Operator: Good day and welcome to Hester Biosciences Q1 FY27 earnings conference call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in a listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is recorded. From the management side, we have with us today Mr. Rajiv Gandhi, CEO and Managing Director; Ms. Priya Gandhi, Executive Director; and Mr. Ashish Desai, CFO. I now hand the conference over to Ms. Priya Gandhi. Thank you and over to you, ma'am.

Management: Thank you. Good afternoon, everyone. This is Priya Gandhi. Thank you for joining us today to discuss our Q1 FY27 results. As always, we sincerely appreciate your continued engagement and long-term support. At our annual general meeting earlier this month, we spoke about the theme of this year's report, which is "Building with Intent, Growing with Science." We shared how our focus over the past year has been on strengthening Hester's scientific capabilities, manufacturing platform, operational discipline, and long-term competitiveness. The first quarter of FY27 gives us some encouraging evidence that these efforts are beginning to translate into stronger operating performance.

As our detailed financial results have already been published in the press note, I will focus my remarks today on the key highlights and developments during the quarter rather than reiterating all the financial numbers. On a standalone basis, our revenue from operations grew by 14% and the PAT increased by 88% over the corresponding quarter of the previous year. Gross margins improved from 69% to 78%, which was mainly supported by a favorable product mix and our continued efforts on operational efficiency. EBITDA grew by 95%, reflecting stronger operating performance and disciplined execution across the business.

At a consolidated level, our revenue from operations has declined by 8%, primarily due to lower revenues from Nepal and Africa operations. Consolidated profitability during the quarter includes an exceptional accounting gain arising from the amendment of the soft loan extended to Hester Africa by the Gates Foundation. During the quarter, the outstanding loan was reduced from USD 12 million to USD 5 million. The accrued interest was waived and the revised loan was made interest-free. This reflects the Foundation's recognition of the geopolitical and operating challenges in the region and its continued support for Hester Africa's long-term mission and development.

Coming to our division-wise performance, the poultry healthcare division delivered an excellent quarter recording 48% growth over the corresponding quarter of the previous year. The growth was supported by higher institutional business, deeper market penetration, and continued strengthening of customer engagement across key markets. We are also encouraged by the early traction witnessed in the poultry health product portfolio introduced during the previous financial year, including feed supplements and disinfectant solutions. These products complement our vaccine business by strengthening bird immunity, improving farm hygiene, and supporting better disease prevention outcomes.

As we discussed during the previous call, our approach to avian influenza extends beyond vaccination alone. We have developed a more holistic offering that combines vaccines with

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biosecurity, farm hygiene, gut health products, and scientific advisory. Our objective is to provide poultry farmers with integrated health solutions that improve farm productivity and disease management rather than viewing disease prevention through a single product approach. Alongside this, we continue to strengthen our poultry portfolio through scientific engagement, customer education, and responsible commercialization of our products.

Coming to the animal healthcare division, it continued to be impacted by the timing of government-led immunization programs, particularly under the PPR eradication and the lumpy skin disease control initiative, for which we supply our Goat Pox vaccine. As we have consistently maintained, this remains a timing-related issue rather than a reflection of any underlying demand issue. Preventive animal healthcare continues to offer a significant long-term opportunity and we remain committed to strengthening our portfolio while building a more balanced business across institutional, commercial, and export markets.

Regarding research and development, innovation continues to remain central to our long-term strategy. During the quarter, we submitted regulatory dossiers in the animal health segment, reflecting our continued investment in expanding our biological pipeline and creating future growth opportunities. Scientific innovation is inherently a long-term process requiring sustained investment, regulatory discipline, and patience. We remain committed to strengthening our research capabilities and building a differentiated portfolio across poultry and animal healthcare.

Internationally, we continue to strengthen our long-term presence. While Nepal and Africa have reported lower revenues during the quarter, our strategic direction remains unchanged. We continue to focus on registrations, market development, and strengthening our commercial presence across international markets. We remain confident that the investments being made today will support sustainable long-term growth.

Looking ahead, as we move through FY27, our priorities remain unchanged. We will continue strengthening our biological portfolio, expanding market penetration across domestic and export markets, advancing our research and development pipeline, improving utilization of our manufacturing infrastructure, and maintaining our focus on operational excellence and disciplined execution. Many of these initiatives require time before they are reflected in financial performance. Product development, regulatory approvals, registrations, and market development are inherently long-term in nature. However, we remain confident that the investments made over the past several quarters and years have positioned Hester on a much stronger footing for sustainable long-term growth. Thank you once again for your continued trust and support, and we look forward to taking your questions.

Operator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankit Kanodia from Ben Nivesh Advisers Private Limited. Please go ahead.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: Thank you so much for taking my question and congratulations on a good set of numbers. My first question is related to the recent meeting of the ministry regarding high pathogenic avian influenza. They decided something related to the importing of vaccines which will be used for testing. Can you throw more light on how this will create opportunities for us and how we are involved?

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Management: At this point, it is premature to comment on this. The first step is for the government to determine a specific regulatory pathway for such a vaccine, whether it has to be imported or manufactured within the country. Until there is clarity on that front, it would not be appropriate to comment. Any such development will depend on the government's policy, regulatory framework, and the disease situation. We are monitoring developments, but we cannot speculate at this point.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: Sure. There was a recent news article related to compensation not being paid to a farmer association regarding culling operations for the H5N1 outbreak. Is there any clarity or color on that?

Management: Those answers would not be within our purview because that is between the insurance company, the government, and the farmers. We would not be able to comment on that.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: I understand, but how do you see this delay impacting the industry in general?

Management: I do not think that is impacting the industry at this point. While birds would have been culled or died, there is no major impact. These discussions have not even come up in our manufacturers' meetings or association meetings.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: Got it. Over the last year, we have done a lot to streamline operations and improve the product mix, which is reflecting in the income statement and balance sheet. How do you see the demand scenario and the African operations over the next 4 to 8 quarters?

Management: The demand and our strategy in Africa are separate from the operational discipline we undertake. We want to maintain this momentum regardless. With respect to Africa, we believe the future is good and opportunities are there. We are working toward our long-term strategy in the region.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: But there would be volatility, as mentioned in previous calls. It would not be a steady-state growth in Africa. Is that fair to assume?

Management: Today the world is volatile. We have our heads above the water. It is too precise for us to answer how much volatility there will be. We will take it as it comes. There is demand, and we will meet it. Sometimes demand involves both ability and willingness. Willingness is there, but ability may be affected by geopolitical reasons. We will take it forward.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: That was helpful. Thank you so much and all the best.

Operator: Thank you. The next question is from the line of Dhruv Bajaj from Growth Sphere Ventures. Please go ahead.

Dhruv Bajaj – Growth Sphere Ventures: Congratulations on a great set of numbers. Regarding the poultry division, this was supposed to be a mature business for us as market leaders, but this division is growing at a very fast pace over the past 2 or 3 quarters compared to the historical track record. Is this due to cyclical recovery or structural changes, like new marketing approvals?

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Management: We are overall in veterinary biologicals and health products for poultry and large animals. It is our endeavor that both divisions grow hand-in-hand. Sometimes market dynamics force business into one division. Government vaccine tender business was delayed, so animal health vaccine sales could not happen as planned, but they will come up in the next quarter. While in poultry, we took the opportunities available and pushed sales. When we make more sales in one division, we do not worry about the other being less; we keep growing the overall business.

Dhruv Bajaj – Growth Sphere Ventures: Poultry is a higher margin business for us, so it is good to see it scaling. Regarding the global markets like Nepal and Africa, we have faced challenges scaling the Africa division except for one profitable quarter. Is this a natural gestation period or are there troubles on the tendering front?

Management: It is a combination. It is a new territory and a continent where economies are struggling financially and politically. We are trying to create demand. I would call it a formative period rather than a gestation period. We are seeing positive results and believe it will take off.

Dhruv Bajaj – Growth Sphere Ventures: Any directional guidance on that front?

Management: We do not want to get into directional guidance. We are working quarter-to-quarter to build the top line and bottom line. It is happening gradually and will stabilize in some time.

Dhruv Bajaj – Growth Sphere Ventures: We had repurposed human vaccine BSL3 facilities for fill-finish capacity a few quarters back. What is the current utilization and the plan to ramp that up?

Management: It is difficult to give a specific percentage. It is a BSL3 facility, which is a regulatory requirement for many organizations. We are glad we built it. Given our product pipeline and efforts toward operational excellence, we will be utilizing it for our veterinary products. We are working toward optimum utility of our manufacturing facility.

Dhruv Bajaj – Growth Sphere Ventures: Thank you so much.

Operator: Thank you. The next question is from the line of Manish Jain from Gurumal 1 LLP. Please go ahead.

Manish Jain – Gurumal 1 LLP: Congratulations on the numbers and the platform you are creating. What has been the initial market feedback for your low pathogenic avian influenza vaccine approved in March?

Management: The market response has been very good. We are selling the vaccine, and it has contributed toward the jump we have seen in the poultry division.

Manish Jain – Gurumal 1 LLP: In your pet care business, when do you expect to launch vaccines?

Management: We are gradually expanding the portfolio, but it is premature to give a timeline for vaccines. Regulatory timelines and demands are very stringent. We are working toward it and progressing well. I would like to add that while there are opportunities to import and sell, we are clear about producing in India. This takes longer, but we do not want to be dependent on imports. We want to sell from India to the world.

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Manish Jain – Gurumal 1 LLP: What is the consolidated debt as of June 30?

Management: The consolidated debt as of June 30 is 103 crores.

Manish Jain – Gurumal 1 LLP: Until what year is the Africa entity entitled to tax-free status on profits?

Management: It is until 2030.

Manish Jain – Gurumal 1 LLP: Perfect. I will join back in the queue.

Operator: Thank you. The next question is from the line of Tanish Chopra from Invest Shopee Private Limited. Please go ahead.

Tanish Chopra – Invest Shopee Private Limited: Congratulations on the numbers. You depend on government tenders, which makes for an unpredictable scenario. How do you overcome this?

Management: We will continue to deal with the government because we are proud to produce vaccines that immunize cattle and improve milk yield. Tender business can involve urgency or delays. If you look at a broader period of 1 to 3 years, the variation is there, but overall it is a steady business. We are also working toward creating direct demand from dairy farms and larger institutes so they depend less on free government vaccines. Also, you can be rest assured that we do not go a single year without winning tenders. If it is not one product, it is another.

Our core focus is biologicals and preventive healthcare. The importance of this is unquestionable. Our R&D pipeline focuses on biologicals that will be needed by the government for tenders. While there is a timing issue, we are aware of the risks and our focus remains on strengthening the biologicals and animal health divisions.

Tanish Chopra – Invest Shopee Private Limited: I see in your reports that reported profit is not supported by operating cash flow. Can you explain the weak cash conversion?

Management: There is a positive cash flow generated from operating activities. Perhaps the cash flow format you are looking at is different, but there is positive cash flow in the organization.

Tanish Chopra – Invest Shopee Private Limited: I saw that you have weak cash conversion.

Management: We have improved on conversion. Receivables are a bit high, sometimes due to seasonal issues, but we do not see this as a red flag or a concern. It is proceeding normally.

Tanish Chopra – Invest Shopee Private Limited: Okay, thank you.

Operator: Thank you. The next question is a follow-up from Ankit Kanodia from Ben Nivesh Advisers Private Limited. Please go ahead.

Ankit Kanodia – Ben Nivesh Advisers Private Limited: Roughly how much is the capacity today and how much is being utilized?

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Management: Our current capacity utilization at the plant is around 60-65%. These terms are subjective because we produce various vaccines in different dose formats—1,000 doses, 2,000 doses, or single doses for pets. On average, it is around 65% utilization.

Ankit Kanodia - Ben Nivesh Advisers Private Limited: Thank you.

Operator: Thank you. The next question is from the line of Madhur Rathi from Countercyclical Investments. Please go ahead.

Madhur Rathi - Countercyclical Investments: What caused the jump in poultry revenue from the 45-48 crore level to over 60 crores? Is it due to higher chick placement or new products?

Management: It is everything combined. Placement is good, and our market penetration has been more aggressive. This is not attributed to price increases as our vaccine prices have not gone up significantly. It is about gaining a bigger market share. We have focused on deeper market penetration, scientific engagement, and expansion of our healthcare product portfolio.

Madhur Rathi - Countercyclical Investments: Can we leverage our existing network to cross-sell supplements or other products?

Management: It is already being done. We have animal health products, feed supplements, and medicines that utilize the same network.

Operator: Thank you. The next question is from the line of Gunjan Singh from Countercyclical PMS. Please proceed.

Gunjan Singh - Countercyclical PMS: You mentioned capacity utilization is 60%. Does that include the new fill-finish and BSL3 facilities where fixed assets went up by 200 crores in FY26?

Management: Yes, it comprises the entire manufacturing setup, including the new capacity.

Gunjan Singh - Countercyclical PMS: Is the manufacturing fungible between poultry and large animal vaccines?

Management: Yes, it is.

Gunjan Singh - Countercyclical PMS: With the new fill-finish and BSL3 facilities, are they similar to existing facilities or do they bring new capabilities? What kind of products are being developed there?

Management: The fill-finish is different as it is a facility to manufacture the finished product. The BSL3 is also different in terms of the biosafety level. It would not be appropriate to detail products under development at this stage. As launches happen, we will announce them.

Gunjan Singh - Countercyclical PMS: Regarding foreign operations in Nepal and Africa, what is the current demand and when do you expect them to be profitable?

Management: Africa is extremely positive in terms of healthcare opportunities. The Nepal plant is somewhat dependent on the global PPR eradication program. PPR is a very important disease

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globally. Since India does not currently recognize the specific strain used in the global program, we utilize our plants outside India to cater to that international demand. The opportunities are huge.

Gunjan Singh – Countercyclical PMS: For the pet care division, what are the current revenues and model?

Management: That division is currently emerging. We do not report it separately yet as it is part of our animal health business. Once it reaches a meaningful scale, we will report it separately. We have products in antibiotics, anti-parasites, and grooming, which are doing well under our brand name. It is currently a small portion, but we are making investments.

Gunjan Singh – Countercyclical PMS: What is the distribution network plan for pet care?

Management: As mentioned, it shares the distribution network of our animal health division. Hester enjoys strong credibility as a veterinary healthcare company, and we have built the network with the help of our existing divisions.

Operator: Thank you. The next question is from the line of Samarth from Janak Merchant Securities. Please go ahead.

Samarth – Janak Merchant Securities: What is the update on the recombinant Brucella vaccine? Also, do we have plans for selling poultry vaccines in Nepal and Africa?

Management: The Brucella recombinant vaccine development is progressing on timeline. We will share information as it reaches the public domain readiness. In Africa and Nepal, we are already supplying poultry vaccines. We manufacture poultry vaccines across all three facilities—India, Nepal, and Africa—and the poultry market is significant in these regions.

Samarth – Janak Merchant Securities: Is it from the Nepal entity or India?

Management: Exports from India are part of our poultry top line in India. The consolidated revenue shows the total between India, Nepal, and Africa.

Operator: Thank you. The next question is from the line of Madhur Rathi from Countercyclical Investments. Please proceed.

Madhur Rathi – Countercyclical Investments: Regarding the cross-selling of feed supplements, what percentage of the network is currently penetrated?

Management: We cannot provide a specific breakup. Our philosophy is to position vaccination as a holistic intervention combined with biosecurity, hygiene, and health products. There is no different network; the same network that sells vaccines sells health products.

Madhur Rathi – Countercyclical Investments: For the animal vaccine division, besides waiting for outbreaks, what are we doing to increase geographical presence in semi-regulated or emerging markets?

Management: Vaccine demand is not just about rushing during an outbreak; it is a preventive solution. Just like human health, there is a specific immunization schedule. The government is

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serious about these programs, although execution can face administrative delays. It is well-planned and scheduled rather than being purely reactive to outbreaks.

Operator: Thank you. As there are no further questions, I hand the conference over to management for closing comments.

Management: Thank you all once again for your continued trust, thoughtful questions, and interest in Hester Biosciences. We value the engagement we have with our shareholders and the investment community. We look forward to updating you on our progress in the coming quarters. Thank you.

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

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