

transforming a challenge into an
opportunity



HESTER BIOSCIENCES LIMITED
27TH ANNUAL REPORT 2013-14


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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In 2013-14, Hester Biosciences Limited unexpectedly encountered one of its most challenging years in existence.

The year was marked by the disruption of the Company's largest intermediate supply, affecting revenues.

During the year, Hester strengthened its product portfolio, created an indigenous substitute for the intermediate and returned to profitable growth by the fourth quarter, a reality that otherwise looked like a distant possibility.

The message we wish to send out for the year gone by at Hester is: we transformed a challenge into an opportunity.

transforming a challenge into an
opportunity



Hester Biosciences Limited.

Animal vaccine manufacturer. Respected. Growing. Profitable.

Who we are

Hester Biosciences Limited was founded in 1987 by Mr. Rajiv Gandhi, a first generation entrepreneur. The Company manufactures and markets veterinary vaccines and health products.

Where we are

The Company has a manufacturing unit in Gujarat while another one is being commissioned in Kathmandu. The Company also possesses an extensive marketing network spread over these two countries. The Company's shares are listed and traded on the Bombay Stock Exchange, market capitalisation being ₹750 million as on 31st March, 2014.

Our offerings

The Company's product portfolio comprises of over 45 vaccines and over 35 health products, which are distributed through Hester's pan-India distribution network. Hester also exports products to eight countries.

Our accreditations

- WHO – GMP • Good Laboratory Practices (GLP) • ISO 9001:2008
- ISO 14001:2004 • OHSAS 18001:2007 • DSIR (Department of Scientific & Industrial Research) approval for in-house R&D department

Numbers at a glance

15.30%

EBIDTA growth

2012-13
₹226.40 million

2013-14
₹261.03 million

9.80%

Cash profit growth

2012-13
₹140.85 million

2013-14
₹154.66 million

4.11%

Net profit growth

2012-13
₹96.90 million

2013-14
₹100.88 million

6.06%

Revenue growth

2012-13
₹651.04 million

2013-14
₹690.48 million

11.93%

RONW growth

2012-13
₹678.75 million

2013-14
₹759.72 million

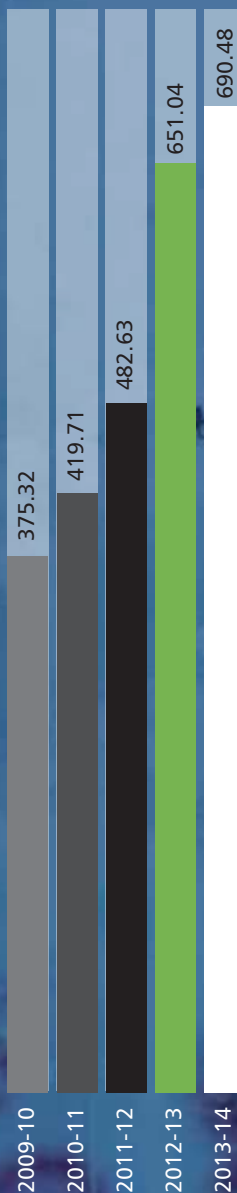
Highlights, 2013-14

- The Company's R&D centre was recognised by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India.
- The Company developed its own Marek's vaccine from the basic, eliminating an earlier dependence on an imported intermediate for the vaccine.

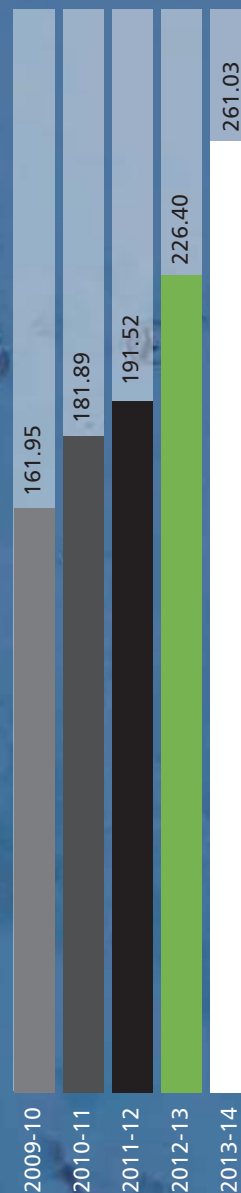
How we have grown over the years.



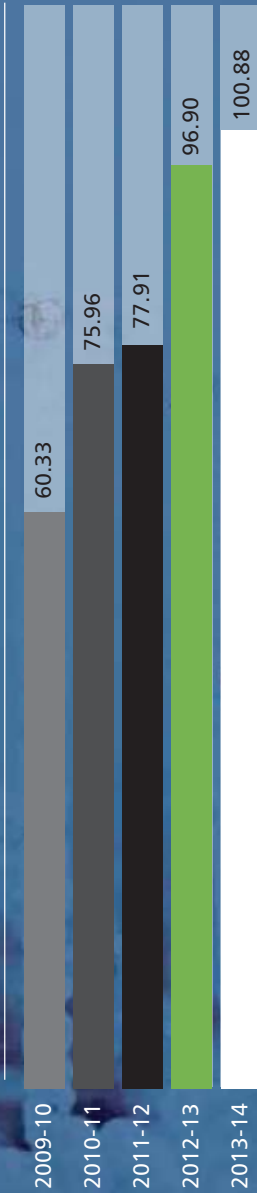
SALES (₹ million)



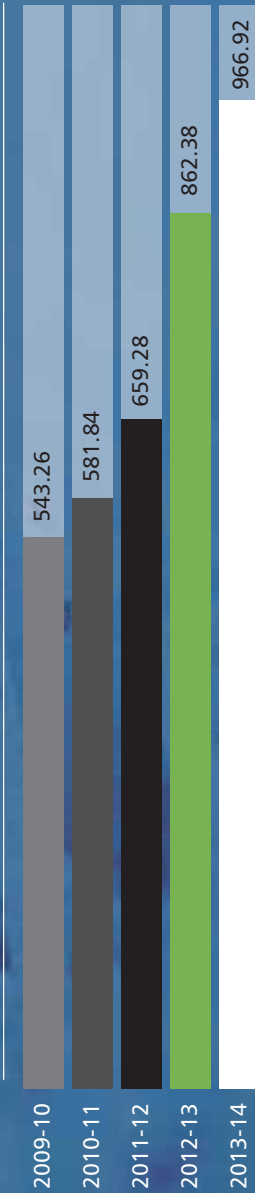
EBIDTA (₹ million)



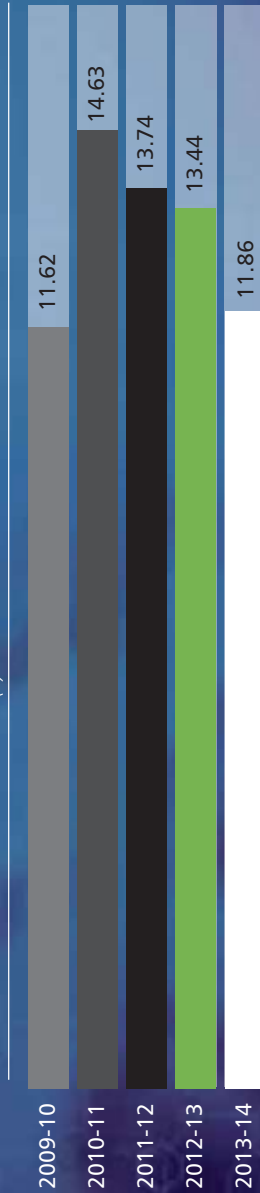
NET PROFIT (₹ million)



GROSS BLOCK (₹ million)



EARNINGS PER SHARE (₹)



Managing Director's message

Dear Shareholders,

One thing that emerged during 2013-14 was that difficult times brought out the best in us. Our product mix underwent a vast change. Marek's vaccine which accounted for 23% of erstwhile sales, dropped to 5% in 2013-14. This gap was filled in by the sales of other vaccines produced by us from the basic stage as against Marek's vaccine which was being produced using an imported intermediate. Though our sales grew only by 6%, the shift in the product mix helped us in improving our EBIDTA in the last fiscal by 15%.

During the year under review, the Marek's vaccine was also developed from the basic stage through our R&D department, thereby removing the dependency on the imported intermediate.

The year witnessed a small growth of 4% in net profit. It remained restricted due to unplanned resources being spent on aggressive marketing of various other vaccines to offset the loss in the sales of Marek's vaccine.

However, the fourth quarter gave indications on things to come. The Company reported a 37% increase in revenues, 102.69% increase in EBIDTA and 53.89% increase in PAT over the immediately preceding quarter. I am pleased to state that our fourth quarter performance has set the benchmark for an exciting future.

Strong business model

Until recently, Hester was engaged in manufacturing and marketing only poultry vaccines. Thereafter, it forayed into poultry health products, large animal vaccines and large animal health products. These four verticals put together will underpin Hester's identity as a strong animal health company, addressing all segments in the animal health sector. Our ability to add products commercially in all these divisions depends on how quickly we are able to acquire commercial manufacturing licences.

The expected launch of the PPR and Brucella vaccines by the third quarter of the current fiscal will strengthen our presence in the large animal health segment.

Our Nepal project, expected to go on-stream in

January 2015, will add another dimension to our international business, enhancing sales in Africa and in the Middle East.

To boost our distribution capabilities in Africa, we registered a company named 'Hester Biosciences Africa Limited' in Kenya. Following regulatory clearances and getting product registration, we hope to commence our own operations in Africa by April 2015.

Our R&D unit at Kadi, approved by the DSIR, has embarked on basic R&D towards the development of recombinant poultry and large animal vaccines. Besides, the DSIR approval will make it possible for the Company to moderate its corporate tax exposure to the MAT level, enhancing its ability to channelise finance towards prospective investments.

Looking ahead

The animal health business presents abundant opportunities.

Within India, we have a huge poultry and cattle population. Hester aspires towards increasing the productivity in animals by preventing diseases. This in itself is a huge opportunity. Disease prevention, indirectly, leads to higher productivity.

Internationally, Hester is focusing on emerging markets like Africa, West Asia, South East Asia and South America. With registration processes underway in over 20 countries, Hester is poised achieve sizeable exports in two years.

While pursuing our vision to become a global company, our endeavour will as much be on improving our bottom-line and strengthening organisational values.

With best wishes,



Rajiv Gandhi
CEO and Managing Director,
Hester Biosciences Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Bhupendra V. Gandhi, *Chairman*

Mr. Rajiv Gandhi, *CEO & Managing Director*

Mr. Sanjiv Gandhi

Mr. Ravin Gandhi

Mr. Vimal Ambani

Mr. Vishwesh Patel

Dr. Siba Samal, (*w.e.f. 28/10/2013*)

Mr. Darayus Lakdawalla, (*Resigned w.e.f. 24/07/2014*)

Ms. Grishma Nanavaty, (*w.e.f. 24/07/2014*)

CHIEF FINANCIAL OFFICER

Mr. Jigar Shah

COMPANY SECRETARY

Mrs. Amala Parikh

REGISTERED & CORPORATE OFFICE

'Pushpak' 1st Floor,

Panchvati Circle,

Motilal Hirabhai Road,

Ahmedabad 380006

MANUFACTURING UNIT:

Village : Merda Adraj,

Taluka : Kadi,

District : Mehsana, Gujarat - 382 721.

BANKERS

State Bank of India

SME Branch

S G Highway, Bodakdev

Ahmedabad - 380 054

ISIN INE782E01017

CIN L99999GJ1987PLC022333

AUDIT COMMITTEE

Mr. Vimal Ambani, *Chairman*

Mr. Vishwesh Patel, *Member*

Ms. Grishma Nanavaty, *Member*

STAKEHOLDERS' GRIEVANCE & RELATIONSHIP COMMITTEE

Ms. Grishma Nanavaty, *Chairperson*

Mr. Vishwesh Patel, *Member*

Mr. Vimal Ambani, *Member*

NOMINATION AND REMUNERATION COMMITTEE

Mr. Vishwesh Patel, *Chairman*

Mr. Vimal Ambani, *Member*

Ms. Grishma Nanavaty, *Member*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Rajiv Gandhi, *Chairman*

Mr. Vishwesh Patel, *Member*

Ms. Grishma Nanavaty, *Member*

AUDITORS

M/s. Shah Narielwala & Co.

Chartered Accountant

608, 'Shitiratna', Panchvati, Ellisbridge,

Ahmedabad - 380 006.

REGISTRAR & TRANSFER AGENTS

M/s. Sharepro Services (India) Pvt. Ltd.

(Ahmedabad Branch)

416-420, 4th Floor, Devnandan Mall,

Sanyas Ashram, Ashram Road,

Ellisbridge, AHMEDABD-380006

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 27th Annual Report with the Audited Accounts of the Company for the year ended 31.3.2014.

FINANCIAL RESULTS:

(₹ In Million)

Particulars	Current year	Previous Year
Total Income	698.22	653.08
Profit before Depreciation & Tax	196.69	194.22
Less : Depreciation	53.78	43.95
Profit Before Tax	142.91	150.27
Less : Provision for Tax	---	51.83
Deferred Tax	23.27	1.51
Income tax of earlier year	18.76	0.03
Net Profit After Tax	100.88	96.90
Balance of Profit & Loss Account	200.71	148.72
Profit available for appropriation	301.59	245.62
Dividend on equity shares	17.01	17.01
Dividend Tax	2.89	2.89
General Reserve	25.00	25.00
Balance carried to Balance sheet	256.69	200.72
Earnings per share (Basic/Diluted)	11.86	13.44

FINANCIAL HIGHLIGHTS

Sales

Your company posted a turnover of ₹690.48 million in the financial year ended on 31.3.2014, as compared to ₹651.04 million in the previous year.

Profitability

Your company's PBT for the year ended 31.3.2014 was recorded at ₹142.91 million, as compared to ₹150.27 million in the previous year.

Earnings Per Share

EPS was at ₹11.86 as on 31.3.2014 as against ₹13.44 as on 31.3.2013.

Net Worth

The company's net worth as on 31.3.2014 was at ₹759.72 million as compared to ₹678.75 million as on 31.3.2013.

Dividend

Your Directors have recommended a dividend payment of ₹2 per equity share of ₹10 each for the financial year 2013-14, which is equal to the dividend declared for 2012-13. This dividend is