



29th | ANNUAL
REPORT
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*aim
perform
achieve*

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 2015-16 proved to be challenging for India's livestock sector, particularly its poultry segment.

Hester reported a resilient performance, its profitability strengthening by 37 per cent and revenues increasing by 12 per cent.

Hester strengthened its earnings, validating progressive investments in its business model.

Hester Biosciences Limited

Increasing global presence and relevance.

***Research-led business.
Expanding manufacturing
presence.***

***Widening market footprint.
Healthy Balance Sheet.***

***The Company's foundation lies in
its ability for sustainable growth.***

CORPORATE SNAPSHOT

Hester Biosciences Limited has been a dedicated animal health Company since 1997. The Company is present in four product segments:

- Poultry vaccines
- Poultry health products
- Large animal vaccines
- Large animal health products

MANUFACTURING UNITS

The Company has two manufacturing plants, one located in Mehsana district near Ahmedabad, and another plant upcoming in Kathmandu, Nepal. The Nepal plant will complement the Indian plant in manufacturing vaccines disallowed in India, thereby widening the product range for addressing international markets. The cumulative production capacity of Hester would be 6 bn doses per annum once the Nepal plant is commissioned. The Nepal plant commenced trial production in June 2016 and is expected to be fully commissioned by September 2016.

CERTIFICATIONS

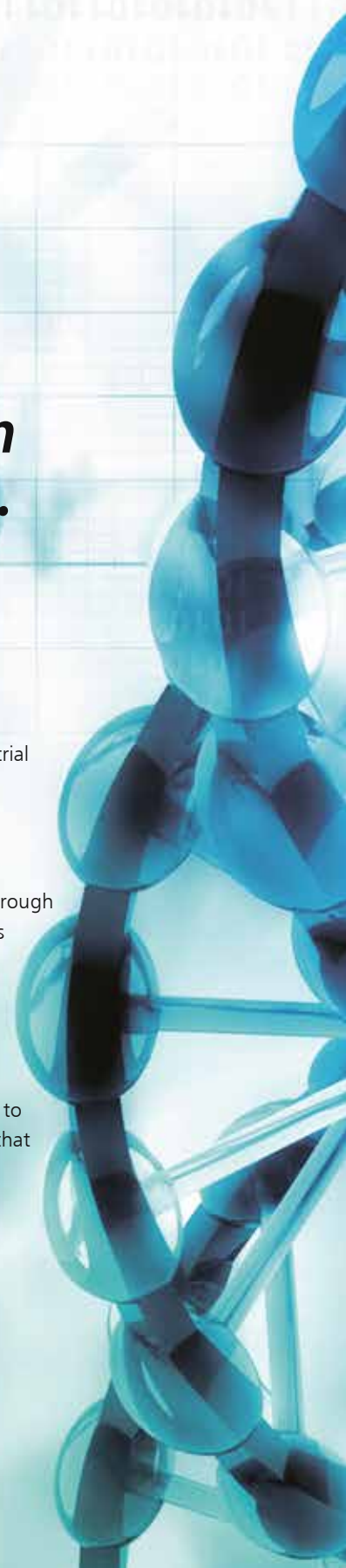
- WHO – GMP
- Good Laboratory Practices (GLP)
- ISO 9001:2008
- ISO 14001:2004
- OHSAS 18001:2007
- DSIR (Department of Scientific & Industrial Research) approval for in-house R&D department

FOOTPRINT

The Company's products are distributed through a pan-India network. The Company exports products to 18 countries.

PRODUCTS

The Company's product range comprises vaccines, drugs, feed supplements and disinfectants. The Company's endeavour is to continuously develop innovative products that address the healthcare needs of animals in achieving higher productivity.



Business Segments

POULTRY

Vaccines

Health Products

LARGE ANIMAL

Vaccines

Health Products

Poultry Division

Vaccines

Live and Inactivated:

Newcastle • Infectious Bronchitis • Infectious Bursal • Reo • Fowl Pox • Marek's • Coryza • Fowl Cholera • EDS • MG • IBH • Fowl Typhoid (Salmonella)

Health Products

A wide range of:

Drugs • Feed supplements
• Disinfectants

Large Animal Division

Vaccines

Live and Inactivated:

PPR • Goat pox • Brucella Abortus • Classical swine fever • Haemorrhagic Septicaemia • Black Quarter

Health Products

A wide range of:

Drugs • Feed supplements
• Disinfectants

LISTING

The Company's shares are listed and actively traded on the Bombay Stock Exchange and the National Stock Exchange. As on 31 March 2016, the Company's market capitalisation was ₹4.25 bn.

Our Journey

1983

Rajiv Gandhi started the distribution of poultry medicines and feed additives in the name of Rajiv & Associates (proprietary concern) in Mumbai, covering the districts of Thane and Raigadh.

1986

Started distribution activities throughout India. • Rajiv & Associates became the number one distributor in Western India for poultry health products.

1987

Rajiv Gandhi formed Hester Pharmaceuticals Private Limited, with the objective to acquire the exclusive marketing rights of overseas brands for the Indian market.

1990

Hester Pharmaceuticals signed an exclusive marketing agreement with Ghen Corporation, Japan, for its range of poultry feed additives and with Maine Biological Laboratories (MBL), USA, for its range of poultry vaccine.

1993

The Company signed a technical and financial collaboration agreement with MBL, to manufacture poultry vaccines in India.

1994

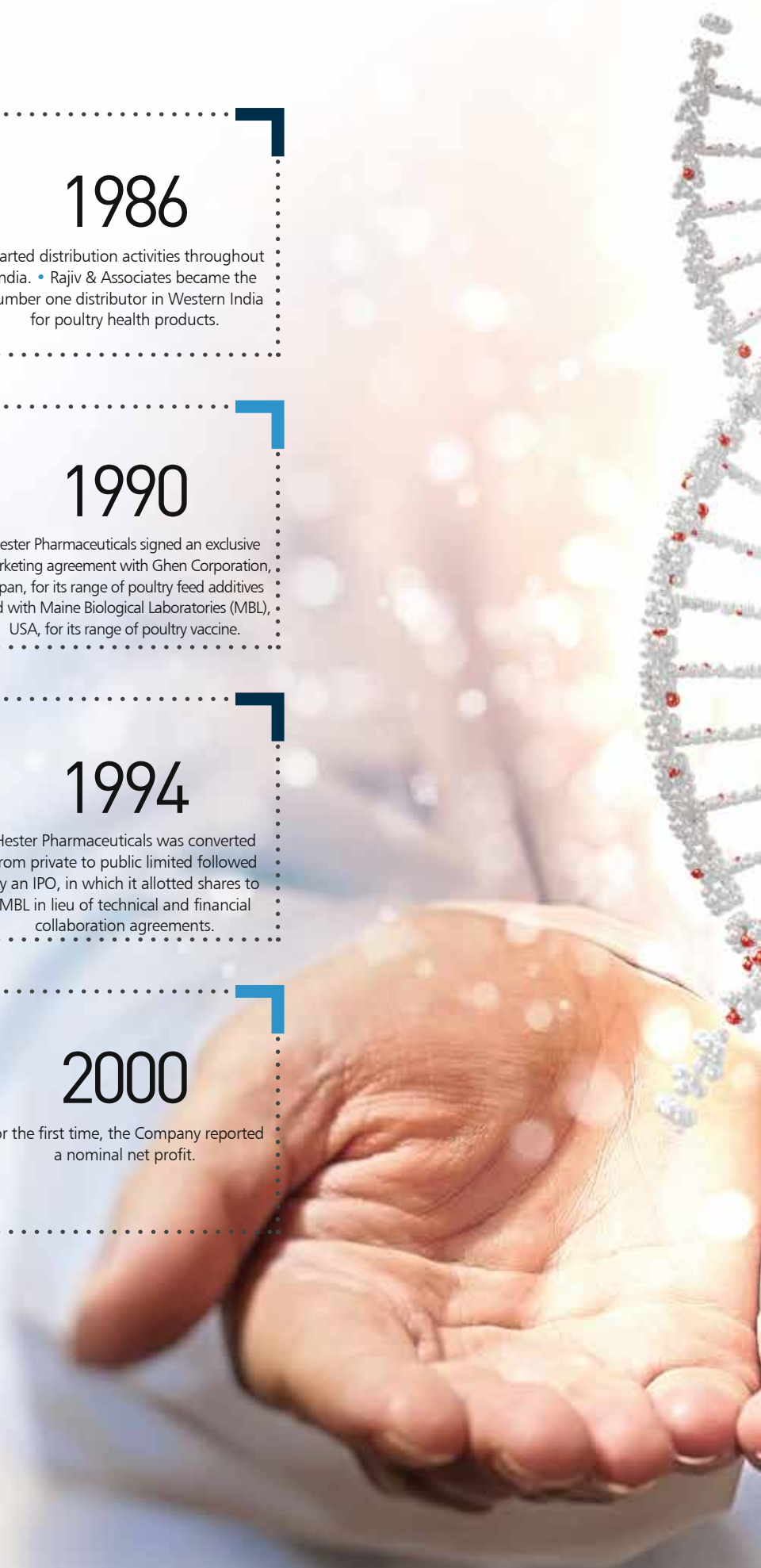
Hester Pharmaceuticals was converted from private to public limited followed by an IPO, in which it allotted shares to MBL in lieu of technical and financial collaboration agreements.

1997

The Company commenced the marketing of locally produced poultry vaccines.

2000

For the first time, the Company reported a nominal net profit.





2003

The Company terminated the financial and technical collaboration with MBL.

2005

The Company declared a dividend for the first time.

2007

The Company expanded its manufacturing capacity four fold.

2008

The Company changed its name to Hester Biosciences Limited.

2010

The Company was awarded 'The Best Animal Vaccine Company' by The New Economy, UK.

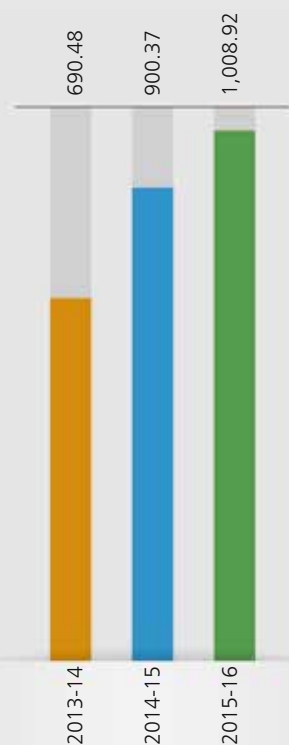
2012

The Company launched poultry and large Animal Health Products divisions.

2013 *and onwards*

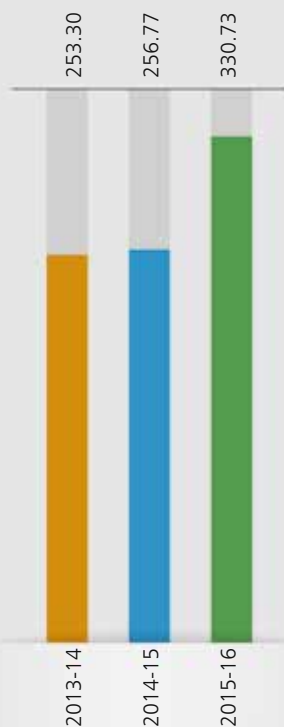
The Company received WHO-GMP certification and DSIR registration for in-house R&D unit. • Hester embarked to set up an animal vaccine manufacturing unit in Nepal. • Hester has four divisions: Poultry Vaccines | Poultry Health Products | Large Animal Vaccines | Large Animal Health Products • Hester plans to launch its diagnostics division in 2016.

Our growth in numbers



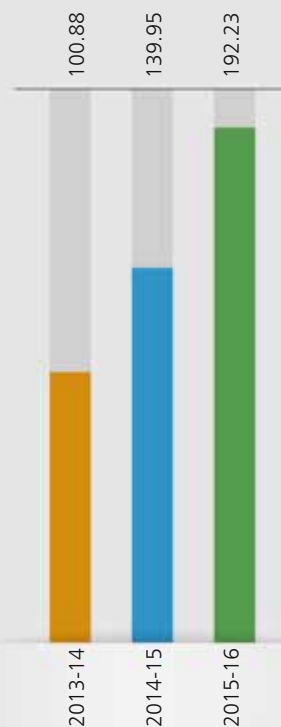
TURNOVER (₹ mn)

Turnover increased as a result of prudent changes in product mix, increased market penetration and widening footprint



EBITDA (₹ mn)

...a result of the introduction of new products and cost optimisation measures



NET PROFIT (₹ mn)

... generated a higher profit for five successive years



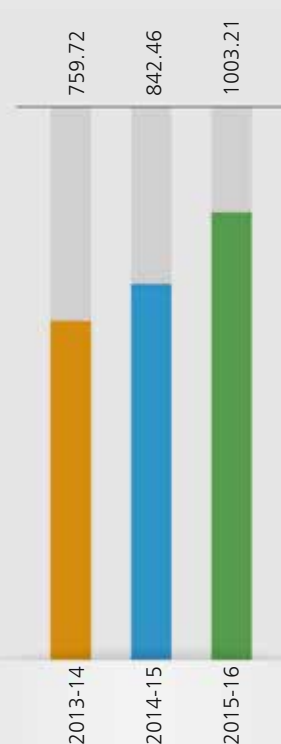
DEBT-EQUITY RATIO (x)

... reflected in attractive gearing and room for fresh borrowings without compromising corporate stability



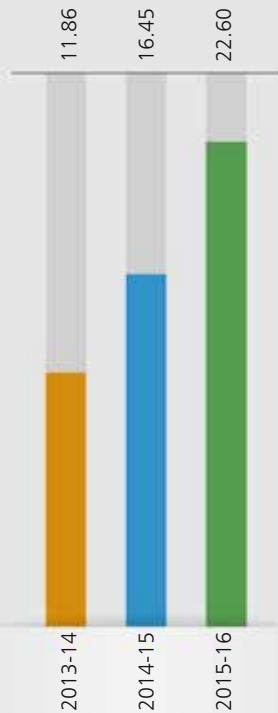
GROSS BLOCK (₹ mn)

... which translated into selective investments in manufacturing facilities



NET WORTH (₹ mn)

...and a prudent ploughback of surpluses

**EARNINGS PER SHARE (₹)**

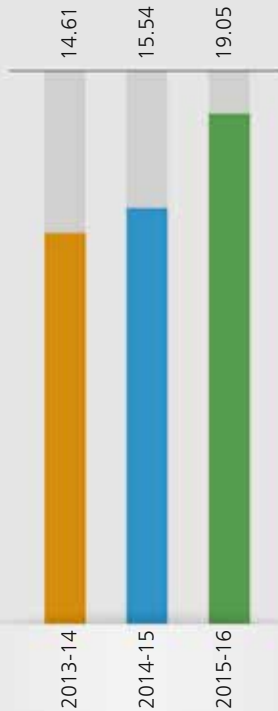
...leading the Company's growing profitability

**BOOK VALUE PER SHARE (₹)**

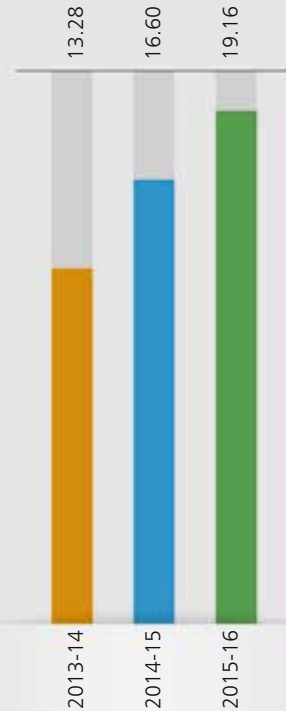
...and steady enhancement of shareholder value

**EBITDA MARGIN (per cent)**

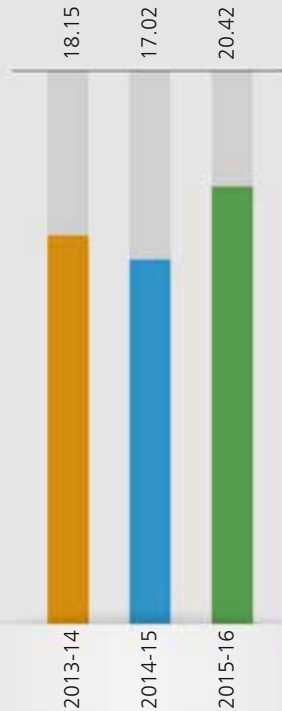
The cost optimisation and focus on superior product mix enhanced margins

**NET PROFIT MARGIN (per cent)**

...strengthening earnings for shareholders

**ROE (per cent)**

... translating into a superior return on employed capital

**ROCE (per cent)**

... strengthening capital efficiency

Hester Biosciences is one of the most exciting companies in its sector

MARKET PRESENCE

Hester is India's second largest poultry vaccine manufacturer attractively positioned to capitalise on upcoming opportunities, strengthening its competence in treating veterinary diseases.

WIDE PORTFOLIO

Hester possesses a diverse mix of 45 products across poultry vaccines (live and inactivated), products across large animal vaccines (live and inactivated), health products and diagnostics. The Company also offers services like seromonitoring for poultry farms and mastitis prevention programmes for cattle farms.

ENVIRONMENTALLY CONSCIOUS

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

INTELLECTUAL CAPITAL

The Company is committed to provide a work environment free from discrimination for all its employees. The Company is an equal opportunity employer making employment decisions based on merit and business needs.

WORLD-CLASS INFRASTRUCTURE

Hester owns and operates Asia's largest single-location animal biological manufacturing facility benchmarked with international quality compliance standards. Hester is a research-intensive Company – its R&D unit at Kadi (approved by DSIR) embarked on a project for developing recombinant poultry and large animal vaccines, besides looking into process improvements. The true impact of this initiative will be manifested in the coming years through value-addition and higher margins.

STRINGENT COMPLIANCE

During the year under review, the Company's regulatory affairs department submitted 92 product dossiers in 13 different semi-regulated countries. Among these, the Company received approvals for five poultry vaccines and one large animal vaccine. During the year, the Company underwent two inspections by Ugandan and Nigerian drug authorities. In FY 2016-17, the Company expects similar inspections from Ethiopian, Kenyan, Saudi Arabian and Sudanese drug authorities.