good. I would not really want to comment on the guidance or give you any figures at this point of time, but this is exactly as what we think we would be able to take it further. Talking about pets, I would just give the phone to Priya.

Priya Gandhi:

So, speaking of the pet division which we have just launched this year, as my father already mentioned when he was giving a brief overview, we are starting off with a couple of health products to begin with and then going in the next year, we will be looking at a few vaccines since that always has been one of our strongest points. So, to begin with right now, pet care is very similar to pediatric care wherein you begin with lot of growth promoting nutritional products, grooming products for the pet, so our first two products and one is already out which is like in Omega supplement which is very much well in demand amongst the pet, so that is one of our first few products which has already come out with good feedback. We will be launching another 3 to 4 products in this month and the following month and a total of 6 products through the year. Speaking of revenue, we are aiming at doing a topline of around Rs. 3 to Rs. 4 crores for the first year and then following to that probably hopefully increase substantially based on how we do.

Vijay Kapoor:

This is a quick follow-up on the pet business, so from a distribution perspective, is it the channel we are looking to go through vets or is it through the pharmacies or through pharmacist or through e-pharmacist, any specifics, how we are taking for that?

Priya Gandhi:

No, nothing really specific, very similar to what we are already following with our existing poultry and animal healthcare division where some are distributed directly to retailers, veterinarian. We are also looking at going online because this is also a lot to do with direct B2C wherein patients themselves, just based on what is the doctor's recommend, want to buy products themselves, it is going to be a mix of all kind of distribution channels.

Moderator:

Thank you. The next question is from the line of Manish Gupta from Solidarity Advisors. Please go ahead.

Manish Gupta:

Rajiv bhai, just wanted to get your perspective on what organization learnings you think we have got based on our experience with the Nepal plant because

the opportunity is clearly there, there is so much of excitement and passion in your voice when you talk about it, the fact that we had 75% market share and complete dominance in that, but if we look at the financial metrics on the Nepal plant and obviously completely in hindsight I don't know if that investment will have a payback of say 6-7 years because it has been couple of years since we made that investment and I was just trying to understand that as we are looking to grow the company, how do we think about putting incremental CAPEX when a lot of the demand for our products is really dependent on circumstances which are quite outside our control. In this case, it might be development aid by governments to FAO which one really has no visibility for, so I was just keen to understand what learnings have we got and how do we think about CAPEX like this in future?

Rajiv Gandhi:

Any markets that need to be developed or anything that you want to take further, there are two ways to look at the whole thing, one is a balance sheet perspective, one is what you see yourself in the future and how you want to do it, etc. To give you examples, in India, companies like Pfizer, Glaxo, some of them, they would have been here pre-independence time and I am sure at that time, the hardships that they would have gone through, etc., would have been immense, but today if you see all these companies are really big, they have made it big and because of them being through, passing through all the thick and thin of various economic situations in the country, social situations, political situations, there have been sometimes reasons that products have been challenged because of the content, sometimes there have been political movements, etc., may be issues in their parent country wherever they are. So, all these things are a part and parcel of long-term strategy to withstand all these things and ultimately come out to be a winner after so many years. I think I would more talk on the subjective part rather than talk on the absolute balance sheet way of talking and in objectively 80% of the things are not possible. Objectively, 80% of the entrepreneurs would have seen to be failure even before they would have started, but I think there is a lot of subjectivity one needs to be persistent in any business, I am just talking in general and move further. Just something that reminds me of in the earlier days in Bombay, right when you move towards new Bombay the only thing that you could see was the Pfizer tower, Pfizer had a plant in New Bombay years ago and it used to always excite everybody seeing that big tower, the water tank over there. Today, it is not even visible, but the company has become so big, likewise, we have taken a shot in Nepal, we are hoping that we are the first. As we are the

first over there, we would definitely make a dent over there, create a name for ourselves that anything that we sell over there sells because of our name, because of the quality, confidence people have and take it further and we will withstand all these things. Political situation, we withstood the earthquake that took place, our trucks with the machine were on the road for 6 months, there were some transport strike and some political situation between India and Nepal, but I think this is all part of the thing and balance sheet per se cannot reflect all these things, but then the valuation and being there and having withstood all these things, I think that is something which we are very keen to do and the learnings from all these things are that one just needs to be determined. Even in Africa, we started with so many presumptions, so many assumptions, there are so many things that have happened differently. Today, if anybody challenges us from past forecast to today just based on a excel sheet or a balance sheet, I mean we might not be able to give an answer, but it is our determination to make sure that we become big and strong in this country and one thing that I would like to say, any economy, any country that you go, you need to become a part of their country rather than trying to make them a part of your philosophy and that is something which we have learnt and at both the places, we have local people who are the heads of organization and not to try to compare too much between India and the country where we have invested. So, I think these are the few basic learning that we have.

Moderato: Thank you. The next question is from the line of Manoj Dua from Geometrics. Please go ahead.

Manoj Dua: So, this is my question again regarding this grant we are going to receive of Rs. 60 crores which we will get in the phase manner, apart from this milestones, we have to achieve that to get the grant, any operational limitations are there for that like we have to sell this product at this price, you have to keep that much facility?

Rajiv Gandhi: No, there is nothing.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Sir, I wanted to know about the license and services fee, so we are seeing that it has been very volatile in the last 2 years, so can we expect the same volatility

going forward or can we add some more sense as to where we are going on that front?

Rajiv Gandhi: To be honest, in our internal discussions, we have taken a decision that we need to achieve the standard profitability as what we have achieved in the past considering that licensing and service fees are 0. That makes it a lot easy for us towards planning everything. Let this fees be an additional, but we are working towards it wherein that we are not dependent on these fees specifically for a better bottomline.

Ankit Kanodia: So, there is no sales and marketing efforts towards these fees, right?

Rajiv Gandhi: No, there are a lot of efforts, but I think looking at it in a very realistic manner I think we are not wanting, our core business is manufacturing and distribution. We should derive full income, full profitability from that, let this be icing on the cake.

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

Anirudh Shetty: I had two questions, sir, you had touched upon how you all are seeing the margin pressure in your health product this year, but when I look at your numbers, your gross profit margin in FY22 was only slightly lower than FY21 that 71-72% range and it has actually expanded in Q4, so just curious to understand what work somewhere else in our portfolio which kind offset this health product GP correction, gross profit margin for the correction?

Rajiv Gandhi: I think I will request Nikhil, our CFO to talk.

Nikhil Jhanwar: On the gross profit margins on the product sales, primarily there is a nominal change of 72% to 71% that is finally because of the proportion of the health products being higher in the recent years as compared to the earlier year.

Anirudh Shetty: Earlier, I believe you used to give the split of our India business into health and vaccine and what was poultry and what was animal healthcare, so would it be possible to start sharing that split because it will help appreciate what is moving in the portfolio and how one should interpret the margin numbers?

- Nikhil Jhanwar:** Finally, this division wise revenues which gives the poultry healthcare and the animal healthcare division and the vaccines and health products been bifurcated on the first page of the press release. You are asking for some other details also?
- Anirudh Shetty:** No, so is it the split between poultry vaccine, poultry health, poultry animal vaccine and animal health I think that is the granularity I was asking, maybe I missed it, I will just take another look?
- Rajiv Gandhi:** You want basically a detailed breakup of each of the segment in terms of profitability?
- Anirush Shetty:** In terms of sales and if you also can give it an EBITDA level also that would be helpful, it will just help us to average that?
- Rajiv Gandhi:** Yes, but I mean the point is that at the end of the day we are looking at the holistic business, it is just that for our internal purposes we know all these exercises to analyze everything, but I think giving it like this in a public domain would be a bit inappropriate for us to actually share all that information and we note there is any top secret about it, but I think we should leave our experts in the company to analyze this and take it further and do analysis.
- Anirudh Shetty:** But just one point here that despite health products growing at 45% and vaccines growing at 5%, our GP margins is corrected by some 72 to 71, so is it fair to assume that the GP margins are significant?
- Rajiv Gandhi:** I will tell you, GP margins in health products also and your question is that if I have understood that health products have a lesser profitability, but health products have grown so much and still the GP has only dropped little, that is what your question is, right?
- Anirudh Shetty:** Yes.
- Rajiv Gandhi:** So, this all depends upon the product, the product mix, the sale of product A, B, C, D, E; profitability of A, B, C, D, E, etc., so it sometimes, all health products are not unilaterally less margin than vaccines. Overall, they are less, but there are some health products where we have very good margin, so then if that sales are high and that actually even outbeats the vaccine gross margin. It is all a product mix.

Anirudh Shetty: And sir, my next question is on the COVID facility, so you have mentioned I think Rs. 70 crores is in capital work in progress, so what is the sales potential from the Rs. 70 crores and what is the margin profile on this business?

Rajiv Gandhi: We are at this point of time dependent on the government of India to take all these things further as far as COVID vaccine is concerned, drug product sales, etc., so in consultation with them, with Bharat Biotech, we would take a call, decide and take it further. So, this is a little bit open at this point of time, not only for us, for probably all COVID vaccine manufacturers, drug substance manufacturers, but having said that I don't think that we should be worried about our margins, etc., on the sale of the drug substance.

Anirudh Shetty: And on the Rs. 60 crores grant which as and when we get it, we use to invest, if there are any further restriction on what we can do with this in the long term or should you also assume that this all can also, once the COVID subside, it be used to either inhaler or health purposes depending on what we all see is the right approach?

Rajiv Gandhi: It is very clear and even on the press note on page 3 we had mentioned this facility is designed to be a multipurpose facility to handle other microorganisms beyond COVID-19. There are no restrictions on us, but we have a national responsibility today to talk about only COVID-19 as that is the basis of setting this thing up, but if that demand goes down, we are free to use it for anything else.

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

Manish Jain: Nikhil, just one house keeping question that of the debt of Rs. 222 crores, Rs. 164 crores which is noncurrent liability and Rs. 58 crores in current liability, how much is coming from the Bill Gates Foundation?

Nikhil Jhanwar: So, \$12 million, so around Rs. 90 crores is coming from Gates Foundation.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Rajiv Gandhi: Thank you all for being patient hearing me out and I hope I have been able to answer all the questions and we at Hester continue the hard work to make

sure that the company produces the desired results, the expected results and that we live up to the expectations of all our shareholders, stakeholders, we all on behalf of every single employee of Hester I say that we all are committed and we are 24 x 7 on the job at Hester. Thank you.

Moderator:

Thank you. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. We thank you all for joining us and you may now disconnect your lines. Thank you.