

# HESTER PHARMA

BSE CODE: 524669  
RECCOMENDATION: BUY

NSE CODE: N/A  
PRICE: Rs.75

## **INTRODUCTION**

HESTER PHARMA IS ENGAGED IN MANUFACTURING OF POULTRY VACCINE and is one of the leading poultry vaccine manufacturers in India. It has a state-of-the-art facility in Kadi at Mehsna. Hester posses the license to produce 11types of live poultry vaccine and 22 types of inactivated (killed) poultry vaccines. The Poultry Vaccine market in India is about Rs 200 cr. Around 60 Cr is catered by the imported products, while the rest by domestic manufacturing. Further, the Government of India has banned the Import of poultry products including vaccines since February 2004 (to protect the Indian Poultry industry from disease like Avian Influenza or Bird Flu disease). Thus this has opened the gates of opportunity for the players like Hester and also with the poultry industry getting bigger companies like Hester are benefiting the most and thus opening up-of newer opportunities to them.

## **HUGE EXPORT OPPORTUNITY**

The company has its sales offices in almost all parts of the country and has appointed distributors where it does not have a presence. With nearly all parts of the country covered Hester is now planning to expand beyond India. It is an ISO-9002 certified company and has the distinction of winning GOOD MANUFACTURING PRACTISES by drug authorities. The company has recently forayed into export market and is currently penetrating in the Middle East and African markets. It is already eyeing a 5cr turnover from these two markets in this fiscal. Hester also has plans to enter the lucrative European markets where it can prove to be a blinder. As Hester is the only company from India to export poultry vaccine it will almost have a level playing field in those markets.

## **EXPANSION**

Hester sometimes back signed an agreement with MERIAL INC, U.S.A as their exclusive distributors for merial's complete range of poultry vaccine. This has enabled Hester to increase its product range and it expects 2cr sales from this alliance. We would like to make a note here, that MERIAL is the largest animal healthcare company in the world with a turnover of more than 8100cr. The tie-up with Merials has expanded Hester's product range thereby enabling it to offer the complete range of poultry vaccines to the Indian poultry industry in addition to its locally ranged products. Merial has exclusive vaccines like gumboro, newcastle,

bronchitis and mareick diseases. Further, the Company has on hand an expansion plan for increasing its current capacity by 300% which would go on-stream in the last quarter of the current financial year. This expansion envisages adding new product lines of poultry vaccines and other large animal vaccines.

## **FINANCIALS**

Hester Pharma posted good performance for the 12 months of FY05. Net sales increased by 111% y-o-y to Rs. 16.2 crore. PAT increased by a whopping 267% to Rs.3.9 crores though the base was small. Operating margins increased from 32% last year to 42% in the current year on the back of increase in productivity. Employee costs have declined to 9% of Net Sales from 12% last year. On the quarterly basis there was a remarkable improvement in the performance. For Q4 FY05 Net Sales grew by 94% (from Rs.2.57 crores to Rs.4.98 crores) while the PAT increased to Rs 0.99crores from Rs.0.41Cr, a whopping jump of 144% (y-o-y). Margins have increased to 42% from 35% last year. The Company has also declared a dividend of 12% to reward its share holders.

## **OUTLOOK**

Hester Management has indicated strong growth post expansion. The company has taken an ambitious task to triple its capacity and much will depend on it (as the risk always exists on such projects). Hester Pharma at CMP of Rs 87(recommended at Rs.75) trades at a P/E of 7.7 on an EPS of Rs 11 FY05 and it appears to be an EMERGING STAR at current levels.

P.S-It will not make much sense to estimate the topline and bottomline for the current yr as much of it will depend on how well the management executes it. We will make u aware of the numbers as soon as we get the management confirmation.

## **LASTEST SHAREHOLDING PATTERN**

	Number	%
Promoters		
Indian Promoters	984750	27.92
Persons acting in Concert	181300	5.14
Sub Total	1166050	33.06
Non Promoter's Holding		
Institutional Investors		
Mutual Funds and UTI	10000	0.28

Sub Total	10000	0.28
Others		
Private Corporate Bodies	240503	6.82
Indian Public	1497875	42.47
NRI's/OCB's	605628	17.17
Any-Other		
C M Pool A/c	7144	0.20
Sub Total	2351150	66.66
Grand Total	3527200	100.00

Regards,

ProfitsUnlimited Team

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