



# Smart Stock

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**20 Feb 2020**

## ***Hester Biosciences Ltd.***

*This report has been solely prepared with an intention to educate investors about the parameters / events / ratios to be considered before taking action in any stock. This report should not be construed as a call to Buy / Sell or any kind of action. Kindly perform due research and study and even consultation with your advisor.*

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# Smart Stock

## Price related information

Company	Hester Biosciences Ltd.
Current Price (Rs)	1520
Perceived Risk	Medium
Holding Period (months)	Till the story remains good
Recommended Portfolio weightage	2%
Market Capitalisation (Rs crores)	1318

## Stock related information

NSE Symbol	HESTERBIO
BSE Ticker	524669
Face Value (Rs)	10
Book Value (Rs)	223.89
Sector	Pharmaceuticals
BSE Group	“B”
Liquidity	Average
BSE Index constituent	S&P BSE Small Cap

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## Hester Biosciences Ltd.

- ✓ Hester Biosciences Limited is a WHO-GMP & GLP certified company, manufacturing animal vaccines, health products and diagnostic kits, located near Ahmedabad, Gujarat.
- ✓ It is the country's second largest poultry vaccine manufacturer.
- ✓ The Company provides medicinal and health product needs of poultry, sheep, goats, cattle and pigs.
- ✓ Hester has four business divisions; poultry vaccine, poultry health products, large animal vaccines and large animal health products.
- ✓ Product portfolio includes vaccines (about 50% share to Sales), medicines, feed supplements and disinfectants.
- ✓ Hester has set up a second plant in Kathmandu, Nepal.
- ✓ The company exports products to 17 countries with major contribution coming from Africa.

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### Financial Highlights (standalone)

	03/'16	03/'17	03/'18	03/'19	12/'18*	12/'19*
Total Income	100.89	123.22	135.25	171.19	41.56	43.39
Other Income	1.19	0.73	1.88	3.10	0.56	1.46
Interest	-3.69	-3.21	-2.32	-3.54	-0.94	-1.41
Depreciation	-5.73	-5.51	-5.45	-7.57	-1.52	-2.45
Tax	-5.63	-8.10	-13.15	-15.90	-4.62	-2.88
Net Profit	19.22	24.84	30.56	43.85	11.86	7.73
Equity	8.51	8.51	8.51	8.51	8.51	8.51
EPS	22.59	29.19	35.91	51.53	13.94	9.08
CEPS	29.32	35.66	42.31	60.42	15.72	11.96
OPM%	33.96	31.20	36.35	39.32	43.3	30.1
NPM%	19.05	20.16	22.59	25.62	28.54	17.81
Dividend%	41%	53%	100%	110%	--	--

\* - 3 months

All EPS and CEPS calculated on current Face Value

Rs in Crores

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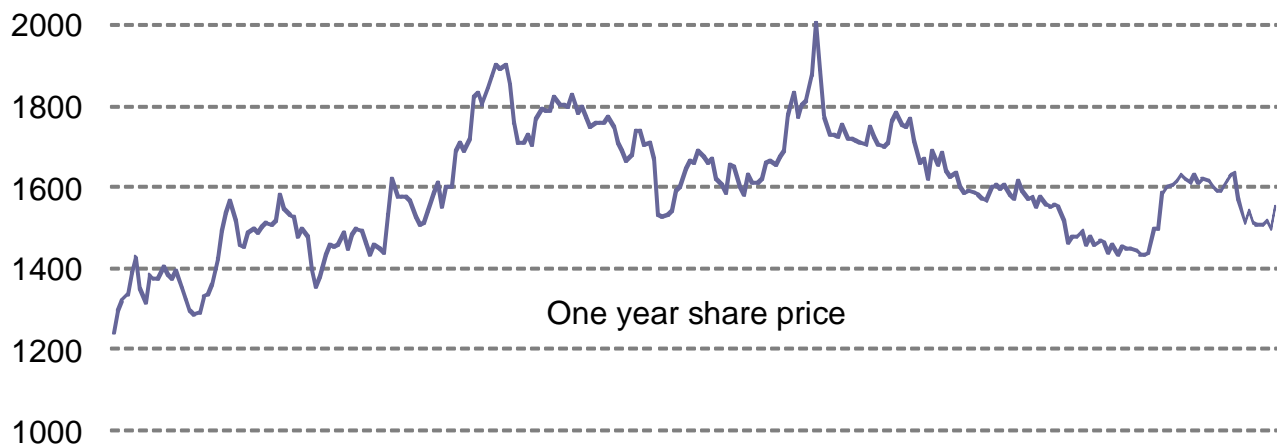
## Year-wise Best past recommendations in our various products

Stock	Advice Date	Advise Price	Current Price	% change
Lupin Ltd.	12-01-1997	2	709	35350%
Shree Cement	01-05-1998	21	24552	116814%
Havells India Ltd.	03-01-1999	1.13	619	54679%
Whirlpool Of India Ltd.	29-12-2000	23	2253	9696%
Thermax Ltd.	10-05-2001	3	986	32767%
Kansai Nerolac Paints	04-05-2002	4	500	12400%
Schaeffler India Ltd.	21-02-2003	56	4593	8102%
Honeywell Automation	23-07-2004	344	34896	10044%
Axis Bank Ltd.	25-11-2005	48	741	1444%
Honeywell Automation	23-06-2006	1193	34896	2825%
VenkyS (India) Ltd.	05-11-2007	77	1412	1734%
Elgi Equipments	14-03-2008	24	226	842%
Gabriel India Ltd.	27-03-2009	3	103	3333%
Sudarshan Chemical Ind.	26-02-2010	37	461	1146%
Avanti Feeds Ltd.	18-11-2011	22	520	2264%
Page Industries Ltd.	25-02-2011	1517	22930	1412%
Bajaj Finance Ltd.	27-05-2011	62	4877	7766%
KRBL Ltd.	06-04-2012	18	305	1594%
Bajaj Finance Ltd.	17-10-2012	122	4877	3898%
Caplin Point Laboratories	03-06-2013	14	352	2414%
Control Print Ltd.	26-02-2014	40	277	593%
Bajaj Finance Ltd.	21-01-2015	389	4877	1154%
Deepak Nitrite Ltd.	16-03-2016	63	483	667%
Aarti Industries	21-06-2017	475	997	110%
Ion Exchange	19-09-2018	408	903	121%
GMM Pfaudler	06-11-2018	1080	3350	210%
GMM Pfaudler	13-11-2019	1490	3350	125%
Canfin Homes	08-01-2020	388	510	31%

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## Hester Biosciences Ltd.



*(Continued from page 3)*

- ✓ There is hardly any debt in its books.
- ✓ During last three years Sales has jumped by 71% without any dilution in Equity. Debt has declined considerably. Thus it is able to generate enough earnings so as to finance its expansion plans and also repay debt obligations.
- ✓ Recently it has signed up an agreement with NOVAPHARMA for Technical Collaboration & Licensing to provide technology and support to set up an animal vaccines manufacturing facility in Egypt.
- ✓ As for the future,
  - It plans to develop new generation vaccines,
  - increase the product range,
  - Creation of an International marketing & distribution network with a focus on Africa, and
  - looking for a distribution / manufacturing joint ventures.
- ✓ With Reserves at 21 times Equity, stock is ripe for another bonus, last bonus was declared in Dec 2012 in 1:2 ratio.
- ✓ Dividend payouts are pretty good.
- ✓ Even stock split is a possibility.

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### Key Inputs from the earnings conference call held on 7 Feb 2020

...in January as well as towards in February, we see a remarkable difference in the sales on the positive side as far as the poultry industry is concerned.

Coming to the domestic sales versus exports, while the domestic sales have definitely been lower, the exports have shown reasonable amount of improvement, in fact on a quarter-to-quarter comparison, it has grown to around 2.5-3 times while on a 9-month comparison, it is showing a 66% growth. ....

...though the sales have been less in the last 3 quarters, we have kept up the pace and the budget in hiring sales people, marketing team... The spurt (in sales) has not come because of the various market reasons, but the hiring has taken place. The hiring continued in Q3 and once we are out of this situation, I am sure it would show a very steep growth in terms of sales. (number of employees has jumped almost three times from last year)

Looking at things further from here, the PPR and the Brucella are the two main vaccines for which we hope to get into a good business, not only in this quarter, but now in the next coming year or in the coming few years. (Government tender values could be about Rs 60 crores for Brucella and Rs 15 crores for PPR respectively for the current year. From next year onwards the opportunity in Brucella and PPR would be about Rs 700 crores and Rs 40 crores per year respectively)

Pending CAPEX at Tanzania would be around 25 to 30 crores. At present, there is no project expansion planning going on either in India or in Nepal.

- ✓ Due to small equity and high promoter stake big investors are unable to pick any stake.
- ✓ Moreover retail investors are often averse to buying high priced shares and thus stock becomes underpriced.
- ✓ On the top of it the company has recently declared to garner a sum of Rs 150 crores by diluting equity and this has dampened the share price. Equity will rise by about 12% only.

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## Hester Biosciences Ltd.

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- ✓ During first six months of current year the profitability suffered due to steep rise in maize prices, farmers diverted their liquidity towards financing the higher cost of feed rather than spending on health products.

*“...We welcome the announcement of the Government of India in ..Union Budget to work towards elimination of Foot-and-Mouth-Disease (FMD), Brucellosis disease & PPR disease by 2025, in cattle, sheep and goat in India.*

*.....Hester Biosciences manufactures Brucellosis & PPR vaccines. We have been and would continue contributing to this initiative of the Government through our vaccines which are available across the country. ....”*

- Rajiv Gandhi, CEO & Managing Director

- ✓ Based on the first nine months performance we expect the company to deliver an EPS of about Rs 42 in the current year. Assuming achievable 35% growth in the next three years we are expecting an EPS of Rs 56 and Rs 76 and Rs 103.
- ✓ Stock was advised in -

### Smart Gains

18 May 2016 @ 615

10 Oct 2018 @ 1057

04 Jun 2019 @ 1850

01 Jan 2020 @ 1441

### Smart Multibaggers

10 Nov 2017 @1135 \*

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## *Frequently Asked Questions*

**Q. *What is the Guarantee of success of the expected returns indicated in this report ?***

A. There is no Guarantee of meeting the expected returns, it is only a probability. Returns have been calculated based on our past experience and certain expectations from the company, industry and the economy.

**Q. *Can these stocks go down ?***

A. Recommendations are based on current valuations of these stocks with respect to the market. Any adverse news about the individual company or sharp correction in stock indices can drag the individual stock prices down.

**Q. *Will these stocks be reviewed in future ?***

A. At least One review shall be made as and when required.

**Q. *What is the minimum amount, one should invest in these stocks?***

A. Limit your exposure in any single stock to maximum 5% of your total portfolio value.

**Q. *Stock advised by you is ruling up from your recommended price, can I still purchase this stock?***

A. One can buy the stock as long as it is within the 5% band of recommended price.

**Q. *If I have a query, how and whom should I contact ?***

A. All the related queries shall be addressed to [support@smartverc.com](mailto:support@smartverc.com). We shall revert back to you within 24 hours.

**Note :**

- Investors are advised not to borrow money even for the short term to invest in these stocks.

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**Disclosures** Recommendations given in this report have been researched and prepared by A K Asnani (SEBI Reg. - INH000000420). He has experience of 30 years into stock investments and author of book 'Way To Billionaire'. By qualification he is BE, MBA (Finance), ERA (ICFAI, Hyderabad) and pursuing PhD.

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