

31 July 2017**To,**
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001**To,**
National Stock Exchange of India Limited
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E), Mumbai 400 051

Scrip Code: 524669

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 Friday, 28 July 2017 at 3.00 p.m. to discuss the Unaudited Standalone Financial Results for the quarter ended on 30 June 2017, 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

“Hester Biosciences Limited Q1 FY2018 Earnings
Conference Call”

28 July 2017



HESTER



ANALYST: MR. ABHISHEK SHARMA – IIFL CAPITAL LIMITED

**MANAGEMENT: MR. RAJIV GANDHI – CHIEF EXECUTIVE OFFICER &
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 Q1 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. Abhishek Sharma from IIFL Capital Limited. Thank you and over to you Sir!

Abhishek Sharma: Thanks Stanford good day everyone. This is Abhishek 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 remarks, which would be followed by Q&A. Over to you Sir!

Rajiv Gandhi: Good afternoon everybody. Nice to again talk to all of you and present the quarterly results. So here I am talking to you about the Q1 results along with our CFO, Jigar.

Our sales in this quarter have been Rs.29 Crores as against the Q1 last year of Rs.30.7 Crores thereby showing a dip of 5.46%. On the profit side yes there has been a little improvement our Q1 net profit stands at 61.52 against Q1 last year is 59.99 showing a growth of 2.55%. While agreeing and admitting that there is a drop in the sales in this quarter, I would like to just share with you the reasons for this drop in the sales.

We have just made a press release also today after our results, which gives some information, but would like to nonetheless go through the whole thing. The reasons for the sales being down one is in the last month of the last quarter, there was a lot of reluctance shown by our distributors in buying stocks as they wanted to make sure that things remain settled and that they do not carry on the inventory once the GST regime gets moving so that definitely did impact our sales overall. In fact many companies they even give a note that in case if there are any tax losses to any distributors, they would try to adjust them make good, but we refrained from making any such commitments to our distributors etc., so there was deep in sales in the last month of the last quarter.

Another reason, which we would attribute to drop in sales is that there was a little bit of low chick replacement in the poultry industry in the beginning of last quarter that directly impacts the purchase of vaccines because if the number of chicks are less the purchase of the medicines, vaccines everything that goes on towards the rearing of the chicks if of course there is cut on it so these two were the main external reasons.

Of course as our business is at the moment more dependent on poultry therefore an impact in the poultry has definitely impacted on our sales. There are a couple of internal reasons as well for the sales to have gone down. One, is our product shortage as mentioned to you in the last quarter, we have acquired a company in Mehsana to transfer all the health products from various toll manufactures where we would get done on loan license basis or they would do production for us,

we have been now in the process of transferring everything from these various locations on to one location.

This transfer has definitely caused a little bit of shortages, which has led to reduction in sales so that is an internal reason and of course the last reason, which we have been very strict to all along, is the tightened credit control. In fact, we could have done a lot of more sales even with the GST thing had we have been able to either give more credit or give more discount but we have restricted our sales, but having said all these we are extremely confident that we will bounce back not only neutralize the impact of this lower sales in Q1 but we will also may good and make sure that our forecasted growth as mentioned earlier we will achieve that.

There are very clear indications that seem to make me believe that we will achieve targets in this financial year viz., the vaccine sales in India on the large animal side, the Brucella and PPR there has been very high expert of sales in the vaccines for cattle, sheep and goat and as far as PPR vaccines are concerned now there are continuous tenders that are being released by FAO as well as enquiries coming from various country, in fact there was an unfortunate situation in the last quarter wherein one of the countries not in FAO tender but on the country directly had tendered the PPR vaccine, we won the tender but due to some issues they cancelled the tender otherwise that in itself would have got us an additional turnover of Rs.4 Crores in the last quarter.

Anyway in that country there are going to be doing retendering and the processes on. So these are few thoughts as far as the sales going further from here are concerns. There is marginally improvement on the profitability and that is of course due to the better product mix and the tight credit control as I just mentioned to you.

In this last quarter, we got two products registrations certificates in Egypt and eight product registrations in Cambodia. We have also got a loan license for 23 veterinary pharmaceutical products in April in the subsidiary, which I mentioned TExES Life Science where we intend to transfer all the products so I think all these products once transferred would give a positive impact in terms of control not really in terms of profitability. As earlier mentioned our acquisition or taking controlling interest in TExES Life Sciences is not with a prime objective to improve profitability but to ensure that the products sold by us are manufactured under our control.

Taking things further, we have incorporated a company by the name of Hester Biosciences Africa, which is wholly owned subsidiary of Hester Biosciences India and this gives way to setup manufacturing unit in Africa. Though the decision is not yet taken 100% to go ahead with the manufacturing, we are at the moment doing the market research during feasibility studies etc., within two months time this decision would be taken and once that decision is taken I would definitely share the details with you.

The Nepal plant seems to have been now stabilized after the initial hiccups, we have executed a couple of orders from Nepal and we have also started selling some products in the country itself in Nepal itself so this is a little bit of brief outline on the Q1 results from my side.

I will pass on the call to Mr. Jigar Shah who would specifically talk on the financials and after that I would be willing and ready to take questions from all of you. Over to Jigar!

Jigar Shah:

Good afternoon everyone. I am Jigar Shah, CFO of the company. I will discuss the unaudited financial results of Q1 FY2018. The company's operations have been divided into four businesses vertical, Poultry Vaccine, Poultry Health Products and Large Animal Vaccines, and Large Animal Health Products. Under the Poultry Vaccine Division Company has booked sales of Rs. 23.95 Crores in Q1 FY2018 as against Rs. 27.04 Crores in Q1 FY2017.

Under the Poultry Health Product Division sales booked at Rs.1.75 Crores in Q1 FY2018 as against Rs.0.79 Crores in Q1 FY2017. Under the Large Animal Vaccine Division Company has booked sales of Rs.0.49 Crores in Q1 FY2018 as against Rs.0.21 Crores in Q1 FY2017.

Under the Large Animal Health Product Division Company has booked sales of Rs.1.85 Crores in Q1 FY2018 as against Rs.2 Crores in Q1 FY2017. Now coming to the total sales and the profitability of the company total sales in the Q1 FY2018 is recorded at Rs.29.04 Crores as against Rs.30.72 Crores in Q1 FY2017.

Company's total domestic sales, is Rs.25.02 Crores in Q1 FY2018 as against Rs.27.33 Crores in Q1 FY2017. Company's total export sales is Rs.3.02 Crores in Q1 FY2018 as against Rs.2.71 Crores in Q1 FY2017 thereby total export sales grew by 11.27% in Q1 FY2018 as compared to Q1 FY2017.

EBITDA is achieved at 36.94% for Q1 FY2018 as against 34.88% for Q1 FY2017. Net profit is achieved at 21.18% of total sales for Q1 FY2018 as against 19.53% of total sales in Q1 FY2017.

Now coming to the balance sheet analysis our fixed asset turnover in Q1 FY2018 stood at 1.36 times as against 1.69 times in Q1 FY2017. Our inventory level stands at 106 days in Q1 FY2018 as against 95 days in Q1 FY2017.

Total receivables are at 67 days in Q1 FY2018 as against 66 days in Q1 FY2017. Overall working capital cycle decreased from 85 days for Q1 FY2017 to 63 days for Q1 FY2018. During the Q1 FY2018, we have invested Rs.4.30 Crores on total capex.

Now coming to the key financial ratios of the company stands at 24.04% in Q1 FY2018 as against 28.44% in Q1 FY2017 and it was a 24.06% in FY2017. ROE is at 19.55% in Q1 FY2018 as against 22.57 in Q1 FY2017 and 20.75% in FY2017. Our ROI stands at 13.52% in Q1 FY 2018 as against 15.39% in Q1 FY2017 and it was 13.52% in FY2017. EPS for the quarter is Rs.7.23 per share as against Rs.7.05 per share in Q1 FY2017.

Now coming to the Nepal operation total revenue booked for the quarter is at Rs.0.63 Crores. Total debt during the quarter is Rs.26.97 Crores in Q1 FY2018, which was Rs.26.79 Crores at the end of FY2017. Total networth at the end of the Q1 FY2018 is at Rs.12.45 Crores. That completes my presentation. I am handing over to Mr. Rajiv Gandhi.

- Rajiv Gandhi:** Before we take the questions, this is just to reiterate that there has been a drop in the sales in this quarter and we still have three more quarters to go and we are extremely confident, me personally to make sure that not only the deficit is washed out, but we live up to the commitment has made and as I earlier mentioned all indication show that. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We take the first question from the line of Harsh Kapadia, an Individual Investor. Please go ahead.
- Harsh Kapadia:** I just wanted to know if there is any update on the fund raising plans.
- Rajiv Gandhi:** There is no fund raising plan at the moment that we intend to have. We had a capex towards increasing our capacity. The expenditure has more or less already been met to our internal accruals and there is no plan at this point to raise equity.
- Harsh Kapadia:** What about the expansion in Africa would that require any further fund raising?
- Rajiv Gandhi:** In case if we go ahead with the project which the chances are high, we have planned to spend approximately \$3 million that is around Rs.20 Crores for it and we would source it through our internal accruals, through our debt, but we would not raise any money, not dilute any equity.
- Harsh Kapadia:** Just one last question what are the benefits of having a manufacturing facility in Africa as opposed to exporting it from our Nepal facility?
- Rajiv Gandhi:** There are certain Africa specific diseases, which need to be addressed within the continent itself. There are some microorganisms, which are not allowed to be handled elsewhere, so with that intension we want to setup a plant, which would address African specific diseases in animals and the vaccines that we manufacture in India more so the poultry vaccines we would do a shipment of the intermediate and then do the final processing over there and sell it, so there would not be any duplication of work of any of the facilities.
- Harsh Kapadia:** Thank you so much.
- Rajiv Gandhi:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Afzaal Mohammed from Karvy Stock Broking. Please go ahead.
- Afzaal Mohammed:** Good afternoon. Sir my first question the product registrations in Africa and Cambodia what exactly are the products like the PPR or health products or the vaccine?
- Rajiv Gandhi:** In Africa and Cambodia the full range is all poultry vaccines.
- Afzaal Mohammed:** All poultry vaccines.

- Rajiv Gandhi:** Yes and for FAO tenders there is no registration that is required, so participation in those tender is independent of these registrations.
- Afzaal Mohammed:** So it is all poultry vaccines as of now.
- Rajiv Gandhi:** Yes in this case yes.
- Afzaal Mohammed:** How much PPR sales did you execute for the FAO during the first quarter?
- Rajiv Gandhi:** I do not have the specific figures in mind, but I think there have been a quite a few tenders that we have at the moment participated and there are few bids that are going to be opening. Approximately I will tell you the large animal vaccines sales we did at 49 lakhs as against 21 lakhs, so out of this you can say it has been a small figure right now, but this would contribute around 30% or 50% would be PPR vaccines.
- Afzaal Mohammed:** What is unexecuted amount of tenders of PPR do you have on hand currently from FAO?
- Rajiv Gandhi:** There are sizable numbers of tenders, which are in the process right now; it would be difficult for me to exactly give you those fixed numbers or anything of that sort.
- Afzaal Mohammed:** In the press release you mentioned that you would be expecting bigger international tender orders, so these orders are they primarily PPR or some other products?
- Rajiv Gandhi:** No tender is PPR and Brucella.
- Afzaal Mohammed:** International tenders?
- Rajiv Gandhi:** Yes international I am talking.
- Afzaal Mohammed:** Both PPI and Brucella?
- Rajiv Gandhi:** Yes.
- Afzaal Mohammed:** And in India Sir, how much order did you execute for Brucella sales?
- Rajiv Gandhi:** I think in this quarter itself we hope to execute in Brucella probably more than a couple of Crores. I think in this quarter itself we would be executing. All tenders of Brucella, they come out around in the Q1, so all the executions will be in this quarter.
- Afzaal Mohammed:** Second quarter?
- Rajiv Gandhi:** Yes, we believe that our total large animal vaccines and health products put together last year was Rs.12 Crores. We believe that Brucella in itself would give us Rs.7 Crores to Rs.8 Crores.
- Afzaal Mohammed:** Okay, for the full year?

- Rajiv Gandhi:** Yes. But all this is to happen. Its government tenders, those tenders are available on the net and so we bid in those and we have even got selected in quite a few, but the deliveries are to be done.
- Afzaal Mohammed:** Okay, Sir the TExES Life Sciences subsidiary, would they be manufacturing diagnostics exclusively?
- Rajiv Gandhi:** No, they would only be manufacturing health products, nothing to do with diagnostics, nothing to do with vaccines.
- Afzaal Mohammed:** Okay, just health products and the recent approval we got for the diagnostic kit, is that for India?
- Rajiv Gandhi:** Yes, these registrations are from the Drug Controllers Department. Yes, it is from the Indian Drug Authorities.
- Afzaal Mohammed:** Okay and the subsidiaries housed in Mehsana?
- Rajiv Gandhi:** Yes. In the Mehsana town itself, I mean Hester is also in Mehsana district and there is a town even by the name of Mehsana and this is within the Mehsana town of Mehsana district.
- Afzaal Mohammed:** Okay, I got it and the Tanzanian subsidiary, which you recently incorporated, so what products do you plan to manufacture there?
- Rajiv Gandhi:** African specific animal vaccines.
- Afzaal Mohammed:** Okay, would that include PPR?
- Rajiv Gandhi:** PPR, currently we have got capacity in Nepal and once it out shoots that, we would also produce over there. Till that time we will not produce PPR vaccine over there. This is mainly for other African specific diseases.
- Afzaal Mohammed:** Okay, you have any date like when would you start setting up the **(inaudible) 22.34?**
- Rajiv Gandhi:** As I just mentioned, we are in the process of doing a market survey, due diligence etc. In the next two months, this decision would be taken.
- Afzaal Mohammed:** Okay, still in early stages.
- Rajiv Gandhi:** And the project would be finalized, which would be presented to all our shareholders.
- Afzaal Mohammed:** All right. Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Manish Jain from SageOne Investments. Please go ahead.

- Manish Jain:** I just had few questions. One is Jigar, on the consolidated debt including Nepal, how much is it in June 2017 versus June 2016?
- Jigar Shah:** Just a minute, I will give the date. Yes, the consolidated debt figures are Rs.57.99 Crores in Q1 FY2018. It was Rs.53.46 in Q1 FY2017.
- Manish Jain:** Thanks. Second is on capex besides African plant, which you will take a decision three to six months later. If you leave that out, what is the capex plan for current financial year?
- Jigar Shah:** The current financial year, the capex would not be more than Rs.5 Crores. The rest all has already been made and it has been made in line with whatever we had earlier mentioned to increase our vaccine capacity to strengthen the capacity. So, we are on track on that and this additional, whatever money needs to be invested, it is all being provided for.
- Manish Jain:** Okay and on diagnostics, the focus initially will be on poultry or large animals?
- Jigar Shah:** It will be on poultry mainly in the initial stage, but then we have also developed a few PCR kits for the large animals. We are yet to get on setting up the whole marketing strategy for those kits, but for poultry, we are absolutely ready right now.
- Manish Jain:** Perfect and my last question is on the Kenya subsidiary, which you are mentioning where you will invest \$150000 that is primarily for trading of vaccines?
- Jigar Shah:** It is to create a distribution network in Kenya, in Tanzania and in Malawi. So, this is specific to Kenya.
- Manish Jain:** Thank you. I will join back the queue.
- Moderator:** Thank you. We take the next question from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.
- Sanjay Satpathy:** My first question is that you have mentioned in your annual report about this 30% growth and you have reiterated that you will be able to achieve that kind of a growth despite the setback in Q1. So, can I just again for my understanding if you can just explain how will it be achieved?
- Jigar Shah:** It will be achieved. We see a big spurt as well as vaccine business is concerned for the large animal, the Brucella vaccine, the PPR vaccine; both of these would be propelling this growth and as far as the poultry is concerned also there would be an immediate recovery. Secondly, there have been some product shortages etc, which all these would be rationalized in these coming two to three month's time. So, keeping all these things in mind, we are very confident that we would be able to achieve the projections.
- Sanjay Satpathy:** So, your growth then will be mostly come in second half?
- Jigar Shah:** Yes, it will.

- Sanjay Satpathy:** Okay and Sir if I can just clarify one more thing that you have mentioned in your press release that you have tightened credit, so what really you mean by that like you had some bad experience since in receivables?
- Jigar Shah:** No, there is no bad experience that we have had. The fact is that it is tight. There are chances are reduced for any bad experiences or anything. The whole issue is that see, whenever there are external reasons for sales going down, there are always chances that more credit is expected by dealers, by distributors. When there are situations like this GST, then there are some dates given that okay, we will buy more if we can do this, if you give more credit, but we have stayed away from all these things and we have made things sure that at no cost do we really lose out on anything just to maintain a high sale.
- Sanjay Satpathy:** Understood and Sir my last question is if I can ask, I mean I could not understand this whole language that low chick replacement in the poultry industry. Does it mean that it is low demand for poultry or what exactly you were talking about out here?
- Jigar Shah:** More than the demand at times. There are issues within the industry regarding replacement availability of one day olds etc. So, this case is towards that.
- Sanjay Satpathy:** Understood. Thanks a lot and all the best Sir.
- Moderator:** We take the next question from the line of Mahesh Bendre from Way2Wealth. Please go ahead.
- Mahesh Bendre:** Thank you for the opportunity. Sir I just wanted to understand the competitive landscape in India for our business. Who are our main competitors and how do you think the competition is going to shape up going forward?
- Jigar Shah:** We are broadly addressing two segments. One is the poultry and the other is large animal. In the poultry, Venkys are number one; we are the second, the rest there are a few, which go their way behind number 3, number 4. As far as the large animal, vaccines is concerned, it is Indian Immunological, we, then there is a company called Brilliant and there is a company called Biomed. So, these are the main competitors. The business is divided between these people. As far as Brucella vaccine is concerned, I think today we are probably the only people offering Brucella vaccine to all the state governments. There is nobody who is offering Brucella government and in PPR, there is a competition from two other people, but I think we are ahead of them in competition for various reasons.
- Mahesh Bendre:** Sir in the Q1, what proportion of our sales has come from the export market?
- Jigar Shah:** A little less than 10%.
- Moderator:** Thank you. We will take the next question from the line of Manish Jain from SageOne Investments. Please go ahead.
- Manish Jain:** I just had on working capital given that you have reduced the working capital sharply from 85 days to 63 days how confident are you of maintaining it at this current level of 63 days?

- Rajiv Gandhi:** A good question. We have at least raised the bar by getting it this way. We will work towards keeping this reduced level of working capital. I think we will work towards it.
- Manish Jain:** Second question was raw material to sales ratio has improved by more than 700-BPS, so is it primarily led by product mix because very sharp improvement?
- Rajiv Gandhi:** To answer your question in one word, yes because of the product mix. There are some products where our profitability is high. There are some products where it is mediocre, so the product mix definitely has made this difference.
- Manish Jain:** Thanks. I will joint back in the queue.
- Moderator:** Thank you. We will take the next question from the line of Manish Gupta from Solidarity investment. Please go ahead.
- Manish Gupta:** The question I have is the proposed or planned investment being considered for Africa. I think Mr. Gandhi we have made an investment in Nepal and for whatever reasons, we have not been able to drive a lot of revenue from Nepal and Africa well the opportunity is huge, there is a lots of unknowns I would guess based on different countries dealing in registrations, so just wanted to understand how you are thinking about are we trying to do too much of capex at the same time, how do you think about the risks return tradeoffs? Do you think we should wait a little bit till Nepal stabilizes before undergoing another capex program just wanted to understand your thoughts of this?
- Rajiv Gandhi:** Logically, what you say is true, but then there are opportunities, which come and we need to take advantage of those opportunities that come our way. Today, yes Nepal we are just barely now able to settle things and hopefully things should move in a much more positive manner and we should take it further, but the fact remains that having created a distribution network in Africa, we definitely see a very big opportunity towards Africa specific vaccines, which are not being manufactured by anybody. So we would be one of the first or may be the first to manufacture some vaccines. We believe that there is a risk, but the risk we are very confident that it will pay off and we would not want to lose this opportunity that has come our way.
- Manish Gupta:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of C Sreehari from PCS Securities. Please go ahead.
- C Sreehari:** Thanks for the opportunity. My question mainly pertains to the FAO tender for PPR what has been the role out and what is the kind of expectations you have in the future?
- Rajiv Gandhi:** Well as per FAO things should have been on in full stream in this calendar year itself, but things are going on a little slow. We are dependent on FAO for those tenders, but I believe that within the next six months' time, I think the frequency of tenders, the amount of tender, the amount of vaccines to be tendered would shoot up tremendously and I am going on from what FAO has in themselves mentioned in their various reports and publications.

- C Sreehari:** Can you please give some figures in support of this?
- Rajiv Gandhi:** The figures they are to spend nearly more than half a billion dollar every year on just the vaccines plus the vaccine administration cost, etc., so this amount is staggeringly high. Even if they start doing of approximately 10% to 15% of what they think that they should be doing, I think we should be covered more than what we should be able to.
- C Sreehari:** So this \$50 to \$75 million total tender size you expect for calendar 2018 how do you look at it?
- Rajiv Gandhi:** I think it should be more. It should be more than that. It will be more than that for sure.
- C Sreehari:** How much have they granted till now if you take on a rolling 12 months basis?
- Rajiv Gandhi:** They would have taken approximately, I think, they would have not done more than say around \$8 to \$10 million at this point of time in this year so far.
- C Sreehari:** But you expect a drastic ramp up of this?
- Rajiv Gandhi:** Yes. It is a worldwide disease eradication programme to be eradicated in 15 years and all the participating countries are also becoming very active in this whole game plan to eradicate this disease.
- C Sreehari:** Of this \$10 odd million, you were on the verge of bagging Rs.4 Crores order.
- Rajiv Gandhi:** Sorry.
- C Sreehari:** You had mentioned that you were on the verge of bagging Rs.4 Crores order?
- Rajiv Gandhi:** No. We have already got it, but then that tender got canceled. That was a non-FAO tender.
- C Sreehari:** But in the FAO tenders you have not yet bagged anything?
- Rajiv Gandhi:** Sorry.
- C Sreehari:** In the FAO tenders of \$10 odd million you have not yet bagged any tender?
- Rajiv Gandhi:** Of course, we have bagged. There are three to four supplies that we have made.
- C Sreehari:** Fine. Thank you.
- Moderator:** Thank you. We take the next question from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.
- Amit Kadam:** Sir my questions are on this margin front. So first of all like is the entire Nepal facilities fixed cost been now like included in this quarter and this transit will be constant?

- Rajiv Gandhi:** Yes. All the fixed cost has been provided for yes.
- Amit Kadam:** So if there is still an improvement in the margin what we have seen and then the facility is still underutilized?
- Rajiv Gandhi:** Highly underutilized.
- Amit Kadam:** And then there is the element of product mix changing because we are now focusing more on the large animal vaccine thing, so is this current margins what we have actually improved quarter-on-quarter and year-on-year has further room to go up right?
- Rajiv Gandhi:** Yes it has.
- Amit Kadam:** So what is then the kind of a business margins what we can on a sustainable level we can build upon in the future when Nepal also ramps up to decent capacity utilization? We are also like other large animal vaccines also reach to a critical level then what should be the margin of this business as such?
- Rajiv Gandhi:** I think if you look at it realistically today our margins are not bad in any case and even with our increased turnover of course in vaccines and health products. Of course with an increase in turnover there are other issues and there are other variable for us in terms of international distribution setting up and channel and all these things would also go up, so I think even if we look at our current margin, I think conservatively we feel that we are still good enough though you would agree that on a quarter-to-quarter on a year-on-year, we are trying our best to improve this margin. The scope to improve is reasonably high. A little change in the product mix can further shoot it up. If we are able to do that, but to be very honest it is not possible to change the product mix so drastically on every quarter or every year just for the sake of bottomline because the products have to sell.
- Amit Kadam:** What I was thinking in that case because my Nepal facility will be all large animal vaccines right into the tendering business of FAO, so if I am just a rough cutting if my current EBITDA margin for this quarter if I am not wrong is 39 odd percent and it has seen a drastic 300 to 600 basis point quarter-on-quarter and year-on-year improvement so if that things actually kicks in where my Nepal also so whether it will add to my margin as far as from 39 is there a scope of going up because the hypothesis?
- Rajiv Gandhi:** It will add at the same time, I mean what you are looking at it on an excel sheet or on figure absolutely right and we even believe it can improve, but there is something like reality which also we need to face when it comes to getting orders, when it comes to execution of orders, when it comes to the geographical area where we have to supply the goods so all these factors are again play in a little bit of bigger role. For example, in FAO tender for a tender if we have to supply it to some remote place in Western Africa as again supplying the vaccine in Nairobi. There would be a difference because the distribution cost for us then goes up in rural areas over there of course we also get a better realization also we are able to recover it, but to answer your question if Nepal goes on stream, which we think it will add to our bottomline.

- Amit Kadam:** Okay and Sir till date how much of like sales booked through this FAO tender business?
- Rajiv Gandhi:** Right now the percentage is not very high.
- Amit Kadam:** But still in absolute value terms Sir?
- Rajiv Gandhi:** I would not. I do not have that figure in mind. Offline I will send it to you I do not have those figures in front of me right now. I am sorry.
- Amit Kadam:** I just wanted to compare it like when they like last trailing 12 months if the FAO actually is the tendering of \$8 to \$10 million, then what was the share where we have actually got or able to achieve out of that thing?
- Rajiv Gandhi:** No our current share has been small as far as PPR vaccine is concerned and it will definitely be ramped up. We have got all the approvals and everything now that are needed from their African Quality Control Laboratory, which of course we have got sometime ago, but I think in days to come and you see when you are new in the tender we would not know what the tender quotes are, how is everybody quoting, what are the prices, what is competition. We are getting grip of it now.
- Unknown speaker:** All the best Sir. Thank you.
- Moderator:** Thank you. We will take the follow up question from the line of Manish Gupta from Solidarity investment. Please go ahead.
- Manjith:** This is Manjith here. I had two questions, the first one was, are we aware of the number of people were qualified to supply for this PPR tenders right now?
- Rajiv Gandhi:** Yes.
- Manjith:** So how many players that would be Sir in on?
- Rajiv Gandhi:** Three or four.
- Manjith:** So would it be fair to say that if we have not received much of PPR orders out of these the other three people are distributed \$18 million within themselves as of now?
- Rajiv Gandhi:** The tenders have been issued, but we have not received any notice on the supplies mix so we are not aware of it, but there is high chance that supplies have not been made, there have not been supplies that have been executed much under FAO tenders so far though they have sometimes what happens they float the tender and then it just not got executed for some reason or the other, but we definitely are not now way behind in the race.
- Manjith:** Do we have any sense on how cheap, I mean in terms of value which has been quoted are we on par, are we quoting a lower value, do you have any sense on that?

- Rajiv Gandhi:** We are quoting at a price higher than what we sell in India with that we are the lowest in the bids at least that has happened in the last two, three, wherein we have already got the orders which are in for execution in this quarter.
- Manjith:** Would you be able to comment on the value of these orders, which are under execution?
- Rajiv Gandhi:** The value of the orders under execution at the moment in Q1 it was 93 lakhs orders that we executed, I just got the figures right now. In the whole year, it was 2.58 Crores in the last financial year and this year I think our execution orders are pending more than 3 Crores at this point of time.
- Manjith:** Sir one final question on the earlier question you had mentioned that in the Africa plant if you set it up the vaccines which you will be supplying would be the ones which are not being supplied in Africa till today, they are new vaccines, so are these vaccines developed in-house by us?
- Rajiv Gandhi:** These vaccines, we will do R&D to develop these vaccines and it will all be done over there we cannot even do that in India, you are not allowed to handle the microorganism over here.
- Manjith:** Got it, so first the plant would be setup followed by the R&D phase and then maybe after one or two years?
- Rajiv Gandhi:** Both the vaccines, some vaccines already are being manufactured by various governmental laboratories, they are similar to the processes that what we are making over here for poultry as well as large animal vaccines, so we do not see the R&D phase to be very long and even if the R&D phase is long for a few vaccines there would be some vaccines, which would start immediately.
- Manish Gupta:** Okay Sir. Thank you.
- Moderator:** Thank you. We take the question from the line of Abhishek G from Vision Capital. Please go ahead.
- Abhishek G:** Thanks for taking my question. How much of opportunity you are looking from this new project, which is in the pipeline in Africa, so do you have any ballpark number and how much down the line the business might come through and are you looking out just for the government supplies, there maybe some private players as well you may plan to supply those vaccines?
- Rajiv Gandhi:** Yes, one is that we are yet in the process of preparing the project report, which should be ready in a months' time before, after which we will take the decision and the vaccines that we will manufacture would be – there would be two targets, one is the government as well as the private sector over there as well. So we are targeting at both. The government and the micro distribution would be a big factor, because the population in Africa is very scattered, so there would be a large dependency on their distribution. Therefore, before taking a decision to go ahead with this we have started to create our own distribution network in Africa.

- Abhishek G:** One more question about the India supplies, I wanted to ask. As we are seeing that because of beef ban and more of the consumption of poultry is on high, so it is some high your business of vaccine getting any direct correlation with the more consumption of poultry or something like that?
- Rajiv Gandhi:** No I do not think that impacts us beef ban or any of these things have an impact on our business. One thing needs to be very clear that there is no cow slaughter and all over here. The vaccines and the productivity of the cow, the buffalo is at a time most important when it is giving milk. Now those are in those days when they would use most of the vaccines, the health products everything. So these things do not really impact our business at all.
- Abhishek G:** What about poultry because let us say as many of the report I am going through the poultry consumption in countries going is on appraise because of this beef bans and stuff like that, so is it like you see increase in the business of a poultry vaccines because of this particular uptrend in consumption even the poultry prices are on the rise because of this?
- Rajiv Gandhi:** No I think I will tell you, I am not aware of the reports that you would have read, but if you really go to see by and large India, it is not that India that there were people eating beef and now that they have stopped eating beef because etc., India has always not been a beef eating country. On the other side, poultry meat is now the cheapest source of protein, so I would say that could be the reason for poultry consumption to go high because of it being a cheap source of protein and therefore it could impact more poultry, more inputs, more vaccines, more health products.
- Abhishek G:** Thanks. That is it from me.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to the management for closing comments.
- Rajiv Gandhi:** Thank you for being part of this conference call. As I mentioned, I again repeat the same thing that we are here to make sure that in this financial year, we live up to the commitments the forecast as what we have made and in this business in reality yes, I do understand you all look at it in a manner which figures and all speak up everything, but when we are addressing these issues on a day-to-day basis, there could be sometimes some off balances, which we are here to ultimately make sure that everything is neutralized and as much as it is a just little bit here and there, but we are absolutely on track, that is all from my side.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of IIFL Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.