HESTER

Hester Biosciences Limited
Pushpak, 1st Floor
Panchvati Circle
Motilal Hirabhai Road
Ahmedabad 380006
Gujarat, India

Phone +91 79 26445106
Email mail@hester.in
Toll Free 1 800 233 7937
www.hester.in

CIN L99999GJ1987PLC022333

16 May 2018

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 14 May 2018 at 2.00 p.m. to discuss the Audited Standalone and Consolidated Financial Results for the quarter and year ended on 31 March 2018, for your information and record.

You are requested to take the above on record.

Sincerely,
For Hester Biosciences Limited



Rajiv Gandhi
CEO & Managing Director
DIN: 00438037

"Hester Biosciences Limited Q4 FY2018 Earnings Conference Call"

14 May 2018

ANALYST: **MR. RAHUL JEEWANI – IIFL CAPITAL 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 Limited Q4 FY2018 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 and 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 comments. Over to you Sir!

Rajiv Gandhi: Good afternoon everybody. This is Rajiv Gandhi, CEO & Managing Director, Hester Biosciences. Nice to be back on the call again this quarter and as always it is a pleasure talking to all of you. I would like to begin by reviewing the business of the quarter and more so of the last year and then Jigar would take on giving the absolute financial details and after that both of us would be there to answer any questions from your side. To begin with review, first a just little on the Q4 side. We have had a sales growth of less than what has been expected, but in terms of profitability also it appears that we have fallen short as far as quarter-to-quarter basis is concerned, but if you have seen… if you go through our quarter-to-quarter results there have been sometimes a bit of a wave wherein some quarters we have dipped in profitability, but we have always gained back and if you look at it cumulatively over a year point of view we have always been positive by the time the average of all the four quarters is taken and so is the case exactly as far as last financial year is concerned.

Coming to the financials of the full year, I would like to go through the commitments or the forecast that we had made versus where we have been in terms of topline and the bottomline. On the topline, we achieved a sale of Rs.135 Crores, our forecasted was between Rs.140 Crores and Rs.145 Crores, so we have been short as compared to the target. We have been short on the yearly sales target. I would like to go breaking up the sales target into poultry and large animal. On the poultry side, we have achieved a yearly growth of around 5% which was anyway supposed to be between around 6% to 8% as we had projected, so we are more or less there yes, marginally we are short. On the large animal

side, we have grown 16.83% as against 50% as what we had committed in my earlier conversations and my presentation.

Now taking the large animal segment and breaking it up into two, vaccines and health products. On the health product side, we did achieve a total growth of 57% while on the vaccine front we have achieved a growth of 3.57%. There is a reason why we have not grown in the vaccine segment as against the health product. There was a big forecasted sales which was for the last quarter namely the tender business, because of various reasons a few of the state governments, they were not able to get the grand and therefore the execution of the orders could not take place. So these orders now would spillover, some of them would spillover in this financial year, some of them would get time barred, so it would not happen. Nonetheless having learnt from this, we have now made sure that we do not focus or do not lay too much of stress on just simple tender business. Through our marketing team and through our strategy, we have also ensure that the vaccine business is as much promoted in the nontender business as what we are trying to do with the health products thereby giving equal weightage to both.

Nonetheless having said that we foresee extremely high growth rate as far as vaccines in India are concerned in this financial year namely the PPR vaccine as well as the Brucella vaccine. On the poultry side taking business further, we continue to commit a growth at a little around 10% or may be 10% last year we did lose a little bit of a sales because on the poultry inactivated side we had reached 100% capacity. We have now installed additional capacity, it is in production and therefore we have reasons to believe that we should touch a reasonable growth up to 10% in this financial year, the minimum. So we continue to keep the targets in the large animal at 50% growth at the minimum and poultry at 10%.

Coming to domestic sales and international sales, there has been a big pull down as far as international business exports is concerned wherein we had forecasted a near to 100% growth. There has been degrowth by around 11%. This has happened mainly due to a few reasons, one is that our insistence on advance payments and as the payment is not coming, we have not executed the orders partly we have been setting up the infrastructure. If the product licenses were there, our company registration etc., were not there in Tanzania itself where we intend to set up a base which has now got resolved and in the month of April in itself, we have sent container load of material and partly due to the international tenders also wherein we have not been able to get the PPR tender. Of course that in fact does not come in Hester India that in fact comes in Hester Nepal.

The PPR business which we thought we would get FAO has been slow on their tender releasing and therefore it has impacted our business not that we have even lost tenders, we have in fact executed two orders just recently and we have reasons to believe that the PPR business is now going to increase and improve tremendously in the coming few months. So this is just a summary of the two divisions that we have.

On the diagnostics side, we have started marketing a few of the diagnostic kits, the sales are low, we are yet building up the business and I think there are many enquiries etc we have it just that we need to push our products and convince customers to use our kits as against what they have been using in the past and it is the process which we are more or less nearing up to it in achieving what we want to do and in any case the diagnostic business contribution was in any case not projected to be very huge.

Looking on the EBITDA side, I think we have improved our bottomline mainly by the product rationalization. We have been doing it for the last two years, this is the third year and we continue to do that, so that we improve our profitability and we have achieved that level of profitability. We have even improved our stock inventory position etc, so all these things have definitely helped in improving our profitability. Even with the growth in sales, we firmly believe that there should be no reduction in our profitability. There is only an upside as what we feel at this point of time.

Coming to Nepal as I mentioned, there has been a slowdown on the PPR vaccine, secondly the permission to sell locally we had not got till as late as April 2018 wherein now we have permission to market the poultry vaccine within Nepal from the plant in Nepal, so that would now help us do local sales from the Nepal plant. Between India and Nepal, there is always a disruption of export activities because if India declares that it has avian influenza the Nepalese government bans the import of Vaccine into Nepal. This has happened this year twice which has resulted in a stoppage of business, but that would be now neutralized with us being able to produce our vaccines in Nepal.

Texas Life Science is a company that we acquired 55% stakes and we now are transferring all our health products manufacturing to Texas Life Science. So that we have full control on inventory, in quality as well as in timely supplies and more so in international business wherein the registration is supposed to be in the name of the company and not of the entity which is exporting, we would now have our inhouse company that is Texas Life Science under which the product would be registered and thereby avoiding any fear or insecurity level wherein a company could register products, marketed by us and then it could go out of our hand. So these are few things as far as the business overview is concerned.

Another point that I would like to touch is the distribution network in Africa, which we are in the process of creating. We are in the process of hiring people, creating sub-distributors, dealers etc., mainly in Malawi, Tanzania and Uganda. The process is ongoing. We have our people stationed over there and we are putting in efforts to streamline all these activities. As you are already aware that we had made an announcement sometime ago and taken the permission from the board to invest in a project in Tanzania until recently we were working on it. In this board meeting, we presented the project report for Tanzania and the board has sanctioned the same to setup an animal vaccine manufacturing unit in Tanzania.

To give you a little idea on the African market is that there are one is that vaccine are not available, two vaccines, which are available in short supply, health products, which are again not available in full quantity, what is available there are quality issues as well as erratic supply of these products. All distributors are small over there, they are not able to stock; therefore, the imports of vaccine becomes very difficult because they are not able to import small quantities and vaccine exports are very small quantities again is a big issue. So having all these things in mind plus the distribution network, which are in the process of creating we have now moved ahead to setup animal vaccine manufacturing unit in Tanzania. We have even tied up the sourcing of finance for the project in which Hester Biosciences India, it would be a 100% own subsidy that is Hester Biosciences Africa Limited and we from India would invest USD 4 million to it and we have been granted a loan by the Bill & Melinda Gates Foundation of the United States for $10 million US and they have also been kind enough to give us a grant of $4 million thereby the $18 million project is financed as what I did mention and towards getting this loan as well as the grant besides addressing the institutional market, the commercial market in Africa we have even committed to make sure that we would create a distribution network, which would supply vaccines as well as health products mainly the vaccines, which we produce there to the small holder farmers across the African continent. This project is slated to be the construction should be completed by January 2020 and by end of 2020 we hope to get into production. We believe that by 2023 we should go break even on this project and then it should be profitable for us. In case if there are thoughts that till Nepal is not yet functional why are we investing in Africa the answer to that is our Nepal project is mainly for the PPR vaccine and a few other vaccines, which are not allowed in India, which is the Marek's HVT + Rispens vaccine, these vaccines could be sold across all territories. The project in Africa will mainly produce those vaccines, which are African specific diseases related vaccine, which would not even be allowed to be produced in anywhere else. So therefore this project in the African continent. The revenues at full capacity of the African project are slated to be 30 million at full capacity, so by this I thank you all for hearing me patiently

towards the brief on all the business activities. I will give the line to Jigar who will talk on the financials and then I will answer all your questions. Over to you Jigar!

Jigar Shah: Good afternoon everyone. I am Jigar Shah, CFO of the company. I will discuss unaudited financial results of Q4 FY2018 and year ended FY2018. The company's operations are divided into four business verticals, poultry vaccines, poultry heath products, large animal vaccines, large animal health products. Under the poultry vaccine division, company has booked a sales of Rs.31.69 Crores in Q4 FY2018 as against Rs.28.22 Crores in Q4 FY2017 while the sales for the year ended FY2018 has been recorded Rs.108.26 Crores as against Rs.104.52 Crores in year ended FY2017.

Under the poultry health product division, sales booked at Rs.1.42 Crores in Q4 FY2018 as against Rs.1.15 Crores in Q4 FY2017 while the sales for the year ended FY2018 has been recorded at Rs.5.80 Crores as against Rs.3.68 Crores in year ended FY2017. Under the poultry division, overall 12.74% growth has been achieved in Q4 FY2018 as against Q4 FY2017 while 5.41% growth is recorded in the year FY2018. Under the large animal vaccine division, sales for the Q4 FY2018 is negligible compared to Q4 FY2017 it was Rs.4.57 Crores and the sales for the year ended FY2018 has been recorded at Rs.7.74 Crores as against Rs.6.91 Crores in FY2017. Under the large animal health product division, sales booked at Rs.2.82 Crores in Q4 FY2018 as against Rs.1.66 Crores in Q4 FY2017 while the sales for the year ended FY2018 is at Rs.10.12 Crores as against Rs.8.38 Crores in year ended FY2017. Under the large animal division overall 16.83% growth is recorded in FY2018.

Now coming to the total sales in the profitability of the company, total sales in the Q4 FY2018 is recorded at Rs.37.48 Crores as against Rs.35.60 Crores in Q4 FY2017 thereby company has achieved a growth of 5.30% in Q4 FY2018 as against Q4 FY2017. Total sales for the year ended FY2018 is recorded at Rs.135.25 Crores as against Rs.125.58 Crores in the year ended FY2017 thereby company has achieved a growth of 7.70%. Company's total domestic sales is Rs.32.16 Crores in Q4 FY2018 as against Rs.30.10 Crores in Q4 FY2017 while the total domestic sales for FY2018 is Rs.119.21 Crores as against Rs.109.06 Crores in FY2017. Company's total export sales is Rs.3.78 Crores in Q4 FY2018 as against Rs.5.50 Crores in Q4 FY2017 while the total export sales for the year ended FY2018 is Rs.12.70 Crores as against Rs.14.43 Crores in FY2017. EBITDA margin is achieved at Rs.29.75 Crores for Q4 FY2018 as against Rs.32.68 Crores in Q4 FY2017 while in the year ended FY2018 EBITDA is achieved at 36.67% as against 32.71% in the year ended FY2017. Net profit is achieved at 24.05% for the total sales for Q4 FY2018 as against

19.87% of total sales in Q4 FY2017. While in the year ended FY2018 net profit is achieved at 22.59% of total sales as against 19.86% in the year ended FY2017.

Now coming to the balance sheet analysis, our inventory level is stood at 93 days in Q4 as against 84 days in Q4 FY2017 while the same is 103 days as against 95 in FY2017. Total receivables are at 77 days as against 68 days in Q4, Q4 comparison while the same is 85 days for FY2018, which was 77 days in FY2017. Our overall working capital cycle was 97 days in FY2018 as against 63 days in FY2017. Our fixed asset turnover in Q4 FY2018 stood at 1.54 as against 1.73 times in Q4 FY2017 while FY2018 it is 1.39 times as against 1.53 times.

Company's total debt is Rs.42.61 Crores at the year ended FY2018 as against Rs.39.42 Crores at year ended FY2017. Company has invested 5.45 Crores in the total capex in Q4 FY2018 while at the year ended FY2018 the total investment in a capex stands at 20.52 Crores. Company has spend 3.85 Crores on R&D in Q4 FY2018 as against the 3.28 Crores in Q4 FY2017 while for the year ended FY2018 total spending on the R&D is 7.30 Crores as against Rs.7.99 Crores in FY2017.

Now the key financial ratios, ROE for the Q4 FY2018 stands at 24.68% as against 23.18% in Q4 FY2017 while the same stands at 20.92% in FY2018 as against 20.43% in FY2017. ROI for Q4 FY2018 stands at 17.13% as against 15.86% in Q4 FY2017 while the same stands at 14.52% in FY2018 as against 13.98% in FY2017. ROCE stands at 25.53% in FY2018 as against 23.71% in FY2017. Nonannualized EPS for Q4 FY2018 is at Rs.10.59 per share as against Rs.8.32 per share in Q4 FY2017 while the EPS for the year ended FY2018 is 35.92% per share as against 29.32% per share in year ended FY2017.

Now coming to the standalone Hester Biosciences Nepal Private Limited operations, total revenue for Q4 FY2018 is recorded at Rs.0.49 Crores while the same is Rs.1.48 Crores at year ended FY2018 as against Rs.1.31 Crores in FY2017. Total net loss for Q4 FY2018 is Rs.2.30 Crores while the same is Rs.7.36 Crores at the year ended FY2018 and the total accumulated loss till the year ended FY2018 is 9.61 Crores. Total debt is Rs.26.02 Crores at the year ended FY2018 as against Rs.26.96 Crores at the year ended FY2017.

Now coming to the standalone Texas Life Sciences Private Limited's operation, in June 2017 Hester Biosciences India had acquired 55% stake of Texas Life Sciences Private Limited, total revenue for the year ended FY2018 is recorded at Rs.1.47 Crores with 35% of the revenue being derived out of sales to Hester. Total profit for the year ended FY2018 is Rs.0.05 Crores. Total net worth of the company is Rs.4.82 Crores at the year ended

FY2018. The Board of Directors had paid interim dividend of Rs.4 per equity share on November 9, 2017, further the Board has recommended a final dividend of Rs.6 per equity share for the financial year 2017-2018 subject to the approval of shareholder. Total dividend for the financial year 2017-2018 will be Rs.10 per share that is 100% as against 5.30 per share that is 53% for the financial year 2016-2017. That completes my presentation. Thank you everyone I am handing over to Mr. Gandhi. I am ready to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Srinath V. from Bellwether Capital. Please go ahead.

Srinath V: Good afternoon Sir. I just wanted some few numbers. Could you please share the backyard numbers for FY2018?

Rajiv Gandhi: I do not have the figures right now with me, but I would be surely happy to share the figures. In fact we have created a very big report, which we would even e-mail it to you when I would share it. Please pardon me for not having these figures right now on my hand.

Srinath V: Sure Sir. One more data point that I was looking was could you share the tendering versus non-tendering business for the large animal category very roughly?

Rajiv Gandhi: I can just tell, let me get the figures on my end. I think the tendering business totally it should be around 25% to 30%.

Srinath V: Sir, at full utilization, what would be Nepal sales because I had seen in our Africa presentation just now you had given out sales numbers at peak utilization for the facility, so the same way what would our peak revenues be at Nepal?

Rajiv Gandhi: It is 50 Crores to 55 Crores, depending upon the product mix it could swing anywhere from 45 Crores to 65 Crores.

Srinath V: We started building some sort of order book for this, have seen order flows are picking up, what is the status on the PPR front, Sir?

Rajiv Gandhi: On the PPR front, the tendering we have been attending quite a few conferences and we are in touch with FAO and they have also been insisting and asking commitments from us on increasing our production capacity, so it is all happening. There are not any order books when there is tender. If the tender is released we have to participate and hoping that we get

the business we have to execute it so there is no buildup as such, but we firmly believe that once the movement starts our capacity is 100 million PPR while they are looking at more than five times the quantity and even more than that.

Srinath V: And in this case, is there a kind phased manner of increasing utilizations or if the opportunity arises, we could setup to higher levels of utilizations at a quick timeframe?

Rajiv Gandhi: Yes, there are two things, one is by adding in on freeze drier we could near to double our capacity at the Nepal plant and in days to come the African plan would also be producing this one vaccine would be common between Nepal and Africa, so we would not have any issues as far as supply of PPR vaccine is concerned. For the moment we are more than good with our capacity.

Srinath V: Last one, just wanted to understand what are, without getting into specific terms of this loan, what is the rate of that they are charging us to just model in?

Jigar Shah: Our rate of interest is 3%.

Srinath V: Thank you Sir. I will come back for more questions. Thank you.

Moderator: Thank you. The next question is from Dhanaraj Jain who is an individual investor. Please go ahead.

Dhanaraj Jain: Good afternoon, Sir. This question is for our CFO. There is a considerable increase in other expenses in this quarter compared to March 2017 quarter from 87.89 million to 122.23 million, can we have some clarity on this, what type of expenses have increased?

Rajiv Gandhi: On the production side, yes we do agree and admit that there has been a higher cost at this point of time, but as I mentioned sometimes there is a sort of way like think the input and output ratio is not always constant as far as biologicals concerned, which we call in biological terms that is the yield, so therefore sometime it could happen that we get hit by a little bit of an abnormal lower yield thereby increasing our cost, so this is one of those things that have happened, but if you take over a period of a few quarters put together even historically as you have studied the other quarter, I am sure you would even agree that we have always stabilized and we have always become more positive.

Dhanaraj Jain: That is right Sir, but only I wanted to know regarding any right off we are in other expenses?

Rajiv Gandhi: No, there is no right off.

Dhanaraj Jain: Second question is regarding this tax effect, last time it was about 26% and this time tax rate is about 30%, so any benefit, which has, not accrued this year or something?

Rajiv Gandhi: Just a minute, Jigar will answer that.

Jigar Shah: In this year, the R&D benefits are not as compared to FY2017, so that is why the tax differences are there.

Dhanaraj Jain: Next year since our turnover is below 250 Crores and there will be a tax deduction for the Company, so the tax rate would be how much like in the next year?

Jigar Shah: That will be normal, not it will be higher.

Dhanaraj Jain: It will be 25% know?

Jigar Shah: Yes, absolutely.

Dhanaraj Jain: R&D can be about 20%?

Jigar Shah: Yes, absolutely. Yes, true.

Dhanaraj Jain: Thanks a lot. Thank you.

Moderator: Thank you. Next question is from Anirudh Shetty from Solidarity. Please go ahead.

Manjit: Sir, this is Manjit here. Thanks for taking our question. The first question was when government, I mean they do not take vaccines from the tender, what happens to end user should they depend on those government vaccine for free where tax will go unvaccinated?

Rajiv Gandhi: Unvaccinated.

Manjit: So, they do not try and source it from some other players?

Rajiv Gandhi: No, it is we have got the rate, we are approved, we have passed and it is our right to supply in that tender because we have got it approved and if the government does not buy it is not that they have bought any outside nontender purchase or anything. It does not happen that way. If you would have heard me talking we have also increased our direct selling of these

vaccines this is exactly the reason. In case if the tendered quantities are not distributed by the government we are going to make sure not free like the way government gives, but we will make our vaccines available for other farmers to vaccinate their animals by buying the vaccine.

Manjit: And just a followup on this, when you do the direct selling of animal vaccines, the margin should be lower than when you do it to government, right?

Rajiv Gandhi: Sorry, can you please repeat, your voice is echoing. Can you please repeat the question?

Manjit: I was checking at the followup, when we say directly in the large animal vaccines space to the final consumer or the farmer, will the margins be lower because we will add on distribution cost?

Rajiv Gandhi: No, I think I would not like to address the margins issue over here, but the enduser would be able to get a vaccine. The whole issue is that the enduser being able to get the vaccine the cost of vaccine is very inconsequential to the enduser. In poultry it is a few paisa and in cattle is may be a rupee or two, so the value is not consequential.

Manjit: Sir, I did not get this, what we thought is the large animal vaccines going the range of?

Rajiv Gandhi: No, I am sorry, PRR vaccine is big, Brucella vaccine has a higher rate of this thing, but right now Brucella is anywhere more private than tendered and PRR is more tendered than private.

Manjit: Sir, we will get back for followup questions. Thank you.

Moderator: Thank you. We have a followup question from Srinath V. from Bellwether Capital. Please go ahead. Please go ahead.

Srinath V: Sir, can you just give us timelines on the Africa project as in when do we start land acquisitions or to up the factory, how the capex will be phased and again you have given some kind of revenue projections, can you just talk us through the whole project end-to-end from a timeline perspective?

Rajiv Gandhi: From the timeline perspective, we have already been committed land in Tanzania, which would be on lease land from the government of Tanzania, which is already in place at a location called Kibaha. Our press note does give the location over there. First we would

should start the construction activity by July, complete the construction by January 2020. We would take the facility for validation in April 2020 and the first commercial batch should roll out before the end of the calendar 2020. In terms of payments money investment from Hester's side our investment would be broken up into half a million in 2017, 2.25 in 2018, and 1.25 in 2019. The complete money from our side as well as the loan and the grant everything would have invested by end of 2019.

Srinath V: The complete sales from this plant is only going to address the African opportunity and followup question on that is when is the process of building a backyard business there? How do we start, given that it is doing the same in India would have lesser constraints given our understanding of the market? So I just wanted to understand how is our local connect in that market for setting up a backyard business?

Rajiv Gandhi: There are two businesses that we would address, the backyard as well as the normal commercial business, so both the businesses we would be addressing. As far as backyard, we are in the process of building a distribution network. We are in touch with many grass root marketing agencies distribution agencies. I think in three to four months time, we would be able to present a detailed plan of distribution, which would go all the way up to the end level of the backyard as the way we have done in India. I agree with you being in India ourselves, it is much more easier to address in India than in Africa, but on the relative basis easier, but it is not that it is just not possible and we are in the process of creating the whole network over there.

Srinath V: Just one last question. What is our plan for the Indian backyard market for the current financial year? How many centers do we have currently and what are the kinds of distribution gains that we are likely to have in the current financial year Sir?

Rajiv Gandhi: A good question. I forgot to mention that a few months ago, we have started a division by the name of Veterinary Social Business Division and this division would address the backyard animal immunization as well as supporting the backyard animals with health products. We have started this division a few months ago. At the moment, the project continues in Jharkhand, Chhattisgarh, and Odisha. The next two states that we have taken on are Uttar Pradesh and Bihar. The work in Uttar Pradesh and Bihar is likely to commence in July 2018. On the same lines as what we have done in these three states.

Srinath V: Thank you Sir.

Moderator: Thank you. Next we have a followup question from Anirudh Shetty from Solidarity. Please go ahead.

Anirudh Shetty: One question we have was based on your visibility in the domestic market on large animal vaccine; is there any guidance for this year as to what the domestic large animal vaccine would be? We understand PPR SKU in not predicable?

Rajiv Gandhi: Over here, we think as mentioned, we want to grow this large animal health division by at least 50%. We did grow the health part of it by 50%. We did not grow the vaccine, but we have now started creating our own distribution and marketing network even to address the vaccines. If you take the PPR vaccine alone, it has a market of more than Rs.40 Crores and equivalent that is of Brucella.

Anirudh Shetty: So Rs.80 Crores target market totally?

Rajiv Gandhi: Sorry.

Anirudh Shetty: Rs.80 Crores target market totally?

Rajiv Gandhi: Only these two vaccines alone.

Anirudh Shetty: Sir from what I remember in the last call you had mentioned 40% of this is government tendered?

Rajiv Gandhi: Yes.

Anirudh Shetty: Basically our target in the direct distribution would be around Rs.50 Crores and what would be the competitors here Sir in this direct distribution market if you could name a few companies?

Rajiv Gandhi: There is Indian Immunologicals, Brilliant and ourselves; these are the three that we see at the moment.

Anirudh Shetty: There are no other MNCs in this market?

Rajiv Gandhi: No. There is no MNC in the market neither is even one vaccine goes for diseases imported from anywhere else.

Anirudh Shetty: One question for Jigar, in this quarter there was deferred tax asset of around Rs.1 Crores just wanted to get a sense of what that is?

Jigar Shah: Can you repeat the question?

Anirudh Shetty: In the P&L there is deferred tax of roughly 9.5 million for Q4 just wanted to understand what that was?

Jigar Shah: That is the deferred tax calculation on what we have to provide it for. The liabilities are more than assets deferred liability.

Anirudh Shetty: This is standalone, it is only domestic business right?

Jigar Shah: Yes this is a standalone.

Anirudh Shetty: For the full year 2019 what is tax rate would be?

Jigar Shah: For the whole year it is 0.63. It is deferred assets.

Anirudh Shetty: Sorry for FY2019 just wanted to understand what your tax rate was for the full year?

Rajiv Gandhi: Tax rate would be the 25%. Before tax cannot be predicted right now.

Anirudh Shetty: Income tax overall I am just trying to get a sense of it?

Rajiv Gandhi: 24% to 25%.

Anirudh Shetty: Thank you.

Moderator: Thank you. The next question is from Dhruv Mukherjee from Malabar Investment. Please go ahead.

Dhruv Mukherjee: Thanks for answering my question. I had a very basic question. Does the integrated influence the final contract farmer's preference while buying poultry vaccine?

Rajiv Gandhi: If there is an integrator, it is the integrators prerogative to buy the inputs and the poultry rarer to buy, which input because ultimately it is the integrator who is taking the whole risk.

Dhruv Mukherjee: In that case, Suguna has started a vaccine operation called Globion do you see that as a risk that indicators themselves shall grow their own vaccine operations because they are pretty well organized consolidated market. You may get squeezed out?

Rajiv Gandhi: Anybody who produces a similar product is definitely part of the competition.

Dhruv Mukherjee: Your portfolio is a way bigger, but please goes on?

Rajiv Gandhi: They would be as our competitors, so there is no doubt about it, but it is ultimately for the distribution and the product and the acceptability, which company all of us have to work towards our own products and try to get the market share and sell the products and yes in integration if they are the decision makers they would be the influencers at that time probably for those people to acquire, but then there are many other customers in India. There are many other clients. In that way even Venky's in itself has its own integration, so we are working and competing with them and we all are having a place in the market place.

Dhruv Mukherjee: Do you sell it to Venky's as well?

Rajiv Gandhi: No we do not sell.

Dhruv Mukherjee: Sell to Venky's?

Rajiv Gandhi: No.

Dhruv Mukherjee: What percent of share of the market would you think that Venky's and Suguna have because these two also have their in-house vaccine capabilities not as advanced as ours?

Rajiv Gandhi: I would say that Venky's probably has 60% to 65% market share.

Dhruv Mukherjee: Venky's at 60% and Suguna on top of that?

Rajiv Gandhi: Suguna on top of that yes in terms of chicken. You are talking about vaccines or chicken?

Dhruv Mukherjee: I am talking about poultry one day old chickens?

Rajiv Gandhi: One-day-old chickens I think Venky's has a larger share.

Dhruv Mukherjee: Suguna will also have something and Sir any updates on the thermostable vaccine?

Rajiv Gandhi: We are in the final phase of registering the PPR thermotolerant vaccine. We would be probably the first company in the world who would register a PPR thermotolerant vaccine and our Thermotolerant Newcastle disease vaccine is selling across in backward areas and we hope to even get it registered soon in a few countries in Africa.

Dhruv Mukherjee: One question regarding the PPI eradication scheme being run by FAO how many times do they expect a single animal to be vaccinated or does it depend on the testing they do and what results come out of it?

Rajiv Gandhi: No I think the vaccine is to be given once a year or it is to be given once in two years something like that.

Dhruv Mukherjee: For how many years for a span of?

Rajiv Gandhi: Yes then it would be an eradication program. They want to eradicate the disease in 20 years time.

Dhruv Mukherjee: That makes sense. That is all from my end. Thanks a lot and all the best.

Moderator: Thank you very much. That was actually the last question in queue. I would now like to hand the conference back to the management for closing comments.

Rajiv Gandhi: Thank you all for being on the call and as always it was nice to talk and answer the questions. All are free to email us and get more details. There is one question, the first one I could not answer, which we shall e-mail and send the answer on the backyard population, which I did not have on hand. All are free.

Just to sum up, quarters do come in and go. There could be temporary lows also and we are here to do our best and not only me the whole leadership team at Hester Biosciences and you could be rest assured that the work that has been put in, in this financial year even with a modest growth of 8% in terms of the topline, there has been a lot that has gone in and we are here to take things to the next step and as in my press note the last line reads as Hester is poised, prepared and positive to move further it is our endeavour to take Hester to the next step. Thank you very much.

Moderator: Thank you very much. On behalf of IIFL Institutional Equities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.