

Hester Biosciences Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs1321	Rs565	Rs1750	32%	BUY	Rs11.2

About the Company:

Hester Biosciences Ltd (HBL) is involved in manufacturing and marketing animal vaccines and animal health products which cater to poultry as well as large animals' health and vaccines. HBL is the only listed company in India which is exclusively involved in animal health. The company's R&D center is recognized by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India.

Results Declared:

- The net sales clocked growth of 33.9% to Rs383mn as against Rs286mn in the same quarter last year. The growth is attributed to the commissioning of the expanded capacity and shifting the focus on high value products.
- The Ebitda margins grew to 38.6% from 37.7% in June 2017
- The net profit grew by 56.8% to Rs97mn as compared to Rs62mn in the comparative quarter
- The EPS is Rs11.2 for the quarter.
- The Board of Directors have declared 1st Interim Dividend of INR 2 per equity share (20%) for the financial year 2018-19.

Other highlights:

- The main drivers for the improvement in margins and profits are reduction in the costs of goods sold, better inventory management, rationalising the product mix and better credit control.
- During the quarter the Company has made equity investment to the extent of Rs6.86mn in its Wholly-owned Subsidiary Company namely Hester Biosciences Kenya Limited.
- Nepal plant has started generating revenues leading to a positive EBITDA level.
- Hester Nepal received manufacturing and marketing authorisations for 4 additional animal vaccines
- The animal vaccine manufacturing project in Tanzania has been finalised. The first commercial batch is slated to be released in 2020 end. This plant would be the first of its kind in Africa to address many prevailing diseases in the continent. The plant is designed to generate a top-line of USD30mn at full capacity.

Financials (Standalone):

Result Update (Q1FY19)								
Q1FY19 Result (Rs mn)	June-18	June-17	y-o-y	Mar-17	q-o-q	FY18	FY17	y-o-y
Total Income	383	286	33.9%	375	2.0%	1353	1256	7.7%
EBITDA	148	108	37.1%	112	31.8%	496	411	20.7%
Other Income	8	6	40.0%	3	158.0%	19	7	158.5%
Interest	5	6	(13.5%)	6	(11.2%)	23	32	(27.8%)
Depreciation	16	14	15.4%	14	11.1%	55	55	(1.1%)
Tax	37	31	18.3%	4	830.0%	131	81	61.4%
Net Profit	97	62	56.8%	91	6.8%	306	249	22.5%

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under reference. The long awaited Nepal plant has started generating revenues which should gradually reflect in the growth numbers of the company. Overall, Hester has always tested patience of the investor while adding new horizons to the existing businesses. Keeping the intended expansion and capex in mind, we would like to reduce our target price to Rs1750 over a 12 months horizon.

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