



“Advanced Enzyme Technologies Limited Q1 FY-2020
Earnings Conference Call”

August 13, 2019



**MANAGEMENT: MR. V. L. RATHI – CHAIRMAN, ADVANCED ENZYME
TECHNOLOGIES LIMITED
MR. MUKUND KABRA – WHOLE TIME DIRECTOR,
ADVANCED ENZYME TECHNOLOGIES LIMITED
MR. BENI PRASAD RAUKA – GROUP CFO, ADVANCED
ENZYME TECHNOLOGIES LIMITED**

Moderator: Ladies and Gentlemen, good day and welcome to Advanced Enzyme Technologies Limited's Q1 FY20 Earnings Conference Call. We have with us today Mr. V. L. Rathi – Chairman, Mr. Mukund Kabra – Whole Time Director and Mr. Beni Prasad Rauka – Group, CFO. 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, 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. V. L. Rathi. Thank you and over to you sir.

V. L. Rathi: Good afternoon everybody, it is a pleasure to address to all of you again as we post our First Quarter Results of year 2020. We view these numbers as an excellent progress towards meeting our goals this year. Many of you will ask why our numbers are flat this quarter against fourth quarter. The answer is that our quarterly numbers tend to fluctuate in our first quarter, is always a bit lower. We do not believe in measuring ourselves from quarter-to-quarter, we are here to deliver long-term value to our shareholders as you all are aware. That said, I am very happy to report that we have a substantial increase in our profitability this quarter, this is primarily due to product mix.

Our Indian standalone business has also delivered excellent growth, up to 12% and our strong focus on our R&D Centre in Germany has also ejected some positive results. EVOXX is now EBITDA positive. We will continue to work hard for our shareholders and I really thank you all and as always for your continued support.

We look forward to further extending if you have any further questions but now Rauka Sir will explain you all these numbers, Mr. Rauka.

Beni Prasad Rauka: Thank you very much Sir. Allow me to take you through the financial highlights for this quarter. Our sales; on year-on-year basis is up by 6% from Rs. 1043 million to Rs. 1103 million. EBITDA is increased by 11% in this quarter as compared to Q1 of FY 2019, it stands at Rs. 535 million as compared to Rs. 484 million in Q1 of FY 2019. So, our EBITDA margin is about 49% in the first quarter of Q1 FY20 as compared to 46%.

Our consolidated net profit has increased by 9% to Rs. 340 million as compared to Rs. 312 million in Q1 of FY 2019. Our PAT margin is slightly you know affected because of effective tax rate has gone up from 26% to 28%.

Now we would like to open the floor for questions. So, if you have any questions, please let us know.

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have our first question from the line of Shikha Mehta from Equitree Capital. Please go ahead.

- Shikha Mehta:** Sir could you give us the breakup of EVOXX; the revenue and the EBITDA and PAT?
- Beni Prasad Rauka:** Yes, so EVOXX we have a revenue of Rs. 57 million as compared to Rs. 55 million of Q1 of FY 2019 and EBITDA is Rs. 8 million as compared to Rs. 12 million of Q4 FY 2019 and you know because of the amortization of intangible assets and the tangible assets, we have a negative profit of Rs. 12 million as compared to Rs. 15 million of Q4 of FY 2019.
- Shikha Mehta:** Sir, do we have any guidance as to when we will be turning PAT positive?
- Beni Prasad Rauka:** So, I mean you know that is what I think we have explained earlier also, we are likely to be EBITDA positive this year and PAT probably going forward, that is what we are looking for.
- Shikha Mehta:** Okay and in all our new products that we were planning on starting, is there any progress in the Palm Oil, etc.?
- Beni Prasad Rauka:** So, I think our Chairman would like to address this question.
- V. L. Rathi:** Shikha, we are continued to work on those areas but Palm Oil and areas in Oil extraction is always a very uncertain and long-term projects, not necessarily results into quarter to quarter results, as we speak we are still doing some trails with various Industries, so we are not really including our forecast with the Palm Oil at this point in time.
- Shikha Mehta:** Alright and sir I think last quarter on the conference call, we had given a guidance of around 10% growth for FY20, so is that still what we have maintained or higher or lower?
- V. L. Rathi:** We still maintain that Shikha.
- Moderator:** Thank you. We have our next question from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Sir, can you indicate the top product sales for the quarter?
- Beni Prasad Rauka:** You want the top product as such?
- Chirag Dagli:** Yes Sir, what was Rs. 16.5 crores in Q1 FY 2019 and Rs. 74 crores of full year of FY 2019, what was that for the first quarter of FY 2020?
- Beni Prasad Rauka:** See I will get you that number, any other question Chirag?
- Chirag Dagli:** And Sir, in terms of tax rate, why is it so high? I mean we are at sub Rs. 400 crores in terms of the Indian entity?

- Beni Prasad Rauka:** Chirag that becomes 29.12 because 25% is the enacted rate, on that 15% is the surcharge. And apart from that 4% is another cess. So, that works out 29.12%. Now we do not have any other tax benefit as such because SEZ benefits are also over, 10 years is already gone. So, there is no tax benefits as such, so it is a kind of situation where we are going to be at full rate going forward.
- Chirag Dagli:** What about R&D benefits?
- Beni Prasad Rauka:** That is 150% only Chirag.
- Chirag Dagli:** Okay, so the way I understand Sir, two thirds of our profit is in the US where the tax rate should be 21%.
- Beni Prasad Rauka:** No, so US also, it totally works out about 28% because 21% is the federal and then there is a State tax as well.
- Chirag Dagli:** Okay, so the total is 28% and then, okay so for the full year also we should be in this ballpark of 28%?
- Beni Prasad Rauka:** Right, 28% yes.
- Moderator:** Thank you. We have our next question from the line of Rohit Sinha from Emkay Global. Please go ahead.
- Rohit Sinha:** Sorry, actually I joined little late so maybe you must have answered out these questions. So, first of all on the EVOXX side, could you just give the details of what was the EBITDA number for EVOXX in this quarter and vis-à-vis last year?
- Beni Prasad Rauka:** So, the top line is Rs. 57 million for this quarter and last year it was Rs. 32 million. And EBITDA for this quarter is Rs. 8 million and last year Q1 was negative Rs. 26 million.
- Rohit Sinha:** And on the top client front so the top ten clients; how much it has contributed in this quarter?
- Beni Prasad Rauka:** I think around 35%.
- Moderator:** Thank you. We have our next question from the line of Aashish Mirchandani from White Whale Partners. Please go ahead.
- Aashish Mirchandani:** Could you please share the R&D expenditure for this quarter?
- Beni Prasad Rauka:** R&D expenditure for this quarter is Rs. 48 million, Aashish.
- Aashish Mirchandani:** And as a percentage that would be around 5%, right?

- Beni Prasad Rauka:** Right, 4 point something, yes.
- Aashish Mirchandani:** Okay and for the full year also you all plan to maintain at the same rate?
- Beni Prasad Rauka:** Right.
- V. L. Rathi:** Aashish, the R&D expenditure may increase somewhat, okay.
- Aashish Mirchandani:** Okay, sub 10% or between 5% and 7%?
- V. L. Rathi:** 5% to 7%.
- Moderator:** Thank you. We have the next question from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Thank you for the follow up. Sir ex of EVOXX, the EBITDA growth seems to be even lower than the sales growth, just wondering, is there anything specific you want to call out?
- V. L. Rathi:** There is a, this quarter our customers has little bit reduced, our other customers has grown, so overall the US sale is lower, okay and comparison our Indian growth is better.
- Chirag Dagli:** Okay Sir, so once you share the top line number probably things will get clear.
- Beni Prasad Rauka:** You want top line or you want top product?
- Chirag Dagli:** Sir that one top product that we have, in the past we have been sharing that number.
- Beni Prasad Rauka:** So, one top product is about 23% okay?
- Chirag Dagli:** Rupees, crores first quarter FY20, Sir what would be the number?
- Beni Prasad Rauka:** Yes, number is about Rs. 257 million.
- Chirag Dagli:** This was Rs. 16.5 crores in the first quarter of FY19 and about Rs. 74 crores in full year of FY19, this ..
- Beni Prasad Rauka:** That is the second product, this is now Rs. 144 million.
- Chirag Dagli:** That is Rs. 144 million, okay so 14.4.
- Beni Prasad Rauka:** This is about 13%.
- Chirag Dagli:** So, this is the second largest product, Sir?

- Beni Prasad Rauka:** This is the second largest, 165 you are saying it is the second largest.
- Chirag Dagli:** Okay fair point, and Sir on the Palm Oil product, when is it that we will get clarity or some sort of certainty as to what is happening with that product as you look at the next few quarters where do you think, when do you think some certainty or clarity will emerge?
- V. L. Rathi:** This thing Chirag is, that INDUSTRY is very much goes into cyclical area, sometimes they are very positive and sometimes the season work is not progressing properly, they will stop all the R&Ds, so we are really bit puzzled with this one right now and that is where we do not lay lot of emphasis on it, so I am very in or it does not answer your questions but I cannot give you definitive answer that this is the quarter we should be able to do it.
- Moderator:** Thank you. We have the next question from the line of Anirudh Iyer from Zero-One Capital. Please go ahead.
- Anirudh Iyer:** I just wanted to understand more your like from the outlook perspective on the non-provoking food side of the business, like you were considering textile, pulp, paper pulp, and detergent; on that piece. So, I just want to understand your visibility for the next four or eight quarters, maybe your long-term visibility, how do you see that coming in? Sir I actually wanted to understand your outlook on the non-food provoking side of the business, given more of the lines of the textile producing and the pulp, pulp paper and the detergent segments, on those segments. So, just want to understand your outlook on that, like what you think in terms of provocability, in terms of revenues.
- V. L. Rathi:** Anirudh, the textile, detergent and pulp paper business is stable business for us. It is not an enormously focused growth business and it will remain to be a continued business with us. So, we see stable and slightly growing market.
- Anirudh Iyer:** And what exactly that this right now, in terms of revenue composition, the mix.
- Beni Prasad Rauka:** Sir, revenue is I mean you know we have about I think 6% of our top line from this particular product.
- Anirudh Iyer:** Okay and not expecting to be, you were not be seeing like enormous growth in that right, in that segment, you will be taking quite a deal of time.
- Beni Prasad Rauka:** Right.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. V. L. Rathi for closing comments.



*Advanced Enzyme Technologies Limited
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V. L. Rathi: Thank you gentlemen, thank you for participating and your support with our company. I appreciate it on behalf of all our staff and our dedicated people, I thank you and have a wonderful evening. Good night!

Moderator: Thank you. On behalf of Advanced Enzyme Technologies Limited that concludes this conference, thank you for joining us and you may now disconnect your lines.