



**Hester Biosciences Limited**  
Formerly Hester Pharmaceuticals Limited



Report  junction.com

21<sup>st</sup>  
Annual Report  
2007-2008

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## Hester Biosciences Limited

### The CEO & Managing Director's letter to shareholders

Dear Fellow Shareholders:

I take immense pleasure in informing you that on 19.2.2008, the name of your company was changed from Hester Pharmaceuticals Limited to **Hester Biosciences Limited**. It seemed imperative for your company's name to have a reflection of the company's core business activity and therefore this change in name. Hester is a 100% biotech company.

India continues to maintain a good GDP growth rate at 8%, despite the negative currents of growing inflation and increasing interest rates. This in itself exhibits the fundamental strength of our economy.

The growing economy has gone well for your company.

In the year, Net Revenues at Rs. 32.63 crores reflected a growth of 49.47% over the previous year. This growth was possible due to the 4 times increase of the production capacity which went on-stream in March 2007. A bottom-line of 21.57% was achieved as against 23.60% in the earlier year, despite a depreciation provision of 8.35 times of the earlier year. The capacity utilisation in the year was 33%.

Your company's focus is not just on the top-line. Maintaining the bottom line is as much a mandate.

The newly created facility is one of the best of its kinds in the world. We have reasons to believe that with this expanded capacity, your company will be able to actively explore bigger international business opportunities.

In the current financial year, your company has already applied for 2 additional poultry vaccines and 2 large animal vaccines. Product registration in 5 additional countries is on-going.

Our pursuit for growth continues. In the current financial year, notwithstanding a flat first quarter, we have forecasted a growth rate of over 40%.

As always, I take this opportunity to thank our bankers, vendors, business partners and stakeholders for your perennial support.

Yours Sincerely,

**Rajiv Gandhi**





## Hester Biosciences Limited

### CORPORATE INFORMATION

#### BOARD OF DIRECTORS :

Dr. Bhupendra V. Gandhi *Chairman*  
 Mr. Rajiv Gandhi *CEO & Managing Director*  
 Mr. Sanjiv Gandhi  
 Mr. Darayus Lakdawalla  
 Mr. Ravin Gandhi  
 Mr. Vimal Ambani  
 Mr. Abhinava Shukla  
 Dr. Parimal Tripathi *Alternate Director of Mr. Ravin Gandhi*

#### CHIEF FINANCIAL OFFICER :

Mr. Jigar Shah

#### REGISTERED OFFICE :

Village : Merda Adraj,  
 Taluka : Kadi,  
 District : Mehsana, Gujarat - 382 721.

#### CORPORATE OFFICE :

16/10, Devendra Society,  
 Naranpura,  
 Ahmedabad - 380 013.  
 E-mail : mail@hesterbiosciences.co.in  
 Website : www.hesterbiosciences.co.in

#### MANUFACTURING UNIT :

Village : Merda Adraj,  
 Taluka : Kadi,  
 District : Mehsana, Gujarat - 382 721.

#### BANKERS :

Bank of India  
 Navrangpura Branch,  
 Ahmedabad - 380 009.

#### AUDIT COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*  
 Mr. Vimal Ambani *Member*  
 Mr. Sanjiv Gandhi *Member*

#### SHAREHOLDERS' GRIEVANCE COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*  
 Mr. Sanjiv Gandhi *Member*

#### REMUNERATION COMMITTEE :

Mr. Darayus Lakdawalla *Chairman*  
 Mr. Vimal Ambani *Member*  
 Dr. Parimal Tripathi *Member*

#### AUDITORS :

M/s. Shah Narielwala & Co.  
 Chartered Accountants  
 608, 'Shitiratna', Panchvati, Ellisbridge,  
 Ahmedabad - 380 006.

#### REGISTRAR & TRANSFER AGENTS :

M/s. Pinnacle Shares Registry Pvt. Ltd.  
 Near Ashoka Mills, Naroda Road,  
 Ahmedabad 380 025.

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## Hester Biosciences Limited

### DIRECTORS' REPORT

**Dear Shareholder:**

Your Directors are pleased to present the 21st Annual Report with the Audited Accounts of the Company for the year ended 31.3.2008.

#### CHANGE IN NAME

The name of the company was changed from Hester Pharmaceuticals Limited to Hester Biosciences Limited from 19.2.2008.

#### FINANCIAL RESULTS :

(Rs. In Lacs)

Particulars	Current year	Previous Year
Total Income	3290.87	2218.72
Profit before Depreciation & Tax	1459.39	837.69
Less : Depreciation	368.46	44.09
Profit Before Tax	1090.93	793.60
Less : Provision for Tax		
Deferred Tax	21.61	80.68
Current Tax	360.00	191.80
Fringe Benefit Tax	5.25	6.00
Net Profit After Tax	704.07	515.12
Balance of Profit & Loss Account	134.51	50.32
Profit available for appropriation	838.58	565.44
Dividend on equity shares	129.78	103.82
Dividend Tax	22.06	17.64
General Reserve	400.00	309.47
Balance carried to Balance sheet	286.74	134.51
Earnings per share (Basic/Diluted)	13.56	11.14

#### FINANCIAL HIGHLIGHTS

##### Sales

Your company posted a good performance during the year. Its turnover increased to Rs. 32.63 crores from Rs. 21.83 crores in 2006-07, thereby registering a growth of 49.47%.

##### Profitability

Your company's PBT for the year ended 31.3.2008 is recorded at Rs. 10.91 crores, which is 37.46% higher than that of the previous financial year.

Net Profit for the year is recorded at Rs. 7.04 crores, which is 36.67% higher than that of the previous financial year.

##### Earning per share

EPS was at Rs. 13.56 as on 31.3.2008 as against Rs. 11.14 as on 31.3.2007.

##### Net Worth

The company's net worth as on 31.3.2008 was at Rs. 33.47 crores as compared to Rs. 27.95 crores as on 31.3.2007.

##### Dividend

Your Directors have recommended a dividend payment of Rs. 2.50 per equity share of Rs. 10 each for the financial year 2007-08 as against Rs. 2.00 per equity share for the previous year. This dividend is subject to approval by the shareholders at the ensuing AGM.



## Hester Biosciences Limited

### REVIEW OF OPERATIONS

#### Capacity utilisation

The company has reached 33% capacity utilisation as on 31.3.2008 by producing 158 crore doses. The total capacity is at 480 crore doses.

#### GMP and ISO certification

We continue to be a GMP and an ISO 9001-2000 certified company.

#### Future Prospects

1. The Indian poultry industry continues to grow at around 10% per annum. The industry growth as well as the increased product range will ensure a consistent high growth rate for your company.
2. Company registration and product registrations are on-going in many countries thereby ensuring good exports in the coming years.
3. India is progressing towards becoming a vaccine manufacturing hub for the world. This has led to international companies looking at Hester for manufacturing and marketing tie-ups.

### ENERGY CONSERVATION

(Information under section 217(1)(e) of the Companies Act, 1956.)

The company has a continuous focus on energy conservation. Regular studies are conducted to analyses quantitative energy conservation patterns, and variances are rigorously scrutinised. The company regularly benchmarks its energy conservation levels and consistently works towards improving efficiencies, towards getting the cost of energy down for every unit produced.

#### Total energy consumption and energy consumption per unit of production :

Particulars		31-03-2008	31-03-2007
(A) Power and Fuel Consumption:			
Electricity:			
(a) Purchased			
Units	Kwh	18,20,985.00	10,35,075.00
Total Amount	Rs.	1,06,23,825.00	51,77,022.00
Rate/ Unit	Rs.	5.83	5.00
(b) Own Generation through Diesel Generator set			
Units	Kwh	13,926.00	10,801.00
Unit per liter of Diesel Oil	Kwh	2.85	2.22
Cost/Unit	Rs.	14.79	17.04
(B) Consumption per Unit of Production :			
Electricity consumed per vial (in units )		1.62	1.10

### RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

1. R&D work is currently on-going towards developing a live salmonella poultry vaccine as well as 2 other poultry vaccines.
2. An independent R&D centre is being set-up for animal disease surveillance.
3. We continue to work towards increasing our production yields as well as towards reducing production time cycles to achieve higher efficiencies.

### FOREIGN EXCHANGE EARNINGS & OUTFLOW

Foreign exchange earnings during the year were Rs. 69.93 lacs (Previous Rs. 20.16 lacs) towards sale of goods. Total outflow of foreign exchange towards purchase of materials, trading goods, travelling expenses, purchase of capital items during year was Rs. 376.85 lacs, as compared to Rs. 339.37 lacs during the previous year.

### DIRECTORS:

Ms. Bela Gandhi has resigned from the Board with effect from 21.1.2008. The Board appreciated the contribution made by her during her tenure in the Board.



## Hester Biosciences Limited

In accordance with the provisions of the Articles of Association and of the Companies Act 1956, Mr. Abhinava Shukla and Mr. Vimal Ambani, Directors of the Company, retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### **PUBLIC DEPOSITS:**

The company has not invited or accepted any deposits under Section 58A of the Companies Act, 1956, from the public, during the year.

### **FINANCE:**

The working capital requirement was funded through enhanced bank limits. The capital expenditures were funded through the additional working capital & term loan from the bankers and internal accruals.

### **CORPORATE GOVERNANCE:**

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, a separate section on Corporate Governance and certificate obtained from practicing Company Secretary confirming its compliance, is provided separately and forming part of this Report. The Board of Directors supports the basic principles of corporate governance. In addition to this, the board lays strong emphasis on transparency, accountability and integrity.

Report on Management Discussion and Analysis is provided in separate section and forming part of this report.

### **FORMATION OF VARIOUS COMMITTEES:**

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed which forms part of this report.

### **PARTICULARS OF EMPLOYEES:**

In accordance with the provisions of Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees of the Company are furnished in Annexure forming part of this report.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217 (2AA) of the Companies Act, 1956 I would like to state the following:

In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, at the end of the financial year ended on 31st March, 2008.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the attached statements of accounts for the year ended 31st March, 2008 on a going concern basis.

### **AUDITORS & AUDITORS REPORT :**

M/s. Shah Narielwala & Co.; Chartered Accountants, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Notes forming part of the accounts are self explanatory and therefore, do not require any further comments.

### **ACKNOWLEDGEMENT:**

The Directors express their appreciation to Bank of India, Employees at all levels and customers for their sustained support.

Last but not the least, the directors convey their gratitude to the esteemed shareholders whose dauntless support has been the main source of inspiration.

By order of the Board

24th June 2008  
Ahmedabad

**Rajiv Gandhi**  
CEO & Managing Director



## Hester Biosciences Limited

### ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors Report for the year ended on 31st March, 2008

**(A) Employed throughout the year and was in receipt of remuneration which in the aggregate was not less than Rs. 24,00,000/- p.a.**

Sr. No.	Name & Share Holding %	Age in Years	Qualification	Date of Commencement of Employment	Designation/ Nature of Duties	Experience In years	Gross Remuneration Rs. in Lacs	Last Employment held with Designation
1	Mr. Rajiv Gandhi 9.66 %	46	B. Com Diploma in Marketing & Poultry Management	29.04.1987	CEO & Managing Director	24	24.00	—

**(B) Employed for a part of the year and was in receipt of remuneration which in the aggregate was not less than Rs. 2,00,000/- p.m.**

Not Applicable

#### Notes:

- Gross Remuneration includes Salary, House Rent Allowance, House Rent Allowance, Extra Allowance Commission, Incentive, and Superannuation fund but excludes Gratuity.
- The employment of person referred above is on contractual Basis

### MANAGEMENT DISCUSSIONS AND ANALYSIS

#### Outlook for the Industry

The poultry industry is consolidating with international companies looking at India as a very big potential towards meat consumption. Egg is now perceived as an important source for protein in the daily diet.

Industry focus remains on disease identification as well as prevention programs. The use of poultry vaccines and disease diagnostic tools have gained importance.

The government policy towards poultry vaccines continues to be the same as what it was at the beginning of the financial year. Imports though permissible, are unable to make any dent in the Indian market.

Avian Influenza disease (Bird Flu) in chicken is being effectively controlled by the Government of India to avoid recurrence or the spread of the disease.

#### Outlook for the Company

With the expanded capacity, your company is looking at growing exponentially for the next 2 years by addressing the Indian as well as the international market.

The production has been stabilised in the new plant.

With the new plant adhering to all international standards, the emphasis is now towards registrations in countries.

Economies of scale as well as modern automated technology have resulted into increasing efficiencies in terms of yields as well as in terms of larger batch sizes.

#### Internal Control Systems

The company has recently embarked on the implementation of an ERP solution to enable the strengthening of the internal management system.

Budgetary controls are well in place.

The organisation structure continues to be very compact, thereby enabling the company to have the highest sale versus employee ratio amongst other poultry vaccine manufacturers in India.

#### Financial performance Vs Operational performance

The financial performance of the company for the year 2007-08 is described in the Director's report.

#### Human Resources

The company continues to give special attention to human resources development.

The total strength of the company is 200 motivated employees (permanent and contractual). Personnel turnover has been very minimal.

Training programs for all employees are regularly embarked upon.

Industrial relations continued to remain cordial at all levels.





## Hester Biosciences Limited

### REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has stipulated Corporate Governance Standards for Listed Companies vide Clause 49 in the listing agreement with the Stock Exchanges.

Corporate Governance is Corporate discipline extended transparency, integrity and accountability towards all stakeholders. Corporate Governance helps to achieve excellence to enhance stakeholders value by focusing on long-term value creation without compromising on integrity, social obligations and regulatory compliances.

#### Company's Philosophy on Corporate Governance

At Hester Biosciences Limited, we believe and constantly try to achieve good governance through timely disclosures, transparency, accountability and the responsibility in all our dealings with our employees, shareholders, clients and community at large.

The Board of Directors represents the interest of the Company's stakeholders, for optimising long-term value by way of providing necessary guidance and strategic vision to the Company. The Board also ensures that the Company's management and employees operate with the highest degree of ethical standards through compliance of Code of Conduct.

We, at Hester Biosciences Limited, believe that the constant efforts to improve operational performance, guided by our values, from the basis for good Corporate Governance is strongly driven by our values such as quality, commitment, customer orientation and integrity.

#### Board of Directors :

The Company's Board comprises of 8 Directors (including alternate Director) with a mix of executive/non-executive and promoter/independent directors. The composition of Board complies with the requirements of the Corporate Governance code with more than 50% of the directors being non-executive directors and at least 1/3 of the directors being independent directors.

The Board normally meets once in a quarter. Additional meetings are held as and when required. During the year under review, Board of Directors of Hester met 4 times, viz 27th June, 2007, 26th July, 2007, 18th October, 2007 and 21st January, 2008 and the 20th Annual General Meeting was held on 11th September, 2007. The gap between any two meetings did not exceed four months. The agenda papers along with notes and other supporting were circulated in advance of the Board Meeting with sufficient information as required under Clause 49 of the Listing Agreement.

The table below provides the composition of the Board, their attendance at Board meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director, Designation & Age	Category & Nature of Employment	Date of Appointment	No. of other Directorship held in public companies in India	No. of other Board committees of which Member(M)/Chairman (C)	Board meeting attended	Attendance at the last AGM	No. of Shares held & % holding (of the Company)
Mr. Bhupendra V Gandhi Chairman 66 Years	Non Executive Non Independent Director	03/12/1992	0	0	0	Yes	3,02,680 5.83%
Mr. Rajiv Gandhi CEO & Managing Director 46 Years	Executive Non Independent Director-Contractual employment	29/04/1987	2	0	4	Yes	5,01,306 9.66%
Mr. Sanjiv Gandhi Director 43 Years	Non Executive Non Independent Director	29/04/1987	2	0	1	Yes	3,91,480 7.54%
Mr. Darayus Lakdawalla Director, 47 Years	Non Executive Independent Director	01/03/1990	1	0	1	Yes	15,720 0.30%
Mr. Ravin Gandhi Director 35 Years	Non Executive Non Independent Director	22/04/1999	0	0	—	No	2,68,880 5.18%
*Ms. Bela Gandhi Director 37 Years	Non Executive Non Independent Director	22/04/1999	0	0	—	No	2,67,090 5.15%
Mr. Vimal Ambani Director, 47 Years	Non Executive Independent Director	01/02/2003	2	0	4	Yes	54,900 1.13%
Mr. Abhinava Shukla Director, 63 years	Non Executive Independent Director	01/02/2003	0	0	3	No	—
\$Dr. Parimal Tripathi Alternate Director to Mr. Ravin Gandhi 49 Years	Non Executive Non Independent Director	27/06/2003	0	0	3	No	—





## Hester Biosciences Limited

\* Ms. Bela Gandhi has resigned w.e.f. 21.01.2008

\$ Dr. Parimal Tripathi has resigned as an alternate Director of Ms. Bela Gandhi w.e.f 21.01.2008

### Notes:

1. This number excludes the directorships/committee memberships held in private companies and also of the Company.
2. As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of board committees (audit /remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship, except Dr. Bhupendra V. Gandhi, Mr. Sanjiv Gandhi, Mr. Ravin Gandhi and Ms. Bela Gandhi who are relative of Managing Director of the Company. Non-executive Directors have no transaction with the company, except receiving sitting fees for attending Board Meetings. The details of sitting fees, commission and remuneration paid to each director appear later under the disclosure relating to Remuneration to Directors.

### DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING :

Name of Director	Mr. Abhinava Shukla	Mr. Vimal Ambani
Date of Birth	06.10.1945	26.10.1961
Date of appointment	21.03.2003	01.02.2003
Qualifications	B. E., MBA	B.E., MBA
Expertise in specific functional areas	Management	General Management
List of Public Ltd. Co. in which Directorship held	—	Tower Overseas Ltd. Sanrhea Technical Textile Ltd.
Chairman/ Member of the Committees of the Board of Directors of the Co.	Nil	Audit Committee - Member Remuneration Committee - Member
Chairman/ Member of the committees of Directors of other Co.	Nil	Nil

### CODE OF CONDUCT

The Board of Directors has adopted the Code of Business Conduct and Ethics for the Directors and Senior Management. The said Code has been communicated to the Directors and the Members of the senior Management. All Board Member and Senior Managerial Personnel have affirmed compliance with the code of conduct for the year ended on 31st March 2008. A declaration to this effect duly signed by CEO of the Company is attached herewith and forms part of Corporate Governance Report.

### AUDIT COMMITTEE :

The Audit Committee comprises of 3 members, Mr. Darayus Lakdawalla, as the Chairman of the Committee & Mr. Vimal Ambani and Mr.Sanjiv Gandhi as Members of the Committee. All members are Non-Executive Directors, out of which 2 are Independent Directors.

The above composition meets all the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Manager (Finance) acts as the Secretary of the Audit Committee.

During the year under review, 4 meeting were held on 27th June, 2007, 26th July, 2007, 18th October, 2007 and 21st January, 2008. The chairman of Audit Committee had attended last Annual General Meeting of the company held on 11th September, 2007. The Audit Committee at its Meeting held on 27th June, 2007, reviewed the Annual Accounts for the year 2006-07 and recommended the accounts for approvals by the Board of Directors. The Audit Committee at its meeting held on 26th July, 2007, 18th October, 2007 and 21st January, 2008, reviewed the unaudited financial results for the quarter ended on June 30, 2007, September 30, 2007 and December 31, 2007.



## Hester Biosciences Limited

Details of attendance of members of the Audit Committee is as under:

Name	Designation	Attendance
Mr. Darayus Lakdawalla	Chairman	4
Mr. Vimal Ambani	Member	-
Mr. Sanjiv Gandhi	Member	4

Mr. Jigar Shah, CFO is a regular invitee and also acting as Secretary to the Audit Committee. Statutory Auditors are invited as and when required.

### Broad Terms of Reference

The broad terms of reference of the Committee as approved by the Board includes overseeing of the Company's financial reporting process, the appointment of statutory auditors and internal auditors, reviewing the quarterly and annual financial statements before submission to the Board for approval, compliance with listing and other legal requirements relating to financial statements, reviewing adequacy of the internal and internal audit function, etc.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable law.

The Audit Committee has reviewed the Management Discussion and Analysis of financial condition and results of operations forming part of this Annual Report and other information as mentioned in Clause 49 (II)(E) of the Listing Agreement.

### SHAREHOLDERS' GRIEVANCE COMMITTEE :

The Shareholders Grievance Committee as a sub-committee of the Board has been constituted mainly to focus on the redressal of Shareholders / Investors Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. The committee comprises of Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr. Sanjiv Gandhi as Member. During the year, 4 meetings were held on 27th June, 2007, 26th July, 2007, 18th October, 2007 and 21st January, 2008. Both of them have attended all the meetings. The Company had received 15 complaints from the Shareholders, all of them have been resolved and no complaint was pending as on 31st March, 2008.

Mr. Jigar Shah, CFO provides secretarial support to the Committee and is also the designated Compliance Officer for such matters.

The equity shares of the Company are compulsorily traded in electronic form on the stock exchanges and hence the handling of physical transfer of shares is minimal. The Board has delegated powers for approving transfer and transmission of shares and issue of duplicate shares to Share Transfer Committee. The Share Transfer Committee met 24 times during the year. The Company has no transfers pending at the close of the financial year.

The following table summarises the status of investor complaints received during the period. These were attended within a reasonable period of time

Sr. No.	Nature of Complaints / Requests	Received	Resolved	Pending as on 31-03-2008
1.	Non-receipt of Dividend warrant	9	9	—
2.	Non-receipt of Annual Reports	2	2	—
3.	Non-receipt of shares after transfer / bonus shares	2	2	—
4.	Letters received from SEBI / ROC / Stock Exchanges	2	2	—
5.	Others	—	—	—
<b>Total</b>		<b>15</b>	<b>15</b>	<b>—</b>

### REMUNERATION COMMITTEE

The Remuneration Committee as a sub-committee of the Board has been constituted mainly to determine and recommend to Board, the company's policies on remuneration packages for executive and non- executive directors. The committee comprises of Mr. Darayus Lakdawalla as the Chairman of the Committee and Mr Vimal Ambani and Dr. Parimal Tripathi as Members.

No meeting was held during the year under review, as there was no change in remuneration of any Managerial persons.

The Company pays remuneration to its Managing Director by way of Salary, perquisites and allowances, as approved by the members in general meeting. Non- executive Directors have no transaction with the Company, except receiving sitting fees for attending Board Meetings. The Company does not pay any severance fees. The details of remuneration paid to directors are provided below in this report under the head Remuneration to Directors.