



NOT JUST
ANOTHER VACCINE
MANUFACTURING
COMPANY!

25th ANNUAL REPORT
2011 - 12

Hester Biosciences Limited

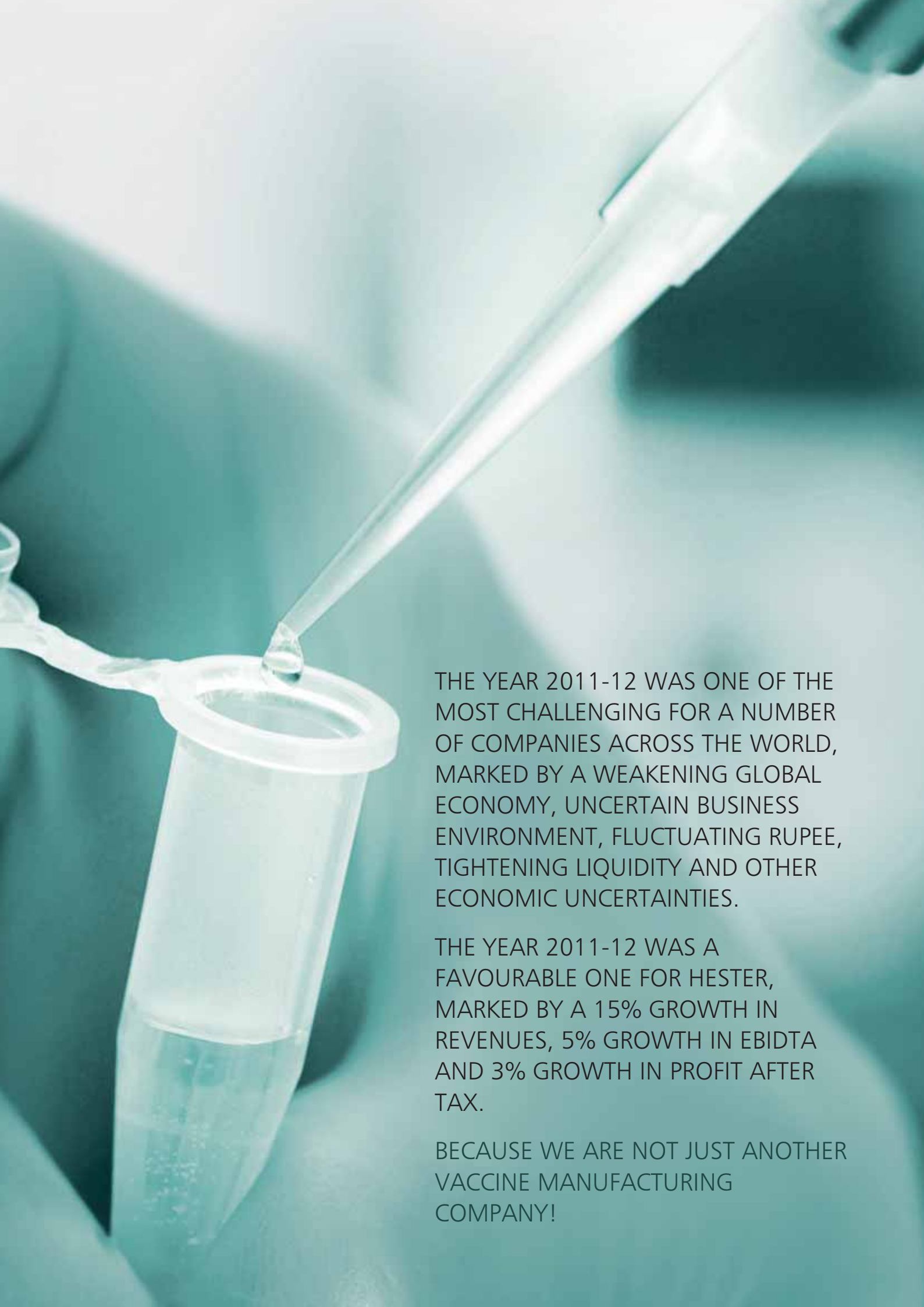
DISCLAIMER

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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THE YEAR 2011-12 WAS ONE OF THE MOST CHALLENGING FOR A NUMBER OF COMPANIES ACROSS THE WORLD, MARKED BY A WEAKENING GLOBAL ECONOMY, UNCERTAIN BUSINESS ENVIRONMENT, FLUCTUATING RUPEE, TIGHTENING LIQUIDITY AND OTHER ECONOMIC UNCERTAINTIES.

THE YEAR 2011-12 WAS A FAVOURABLE ONE FOR HESTER, MARKED BY A 15% GROWTH IN REVENUES, 5% GROWTH IN EBIDTA AND 3% GROWTH IN PROFIT AFTER TAX.

BECAUSE WE ARE NOT JUST ANOTHER VACCINE MANUFACTURING COMPANY!



HESTER BIOSCIENCES LIMITED
IS ONE OF THE FASTEST
GROWING POULTRY VACCINE
MANUFACTURERS IN THE
WORLD

LEGACY

Hester Biosciences Limited was established by Mr. Rajiv Gandhi in 1987 to manufacture poultry vaccines. It was the first company to initiate poultry health diagnostic services in India.

LISTING

The Company is listed on the Bombay Stock Exchange with a market capitalisation of ₹ 722.51 million as on 31 March, 2012

PRODUCTS

The Company manufactures 39 types of live and killed (inactivated) poultry vaccines. The range of products has been recently increased by adding large animal vaccines, poultry health products and large animal health products.

CERTIFICATIONS

The Company is certified with GMP, GLP, ISO 9001:2008, ISO 14001:2005 & OHSAS

PRESENCE

The Company's primary manufacturing facility is located in Merda-Ardaj, in Gujarat with marketing offices in nine states and an international office in Nepal. The division for large animal biologicals and large animal healthcare will be commissioned in October 2012

EXPERTISE

The Company has the ability to develop customised products in line with customer needs.

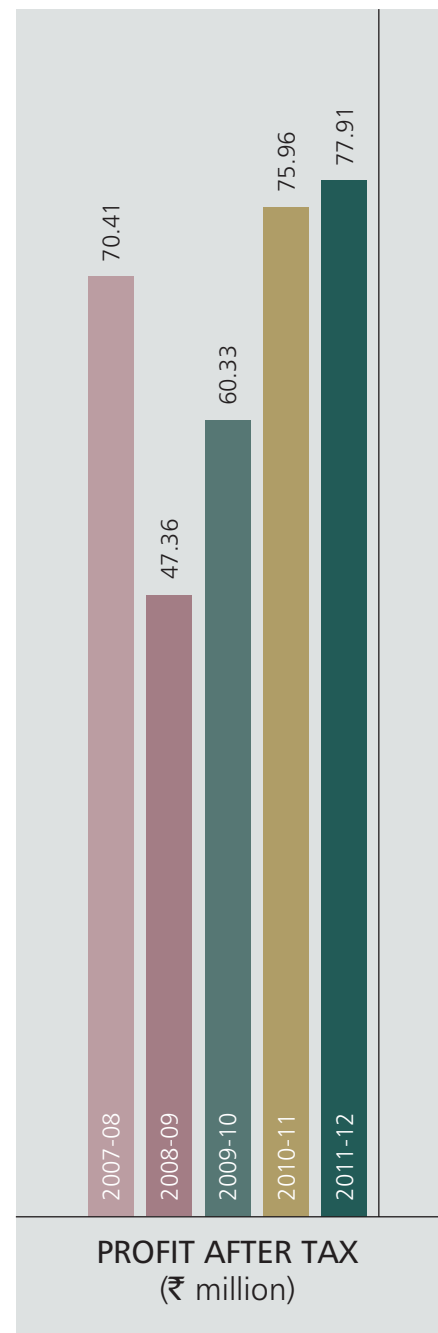
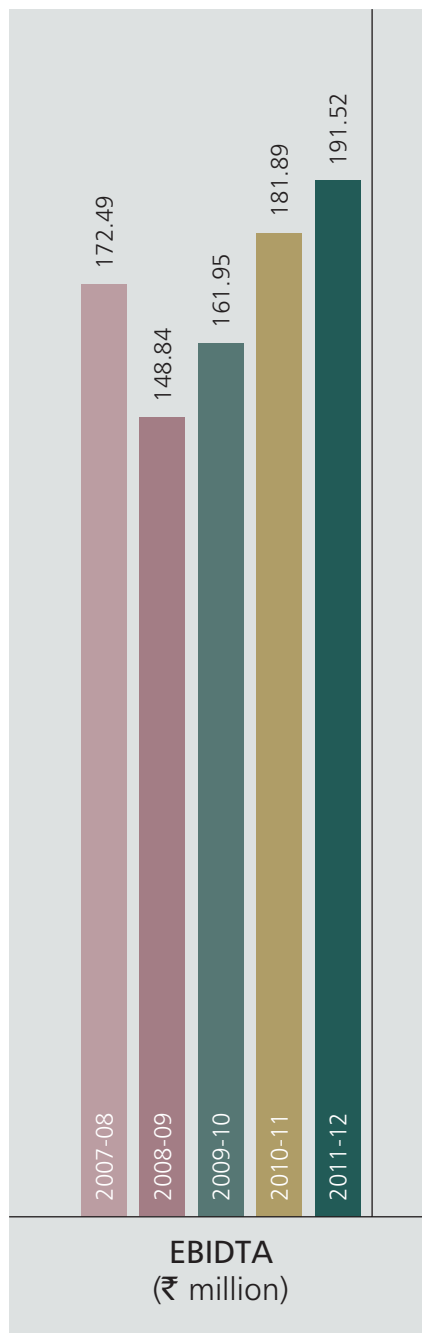
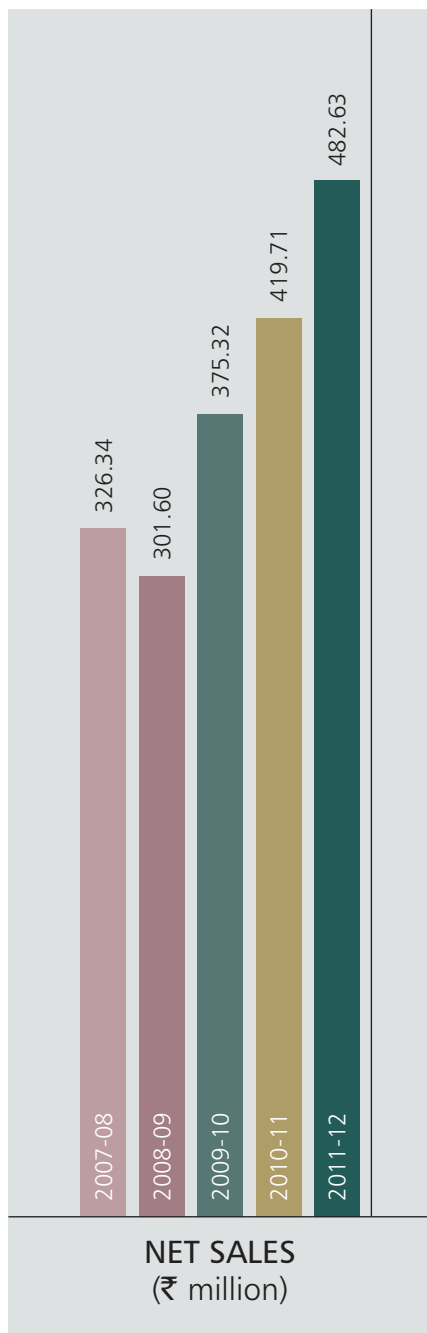
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The size of the Company among poultry vaccine manufacturers in India

0.23

Debt-equity ratio as on 31 March, 2012

INSPIRING PAST. EXCITING FUTURE.



REVENUE GROWTH

15%+

OVER 2010-11

EBITDA GROWTH

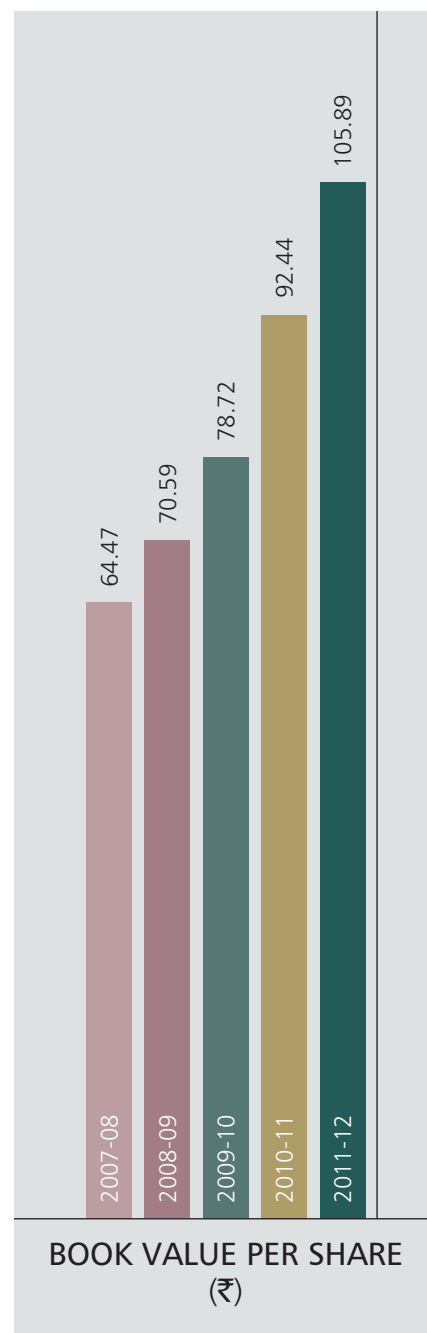
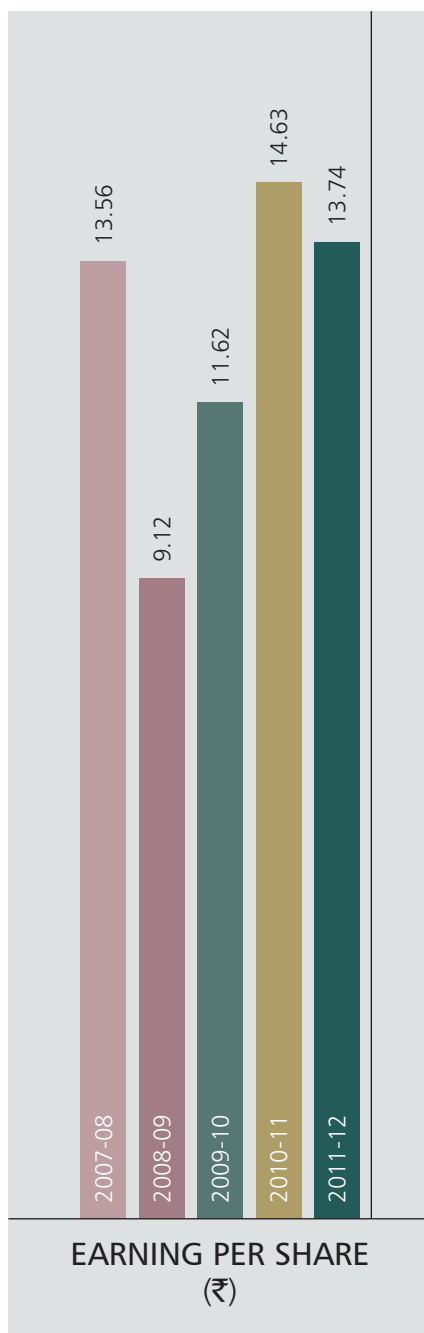
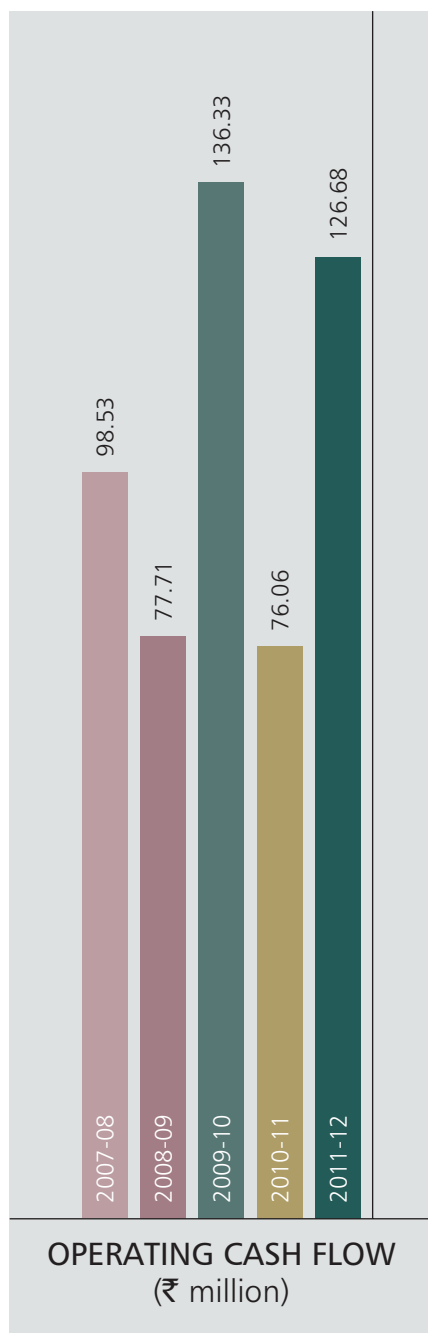
5%+

OVER 2010-11

PROFIT AFTER TAX GROWTH

3%+

OVER 2010-11



EBIDTA MARGIN

40%

IN 2011-12

NET MARGIN

16%

IN 2011-12

INTEREST COVER

5.32x

IN 2011-12

ROCE IN

26%

IN 2011-12



FROM THE HELM

"HESTER HAS REDEFINED POULTRY HEALTH MANAGEMENT NORMS IN INDIA"

A review by Mr. Rajiv Gandhi, CEO and Managing Director,
on the Company's performance and strategy

Dear Shareholders,

The year 2011-12 marked a watershed in our existence.

Having started our journey in 1987, we completed 25 years in 2011-12 and reported a 15% growth in revenues, 5% growth in EBIDTA and 3% growth in profit after tax as compared to the previous year, during a challenging period for most companies.

What made this achievement creditable is that we penetrated the market and enhanced our ability to deliver faster.

A UNIQUE BUSINESS MODEL

Hester operates one of the largest single location animal vaccine manufacturing units in Asia with a large product basket and the ability to provide technology-rich solutions. The Company specialises in the manufacture of advanced veterinary vaccines in the areas of virus propagation in specific pathogen-free embryos, tissue culture, batch fermentation of bacteria, lyophilisation and emulsion preparation.

During 2011-12, Hester strengthened its business model through the following initiatives: new product development and expansion into new verticals.

HIGHLIGHTS, 2011-12

Hester's performance in 2011-12 was driven through the following initiatives:

- The Company launched its first health product 'LACT-FD', a first-of-its-kind product for the poultry industry developed by the Company's R&D team; the Company exported the product to China for the first time
- Initiated plans for a Quality Control laboratory to enable the Company to qualify for international accreditations and expand its footprint across Europe and Asia
- Expanded its Indian footprint by strengthening the marketing team

OUR EDGE – RESEARCH AND DEVELOPMENT

Being in the unique niche of biologicals, our strength lies in cutting-edge research and development, enabling better health. The R&D team is working to develop vaccines against emerging diseases like Chicken Anaemia and Infectious Laryngotracheitis. Over the years, our R&D team developed superior vaccines to control Infectious Bursal Disease and Infectious Coryza; the result is that our GI+ product is one of the best selling of its type.

Going ahead, the team will develop vaccine against Variant Infectious Bronchitis, a poultry disease; the team also intends to develop poultry, PPR (Peste des Petits Ruminants), Goat Pox live and Brucella S-19 vaccines for large animals.

OPTIMISM

The Company invested ₹ 120 million in setting up its QC laboratory, which is expected to be commissioned by December 2012. Subsequently, the Company will be qualified for additional international accreditations, which should translate into a wider footprint across the regulated markets of Europe and Asia.

The Company also expects to reinforce its business model through three divisions - large animal biologicals, large animal health products and poultry health products – in addition to a deeper presence in its existing Poultry biological division. The Company expects to launch products related to the three new divisions starting October 2012, helping it penetrate the domestic as well as international veterinary market.

These initiatives should translate into growing revenues, enhancing value in the hands of all those who own shares in our Company.

With regards,



Rajiv Gandhi



HESTER AND UNIQUENESS

NICHE BUSINESS

The Company is India's second largest poultry vaccine manufacturer. The Company is positioned to capitalise on emerging opportunities like new veterinary diseases.

TECHNOLOGY

The Company's state-of-the-art manufacturing facilities produce quality products with high customer acceptance. The Company possesses the largest single location manufacturing facility in Asia.

ENVIRONMENT FRIENDLY

The Company received certification from Gujarat Pollution Control Board for disposing its water and contaminated waste to approved authorities in an effective manner

DIVERSIFIED

The Company is among the few in the world with a large product basket of more than 39 vaccines (live and inactivated). Further, its foray into developing vaccines for large animals (cattle, sheep and dog) has enhanced credibility.

CUSTOMER-CENTRIC

The Company has developed vaccines catering to diverse new diseases translating into longstanding customer relationships. The result: 40% of the Company's revenues in 2011-12 were generated from customers associated with the Company for more than five years

LIQUIDITY

The Company is among the few in the industry to have a modest gearing of 0.23, which made it possible to grow cash profit at a CAGR of 31% in 10 years leading to 2011-12. The Company will invest in the QC laboratory through accruals.

TEAM

The Company's growth is driven by 260 qualified members. Average revenue per employee was ₹ 1.85 million in 2011-12 (₹ 1.67 million in 2010-11)