Advanced Enzyme Technologies Ltd.
CIN: L24200MH1989PLC051018
Sun Magnetica, 'A' wing, 5th Floor, LIC Service Road, Louiswadi, Thane (W)-400 604, India
Tel: +91-22-4170 3200, Fax: +91-22-2583 5159
Email: info@advancedenzymes.com, www.advancedenzymes.com

August 09, 2022

To

BSE Limited
Department of Corporate Affairs
P. J. Towers, Dalal Street,
Mumbai- 400 001
Scrip ID-540025

National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai- 400 051
Scrip Code-ADVENZYMES

Dear Sir/Madam,

Sub: Transcript of Conference call held on August 06, 2022 for Un-audited Financial Results for the quarter ended June 30, 2022

In furtherance to our intimation letter dated August 02, 2022, please find enclosed the Transcript of the Conference call held on Saturday, August 06, 2022 with Analysts and Investors for the un-audited Financial Results of the Company for the quarter ended June 30, 2022.

The aforesaid information is also being uploaded on the Company's website.

Kindly take same on your records.

Thanking you,
Yours Faithfully,

For Advanced Enzyme Technologies Limited

SANJAY PRAKASH BASANTANI
Digitally signed by SANJAY PRAKASH BASANTANI
Date: 2022.08.09 13:57:55 +05'30'

Sanjay Basantani
Company Secretary and Head – Legal

Encl.: As above

"Advanced Enzyme Technologies Limited Q1 FY2023 Earnings Conference Call"

August 06, 2022

MANAGEMENT:	**MR. VASANT L. RATHI - CHAIRMAN - ADVANCED ENZYME TECHNOLOGIES LIMITED** **MR. MUKUND KABRA – WHOLE-TIME DIRECTOR – ADVANCED ENZYME TECHNOLOGIES LIMITED** **MR. BENI PRASAD RAUKA – CHIEF FINANCIAL OFFICER - ADVANCED ENZYME TECHNOLOGIES LIMITED** **MR. RONAK SARAF – MANAGER - INVESTOR RELATIONS - ADVANCED ENZYME TECHNOLOGIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Advanced Enzyme Technologies Limited Q1 FY2023 Earnings Conference Call. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Saraf. Thank you and over to you, Sir!

Ronak Saraf: Thank you. Good evening everyone. Welcome to the Advanced Enzymes First Quarter 2023 Earnings Conference Call. I am Ronak Saraf, the Manager - Investor Relations here at Advanced Enzymes. We hope you all have gone through our financials, press release, and the presentation, which has been posted in the investor relations section of our website.

We have with us Mr. Vasant Rathi – Chairman, Mr. Mukund Kabra – Whole Time Director, and Mr. Beni Prasad Rauka – Chief Financial Officer. Today, the management will discuss the performance and business highlights, update on strategies and respond to any questions that you may have. As is usually for ease of discussion we will look at the consolidated financials.

Before we proceed I would request you all to please read the forward-looking statement contained in the presentation. During the call we may make forward looking statements regarding our expectations and predictions about the future. Because these statements are based on current assumptions and factors that involve risk and uncertainty our actual performance and results may differ materially from our forward looking statements, so without any further ado we shall commence this call. Over to you, Mr. Rathi!

Vasant Rathi: Thank you, Ronak. Good evening everyone. I really appreciate you all for taking out your valuable time and welcome you all to the conference call for the quarter ended June 30, 2022. Please continue to follow necessary precautions and stay safe and healthy, although it appears that COVID-19 we have left far behind. I know this COVID-19 is not over, you also know that, but hopefully there will be less or lower interference of this deadly disease which is affecting everybody globally. I will try to keep my remark short, so that you all will get more time to ask Q&A. To begin with, as you all know going through the numbers that it is a very tough start for 2022-2023 with ongoing disruptions in the business environment due to COVID-19 and geopolitical scenarios.

As you know it all the inflation is hitting sky high all over the globe. Europe has never seen this kind of inflation in the last 40 years, same is with USA. The raw material prices and logistics cost remains largely elevated and supply chain issues, which were ongoing from last couple of quarter still hit hard. We firmly believes that most of the hurdles are transitory in nature and rather than structural and hopefully, the situation may start easing out from quarter two or mostly from quarter three. Moving on to the results update, revenue declined. We have revenue declined by almost 12% on year-on-year basis to Rs.1211 million in quarter one FY2023 as against Rs.1370 million in quarter one FY2022.

Our EBITDA declined by 51% on year-on-year basis to Rs.309 million while PAT declined by 56% on year-on-year basis to Rs.176 million during this quarter. During quarter one, our EBITDA margin stood at 26% while PAT margin stood at 15% during the quarter. As I previously mentioned, the impact in the margin is because of the inflated input cost, increased cost in salaries and other areas. We have tried to optimize and manage to insulate the margins to the extent possible.

Talking about the division performances, the human nutrition segment contributed 67% of the revenue it registering a decline of 10% to Rs.807 million in quarter one of FY2023. The animal nutrition segment contributed 13% to the revenue of quarter one, it has shown an improvement and delivered a growth of about 11% to 156 million in quarter one FY2023.

The bio-processing segment contributed 15% to the revenue. It under performed by almost 10% during this quarter accounting Rs.183 million in quarter one. In this segment food business de-grew by 14% to Rs.147 million on year-on-year basis and the non-food business grew by 13% to stood at 37 million during this quarter. The specialized manufacturing segment contributed 5% in revenue at Rs.65 million during the quarter, a decline of 52% on year-on-year basis. With this, I will now hand over the call to Mr. Rauka, he will walk you through the financials and key subsidiary numbers.

Beni Prasad Rauka: Thank you very much, Sir. Good evening everyone. I hope you all are in good health. Let me walk you through the company's financials for the first quarter of FY2023. Vasant Sir has already briefed you all about the year-on-year performance. I would further extend it and give a brief on Q-on-Q performance. The revenue is decreased by Rs.106 million from Rs.1317 million to Rs.1211 million. The EBITDA has decreased by Rs.94 million from Rs.403 million to Rs.309 million. Profit before tax is decreased by Rs.103 million from Rs.340 million to Rs.237 million. PAT is decreased by Rs.77 million from Rs.253 million to Rs.176 million.

The EBITDA is decreased mainly on an account, as Vasant Sir has already mentioned the input costs has gone up and therefore there are some expenses which continue to be higher in terms of power and fuel costs has gone up and that has resulted in to lower gross contribution and in addition to that there was an impact of sales mix of the products, so that create a negative impact of about Rs.62 million or so and increase in the payroll costs as compared to the last quarter because of the annual increments which are given in the month April and in addition to that some other expenses which is also gone up by some amount of about Rs.11 million that is because of some mark to market losses and also some incremental cost on an account of consulting. All this put together there is an increase of about Rs.94 million in other expenses, therefore the EBITDA, which was 31% in quarter four of last year, it has come down to 26% in this quarter.

Now, I would like to talk about the financial numbers about subsidiary company. A couple of subsidiaries number, which we generally share with the investors and our analysts on performance of our subsidiary evoxx number stood at Rs.69 million in this quarter with the EBITDA of Rs.18 million and PAT of about Rs.8 million as compared to Rs.62 million of top line and negative

EBITDA of Rs.10 million and negative PAT of Rs.21 million in the last year Q1, so overall evoxx has give a very positive numbers this quarter as compared to Q4 also and as compared to Q1 of last year.

The JC Biotech revenue stood at Rs.146 million with the EBITDA of Rs.19 million and PAT of Rs.7 million as compared to about Rs.123 million of top line, EBITDA of Rs.31 million and Rs.14 million was the PAT during first quarter of last year and again here we could see that the EBITDA is lower because of higher raw material and higher power and fuel costs and also the higher tariff of electricity by the state government. The SciTech sales stood Rs.66 million as compared to Rs.135 million of last year and PAT is a negative this quarter by Rs.14 million as compared to Rs.18 million of positive PAT last year first quarter. So, SciTech has reported a loss during this quarter because of the lower sales in this particular quarter.

The largest product which is our anti-inflammatory enzyme. The sales stood at Rs.279 million as compared to Rs.245 million last year first quarter. So, we could see that in this particular enzyme we have a higher sales as compared to Q1 of last year and as compared to last quarter also from Rs.245 it was Rs.247 to Rs.279 million this quarter. Our top ten customers contributed about 28% in this quarter as compared to 29% in Q4 of last year and 34% in quarter one FY2022. Our B2C segment has contributed a sale of about USD 1 million in Q1 as compared to USD 1.14 million during the same period last year. Our R&D expenditure is about Rs.70 million in the quarter one as compared to Rs.53 million, which was about 4.4% last year and this year it is about 5.1%, so overall this is from my side and now, we shall open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: Sir, thanks for providing the opportunity. So, if I look at the full year FY2021 versus FY2022 numbers, in other expenses apart from power and fuel and travel cost it is obviously going up, there is the huge jump in sales promotion and legal charges, so if you can just explain what has happened in FY2022, which is seeing this increase and I think it is being continuing in this quarter as well, so if you can highlight why the sales promotion and legal charges are going up substantially?

Beni Prasad Rauka: So, FY2021, it was kind of a year when we have seen unprecedented lock down throughout the globe, so sales promotion expenses were low, but then in FY2022 we have exhibited in many shows and because of that sales promotion and exhibition expenses everything has gone up.

Vasant Rathi: The second part which is happening in sales promotion is travel cost has gone up exponentially probably you are aware of, everything in the travel related expenses and after two years long years this is the time to meet all the customers again two to three years, which was contact loss, so there is going to be a sales & promotion expenses have gone up and they will continue to go up for a time being.

Vaibhav Badjatya: And what about legal and professional charger, which has gone up from 11.5% Crores to 15.4 Crores?

Beni Prasad Rauka: So, the legal and professional, when we call it, comprises of the consulting charges and of course that includes some kind of outsourcing of some of the technical services and some kind of studies, which we get from outside, so those expenses are part of legal and professional expenses that have gone up because you spend more on number one on the technical studies and research and development and apart from that also couple of like legal advices and legal matters are there where we need to really get the experts opinion or we need to hire the experts, so those are the reasons of increase in the legal and professional expenses.

Mukund Kabra: So, legal expenses will trim down has been move on to this year, they will be lower this quarter it was in a higher side.

Vaibhav Badjatya: Sir, secondly if you can just comment on competition, in which products we are facing competition from the Advanced Vital Enzymes if you can just broadly comment on that that would be helpful?

Mukund Kabra: There is no area where we are really directly competing with Advanced Vital Enzymes.

Vaibhav Badjatya: That is it from side. I will come back in the question queue.

Moderator: Thank you. We have followup from Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: Thanks for having the follow up. So, in terms of margins we have seen even gross margins contracting for FY2021 as compared to in FY2022 and it is continuing, so is it because of the absolute fall in the realization in some of the products or is it because the RM (raw material) cost has increased and we have not been able to pass it through?

Vasant Rathi: Vaibhav, it is both, RM cost is up and it is going to be a slow process to pass on the cost, it is tough competitive market.

Vaibhav Badjatya: But you had said that is both in terms realization contraction an increase in RM cost, so in which areas the realizations are reducing, in which segments or in which product areas the realizations are reducing in absolute terms?

Vasant Rathi: Overall you see that the nutritional market people have a plenty of inventories and there is a overall costs going up for them, so they are constantly looking at reducing their cost in other areas and that comes into the ingredients or supply side on the raw material, so there is a lot of pressure on keeping the cost or cutting the cost while the expenses are going up, now there is going to be re-adjustment in the market for next couple of quarters okay, there will be pass on cost will happen, but again because the supplies were coming from in US market at least, I do not know much about Indian market, but a lot of material was coming from China and Chinese impact is tremendous, the supplies are short supply, the shipment cost is ridiculously high, and overall, just to maintain the customers and customer relations and supply chain, we ended up supplying it at any given because these guys are paying too much money for the packaging, filling in all of the other areas, everybody is looking to see how they can reduce their costs or reduced their inventories.

Vaibhav Badjatya: Got it, understand. Thank you, that is it from my side.

Moderator: Thank you. We have the question from the line of Ketan Chheda an Individual Investor. Please go ahead.

Ketan Chheda: Thank you for the opportunity. My question was in terms of you have been facing revenue pressure for some time, our growth has reduced in the last couple of years, what are we doing to increase the growth, what are the areas that you are targeting, I know that there is lot of information in the Investor presentation, but I would like to hear when do we start seeing growth in our revenues from here on?

Vasant Rathi: Ketan, good question and the some of the areas, which were out of our control, the couple of things which are happening in the global scene, I hope that they are now hopefully settled shortly it is not completely but that being the factor and global scene do not know what happens with the another crisis, may not be a crisis in future, but considering they are out of hand I believe that in a couple of quarters we should be able to see the sustainable growth.

Ketan Chheda: So, are we seeing uptick in the demand going forward because on Q1 we did not see so, but are you seeing an uptake in the demand?

Vasant Rathi: As you know, we are in the three different segments right, and we will see some great opportunities also and we are the leading growth prospects in other markets.

Ketan Chheda: And one last question is, if you could throw some more light on the work that we are doing from pharmaceutical companies in the areas of APIs, I know there is some price probably or some work that we are doing to get approve with them, so if you could throw some light on that area that what is the status and what is our outlook, when do we expect to get some revenues in these areas will be great, thank you so much?

Vasant Rathi: We are progressing well, the API market is like developing the complete completion of the R&D and pilots moving and they are moving into the molecule, there is an enormous opportunity we see as we go forward and I will not satisfied, but we are very pleased with the progress, which is happening in that, so there is a great deal of opportunities and we are the leading suppliers in this market space.

Ketan Chheda: I just want to ask one followup question on that so can we expect to get increased orders in the remaining nine months of this year on this specific segment?

Mukund Kabra: Ketan, it will start gradually, we will expect some more products to be commercialized this year.

Ketan Chheda: Thank you so much.

Moderator: Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: Good evening, Sir. I hope I am audible?

Mukund Kabra: Yes.

Gagan Thareja: Sir, I look at your segmental sales specialized manufacturing has had a sharp drop this quarter and if I look at it from a geographical composition, Europe and others has had severe drop, so if you could help understand both segmentally and geographically what happened?

Vasant Rathi: So, your question is in geographically, which segment you said?

Gagan Thareja: Geographically Europe and others are down very sharply; Europe is down 36.5% and what you classify as others is down to virtually 0.7 Crores from 6.9 Crores?

Mukund Kabra: Gagan, this Europe business, this orders are not all the time like divided into the quarter wise, sometimes it is on a higher side, sometimes it is on a lower side, that does not mean that this is happening as far as the geographical is considered, as far as the specialty business of SciTech, what is happening out there is again the inventory, there was like a lot of sales of effervescent tablets for the COVID related products we were making, for example, vitamin C and Paracetamol and other things, but right now they are struggling with a lot of inventories at the customer end, so lot of orders are on hold, so I think this is again a inventory related phenomena and probably this is the quarter where we really saw the drop into the SciTech sales.

Gagan Thareja: If I again look at your sales from a longer term risen even past three years your sales CAGR would have been 8%, in a normalized world where these sort of transitory issues which has had a deep impact in the shorter run if one assumes that they come back to normal, in such a scenario, what is the sales growth potential for the company, we understand that in the current scenario you are getting impacted by extraneous factors, but in the normalized scenario what is the baseline growth which your business with its pipeline of new products and existing products and customer is capable of?

Vasant Rathi: Well, thank you for clarifying that like as you said in last couple of years very abnormal years, so if we can keep that aside and as I said in the beginning if we do not have any other further disruptions globally which are not under our control, we are targeting to be growing 15% to 20% annually.

Gagan Thareja: Okay and I appreciate that you have given us that number at least which helps us understand where you are headed, but if you could also elaborate a little more and give us some idea on the road map and how you expect to achieve that, what goes into being able to reach that aspiration?

Vasant Rathi: Glad to hear that. See, there are three segments, which we have clarified to you, right, one is bio-processing and there were questions on that and we are already clarified that that growth we see is very sustainable and continue because everybody is trying to find alternatives, API growths will be there in India, everybody is trying to get away from China supplies and there is a great deal of prospect to grow substantially beyond 15% to 20%. The second market segment, which we are in a food processing area and we see a several products approvals, it takes time to get approval and yearly contracts, so we are doing extremely well on that particular front on R&D, etc., and we see substantial growth in that segment also. Third one is animal feed area where we are saying we have placed lot of various different key things in the global marketplace, we have signed an agreement with the Sumitomo Chemicals Japan, Japanese, subsidiary in USA has a exclusive marketing sales company and similarly several other areas are moving forward on that particular front and you will see a substantial growth. Human nutrition, we are also looking at the B2C market growing considerably than the current place and as far as B2B market, we think it will continue to grow and so after the initial inventory hurdles because US is still strongly growing and there is inflation process is still on, but we feel that we have an excellent chance of growing, there will be a pressure on margins I can tell you that.

Gagan Thareja: So, again as we sort of passed through on the sales aspects likewise on margins again, in a normalized world with your prospects in fermentation APIs, in food processing and so on, would the margin trajectory be still lower than what it was in the past, it has been dropping over the last two, three years, but in the end there is a lot of a contribution to the drops from issues which are not of a permanent nature there might be others which are the permanent nature, hence my attempt to understand in a normalized world, what should be sustainable margin trajectory for this improvement?

Vasant Rathi: Well, we are going to keep our margins, at least try to keep our margins above 40% those are the areas, we are very mindful, at the same time we are very aggressive in future investment and increasing our R&D expenditures will grow up considerably, it is a research driven company and we are putting a lot of things the future growth, so lot of investments will be there on that particular area, we are also developing and spending more into expanding the market segments, so there will be a pressure initially and when you are trying to develop the market you have to spend a lot of money on the sales and promotions, which you will see quite a lot and also human development, so these are some of the things challenges management always face when they are growing and which was the growth, so they are also part of our company's story.

Gagan Thareja: Right, so what should be a reasonable timeline to expect over which you can these efforts that you are putting in start bearing fruit, is it going to be one year, is it going to be two years, before the consequences of these efforts start showing up, how should we think about that?

Vasant Rathi: Some of the efforts you will see quite soon, so exactly all the efforts will come, everything will pay off, I hope I can get some crystal ball, but what we see is very, very positive trend.

Mukund Kabra: So, to answer that some of the effect will start after one or two quarters.

Gagan Thareja: Okay, so in a couple of quarters some of your efforts will show up in top line growth in the numbers?

Vasant Rathi: In the numbers, yes. But you will also at the same time you see how the cost we are going to spend a lot of money into various different areas I just said.

Gagan Thareja: Yes, so I mean when you say sales and promotion in R&D going to remain elevated as a percentage of sales you pointed out that R&D cost is that 5.1% for the quarter, is it going to remain in this trajectory all through the year is it going to rise still further from 5.1%?

Vasant Rathi: I think it will rise and our idea is somewhere around 8%.

Gagan Thareja: So, you are saying that over the quarters in this year as you move from the first quarter down to the fourth quarter and as you exit out of the year, we should be expecting 8% R&D to save?

Mukund Kabra: Not really, not 7% to 8%, it is like a longer time goal, but this year it will be in the similar range maybe in between 5% to 7%.

Vasant Rathi It is a gradual thing, it does not happen like it is going to jump instantaneously because we got to be budgetary constraints and lot of other things comes in R&D.

Gagan Thareja: So, I get your point, Sir. I understand that over a period of time you want to increase R&D to sales by almost 3% points while it is understandable that that is required for the business to grow, should it than not mean that a baseline margin trajectory would probably be lower than 40% unless of course that R&D starts to give you return on investment in a short time frame?

Beni Prasad Rauka: Well there will be some kind of a pressure of course as you mention because when you spend more on R&D from 5% to 3%, so 3% has to come through your incremental revenues, but the good part of our business is once we cross the threshold and after that most of the time we have seen our margins are really pretty decent, so we should be in a position to maintain our EBITDA margins which we have been talking of about say 40% or so, but yes, on a quarter-to-quarter suppose my R&D in a particular quarter is 8% probably the EBITDA margin could be 37%, so overall if we really look at it, it will be in the same range.

Gagan Thareja: Right, I get that, Sir, but when we are talking of this margin, at what juncture or what timeframe do we get to that margin because currently we are…?

Beni Prasad Rauka: So, I will explain you, what happens is, you are right absolutely, I mean everyone wants to have a good margin of course, we are also working for that, the sales mix sometime that also creates this kind of a situation, for a quarter some of the product sale is higher, so you get a better EBITDA margins, so that is what I am saying overall when you look at the entire year it gives you a fair idea in what range we are going to be.

Gagan Thareja: But when are you saying that in spite of what we have seen in the first quarter this year, which could have had an adverse sales mix, if we think of the full year FY2023, we can get close to that number of 40% for the full year?

Beni Prasad Rauka: So, I mean we have another nine months to go, so we are like that is what is like of course we will try to see that, we got close to at least in the margin which we have last year at least.

Gagan Thareja: So, are you saying that when you exit, the exit margin will be 40% or are you saying that the aggregate for the full year could come close to 40%, I just want to ensure that I am not interpreting you wrong?

Beni Prasad Rauka: Yes, I am saying that the aggregate EBITDA margin could be close to the last year FY2022, so that will be somewhere at the end of the year, FY2023.

Gagan Thareja: So, you are saying you will reach FY2022 margins in Q4, but for the full year margins FY2023 will be substantially lower and FY2022, is that right?

Beni Prasad Rauka: So, that is what in one quarter which we are discussing, so we have three more quarters, so let us see on an average we should be able to reach to that margin.

Vasant Rathi: So, you will see that there will be an improvement definitely.

Gagan Thareja: That is fine thing to know, also there is a pretty substantial fuel ethanol blending program mandate by the Indian Government and I presume it is an enzymatic hydrolysis process, which goes into fuel blending all, do you supply enzymes for those processes or do you foresee that as a reasonable opportunity to pursue?

Mukund Kabra: Well, we have tried with a couple of big refineries, some of the product has gone, but honestly this is not our active area, we are a absolute supplier, we are waiting for the next move as the feedback and other things will come.

Gagan Thareja: And from our working capital standpoint not necessarily only Advanced Enzymes but everybody because they are building up inventories due to the supply chain issues, or receivables are lengthening, it has been a common feature across most companies, how should we think of working capital for you both in the shorter time frame for the year and in maybe a longer time frame of three to five years?

Beni Prasad Rauka: It will be in the range of 110 days to 120 days that is kind of a working capital cycle for us.

Gagan Thareja: This is sustainable both in the shorter and the longer timeframe?

Beni Prasad Rauka: Yes.

Gagan Thareja: Right, Sir. Thanks for taking my questions, I will get back in the queue. Thank you.

Moderator: Thank you. The next question is a followup from Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: Thanks a lot. Sir, in terms of I understand are taking all this cost pressure cost pressure, but in last to last conference call we asked management is to why they are not able to pass on the cost in terms of higher prices and it was mentioned that this is because of the increased competitive intensity, so I just wanted to understand, which are these players who have entered into the market and creating competition for the concern?

Vasant Rathi: It is a high margin area now everybody is trying to enter into it, so we will see that there are a lot of major players also is going to jump into international market.

Vaibhav Badjatya: But I think given the nature of business and then development process it is quite long so sudden increase in competition is unexpected, so that is why I just wanted to understand?

Mukund Kabra: It is not a competition. What happens like if you try to increase the prices all the people wants to reduce their prices because they do have an impact on the other side, so they will go to the whoever two, three suppliers are there, they will try to work on this and then you may lose the business because it is a competitive world right, and the ingredients is the area where you can see that they can cut down the cost, they cannot cut down the cost in travelling, they cannot cut down the cost in the packaging, so this is the area where everyone wants to cut down the costs.

Vaibhav Badjatya: Understand, got it and lastly on the cash that we have, so we continue to build on cash and I understand that there will be some investments that we will do, but even accounting for that investment, we will continue to have very good amount of a cash generation given the profitability reasonably good even at this declined level, what is your thoughts on capital allocation in terms of distributing the dividend to the shareholders or in any other way moving that cash out of the company or in any form?

Vasant Rathi: Two answers for you, one is we are already increasing the dividend this year by 10% to 11% than compared to last year, so our company is constantly increasing the dividend year after year, the second is obviously deploying the cost, when capital costs is going up globally we see the chances of possible targets for us may increase quite a bit, so we see that that is an opportunity for the companies like us who have no issues of the capital.

Vaibhav Badjatya: Got it. That is it from my side. Thank you.

Moderator: Thank you. We have a followup question from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: Thanks for the taking the followup question. Sir, two question, the other operating expenses are up quite sharply for the quarter, I think in the beginning you did give some sort of explanation there, but if you could sort of break that that specific cost hit down and give us a little more elaborate understanding of how much it come from the legal and professional and how much it come from increased sales and promotions and also is this quarterly rate of 35 Crores under that cost hit a sustainable future for the year?

Beni Prasad Rauka: Your question is about the increase in expenses right and that is with regard to other expenses, right?

Ketan Chheda: Yes.

Beni Prasad Rauka: So, if I look at other expenses of Q1 of this year as compared to Q4 of last year, so Q-on-Q, the expenses is up by only Rs.11 million.

Gagan Thareja: See, there are two things Q-on-Q your sales is down 8%, but still your other expenses are up and if you look at it year-on-year your sales are down 12%, but your other expenses are up almost 40%?

Beni Prasad Rauka: So, that is what I am saying that other expenses generally, I had mentioned earlier a kind of fixed expenses where you cannot do much on it, so that is the reason the sale has nothing to do with all this other expenses.

Mukund Kabra: There is another one area like for example, power and fuel, so if you look into AP wherever JC Biotech plant is there, there was no power supply for some of the month like 50% power supply and then you have to run on the generator right, so if you really look at 16, 17, I think somewhere around Rs.8 million is increased due to because of that.

Beni Prasad Rauka: Now, I am giving you the perspective of year-on-year, so last year the other expenses was about Rs.249 million, this year it is Rs.349, per year you can see that there is an increase of Rs.100 million, so I will give you some kind of a breakup here, our legal and professional expenses are up by Rs.22 million, power and fuel expenses are up by 20 million and taxes are up by about 7 million, lab expense is up by Rs.5 million and Rs.10 billion is roughly increase in sales promotions and travel expenses as compared to the Q1 of last year, so that is how overall the increase in expenses and in addition to that it also includes some mark to market valuation so that has also happened and because of that we have some kind of Rs.33 million of losses in that sense when you do the mark to market valuation, so this is an exceptional item in that sense in this particular quarter, so this is not kind of thing like that fixed expenses.

Ketan Chheda: So, Rs.33 million is mark to market, which is not?

Beni Prasad Rauka: Yes.

Ketan Chheda: And then there is another Rs.18 million, which is because of the power shortages maybe which have now been normalized, right?

Beni Prasad Rauka: Rs.8 million, not Rs.18, so total is about Rs.20 million, Rs.8 million for one particular company which is our subsidiary JC Biotech, but in addition that Rs.12 million is increased in case of

Advanced Enzymes, standalone numbers also, so all put together is Rs.20 million increase in power and fuel and legal and professional, I have already explained Rs.22 million, then there is an increase of Rs.7 million in freight and taxes, then lab expenses, travel and sales promotion expenses, I think that is what I have given you a take about it.

Gagan Thareja: So, we could say that that Rs.33 million and Rs.8 million so around Rs.41 million or is not necessarily sustainable sort of an increase and one could adjust that out to rise what is a more normalized number?

Beni Prasad Rauka: Right.

Gagan Thareja: Right and again if I look at the trend of other expenses across quarters, that tends to be the lowest thing then it sort of peaks into the fourth quarter although the sales might not go in that same line, so for example, FY2020 sales?

Beni Prasad Rauka: That happened mainly because of CSR expenses generally what happens, the CSR expenses that is spend in the last you know that was because of that you might have noticed last year that other expenses are up in last quarter.

Gagan Thareja: It has been the case right through the last three years, so I am saying that is that also a trend that will continue so for example, if I knock out Rs.4 Crores from Rs.35 Crores so normalized other expenses is Rs.31 Crores, but then it will keep on rising Q2, Q3 and Q4, is that a correct incurring?

Beni Prasad Rauka: Yes, to some extent, yes.

Gagan Thareja: Right, I got it and on tax rate how should we think of tax rates are while they are saving they are not in the 25% or 26% tax rate?

Beni Prasad Rauka: It is 25% to 26% effective tax rate.

Gagan Thareja: Alright. Thank you, Sir. I will get back in the queue and there are more questions and I will probably be again.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Ronak Saraf for closing comments.

Ronak Saraf: Thank you everyone for taking your valuable time for attending our earnings call. We will keep you posted for any further updates. I request you all, to kindly send in your questions that may remain unanswered. An audio recording and the transcript of this call will be uploaded on our website in due course and looking forward to host you all in the next quarter, till then stay healthy, stay safe. Thank you.

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