



HESTER

“Hester Biosciences Limited
Q4 & FY26 Earnings Conference Call”
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HESTER



ICICI Securities



CHORUS CALL

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**MR. ASHISH DESAI – CHIEF FINANCIAL OFFICER -
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MODERATOR: **MR. DARSHIL JAIN – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Hester Biosciences Q4 FY26 Earnings Conference Call hosted by ICICI Securities. 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 a Moderator: by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Darshil Jain from ICICI Securities. Thank you, and over to you, sir.

Darshil Jain: Thank you, Swapnali. Good afternoon, everyone. On behalf of ICICI Securities, I welcome you all on Q4 and FY26 Earnings Conference Call of Hester Biosciences Limited, and I thank the Hester Biosciences management team for giving us the 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. Ashish Desai, Chief Financial Officer. I will now hand over the call to the Hester management team for their opening remarks. Thank you, and over to you.

Priya Gandhi: Good afternoon, everyone. This is Priya Gandhi. Thank you for joining us today to discuss Hester Biosciences Q4 and FY26 results. As always, we appreciate your continued engagement and long-term support as we continue building Hester with a clear focus on science, operational discipline and long-term value creation.

The past year has been an important phase of consolidation, operational strengthening and capacity building for the company. While parts of business continue to face timing-related tender delays and uneven market conditions, FY26 reflects visible improvement in execution, profitability and strategic positioning across several areas of the organization.

On a stand-alone basis, the revenue for Q4 grew by 22%, while PAT increased by 174%. While standalone revenue remained flat for the entire financial year, the profitability improved significantly with the PAT up by 64%. At the consolidated level, revenue grew by 22% in Q4 and 7% in the full year, while PAT increased substantially in Q4 and for the full year, almost by 100% in the full year.

While profitability during the year also benefited from exceptional financial income, about which I will be mentioning, the overall improvement was supported by stronger execution in the Poultry Healthcare business, favorable product mix and continued operational discipline.

Coming on to our Poultry Healthcare division. The Poultry Healthcare division delivered a strong performance during the year, growing by 41% in Q4 and 21% for the entire financial year. Growth was supported by deeper market penetration, expanded placements, stronger field execution and sustained demand of our vaccine portfolio.

During the quarter, we also received both the marketing and manufacturing licenses for H9N2 Avian Influenza vaccine. This is an important milestone for Hester and further strengthens our biological portfolio in the poultry segment.

The H9N2 opportunity in India is expected to be largely driven by the private commercial poultry market, where biosecurity and disease preparedness continue to remain key priorities. Export opportunities will evolve differently across countries depending on disease management approach and regulatory pathway.

In parallel, our technical teams have also developed an integrated Avian influenza management approach, covering vaccination, farm hygiene, bird immunity and environmental management solutions. The objective here is to create a major holistic outcome-oriented engagement model for farmers rather than doing disease management through a single specific product approach.

We have also introduced complementary health products focused on gut health to improve bird immunity and farm hygiene as a part of a broader disease management approach. This includes probiotics, disinfectant solutions aimed at supporting better post-vaccination outcomes and disease control at the farm level.

Along with this, we continue to invest our efforts in R&D and portfolio enhancement initiatives across vaccines and health products in line with evolving field requirements and market opportunities.

Coming on to the Animal Healthcare division. The Animal Healthcare division continued to face delays in the tender-led immunization programs in the year. However, it is important for me to reiterate that these were simply timing-related challenges and no issues in the demand. During Q4, execution under

the National PPR immunization program did improve, and we have supplied 6.3 crore doses in Q4 for PPR.

The overall Animal Healthcare performance for FY26, however, continued to reflect the impact of delayed tender program execution during the earlier part of the year. The Petcare segment continues to scale gradually across selected therapeutic and supplement products and remains a long-term strategic focus area for us.

Coming on to the international operations. During the year, Hester continued to participate in the GALVmed-led VITAL 2 program, which stands for Veterinary Innovations transforming animal health and livelihoods focused on vaccine awareness, adoption and livestock health improvement initiatives across the continent of Africa.

Our Africa strategy continues to evolve towards a more structured and selective execution with stronger focus on registration, market development as well as R&D. We expanded registrations across the key African markets during the year and strengthened our on-ground presence through our country-level teams.

Animal Healthcare continues to remain an important area of focus across the African continent, given its direct linkage to food security and livelihood. While parts of the region witnessed temporary political and election-related disturbances during the year, our long-term engagement across the continent remains active.

The PPR eradication program in Africa continue to remain our long-term initiatives. While demand visibility remains strong, execution time lines continue to depend on country-level rollout schedules. During the year, we also undertook a partial divestment of our stake in Texas Lifesciences as a part of our -- of a broader capital allocation and strategic focus exercise.

The exceptional item referred to earlier was related to this particular transaction. Going forward, our priority remains centered on strengthening and scaling our core biologicals and vaccine business, where we believe long-term opportunities and synergies are significantly stronger.

With respect to Nepal operations, we continue to closely monitor the business environment and remain focused on strengthening operational stability and

long-term sustainability. Coming on to capacity expansion and manufacturing plant in India.

During the year, we capitalized our Fill-Finish as well as BSL-3 facilities, as a part of our broader manufacturing and infrastructure expansion initiative. The Fill-Finish facility significantly enhances our drug product capacity and provides flexibility for future scale-up across domestic and export markets.

With respect to BSL-3, we are also undertaking optimization initiatives aligned with our current operational and scale-up requirements with focus on improving utilization efficiency and operating cost over the long-term. As we move into financial year '27, our focus remains centered on disciplined growth, operational efficiency and strengthening long-term business resilience.

Our strategic priorities remain clear: strengthening biologicals portfolio across poultry and health care, which is our strength, expanding market penetration across domestic and export markets, improving product mix and capacity utilization, continuing focus on operational discipline and working capital management, expanding scientific engagement and field execution capabilities.

At the same time, we remain mindful of external risks, including the volatility in tender business timing and increasing raw material costs linked to the global geopolitical developments and supply chain disruptions happening currently. While these may create periodic cost pressures, we continue to focus on operational efficiency and calibrate price actions wherever required.

Overall, FY26 has been an important year of strengthening the foundation of the business. While several of the initiatives that we are working on are long cycle in nature, we believe the operational groundwork capacity expansion and strategic direction established over the past few quarters position Hester more strongly for the years ahead. Thank you once again for your continued trust and support, and we now look forward to taking questions.

Moderator: We will take the first question from the line of Ankit Kanodia from Zen Nivesh.

Ankit Kanodia: Congratulations on a good set of numbers. My first question is related to our African business. So I recently read a news article, which talks about Tanzania launches major livestock vaccination drive to protect rural livelihoods.

And it talks about the 5-year drive, which aims to curb zoonotic and transboundary diseases, including anthrax, FMD and Rift Valley fever. I think it would be great if you could throw more light in terms of how big that opportunity is for us? And how is the competition space in Africa, while we prepare for this opportunity? That is my first question.

Rajiv Gandhi: Yes. This is Rajiv Gandhi here. One is that Hester Africa is already participating in the vaccine requirement for Tanzania, where our plant is incidentally. We are in touch with the government department regarding the vaccines, which we are already producing. We are aware of their need for some of the vaccines, which we may - which would be in our pipeline. Some may not be in the pipeline. But yes, we are in touch with the government, and we are working towards it.

Development and commercialization of vaccines does take a little time. Therefore, at the moment, we have already launched the focus vaccines, have already started supplying to the government those vaccines and all the names that you have mentioned, we are in discussions with them. And FMD is something which at the moment, we are yet discussing, but we have - at the moment, our priority is all other vaccines.

Ankit Kanodia: Right, sir. Sir, any - you didn't touch upon the competition. Are there other players who are also competing with us for all this, which you have just highlighted?

Rajiv Gandhi: Three or four private animal vaccine producers in the continent of Africa, and we are one of them. Most of the governments do have their small state-owned vaccine manufacturing units. Most of the vaccines are imported at the moment.

Ankit Kanodia: That was very helpful, sir. My second question is related to - I hope I'm audible?

Moderator: Yes, you're audible.

Ankit Kanodia: Okay. So sir, my second question is probably it's a very naive question. Whatever vaccines we sell in Africa, do we sell in USD or do we sell in the local currency over there?

Rajiv Gandhi: USD.

Ankit Kanodia: Even to marginal farmers or farmer groups and all there?

- Rajiv Gandhi:** Invoicing to the other countries in U.S. dollars and for the local, it is a local currency.
- Ankit Kanodia:** For local, it will be local currency? Okay.
- Rajiv Gandhi:** Yes.
- Ankit Kanodia:** And what would be the breakup between local and other country?
- Rajiv Gandhi:** I think we are getting too deep into these questions, breakup and etc. We are serving the continent. We have distributors in different countries. We are supplying to many countries besides Tanzania.
- Moderator:** We will take the next question from the line of Madhur Rathi from Counter Cyclical Investments.
- Madhur Rathi:** Sir, firstly, many congratulations for the great numbers and all-time high dividend also. Sir, and it's very heartening to see that we have, I guess, done the highest ever poultry quarterly revenue and the EBITDA margin also in at least this segment seems to have reached our previous levels.
- Sir, so now only concern is that whether this is a one-off considering high broiler prices in the fourth quarter? Or sir, you see this trend continuing of INR 65 crores quarterly revenue in the poultry segment with like 30s margins?
- Priya Gandhi:** I mean it is our endeavor to continue. And as mentioned, I think this year has been very - we've been very focused on our bottom line. So, yes, product mix and division-wise, poultry has contributed in the bottom line. But there are many other factors which we would like to retain. And we hope to continue this trend.
- Yes, there are many external forces, which, I mean, it will be very hard for us to really particularly name or really sort of predict anything, but the point is that this is a base, and we want to sustain this.
- Madhur Rathi:** Also, we have some write-offs of around INR 6.5 crores on account of bad debts, etcetera. So I mean and last year also, we had INR 2.4 crores. So I mean, it's a significant amount. So any comments on that?
- Priya Gandhi:** Yes, I request our CFO to answer.

- Ashish Desai:** See, this is Ashish. Now one is mainly there is again the provision of debtors as required, and there are a few old debts, which were non-recovered, which are identified and written off. So it comprises of that.
- Madhur Rathi:** Understood. So going forward, can we expect this to reduce?
- Ashish Desai:** It is, yes, definitely. It may not be so alarming figure. But of course, it depends. But yes, we - our focus will be there to reduce.
- Madhur Rathi:** Sir, and also the balance sheet has delevered to quite a good extent despite the commissioning of the new facility. So firstly, that facility that has been commissioned in the last quarter. So have we been able to ramp up the utilization of that? And also our receivables of INR 92 crores on revenue of less than INR 300 crores seems to be quite high. So any plans to reduce the working capital?
- Priya Gandhi:** Can you please repeat the question?
- Madhur Rathi:** Madam, our receivable seems to be quite high. And secondly, the new recently commissioned, I guess, BS-4 facility or something like that, which we got into during COVID, that has been commissioned. So have we started ramping it up? Or is it still not being used?
- Ashish Desai:** On the receivable front, see, we are working on this. However, in the last quarter - Q, the sales was about more than 33% only in the last Q4. So the number has relatively jumped from the earlier Q - the quarter number. And we are working on that to reduce the receivables overall, the number of days.
- Madhur Rathi:** And also, what is the intangible asset under development of INR 9.3 crores?
- Priya Gandhi:** Yes, Mr. Ashish will look that up. And with respect to the BSL-3 infrastructure, as mentioned earlier in my talk, we are undertaking certain optimization initiatives. They have to be in alignment with our current operational needs and our current scale-up requirements. But yes, we are mindful of wanting to fully utilize it, and we are in process of doing that.
- Madhur Rathi:** And also what's the net debt as of 31st March?
- Priya Gandhi:** We are just referring to numbers. Just give us a minute.
- Madhur Rathi:** Meanwhile, madam - hello?
- Moderator:** Yes, you may proceed.

Madhur Rathi: Yes. So madam, our Animal Health revenue fell year-on-year by 30%. Of course, it is based on tenders. So madam, going forward, what's the outlook for FY27 on the Animal Healthcare side? And also, if you could give us an overview about our subsidiaries, whether are they expected to breakeven in FY27?

Priya Gandhi: Okay. Speaking of the Animal Healthcare division, yes, your concern is valid, and I had mentioned it in the previous quarters that the tender-related delays that were happening, the planning that we also had from the tender rollouts to happen from Q1, Q2, Q3, Q4 sort of didn't really go through.

And there are many various reasons for it, reasons which are not even in our control. However, having said that, from Q4, it did start to pick up. And these things sometimes they're not in our hands. And speaking of the nontender business also, we are focusing on more market penetration and improving our presence in the market. So yes, this year has been a little bit -- hasn't gone as per plan with Animal Health, but we are going to recover it from this quarter onwards.

Madhur Rathi: Madam, my last question is that now we have an increasing base of pets in the country. So and I understand they are being vaccinated. So what is our share in the pet vaccinations?

Priya Gandhi: At the moment, none because we don't really have any commercialized vaccines in the Pet division at the moment.

Moderator: We have the next follow-up question from the line of Ankit Kanodia from Zen Nivesh.

Ankit Kanodia: Sir and Madam, I think what I can see over the long-term, the debt has consistently reduced over the last 2, 3 years and as we are positioned in terms of our capacity, which is quite decent compared to what kind of ramp-up we are expecting in the next 2, 3 years.

So is it fair to assume that we will experience some operating leverage going forward if the demand continues in the similar fashion because we have done a lot of - we have taken a lot of cost optimization exercise also in the last year, and our debt has also come down. And assuming that we don't need any fresh debt because we don't need any further capacity expansion. So is it fair to assume? Or am I wrong in saying this?

Priya Gandhi: I think - I mean, yes, we have installed a lot of capacity and invested quite a bit. We also have to keep in mind that there are advancing and changing - evolving regulatory requirements that keep coming year-on-year and also new technologies that keep coming, which we want to adopt.

So keeping those things in mind, there cannot be a definitive answer whether we will be allocating any more capital or this is it. But for the moment, yes, we have installed quite a bit of capex, and we aim to optimize the utilization.

Ankit Kanodia: Yes. Ma'am, can you just throw a little more light on what kind of regulatory thing which you are talking about? How does it impact our capex? If you can give some hypothetical example?

Rajiv Gandhi: There cannot - there is no hypothetical example. Regulatory processes are time and again evolved from the drug department and one has to comply. And it is an evolving process all over the world. So it is difficult to hypothesize and tell what could come from the drug department. So as there is progress in economies, everybody tries to aim for perfection.

So more and more stringent rules come up, more -- and the word stringent is because we have to change. Otherwise, probably it is the path forward. So it's even a welcome step. But yes, changes keep on coming, and one cannot exactly foresee what will be the investment required to overcome that.

Moderator: We will take the next question from the line of Darshil Jain from ICICI Securities.

Darshil Jain: Sir, so our revenue mix for FY26 was 70-30 in the favor of Poultry Healthcare. And now that Animal Healthcare - hello, am I audible?

Moderator: Yes, you're audible.

Darshil Jain: Yes. And now that we expect a pickup in Animal Healthcare business going forward. So what can we assume as a steady-state revenue mix among the 2 segments?

Priya Gandhi: There has been a time, I think, 2 years ago where both were almost 50%, 50%, and that is what we are aiming at where we are not hyper-dependent on any one division. Yes - but there are many other external factors that also play in.

Speaking of last year, yes, the ratio is sort of skewed a little bit more towards poultry. But moving forward, even if we talk about our R&D pipeline, etcetera, we have more focus on the Animal Health division and biologicals in Animal Health. So in the coming times, we do see that division also picking up as well.

Darshil Jain: Okay. And just one question regarding net debt. So at what number of - at what ratio of net debt to equity would be comfortable at going forward?

Ashish Desai: Currently, sir, the debt is around INR70 crores, right? It's reduced from INR102 crores, okay? So I think this is - the debt to equity is currently 0.19 times from what it has reduced. So I think this is quite comfortable for us at this level.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference back to the management for the closing comments. Thank you.

Priya Gandhi: So yes, so thank you, everyone, for joining and hearing us out. I hope that we have answered your questions. If there are any other questions, we would be happy to take it offline. As mentioned, the last year, we were working very hard on strengthening the foundation of our business, and that pretty much has sort of reflected in terms of how the bottom line performance is showing.

And yes, as mentioned earlier, quite a few of the initiatives that we embarked on are a little bit long-term and long cycle in nature. And I'm pretty confident that it will show us even better results in the times to come. And just thankful for all the support and trust from everyone. That's it. Thank you all.

Moderator: Thank you, members of the management. On behalf of ICICI Securities, we conclude this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.

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