



THE BIG LEAP



Hester

HESTER BIOSCIENCES LIMITED

26th ANNUAL REPORT 2012-13



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WITH OVER TWO DECADES OF EXPERIENCE IN POULTRY VACCINE MANUFACTURING IN INDIA, HESTER BIOSCIENCES IS NOW READY FOR THE BIG LEAP.

THE COMPANY IS ALL SET TO ESTABLISH ITS FIRST INTERNATIONAL ANIMAL VACCINE MANUFACTURING FACILITY IN NEPAL WITH THE INTENT TO EMERGE AS A GLOBAL MULTI-LOCATIONAL PLAYER.

DURING THE YEAR UNDER REVIEW, THE COMPANY STARTED DIVISIONS DEDICATED TO LARGE ANIMAL VACCINES, POULTRY & LARGE ANIMAL HEALTH PRODUCTS AND VETERINARY DIAGNOSTICS, WITH THE OBJECTIVE TO CONTINUE TO BE ON THE LEAP.





HESTER BIOSCIENCES REPORTED A RECORD TOPLINE GROWTH OF 35% IN 2012-13, IT'S HIGHEST IN FIVE YEARS

ABOUT US

Hester Biosciences Limited was founded in 1987 by Mr. Rajiv Gandhi, a first generation entrepreneur.

Hester is listed on the Bombay Stock Exchange and enjoys a market capitalisation of ₹ 1.1 billion (March 31, 2013).

PRESENCE

With manufacturing facilities in Mehsana district, Gujarat, and an upcoming facility in Nepal, Hester boasts of a marketing network across Ten Indian States and an office in Nepal.

PRODUCTS

Over the last fiscal year, Hester added three

segments to its poultry biological portfolio, comprising of large animal biologicals, health products (large animals and poultry) and veterinary diagnostics. The Company has a diversified product portfolio which includes 44 vaccines, 31 health products and 81 diagnostic products available pan-India through a deep and wide distribution network.

CERTIFICATIONS

The Company is certified with the following:

- WHO - GMP
- Good Laboratory Practices (GLP)
- ISO 9001:2008
- ISO 14001:2004
- OHSAS 18001:2007



35%

REVENUE GROWTH

2011-12	2012-13
₹ 482.63 mn	₹ 651.04 mn

18%

EBIDTA GROWTH

2011-12	2012-13
₹ 191.52 mn	₹ 226.40 mn

18%

CASH PROFIT GROWTH

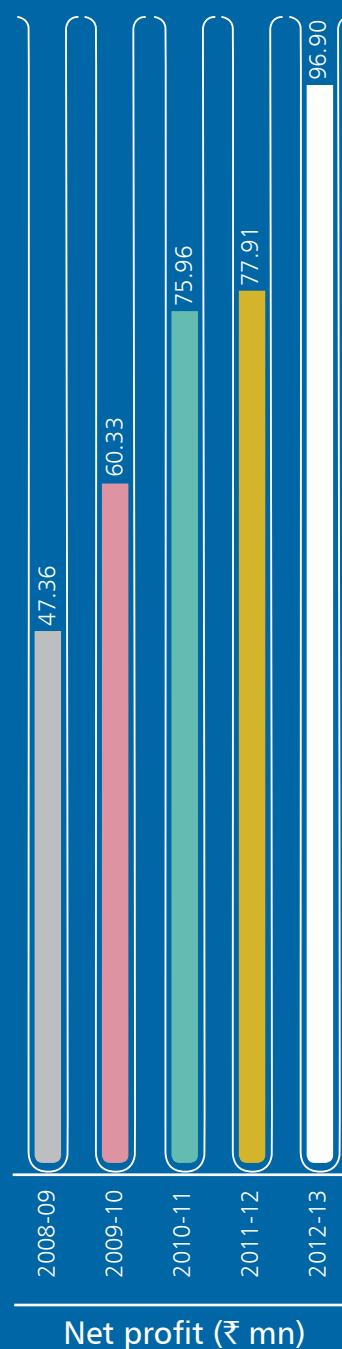
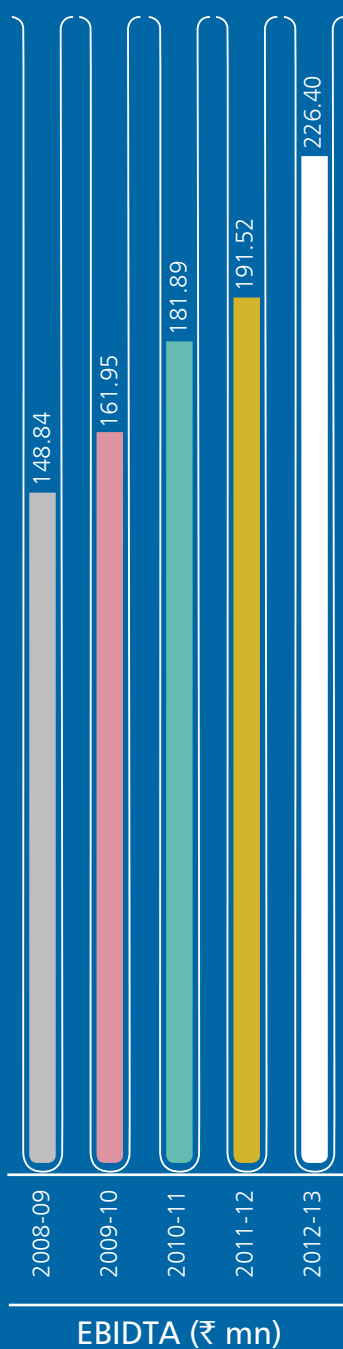
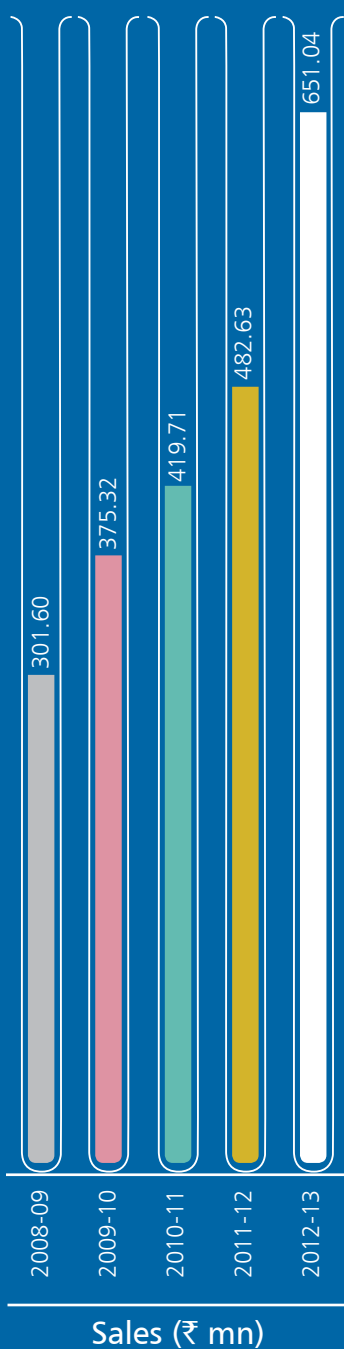
2011-12	2012-13
₹ 119.14 mn	₹ 140.85 mn

24%

NET PROFIT GROWTH

2011-12	2012-13
₹ 77.91 mn	₹ 96.90 mn

KEY FINANCIAL HIGHLIGHTS

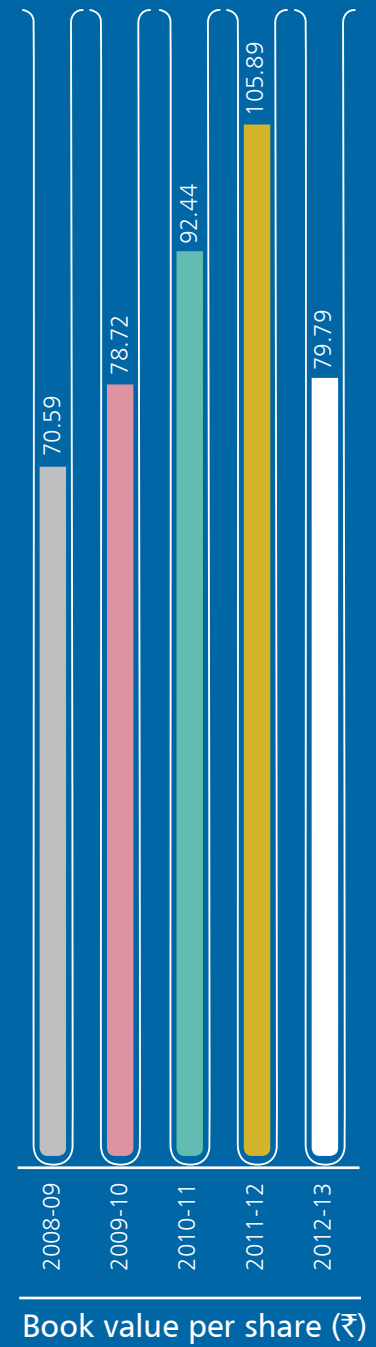
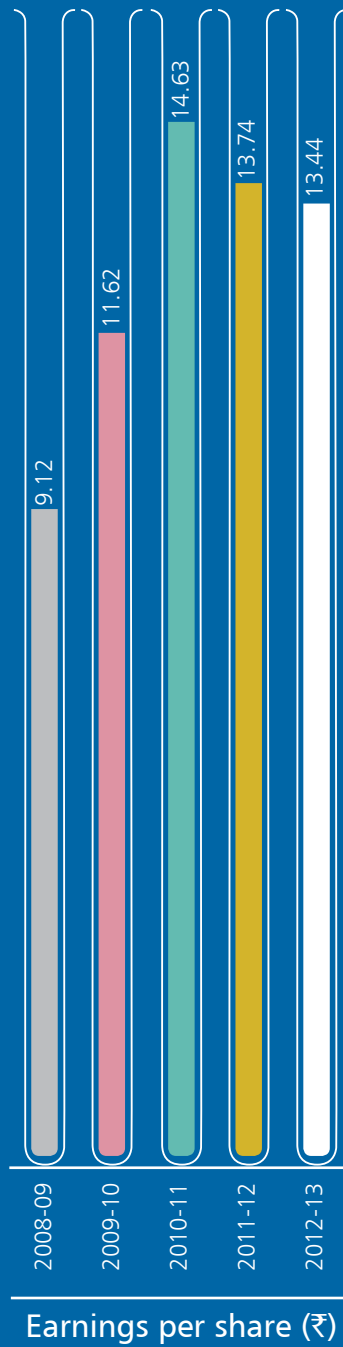
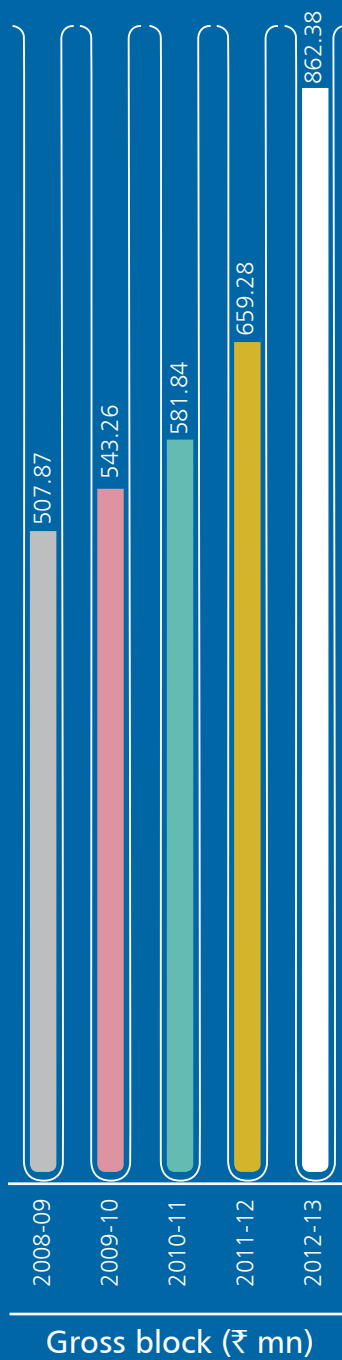


13%

RONW GROWTH

2011-12
₹ 600.49 mn

2012-13
₹ 678.75 mn





"AT HESTER, OUR BIG LEAP WILL CATAPULT US INTO OUR NEXT ORBIT OF GROWTH."

An overview by Mr. Rajiv Gandhi, CEO and Managing Director

Dear Shareholders,

Despite several economic headwinds, I take pride in Hester reporting a creditable performance for 2012-13. While our revenues grew by 35% to ₹ 651.04 million, the highest such growth over the last five years, our bottomline grew by 15% to ₹ 96.90 million. I must mention however that an aggressive pursuit to grow our topline impacted our bottom line growth to some extent on account of higher production and distribution costs. We believe that this will get corrected progressively with better planning and once we reach scale in terms of our production and distribution infrastructure.

NEW VENTURES

Hester continued to remain India's leading veterinary lifesciences company, as we consolidated our position in the poultry biological segment. During the course of 2012-13, we forayed into the animal health business, which involves diagnostic services as well the manufacture of a wide range of feed additives and medicines. On the large animal biologicals front, we applied for manufacturing licenses for sheep and cattle vaccines. We expect to obtain these licenses by the end of calendar 2013.

We entered the health products market in October 2012 through the acquisition of Innoves, an SME, via a business transfer agreement. We merged that businesses with our business, our philosophy and our culture and have created one cohesive whole.

Though the diagnostics segment is growing rapidly worldwide, in India growth has been subdued vis-à-vis the rising animal population. This is on account of two reasons: unavailability of specialised services and a lack of adequate farm management measures mediated towards improving hygiene standards. Currently, veterinary medication is prescribed based on symptomatic diagnosis. Hester intends to change this to specific pathological diagnosis, deploying scientific tools through diagnostic kits. To achieve this objective, Hester intends to form a 70:30 joint venture with Kochi-based UBio Biotechnologies and through this alliance, aims to develop and manufacture a complete range of veterinary diagnostics that offer affordable, scientific diagnostic tools for disease detection and health monitoring in all animal species. The JV, which would be named Diavetra Lifesciences Private Limited, would acquire the veterinary diagnostics business of UBio Biotechnologies and operate the business independently.

CORE COMPETENCIES

At Hester, our business foundation is placed on three pillars:

- Ability to produce vaccines from within our R&D centre, thereby enhancing profitability
- Our strong distribution network which enables us to reach far flung rural markets
- Our swift intra-organisational and decentralised decision-making capabilities which helps us capture opportunities.

KEY 2012-13 HIGHLIGHTS

- Awarded the prestigious WHO-GMP certification.
- Developed the Bivalent Marek's disease vaccine for poultry, an import substitute vaccine.
- Developed five cattle vaccines of which the PPR (for sheep and goat) and Brucella (for cattle) vaccines will contribute towards disease eradication programmes initiated by the Government of India.
- Embarked on a Mesititus treatment programme for cattle, which will help improve milk quality and quantity in buffaloes and cows.
- Focused on honing scientific processes along with an enhanced spotlight on hygiene.

NEXT STEPS

At Hester, we will undertake several steps to stimulate revenue growth. We intend to achieve this by incorporating a variety of products in our existing product portfolio and enhance throughput by leveraging our existing distribution networks. Learning from the year gone by, we will take steps to plan our production process better, enabling us to optimise production costs.

We are also in the process of establishing a Greenfield animal vaccine manufacturing unit in Nepal with a capacity of 1.5 billion doses per annum. Products manufactured at this site will be those, which will complement the range manufactured in India. This plant will also help make Nepal self-sufficient in the manufacture of veterinary vaccines and will play an important

role in controlling and eradicating animal diseases in Nepal. In addition to fulfilling the veterinary vaccines needs of Nepal, these products will be exported to the Middle Eastern and African countries, thereby increasing our export revenues.

OPTIMISM

The Company is entering into joint ventures in emerging markets as well increasing its global product range. It intends to invest USD 5.5 million towards its upcoming manufacturing plant in Nepal, which will deepen its presence in the Nepalese, Middle Eastern and African markets.

Hester also expects to increase and diversify its offerings by entering into the animal health business. Going ahead, the Company will focus on manufacturing and marketing veterinary diagnostics and also creating an international marketing and distribution network. The Company is continually improving its R&D capabilities and awaiting official recognition from the DSIR.

The Board of Directors has recommended a dividend of 20% translating into ₹ 2 per Equity Share for the financial year 2012-13, subject to approvals from shareholders.

With a vision to become a global animal healthcare company with a multi-locational manufacturing presence, we aim to reach a topline of INR 10 billion by 2020.

With my best wishes



Rajiv Gandhi



OUR DIFFERENTIATORS

WELL-POSITIONED

Being the country's second largest poultry vaccine manufacturer, Hester has rightly positioned itself to capitalise on upcoming opportunities; a case in point is its growing prowess in treating veterinary diseases.

PRODUCT MIX

The Company possesses a diverse mix of 156 products across vaccines (live and inactivated), health products and diagnostics. Services include sero-monitoring for poultry farms and Mastitis prevention programs for the cattle farms.

NON-BIO-HAZARDOUS

The Company manufactures products in an environment-friendly way. A testimony to this claim is the certification given by the Gujarat Pollution Control Board for disposing contaminated water and waste in a manner that does not harm the environment.

FORTE

Hester owns and operates Asia's largest single-location animal biological manufacturing facility benchmarked to international quality compliance standards.

TEAM

The Company is driven by a team of 307 motivated individuals. Average revenue per employee increased to ₹ 2.12 million in 2012-13 from ₹ 1.85 million in 2011-12. Hester enjoys almost nil attrition, indicating its ability to retain intellectual capital.

RESEARCH AND DEVELOPMENT

Hester has applied for DSIR recognition and is expected in the coming few months. We desire to commence R&D activities towards the development of recombinant vaccines and towards various monoclonal antibodies for the development of animal diagnostics. Hester is present in the veterinary biological niche and its key strength is embedded in its cutting-edge research and development capabilities, reflected in the development of internationally-compliant vaccines.