



“Advanced Enzyme Technologies Limited Q1 FY2018 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Advanced Enzyme Q1 FY2018 Earnings conference call hosted by S-Ancial Global Solutions Private Limited. 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 an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Saraf from S-Ancial Global Solutions. Thank you and over to you Sir!

Ronak Saraf: Thank you. Good afternoon to all. On behalf of S-Ancial Global Solutions I welcome all participants on the concall of Advanced Enzymes Technologies Limited. From the management team, we have with us Mr. Chandrakant Rathi - Managing Director, Mr. Mukund Kabra, Executive Director, Mr. Piyush Rathi - Chief Business Officer and Mr. Beni Prasad Rauka – Chief Financial Officer. I would now like to hand over the call to Mr. Chandrakant Rathi to give the opening remarks post which we can open the floor for Q&A. Over to you Sir!

Piyush Rathi: Good afternoon to all. This is Piyush Rathi. Let me just quickly take you through all the highlights of the financial quarter. Consolidated revenues sales net of excise duty are down 20% year on year to ₹755 million against ₹941 million in Q1 FY2017. Consolidated EBITDA for Q1 FY2018 stands at ₹299 million against ₹511 million in Q1 FY2017 down 41%. Consolidated EBITDA margin for Q1 FY2018 stands at 40% as against 54% in Q1 FY2017 and the net profit for Q1 FY2018 stands at ₹163 million down 41% compared to ₹278 million in Q1 FY2017.

Briefly taking you through the earnings presentation, going to slide #4, these numbers are as of today, we continued to be among top 15 enzyme companies globally because of the Evoxx acquisition, we have added two R&D units in Germany and our total strength of commercial enzymes and probiotics have gone to 68. The registered patents have gone up to 28, total number of employee causing 550 and also marking the 24th year now going into the 24th year of our fermentation experience.

If you see, the slide #7, the revenue breakup amongst the different industry verticals, animal healthcare revenue in Q1 FY2018 is turnover 19% to ₹109 million versus ₹134 million last year, ₹551 million for human healthcare compared to ₹702 million in FY2017 last year. The food revenues have gone up about 52% on a small base, ₹46 million this quarter compared to ₹30 million last year and industrial processing revenues are down by 35% to ₹49 million compared to ₹75 million last year. Again the segmental revenues are given on slide #8, the geographical split has not changed that much.

If you see slide #10, we have given the analysis of the topmost customer. One of the prime reasons or the causes of these numbers is because of the Q1 revenues FY2018 by this top customer. As we can see last year we had revenues of ₹375 million versus ₹66 million this year; however, we expect the customer is very much on track as far as the annual revenues are

concerned and we expect the customer to grow by 10% to 15% in dollar terms this year. So they would cover up in Q2 and Q3 as well as Q4.

I would also like to take quick few minutes to talk about the Evoxx acquisitions if you have to put slide #13, I think Evoxx has been a great addition to our portfolio. Evoxx has a range of technologies. If we talk about the four different aspects of R&D, which is basically enzyme development or engineering, stain development which is microbial development, the process development and scale up and the fourth being application development so we had a very strong presence across the latter too and also reasonable presence in stain microbial development so far. Evoxx really adds complementary strengths in stain and microbial development as well as full-fledged capabilities in protein engineering and directed evolution.

Along with Evoxx we get a team of 40 scientists and technicians across to two R&D centers in Germany, which has strengthened our R&D people portfolio. We have a team of 100 people now across seven sites in India, USA and Germany. Also our product portfolio and in pharma biopharmcatalyst as well as food processing sector has really been enhanced and there we see a lot of synergy in the coming years.

Indian Biopharma market as well as Europe market and the couple of carbohydrates that have been added to our portfolio, which will assist is in our US nutraceutical business so all of these bode well for the company. The outlook is stable. We expect their revenues to cross between revenues to be about ₹380 to ₹400 Crores between revenues to be about ₹3,800 or ₹4,000 million in revenue this financial year.

So with this we would like to open up the call for any additional questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We take the first question Amar Maurya from Emkay Global. Please go ahead.

Amar Maurya: Sir thanks for the opportunity. Sir first you said that for financial year 2018 you are looking for revenue range of around ₹350 to ₹400 Crores or ₹300 to ₹400 Crores?

Chandrakant Rathi: It is ₹380 to ₹400 Crores.

Piyush Rathi: ₹380 to ₹400 Crores.

Amar Maurya: ₹380 to ₹400 Crores. Secondly Sir I mean we were expecting some improvement in our top accounts, I believe if I see your overall human segmental space has also shown a very, very muted kind of growth so any specific rate if you can help me understand that how should I look this particular vertical because it is one amongst largest revenue contributing vertical in your overall revenue and it has shown a degrowth of around 21% on absolute basis and given that your top account weightage has also come down right so is if kind of volatility I mean how I

should read? What is the seasonality involved? What is the volatility involved in the customer side?

Piyush Rathi: Thank you for the question Amar. Primarily if you see our topmost customer, they have not brought as much in this quarter, but overall in this year we expect between ₹85 and ₹90 Crores revenues coming from particular customer and therefore outlook is stable you will see change in the revenue profile going forward. As far as the overall business is concerned, we have also because of JC Biotech acquisition, we have also added revenues on the Indian side and almost I think ₹130-140 million revenues have been added, which is additional revenues primarily on account of JC Biotech acquisition and consolidation in the market with respect to this particular enzyme called Serratopeptidase. So the revenues are actually grown. If you account for ₹30 Crores odd of revenues, which is depleted because the top most customer otherwise the revenues have grown in this quarter.

Amar Maurya: Okay so if I knock of this inorganic portion of the revenue so then when it does mean that your topline has actually degrown more than 20%?

Piyush Rathi: There is a buying cycle, which is there. Some businesses are flat, there is also at the same time we do carry out some conscious consolidation and pruning of some of course impact is smaller main impact in this quarter you will see is from the topmost customers.

Amar Maurya: And if you can help me how you are knocking of the top customer, how another top 9 customers had grown?

Piyush Rathi: The rest of the top nine customers last year have grown 70% year-on-year.

Amar Maurya: 70% okay so what would be the contribution in terms of millions?

Piyush Rathi: ₹262 million compared to ₹164 million last year.

Amar Maurya: ₹262 million compared to ₹164 million okay. So basically the top nine customers had shown a good growth.

Piyush Rathi: Even if customer we expect 10% to 15% growth. There will be some small correction also because of the dollar rate last year may be 5% to 6% higher.

Chandrakant Rathi: We have lost some sales due to GST also because in the last quarter there was GST issue with all the pharma customers in India and they had some hesitancy in producing and selling the product.

Amar Maurya: Okay.

Piyush Rathi: People had tried to optimize inventories ahead of June 30 close with GST coming in so there is minor impact, we will see that back in July.

- Amar Maurya:** Sir my last question is on the margin. Now if I see your margin basically your margin has come down from some 52% kind of to 40% odd so is it because of this top accounts showing degrowth because stop account was high margin business or is the fundamental shift something happened into your overall business level, am I how should I read this decline in the margin?
- Piyush Rathi:** Amar, there is actually no degrowth as such for this is buying pattern of this particular customer and it is variable and that does cause variability in our margins. Our margin profile has such if you see on year on year basis it will be fairly stable. This quarter is more reflection of the buying cycle of a top most customer.
- Chandrakant Rathi:** We should look at the slide #10 in our presentation.
- Piyush Rathi:** We have actually given the quarter-by-quarter breakup.
- Amar Maurya:** I have seen that.
- Chandrakant Rathi:** And if you look at carefully this customer is grown so well. In fact in FY2015 they were only ₹22 Crores and they have grown from that to ₹71 Crores in FY2016, thereafter they had grown to ₹17 Crores last year, we expect them to across ₹85 Crores to ₹90 Crores this year as well. Because they have shifted their buying due to may be internal issues in the company, every company has their own way of doing the things.
- Amar Maurya:** Correct.
- Piyush Rathi:** It was inventory management, so I would not say the revenues have degrown.
- Amar Maurya:** So is it that the recovery of top account will bring back the historical margin, which we normally post it?
- Chandrakant Rathi:** Yes
- Piyush Rathi:** Yes
- Beni Prasad Rauka:** Let me also add here if we exclude this one top customer and then year-on-year we have 23% of growth in our numbers.
- Amar Maurya:** So the major phenomenon is that the top account is a high margin account?
- Beni Prasad Rauka:** That is right.
- Piyush Rathi:** That is right.

- Chandrakant Rathi:** Honestly Amar, all our businesses are high margin, but our costs are standard, those are like employee cost, or fuel, they are standard, they do not change, but we are very high earning company. So all other costs always have to be first paid out and based on thereafter we look at the margin issues actually it is different.
- Amar Maurya:** I agree. One is the economy of scale phenomenon, but I am just trying to understand that the top account on an average at a company level if I look this is a high margin account, right?
- Piyush Rathi:** Yes, right.
- Amar Maurya:** Thanks a lot Sir.
- Moderator:** Thank you. We will take the next question from the line of Rohan Advent from Multi-Act. Please go ahead.
- Rohan Advent:** Thanks for taking my question. I am sorry if I missed what were the revenues through JC Biotech that were recorded in this quarter?
- Piyush Rathi:** JC Biotech was not present in last year. This quarter JC Biotech's individual revenue is about ₹93 million; however, as we have shared in the past JC Biotech is a production subsidiary, so ultimately the revenues do get consolidate into Advanced Enzymes. The final once more sale happen the Advanced Enzymes.
- Rohan Advent:** Out of the ₹80 Crores, ₹9.3 Crores is JC Biotech and comparable they were not there in the previous year same quarter is that correct?
- Piyush Rathi:** That is right.
- Rohan Advent:** Secondly just wanted to understand on the Malaysian opportunity, the palm oil opportunity how are things progressing and if you could just help us to understand the opportunity landscape? Are we the first players to add the kind of enzyme that we plan to sell there and if not how do we compete with the existing players there?
- Chandrakant Rathi:** Thank you so much for asking on this huge opportunity for us. Palm oil, we are the first patent holder. We started 10 years back a research on this particular opportunity, which is multibillion-dollar opportunity for our company and we already have some number of pilot plants, trials have been conducted. Now to really like get more consolidated we formed this Malaysian subsidiary company and we have done couple of trials in the last quarter. We are yet to do because it say completely change of a mindset each and every unit need to be modified with some capex to accommodate the change due to technology, which is the major challenge, because it has a sudden capex of over roughly half a million dollar with each unit and then there are some programs, the Malaysian government also Indonesian government have initiated, because they also want to bring in this technology for improving the yields. So we are getting some positive

support from the government at the same time one competitor has entered this particular scenario, which is the largest player called Novozymes, and they are also progressing quite well. Now we expect to see some monetization activity in the next financial year because this year would be if we were able to at least conclude to large plant scale trial there will be in the market from the next financial year.

Rohan Advent: So these trials that they are we are doing are these trials done jointly between us and a prospective customer or these are at our own end that we are doing?

Chandrakant Rathi: We always do it with the customer as the collaborative partner because without them in the process it is not possible, because it is there plant and they need to modify their plant.

Rohan Advent: Understood and you said Novozymes has already entered, so if we are the patent holder they would be doing it through a different process?

Piyush Rathi: I do not think we are in a position to comment right now.

Rohan Advent: Thanks for taking my question.

Moderator: Thank you. We will take the next question from the line of Vishal Gajwani from Birla Sun Life. Please go ahead.

Vishal Gajwani: Thanks for the opportunity. Sir trying to understand the non-top clients, you mentioned that next nine clients grew by 70% odd, but cumulatively these add up to just one-third of the top client. So do we have a long tail of clients after the first client?

Piyush Rathi: I think we have addressed this. The company's efforts are in the direction of increasing multi-million dollar clients. So it is a gradual process, it takes sometime.

Vishal Gajwani: In terms of the full year guidance of around ₹380 Crores to ₹400 Crores of revenue do you see acceleration of growth from non-top client to happen in this year means this 70% odd growth in Q1 for the next nine clients what kind of growth one should expect on a full year basis from them?

Piyush Rathi: I do not think we have broken down the top 10 clients in that particular way basically the guidance is based on the whole set of customers and the entire business across the different geographies.

Vishal Gajwani: Okay. Can you throw some more light on was there any one-off in growth for the next nine clients in this quarter because growth seems to be pretty high is it because of slow base or something else?

- Piyush Rathi:** Different initiatives are always on again in different geographies. I do not think we have specific comment to make at this point in time.
- Vishal Gajwani:** Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Denil Sawla from Aditya Birla Finance. Please go ahead.
- Denil Sawla:** Good afternoon Sir. I just wanted to understand two things in your P&L. One is the other expense, which have rose from ₹96 million to ₹158 million. So was there any one-off?
- Beni Prasad Rauka:** I would like to clarify here. One thing is JCB we have got consolidated in this quarter and it was not there in FY2017 first quarter, so that the other expenses of about ₹28 million because of the JCB consolidation in this quarter and like we have more spending on our marketing efforts where we have participated in exhibitions, so exhibition expenses are there then travel expenses because of that. So that is about ₹10 million and apart from that we have also spend money on technical consultancy this is not like in a regular kind of technical consultancy so about ₹7 million we have spend extra in this particular quarter. In addition to that there are expenses on internal audit, lifting fees, CDSL, NSDL because the listing happened in this quarter, which was not there in FY2017 first quarter. So altogether we have spent about ₹62 million extra in this quarter.
- Denil Sawla:** Secondly even though your topline has reduced, your excise duty has increased more than 60%, so any specific reason, is it due to change in the rates?
- Beni Prasad Rauka:** You will appreciate what happens in FY2017 first quarter we have more international sales and in this particular quarter June 2017 that was higher in domestic market, so domestic market we need to have the excise duty in place, so which is not there in the case of international sales so that is why it is not comparable.
- Denil Sawla:** Sir on your guidance part the guidance, which you have given of around ₹400 Crores of topline is it only based on the current or any inorganic growth as well, that includes any inorganic growth as well?
- Piyush Rathi:** We have accounted also for Evoxx.
- Denil Sawla:** Evoxx that is around ₹17 Crores, ₹18 Crores right, not more than that?
- Piyush Rathi:** That is full year, so partial from April, mid of August up to the end of the year.
- Denil Sawla:** Thanks a lot.
- Moderator:** Thank you. We will take the followup question from the line of Amar Maurya from Emkay Global. Please go ahead.

- Amar Maurya:** Sir wanted to know what is the development now in our detergent enzyme because I believe there were a few deals, which were in pipeline and if I am not wrong something fructified during this quarter right?
- Chandrakant Rathi:** Honestly in any new development the time taken to market is always longer in our cases, but we have very positive feedback from various customers and although it would not be too significant revenue growth in the current year, but it will pave a way for a very significant revenues coming from next year onwards. Detergent enzymes are the largest enzyme business globally and our concepts are little different concepts than the one which are being currently marketed by other companies, so we need to always educate the customers why these and it takes time, it does not happen instantly, path breaking initiative by our company.
- Amar Mourya:** Sir JC Bio's contribution during this particular quarter was you said ₹140 million right?
- Chandrakant Rathi:** ₹93 million.
- Piyush Rathi:** No, ₹93 million.
- Amar Mourya:** That is all. Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Thank you for the opportunity. For FY2016 and 2017 full year the top 2 to 10 clients what would be the contribution to sales Sir, if I can have those?
- Chandrakant Rathi:** I think probably we will need to re-analyze, give it to you that later, but because we have not done probably on that side. Let me take, our accounts will quickly workout and see it is possible to give that number.
- Chirag Dagli:** Sir secondly on the palm product, Sir my understanding was that there is not a dramatic change that the customer needs to go through to sort of incorporate this enzyme in his manufacturing process, is that understanding right?
- Piyush Rathi:** We need to, because 100 years this industry has stayed without any technological innovation, applying the enzymes to the process does need a modification in their process.
- Chirag Dagli:** So just to sort of, just to keep range some bit on that, so let us say for a dollar worth of sales for us what sort of capex will the customer have to go through at his end Sir?
- Piyush Rathi:** Dollar in annual sales?
- Chirag Dagli:** Yes.

- Piyush Rathi:** About almost 50% to 100%.
- Chandrakant Rathi:** 50%
- Piyush Rathi:** 50% odd.
- Chandrakant Rathi:** Generally 50% to begin with roughly and about - because each customer may add about a million dollar of enzyme buying and they may get additional income of like \$2 million and they had to invest about half a million in the capex part.
- Chirag Dagli:** So for a million of our sales the customer has to invest about half a million in his capex at his plant that understanding is correct Sir?
- Piyush Rathi:** Yes.
- Chirag Dagli:** In this process he will gain obviously some yield advantage?
- Chandrakant Rathi:** They get roughly about \$2 million per year that will be the permanent for the long-term gain.
- Chirag Dagli:** Okay, just to repeat the numbers for a dollar million – one million sale for us, half a million spent for the customers, so he ends up spending 1.5 million and his incremental benefit is half a million dollar benefit because he will gain \$2 million?
- Chandrakant Rathi:** No, the first year only because there is a modification in the process, their setup, but that gain they will continue to gain is on the long-term basis.
- Chirag Dagli:** Fair point Sir that is understood, okay and Sir last question on the accounting side, why has depreciation increased year-over-year, is there an element of amortization also on this?
- Beni Prasad Rauka:** Amortization, JC B is also there, JC B consolidation also happened in this quarter and again there is another thing because of Ind-AS the business combination I think there is Ind-AS on that where we need to allocate our purchase price intangible and non-tangible asset and provide for the amortization in respect of intangible asset particularly like the technology, which is what we have acquired, so on that we have done amortization during this quarter.
- Chirag Dagli:** This run rate now bids in both the acquisitions and this run rate should now be sustainable?
- Beni Prasad Rauka:** Yes acquisition Chirag Evoxx will, now we will be doing that purchase rights allocation going forward.
- Piyush Rathi:** Evoxx is not reflected in Q1 number.
- Chirag Dagli:** When will Evoxx be?

- Beni Prasad Rauka:** August 15 we have done that, we are going to consolidate in this quarter.
- Chirag Dagli:** How much did you pay for it Sir?
- Piyush Rathi:** We paid 7.65 million Euro.
- Chirag Dagli:** 7.65 million Euros, right, okay Sir. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Madhusudan from Florintree Advisors. Please go ahead.
- Madhusudan:** Thank you for taking my question. Just a little bit confused about the top client leading the decline in the overall revenues because if you look at the segmental revenues the animal health care revenue is fallen by 19%, human healthcare has fallen by 23%, industrial process has also fallen by 35% and only food has risen by 52% and if I am not wrong the top customer is in the human health care segment right?
- Piyush Rathi:** Right.
- Madhusudan:** What would you attribute revenue downfall in animal healthcare and industrial processing too?
- Piyush Rathi:** In our review they are basically flat they are primarily flat. These are may be some smaller quarterly variations, but more or less the revenues are flat on the animal nutrition and the industrial side.
- Madhusudan:** In terms of the top customer again, I was following up on the previous quarter calls as well for the last three quarters now the orders have not been coming as strongly as you would have expected from the top customer is it right?
- Chandrakant Rathi:** No, you please see the slide number 10 and you can get appropriate understanding because last Q4 they bought ₹135 million worth of goods, in this last Q1 they got 66, but now from Q2 onwards the orders have again been very strong because the customer has clearly indicated us that he will be buying more quantity.
- Madhusudan:** What will be the driver because last year you said they were expanding into a new geography and that is why they were stocking it up in the first and second quarter?
- Piyush Rathi:** So last two, three quarters were basically consolidation in their inventories and now buying cycle has started.
- Madhusudan:** Okay and the expansion into the new geography is not happening, I am assuming at the moment?

- Piyush Rathi:** Yes I do not think we have more information on that but basically the buying cycle has started and the customer has already given us guidance, which we already shared with you.
- Madhusudan:** Great and in terms of Evoxx acquisition post Evoxx acquisition do you see your R&D expense going up?
- Piyush Rathi:** Yes of course.
- Madhusudan:** Any guidance on that front?
- Piyush Rathi:** I think Evoxx more or less primarily will add on the R&D side and it could be around ₹30 Crores odd compared to ₹10 Crores.
- Madhusudan:** Right great. Thank you very much.
- Chandrakant Rathi:** But mind you there would also be income in that area.
- Madhusudan:** Could you please explain that?
- Chandrakant Rauka:** Because the Evoxx business model has been they have always been doing business on a what you call they should develop the technology for very large clients, very, very big companies and there are some contracts already in those, which are there as it continuing business, so we continue to get that business as well, so partial income is in the process.
- Madhusudan:** What was their annual income last year?
- Piyush Rathi:** 2.9 million Euros.
- Madhusudan:** Perfect, all right. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Suryanarayanan Naik from Kantilal Chhaganlal Securities. Please go ahead.
- Suryanarayanan Naik:** Good afternoon Sir. Thanks for giving me opportunity. Just to understand the buying partner of your clients because FY2016 was relatively stable, but if you see FY2017 there was a blip in Q3 compared the first half for the Q4 was not also attractive, again we are seeing slow down, so just to understand what is the cyclicity of their buying if you let us say top customer has procured a good amount in Q1 of a particular year then again when the buying will be happening from their clients, if you can throw some light on that.
- Piyush Rathi:** Sure if you see FY2016 the revenue are steadily going up, so in FY2017 they decided to launch certain additional territories, additional geographies and that is why we have overbought which

now in the last two to three quarters we are consolidated the revenue and therefore the buying cycle should resume, it has already resumed in Q2.

Suryanarayanan Naik: Q3 was totally muted, Q3 of last year?

Piyush Rathi: You will see that the Q1 and Q2 were very high that was overbought, as we realised. That is why there was a pause on the purchases for Q3 and they have then consolidated their presence in the last couple of quarters so we will see a more normalized cycle going forward.

Suryanarayanan Naik: That is what I just wanted to understand why client buys aggressively for a particular quarter and keep silent for the subsequent quarters it is the demand of the product is quite secular then they should be buying quite often so why we have sold, that is what to my point is?

Piyush Rathi: I think the mood point is that they have decided to launch certain geographies and that did not go as per plan. That is all the information that we have right now. So customers buying pattern is they are prerogative. I do not think we can influence that too much.

Suryanarayanan Naik: That means we can presume that once a good growth in your revenue happens then subsequent quarters can see a dip?

Piyush Rathi: No. That is why we always cautioned and also kind of alluded towards the annual trend line, so in this business one must look at the annual trend line rather than going by exact quarter-on-quarter numbers.

Suryanarayanan Naik: Secondly this palm oil opportunity how big is the opportunity if you can ascribe to?

Piyush Rathi: We estimate the enzyme market size currently whatever technology we have currently should be around \$600 to \$700 million in the market.

Suryanarayanan Naik: What is your positioning because that could be opportunity but then what is your positioning and what is the total peak revenue you can achieve because I believe you would be getting annuity kind of return or may be royalty kind of return what is the kind of income you will be generating out of their association?

Piyush Rathi: Our model is not a licensing model. Ours is a product sale model so the revenues will basically steadily grow in the next few years.

Suryanarayanan Naik: So is it that kind of royalty income you will be getting?

Piyush Rathi: No, ours is a product sale model.

Suryanarayanan Naik: Product sale model that means what actually I am in suppose your client sells 1000 liter of palm oil, then how much you are going to get?

- Piyush Rathi:** Our enzyme and technology will basically help them increase their yields and a portion of that will come back to us as revenues from our product, from our enzyme product and therefore the number of plants, which can convert to enzymatic technology slowly the revenues will go up, so today we are talking about 1500 plus plants globally.
- Suryanarayanan Naik:** You have position in Indonesia, Malaysia, how much clients? I mean for two to three clients or how much?
- Piyush Rathi:** Currently this is a technology adoption phase and currently there are not clients on board. We accept the first set of client that there is some technological challenges we need to be solved and we expect first set of clients to be added on in FY2019.
- Suryanarayanan Naik:** You just now said with relation to previous question that you are working in association with certain clients in their client place itself so that is what I am saying?
- Piyush Rathi:** Yes that is the model. We have to co-work, we have to partner and corporate with the producers themselves.
- Suryanarayanan Naik:** So how many clients you are currently co-working with?
- Piyush Rathi:** When we say clients we assume revenues so currently there are no revenue as such.
- Suryanarayanan Naik:** I agree, but how many clients totally, totally how much counts?
- Piyush Rathi:** There are 1500 to 2000 mills globally in this sector.
- Suryanarayanan Naik:** What your positioning? You do not give the macro figures, macro figure is different, but what is your positioning in the Malaysia, and Indonesian market?
- Piyush Rathi:** We are not in the position to disclose this number right now.
- Suryanarayanan Naik:** But can you put a figure on let us say like you have given ₹400 Crores revenue, and for incremental revenue from this palm oil derivative business, so for let us say this year will be totally pilot mode, you are totally on pilot mode, again you will be revenue accretive from next year so what kind of revenue somebody can expect from 2019 onwards at least?
- Piyush Rathi:** Sorry Sir we are not giving out the guidance for particular industry right now. So we will definitely share something once we have more clarity.
- Chandrakant Rathi:** It is picking in some kind of very dark, so it is not...
- Piyush Rathi:** At the moment we are not sharing any guidance, so we will definitely come back once we have more visibility.

- Suryanarayanan Naik:** What are your other new areas we are entering this year? We are trying to entire in food segment or human?
- Piyush Rathi:** I would urge you to have a look at our March PPT where we had shared a few areas of focus, you new applications of focus the industrial focus.
- Suryanarayanan Naik:** There is no change in the position.
- Piyush Rathi:** No, they do not happen overnight, they do not happen in one quarter.
- Suryanarayanan Naik:** Depending upon your marketing interest let us say whatever the feelers you might have got that is what I am asking whether any change in the position from that?
- Piyush Rathi:** No, nothing at the moment.
- Suryanarayanan Naik:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.
- Pulkit Singhal:** Thanks for taking my questions. Just looking at the top clients, if we just subtract the top client revenues from your human HC revenues that revenue contribution is roughly ₹48 Crores this quarter and previous quarter also it was ₹48 Crores and last year quarter it was ₹32 Crores, so it has clearly jumped from 48% YoY although quarterly it is flat, so what is causing growth in this sector?
- Piyush Rathi:** Sir basically JC Biotech acquisition and the addition of certain probiotic that we started producing last around Q2 last year, so those have led to the growth.
- Pulkit Singhal:** So JC would have added from what ₹9 Crores-odd?
- Piyush Rathi:** JC it is internal revenue like I said, like we have shared in the past.
- Pulkit Singhal:** Right. The other thing is if I just take this ₹48 Crores or whatever ₹48-50 Crores quarterly and make it for the full year, roughly ₹200 Crores, I mean my point is excluding human among the others segments are not really growing, I mean even in your forecast of ₹380 Crores to ₹400 Crores it seems you have not taken much growth in segments of animal HC, so can you just help us to understand?
- Piyush Rathi:** Primary base in animal nutrition is domestic and that there is reasonably flattish outlook currently what we see, so the international business will grow but then overall if you look the overall numbers the business may not grow as much.

- Pulkit Singhal:** So therefore the growth this year primarily is led by acquisition in a way, I mean of JC Biotech really contributing?
- Chandrakant Rathi:** Small for acquisition and other there is always mix up some what you call inorganic and organic grows inner basis, that is what right from the day one we are very clearly commensurate with this kind of industry, our growth is combination of both, with 10% to 15% grow organically and also we will be adding other possibilities of increasing our growth chances for acquisition.
- Pulkit Singhal:** Thank you.
- Moderator:** Thank you. We will take the next question from the line Madhusudhan from Florintree Advisors. Please go ahead.
- Madhusudhan:** Thanks for taking my question again. The revenues from JC Biotech would mainly contribute to the human healthcare itself?
- Piyush Rathi:** Sorry could you repeat the question please?
- Madhusudhan:** The revenues arising from JC Biotech acquisition would that lead to an increase in revenue in your human healthcare or would it have an affect in terms of any other verticals as well?
- Piyush Rathi:** Human healthcare right now.
- Madhusudhan:** Totally at human healthcare. Could you throw some light on how GST is going to impact your excise duties in the future and stuff like that?
- Piyush Rathi:** I do not think there is a major impact except that in the June quarter towards the end we saw pausing of purchases, which have resumed in July apart from, that we do not see any major impact.
- Madhusudhan:** But Enzymes our charged at a rate of 18% is that right?
- Piyush Rathi:** That is right.
- Madhusudhan:** Earlier excise duty incidence was around 9% to 10% if you take your historical numbers?
- Piyush Rathi:** 12.5% plus VAT of 5%, so excise duty is around the same.
- Madhusudhan:** Right and so you are now going to get any benefits of this input tax credit which you could positive yield?
- Piyush Rathi:** No there is no benefit, but there is no loss either.

Madhusudhan: Right. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Ronak Saraf from S-Ancial Global Solutions for closing comments.

Ronak Saraf: Thank you. On behalf of S-Ancial Global Solutions, I thank Mr. Chandrakant Rathi, Mr. Mukund Kabra, Mr. Piyush Rathi and Mr. Beni Prasad Rauka and all participants for joining us for the call. Thank you and good-bye.

Moderator: Thank you. Thank you very much Sir. Ladies and gentlemen on behalf of S-Ancial Global Solutions that concludes this conference. Thank you for joining us. You may now disconnect your lines.