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**“Hester Biosciences Limited
Q1 FY 2025-26 Earnings Conference Call”
1 August 2025**



HESTER



MANAGEMENT: **MR. RAJIV GANDHI - CEO AND MANAGING
DIRECTOR - HESTER BIOSCIENCES LIMITED
MS. PRIYA GANDHI - EXECUTIVE DIRECTOR -
HESTER BIOSCIENCES LIMITED
MR. DIVYESH MARU - CHIEF FINANCIAL OFFICER -
HESTER BIOSCIENCES LIMITED**

MODERATOR: **MS. NISHA SHETTY - ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Hester Biosciences Q1 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nisha Shetty. Thank you, and over to you, ma'am.

Nisha Shetty: Thank you, Anoushka. Good afternoon, everyone. On behalf of ICICI Securities, I welcome you all on Q1 FY '26 Earnings Conference Call of Hester Biosciences, and I thank the Hester Biosciences management team for giving us this opportunity to host this call.

Today on this call we have with us Mr. Rajiv Gandhi, CEO and Managing Director; Ms. Priya Gandhi, Executive Director; and Mr. Divyesh Maru, CFO. I will now hand over the call to the Hester management team for their opening remarks. Thank you. Over to you, ma'am.

Moderator: Ladies and gentlemen, it seems like the line for the management has been disconnected. Please stay connected until I re-join the lines. Ladies and gentlemen, thank you for waiting patiently. The management's line has been connected. Thank you.

Priya Gandhi: Okay. Thank you. Good afternoon, everyone. This is Priya Gandhi. Thank you for joining us on this call for our Q1 FY '26 results. As always, we really appreciate your continued interest and belief in our journey, one which is rooted in purpose and long-term value creation.

Q1 FY '26 has presented to be a mixed quarter with a lower stand-alone performance, but a strong performance on a consolidated front. While our India business has faced some headwinds due to timing delays in institutional orders, we saw a notable turnaround in our Africa operations, which has driven the overall profitability higher.

Despite the dip in the top line, our profitability has remained intact, supported by a series of focused actions. Over the past few quarters, we worked on standardizing key processes across our plant functions, tightening cost control, making deliberate choices around product mix that positively favor the profitability.

We also prioritized efficiency in how we deploy our teams growing capabilities where needed, while maintaining leaner structure overall. These are not reactive measures, but a part of sustained effort to strengthen our organization's resilience and readiness for scale.

On a stand-alone divisional product-wise performance, which has stood at INR63 crores, which reflects a 14% degrowth and PAT declining by 7%, mainly on account of delayed government immunisation program in our Animal Health division. That said, our EBITDA and PAT margins have held steady, supported by cost optimization and operational efficiency. Despite the top line pressure, our focus on improving internal efficiencies and managing product mix has helped in protect our profitability.

Coming to our Animal Health division, particularly which includes both the Ruminant as well as the Petcare business, which saw a 33% decline, primarily due to the deferred execution of our 2 large immunization programs for PPR and lumpy skin disease. For lumpy skin disease, in which we provide our Goat Pox Vaccine. These programs are typically tender-driven and tend to have an organic and a nonlinear time line. While this quarter bore the brunt of those delays, we do expect traction and a return in Q2.

At the same time, we ensured continuity in this field through stable demand for our core products in the line of therapeutics, have also introduced alternate products in our - in key geographies where there were earlier regulatory challenges. I want to say that these are not cancellations but just deferrals, and we expect execution to begin picking up in Q2 and beyond. The fundamentals of our business remain strong.

On the Petcare front, we continued our market development efforts, especially in the western part of India. This includes deeper veterinarian engagement, expansion of distribution and focused outreach program. While early stage, we are seeing good signals in terms of repeat demand and prescription interest, as we believe this segment will start continuing more meaningfully to the top line in the coming quarters.

Coming to our Poultry Healthcare division, which has been - which has recorded a little bit of a growth of 2% led by our sustained demand for - in our key vaccines, namely the Newcastle disease vaccine and Marek's vaccine. Our feed supplements and disinfectants launched last year are gaining acceptance, and we expect their contributions to improve further over the next 2 quarters.

We also expand our technical support engagement efforts with our customers, especially integrators and large poultry players, and that will help us in maintaining strong market presence despite a broader industry volatility.

On a consolidated level, divisional sales has gone up despite of the dip that we see on a stand-alone basis. And our PAT has grown by over 100%, driven primarily by improved international performance and margin control. We focused a lot on maintaining the cost discipline and execution of efficiency across regions, and that has started reflecting in our results.

I'm happy to share that Hester Africa has not only recovered the loss that it had incurred in the same quarter last year, but it has also made profit of INR5 crores in this quarter. And this was on a top line of INR17 crores, up significantly from INR3 crores in the corresponding quarter in the last period. This turnaround was driven by improved commercial execution and better market penetration.

Our facility in Tanzania is now stabilized, and we are leveraging that base to expand our presence in regions with high demand for ruminant and poultry vaccines. We are cautiously scaling our footprint across priority markets in the continent and are optimistic about sustaining profitability here, and Africa continues to be a long-term strategic market for us.

Coming to Hester Nepal, it has shown a consistent performance. As typical of this geography, quarterly revenues can vary due to timing of institutional orders rather than underlying demand. That said, our market position remains strong, and we continue to maintain leadership across categories. We remain confident in operational momentum and the pace of regulatory clearances and product registrations that will support sustained performance going forward.

While external factors have weighed us on the quarter stand-alone performance, we've used this period to make significant internal improvements. We've realigned our sales and marketing approach to be more feel focused. We strengthened our R&D prioritization around products.

One key focus area this quarter has been enhancing our preparedness for our upcoming launch of the avian influenza vaccine, which we had spoken about getting launched in Q1. Everything from our side is clear. We are just waiting for some regulatory clearances, which are anticipated to come in this quarter any time. We've also expanded our feed supplement and disinfectant range, and initial feedback from the market has been encouraging.

On the international front, we are focusing on capacity utilization, improving logistics and response time and growing local engagement, particularly in Africa, where we selectively expanded our team to better address commercial opportunities.

Looking ahead, we remain optimistic about the remaining part of FY '26, with institutional demand expected to normalize combined with increased momentum in newer markets across our Petcare and Poultry portfolio, we are confident of returning to growth in the coming quarters.

And on an overall consolidated performance, which gives us further confidence that our strategic foresight that we place in terms of geography, portfolio, internal capabilities are headed in the right direction. We remain inspired, focused and ready, staying true to our focus in animal health care while pursuing innovation-led growth.

Thank you all for patiently hearing me out, and we now look forward to taking your questions.

- Moderator:** Thank you very much. The first question is from the line of Rushabh Shah from BugleRock PMS.
- Rushabh Shah:** My first question is, could you comment on the FMD vaccine because in one of the 2020 calls, you had mentioned that, yes, in the long run, Hester Biosciences would get into FMD vaccines. So what is the status of that? Could you please comment on that?
- Priya Gandhi:** FMD is a disease which is of a very high national and in fact, even international importance. However, yes, we may have at some point, expressed our interest or desire. But at this point of time, we are not into FMD, and we don't have any short-term plan of getting into that right away.
- Rushabh Shah:** Okay. So my second question is how big is the poultry vaccine market globally? At least domestically, you have a 30% market share. But globally, how big is that market?
- Rajiv Gandhi:** Yes. Rajiv Gandhi here. These statistics are not ready with us at the moment on the whole global market scenario, sorry for that, probably it could be answered off-line later on.
- Moderator:** The next question is from the line of Harshal Mehta from Zen Nivesh.
- Harshal Mehta:** Congratulations, sir, for a great turnaround in your African operations. So my first question is, sir, as per my understanding, Poultry segment has always been a cyclical business, and we were expecting the cycle to begin the move since many quarters now. But the numbers are still not showing that kind of strength. Any more color maybe for the subsequent quarters that you would like to share?
- Rajiv Gandhi:** Yes. Poultry, in a way, been cyclical yes, feed, it is even very cost-sensitive. The -- if you really go to see -- if you take the poultry market, we have had a marginal growth on the poultry side, 2%. But overall, there has been a dip. So I think what we have done is at least we have been able to maintain our turnover, etcetera. And we are very confident that this will now go up. You might say that every time we say that we have that confidence, but it is something which we are also dependent on market forces.

And yes, but having said that, within the current situation, we are doing our best, and we are definitely now have taken up an objective to gain more market share in the coming months, and that should probably give us an upward trend, irrespective of the dynamics of the poultry industry.

Harshal Mehta: Amazing, sir. Sir, my next question is, so talking about your Nepal business. So what is your long-term strategy with Nepal? Because it's not growing yet - it's not growing at all for many quarters now. So...

Priya Gandhi: So the Nepal plant was specifically built to cater to the worldwide eradication PPR program. And I mean, for various reasons, which are beyond our control, it has been quite fluctuating, especially COVID has impacted that quite a bit.

Having said that, going forward, we are going to be needing more capacity given the demand, which is also going to come in Africa. So within our 3 plants, we will look at optimizing our capacity across these 3 plants that we have, given the rising demand that we see in the continent of Africa.

Harshal Mehta: Okay. Understood. So just a follow-up on the African business only. So you have seen African business impact on consolidated numbers going ahead. So there was a huge turnaround in the African business for this quarter. So you see how it can affect the consolidated numbers for subsequent quarters?

Priya Gandhi: I mean if the trend continues, it will affect in a positive way, which we are hoping to have. At the same time, I mean, we really don't want to comment whether this is the trend it will continue to have. But yes, all we can say is that there is a lot of demand, and we are working very hard in developing and commercializing product specific for the continent of Africa, very localized, which are very much in demand. But difficult really to comment right now on whether this trend is going to continue in the next quarters or whether it is going to fluctuate. But yes, I think as a base, we are -- we've started off something on a very positive note.

- Rajiv Gandhi:** Yes, and extending this what Priya mentioned, the current business, as what we have done, and there are more registrations also coming in from various African countries. So even if there is a dip in one type of business, I'm sure we would be able to somehow compensate through the new additional business that we would get. But it would be prudent for us to say that we have started the trend, we will try our best to uphold it.
- Harshal Mehta:** Amazing, sir. Congratulations once again for the superb turnaround in African operations. All the best, sir.
- Moderator:** We take the next question from the line of Megh Jain from GormalOne LLP.
- Megh Jain:** Yes. So my first question is, when is your BSL-3 facility likely to be capitalized? And will the entire INR176 crores work in progress as on March 2025 be capitalized?
- Rajiv Gandhi:** Yes. The BSL-3 facility was specifically made to address and manufacture the COVID bulk antigen, as you all are aware. Thank God that COVID has gone away. But yes, that has left us with a facility which we are trying to get it repurposed. And we are in progress to getting it repurposed, probably we should get the permission in the next few months. And then we have plans on how to use this BSL-3 facility to increase our product range for animal vaccines. It being a governmental thing is a lag, which we have to accept.
- Megh Jain:** Okay. For my second question, please share your insights on the kind of interaction Hester is having with other countries on PPR eradication program. Also, when will the African swine fever vaccine launch in Africa?
- Rajiv Gandhi:** The PPR vaccine is mainly tender business. So it is centralized earlier by FAO. Now it has been moved to an African agency. We are regularly in touch with them, and there are absolute follow-ups. And besides that, we are also targeting the private - whatever small the private market for PPR is. We are focusing on quite a few countries in Africa.

African swine fever, we have not yet got any visibility on the African swine fever vaccine. There is no vaccine currently available in the world, but we are as much scouting to -- how to get into the manufacturing of African swine fever. We have a few leads. But at this point of time, it would be inappropriate for us to talk anything on that vaccine. At this point, you can take it. It's - we are working on it. And we have no outer time line.

Moderator: Thank you.

Rajiv Gandhi: I think there are no more questions, ma'am.

Moderator: All right. So as there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Priya Gandhi: Thank you, everyone. It was nice interacting and is encouraging for us to be here present quarter-on-quarter and present our results. As mentioned that, yes, Q1, the stand-alone for Q1 has seen a little bit of a dip, but the consolidated performance has been - is giving us a lot of confidence that whatever strategies, etcetera, we are putting in place are taking shape across geographies and portfolios. And yes, we are here to serve you all and the animal health care industry. So thank you all for your continued support.

Moderator: On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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