



“Advanced Enzyme Technologies Limited Q4 FY2017
Earnings Conference Call”

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MANAGEMENT:

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Moderator: Good day, ladies and gentlemen and welcome to the Q4 FY2017 Earnings Conference Call of Advanced Enzyme Technologies Limited, hosted by ICICI Securities. 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. Nimit Shah from ICICI Securities. Thank you and over to you Mr. Shah!

Nimit Shah: Good evening everyone. We would like to thank the management of Advanced Enzymes for giving us the opportunity to host this call and we have from the management team, Mr. Vasant Rathi, Chairman & Non-Executive Director, Mr. Chandrakant Rathi - Managing Director, Mr. Piyush Rathi - Chief Business Officer and Mr. Varun – Manager Accounts on the call. We would like to hand the floor to the management for their opening remarks and then we can start the Q&A. Thanks, over to you Sir!

Chandrakant Rathi: Good afternoon everybody. Thank you for joining on the investor call. As you must have seen the results are already being loaded on the BSE & NSE website. The Board of Directors were very happy to double the dividend payout for the coming last financial year and that is why the 20% dividend has been declared and the results are there with you. Our Company has done a PAT of Rs.92.4 Crores and we could do a sale of Rs.331 Crores which is inline with our expectation like barely some 5% or 7% lower than our expectation, but Company could meet our general targets, where on the appropriate roadmap to our growth plan which was shared to you earlier and this what being properly shared, now if you have any question, we will be open to answer your queries.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nikunj Choudhari. He is an Individual Investor. Please go ahead.

Nikunj Choudhari: Good afternoon everyone. As an investor I wanted to know what went wrong as compared to Q1 and Q2, the Company did phenomenally well as compared to the PAT of Rs.28 Crores, Rs.29 Crores whereas we have seen a PAT, at an individual level we have seen dip in Q3 and Q4. Q3, the management has given a clarification that the sales to particular time? I wanted to know what went wrong in Q3 and Q4. For Q3, the management had given an explanation like there was a particular buyer who had stocked the goods and the sales went down for Q3, but Q4 even the numbers are not as good as Q1 and Q2, so I would request the management to clarify what went wrong for Q4 why we were unable to achieve Q1 and Q2 targets and what is the roadmap for subsequent year?

Piyush Rathi: Thank you Nikunj for your question. Basically as such nothing has gone wrong. It is just the variability in the quarters as such, but if you look at the year-on-year numbers.

- Nikunj Choudhari:** I agree year-on-year we have done well, but as compared to the first half of the year and second on the half of the year?
- Chandrakant Rathi:** The client in question is one of the clients that we have talked about in the past calls, so we are back on tracks, the business is resumed and in fact with the client as well. We have grown single digit percentage in this year compared to last year, so the business is, there is stable outlook, this is not a negative outlook, this is a stable outlook and that is what we have seen. The variabilities of the quarter they are there and that is the nature of our business.
- Nikunj Choudhari:** Okay and one small question. I think the expense for this quarter has gone up, the operating expenses for this quarter as compared to other quarters.
- Piyush Rathi:** One of the prime contributors would be the consolidation of the JC Biotech accounts and so we have started seeing some synergy especially on the marketing side, but if the cost synergies are yet to be realized. So in this financial year we expect that will realize more synergies from that acquisition and the operating cost overall will come down.
- Nikunj Choudhari:** Okay and so we are on the plan of say 25, 30 CAGR what we have told earlier, so we are on plan for FY2018.
- Vasant Rathi:** That is right.
- Nikunj Choudhari:** Okay, take care, thanks a lot.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Emkay Global. Please go ahead.
- Amar Maurya:** Thank you for giving me the opportunity. I am sorry in case if it is a repetition because I just logged the call. I just wanted to know like one particular account, which has contributed almost 650 million in the first half of FY2017 and lowered at 146% kind of year-on-year growth. So what was the traction during this particular quarter and what was the contribution of this client in FY2016 if you can give this.
- Chandrakant Rathi:** Of course we have talked about it there is significant client concentration, but I would also like to highlight to you, as such our strategy is not focused fully on one client. We have more than 700 clients in our portfolio and growing day-by-day. Also our focus is to increase, the revenue from some of the larger clients. Currently, we do have this one client who may have multi-billion dollars clients going to speak and we are in the process adding many more such clients. This client on a year-on-year basis, we have grown from Rs.73 Crores to Rs.79 Crores, so there is a significant.
- Chandrakant Rathi:** Almost a million dollar more.

- Piyush Rathi:** We have grown with this client, but our idea of strategy is basically to add more clients in the multi-million dollar range.
- Amar Maurya:** Okay, what you are saying Sir in the first half, the contribution was around Rs.79 Crores, right?
- Piyush Rathi:** In the first half, it was 65 Cr but I think what we need to look at is for the whole year.
- Amar Maurya:** Okay, so whole year this client has contributed Rs.79 Crores?
- Piyush Rathi:** That is right, compared to Rs.72 Crores last year.
- Amar Maurya:** So basically the contribution of the client per se had increased gradually in this particular year or what in the first half basis?
- Chandrakant Rathi:** It went up very rapidly in the few years back and basically stabilizing now and we can expect this similar kind of growth percentages for this particular client. We would like to really focus on not just one particular client, because the strategy of adding different applications and different clients and different applications and different geographies. So but again we have pointed out the business has inherent diversification. That is what we would like to highlight you.
- Amar Maurya:** Correct, in a human space like pharmaceutical or nutraceutical space, today what would be our top five clients contribution?
- Chandrakant Rathi:** Our top 10 clients would be contributing about between 40% and 45%.
- Amar Maurya:** Top five would be what 35%?
- Chandrakant Rathi:** Top most client is already 25, so there is not much.
- Vasant Rathi:** Top most is 25%.
- Chandrakant Rathi:** Between 40% and 45%.
- Amar Maurya:** Okay, so I just trying to understand now as you said that you are now focusing on basically getting the scale from the client and this client per se is the largest one, so what is our broader strategy, is it like you are going to mine the client initiative, trying to mine the client, what is the strategy we are actually having in this particular thing if you can help us to understand on that.
- Piyush Rathi:** Sure, it would be very helpful for you, also to have a look at one of the presentation that we have uploaded in March. I think around March 3rd then we had our investor day and we also try to educate our investors and shareholders about a future strategy. There is several four, five application areas of course nutraceutical happens to be especially the B2C consumer side happens to be focussed area. On the industrial side, we are looking at palm oil processing, oil and

fat processing as you would have noticed we have got board approval to also set up a subsidiary in Malaysia that is a focus going forward. This financial year we are looking at some clients starting to materialize and we will see full scheme revenues coming in FY2019. There are also other application areas like animal feed, like detergents, like biodiesel where again your company board has approved to invest into a biodiesel company, so these are the several areas that we are focusing on and along with nutraceuticals, so there are several different areas some in nutritional area, animal nutrition, human nutrition and also some key selected bioprocessing opportunities that we are focusing on.

Amar Maurya: Okay, basically what I had understood like what we are saying here is that primarily the growth is now going to come from the various newer verticals rather than the existing client mining. Is that my understanding correct?

Chandrakant Rathi: It is a mix. Our existing client is also continues to grow at the same time we are adding new clients in existing segment and we are focusing the more concentrated focus on some of the newer applications where we believe we have strength. When we say strength we are looking at two, three things. We are looking at alignment with production, we are looking at high value addition to the clients and we are also looking at low areas whether there are low competitions. When we look at those that is we have selected some of these target markets and geography.

Amar Maurya: Because why I am asking this Sir, because even if these projects scale up, this kind of projects will take sometime to contribute meaningful to the revenue right, if I am not wrong help me to understand if I am on the same page?

Chandrakant Rathi: I think it would be very helpful, if you have a look at the presentation that we have uploaded in March. We will give in different stages of development. Most of the applications that we are talking about right now or in the market development stage that we are in the growing phase from getting our first set of clients. So we are very close in many of these areas.

Amar Maurya: Okay, so the guidance of 15% to 20% stays with the existing client mining, are you including these kind of projects into that?

Piyush Rathi: Yes, we are including these kind of projects into that.

Amar Maurya: Okay and the margin trajectory is likely to recover from here on given that now?

Chandrakant Rathi: Margin profile is very stable Maurya, if you look at even the whole financial year, I think we are talking about between 45% and 50% EBITDA margins. So we will continue to maintain.

Amar Maurya: Okay, given this kind of run rate for the existing client this still we are comfortable of managing this kind of margin right?

Vasant Rathi: Yes, absolutely.

- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Edelweiss Financials. Please go ahead.
- Sneha Talreja:** Good evening Sir. Thanks a lot for taking my question. Basically my question was related to JC Biotech contribution this year. If at all you can help me out with that?
- Piyush Rathi:** Good afternoon Sneha. One thing I would like to highlight is that JC Biotech, we are not using as a front-end subsidiary. It is a production subsidiary that is how internally we have strategized structured ourselves. We have organized ourselves. JC Biotech primarily contributing towards production and basically the revenue still coming from AET, so it is not a marketing subsidiary per se.
- Sneha Talreja:** Okay, so you mean getting combine into human healthcare segment of ours itself
- Chandrakant Rathi:** That is right.
- Sneha Talreja:** Okay, if at all I would like to know how much was the contribution in this quarter from the newer segments like I believe there was order from palm oil extraction, which will be executed, in this current quarter?
- Piyush Rathi:** I do not think we have reported any orders on palm oil extraction, but yes like I said before FY2018 we expect some trials to materialize into orders, some initial set of clients to come on board and we can see some full stream revenues coming in FY2019.
- Sneha Talreja:** What about Sir Biodiesel segment, because we are investing there, so when can we start some kind of revenues is from that segment?
- Chandrakant Rathi:** This financial will go only in setting up the plant. We expect revenues to come in FY2019 for Biodiesel as such.
- Sneha Talreja:** You mean all the newer segment which we are actually targeting palm oil extraction, Biodiesel and even detergents if at all you can highlight about that also and everything we will start from FY2019 onwards?
- Piyush Rathi:** As of now we do not have visibility on detergent, so we expect detergents, animal feed, so these segments are animal feed expansion if the geographic expansion which is right now taking place, that is a continuing story for us. Healthy growth will come in from that business in this financial year. We also see JC Biotech was only four months of consolidation in the last financial year. So in FY2018, we will see the full effect of the JC acquisition, both on the market side, revenue side as well as on the cost optimization and production side as well.
- Sneha Talreja:** There is another question from Rohan.

- Rohan:** Good evening Rohan here. Sir just taking through from your earlier remark, you mentioned that definitely one product, which is the largest contributing product as of now. How many such products you foresee or envisage in next three to four years, which have a potential to become multi-million dollar product. As of now given your interaction with the customers?
- Chandrakant Rathi:** It is very difficult to predict that Rohan, but all of these newer opportunities are like that. They have the potential.
- Rohan:** When you say the newer opportunity you are only talking about the palm oil things and all.
- Vasant Rathi:** Palm oil is one of the areas.
- Rohan:** Mr. Rathi I can hear you.
- Vasant Rathi:** Palm oil is one of the area, but there are larger amount of opportunities, we are exploring into the nutraceutical market there also in US and US basis going to be expanding into other industrial segment also, this year you will see some revenues enhance revenues coming in and the sector and that is coming from the various different areas in food processing and other market segments from South American markets or America what we call it.
- Rohan:** These are almost all the new categories as you rightly mentioned, you are expecting some of the new categories, I was looking?
- Vasant Rathi:** No, this is not a new category, these are existing categories expansion of the customers in market area, the geographic area, because what happens it takes time to establish the distributor setups customers go through sampling, so it is a process which usually happened two, three years ago. It will keep the results starts coming up.
- Rohan:** In terms of like product dependence which we had one product contributing almost 25% of the total revenue. I was looking from that perspective more, are we expecting any such block bluster product, opportunity in next two to three years which you foresee and the product which can become Rs.50 Crores to Rs.70 Crores revenue potential product.
- Vasant Rathi:** Yes, we are looking at it of course in the three to four different products which we see, can do block buster sales, okay.
- Rohan:** Okay and if they become such a big product from when you expect that they can start contributing to the number like they will take two years, three years or may be for next year itself?
- Vasant Rathi:** Usually you see some effects in the year and it might take two to three years to come directly.
- Rohan:** That is almost two years away from current level?

- Vasant Rathi:** Blockbuster sales do not happen overnight.
- Rohan:** I understand, just a second question. If we exclude the larger product from the portfolio, we have done roughly 14% of the revenue growth on Y-on-Y basis, some contribution has also come from the JC Biotech in the current year, so even excluding acquisition so we would have done roughly 11% sort of topline growth. If I remember earlier, we were talking about 15% to 20% topline growth on a revenue side and at bottomline also similar number, while we have seen there has been some pressure on margin because the larger product getting I am in work not showing that number. In current scenario does your guidance include this sector that there has been a lower topline growth in FY2017 and that can give a some kicker in FY2018 or we can see slightly higher growth in FY2018 in topline as well as in profitability?
- Chandrakant Rathi:** We do not have such a visibility, but we see that revenue this year should easily cross Rs.400 Crores.
- Rohan:** Rs.400 Crores?
- Chandrakant Rathi:** Yes.
- Rohan:** Okay and in terms of margins, it will be almost similar margins of FY2017?
- Vasant Rathi:** That is always the case. We will try to keep the margin levels high.
- Rohan:** Except that some benefit probably from the JC Biotech consolidation which may have I mean that margin booster may come from their little?
- Vasant Rathi:** Margin booster always comes from improvement of the productivity increase in sales volume and sales price.
- Chandrakant Rathi:** There are multiple factors affecting it.
- Rohan:** Correct.
- Chandrakant Rathi:** Of course, company we will always try to be in that zone.
- Rohan:** Okay and lastly from my side have been understanding that palm oil may not contribute significantly in FY2018, but given the order intake from the customer and the investment which we are making, what can be the size of revenue contribution from palm oil in FY2019, any ballpark number, any clue on that side?
- Vasant Rathi:** Very difficult to predict.
- Chandrakant Rathi:** But it is a very large opportunity.

- Vasant Rathi:** Very large opportunity that is all we can tell you, but just talking numbers does not make sense.
- Chandrakant Rathi:** We are diligently working on this opportunity and over the next four to five year period, we will see a significant accrual to our revenues from this particular segment that what we can share.
- Rohan:** How much you think that you will be investing in this particularly palm oil only this year FY2018?
- Piyush Rathi:** I think the numbers are already approved. It is not very significant; basically what we are setting up it is a marketing subsidiary, marketing office in Malaysia that is primarily what it is. Marketing and technical support that is a kind of office that we are setting up.
- Vasant Rathi:** Now our business is a technology business, so it needs and that to a very new innovative for technology which have been offered to the market. So we are the first what do you call patent company in this particular space globally and we need to deliver appropriate technological support to our client.
- Rohan:** Great Mr. Rathi. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ravinder Sanghishetty. He is an Individual Investor. Please go ahead.
- Ravinder Sanghishetty:** Thanks for taking my question. So what is the current debt level last time you mentioned that there will be a reduced in a debt for these current year?
- Piyush Rathi:** At debt equity we are at about 0.11 or 0.12.
- Ravinder Sanghishetty:** What is the numbers in terms of absolute?
- Piyush Rathi:** Absolute number is about Rs.54 Crores today.
- Ravinder Sanghishetty:** Okay.
- Chandrakant Rathi:** Predominantly for working capital.
- Ravinder Sanghishetty:** Okay and second question what will be the revenue contribution for the newly acquired company which is the JC Biotech and other in Malaysia may be this year and next year?
- Piyush Rathi:** Mr. Shetty as we have shared right now also in the past, so JC Biotech we will not look at revenues because it is not a marketing subsidiary. It is primarily a production base subsidiary. Also I urge to look at our numbers in a consolidated way, because all our businesses passed in different entities, but when we look at the business, we will look at the whole business so the best

way to analyze our company is to look at the consolidated numbers. Could you also repeat your second question?

Ravinder Sanghishetty: I wanted to understand how the JC Biotech and the contribution would be there in the next year might be FY2018?

Piyush Rathi: Like I said on the topline we do not talk separately about JC Biotech or any of our subsidiaries actually. One has to look at the whole company and different segments. Primarily, we are looking at optimizing our operations and improving our productivities and efficiency in there.

Ravinder Sanghishetty: Okay and the guidance for the next FY2018 is the same as the last year, which is 30%?

Chandrakant Rathi: We have just shared, likely to cross 400 Cr.

Vasant Rathi: Our topline is expected to cross Rs.400 Crores this year.

Ravinder Sanghishetty: Rs.400 Crores, so which is around 30% comes to or like still need to check?

Chandrakant Rathi: Rs.70 Crores on 20%.

Vasant Rathi: 25%.

Chandrakant Rathi: Something 23%, 24%.

Ravinder Sanghishetty: In the mid 20s.

Vasant Rathi: On the topline, more than 20% of course positive.

Ravinder Sanghishetty: Okay, but last year FY2017 we did not achieve the 30% at the guidance?

Chandrakant Rathi: On the profitability, we did not achieve.

Ravinder Sanghishetty: Okay and we are confident that we will achieve for the FY2018?

Chandrakant Rathi: We see a topline growth 20% plus and mid 20s kind of almost close to 30%, bottomline growth.

Ravinder Sanghishetty: With using other application, other products that we are working on?

Vasant Rathi: Keep in mind that as we are expanding into the market segments, our expenditure will go up a little bit also in a real numbers but percentage might remain the same.

Ravinder Sanghishetty: Thank you.

- Moderator:** Thank you. We will move to the next question which is from the line of Anurag Tiwari, he is an Individual Investor. Please go ahead.
- Anurag Tiwari:** Thank you for taking my question. Good afternoon. My question is regarding there is a downturn on pharma as they can see as a whole pharma industry, do you see any impact in our business due to this downturn in pharma because it may be related that our topline is reflected to pharma?
- Piyush Rathi:** Let me get your correct question correctly, does the pharma industry impact us as such?
- Anurag Tiwari:** Yes.
- Piyush Rathi:** Our US business if you are referring to US as pharma business, we do not have any exposure to the US pharma industry; primarily our business is nutraceuticals based. In India we do of course service the pharma industry but as such we have not seen any major changes, in fact our business has only grown & that is on account of JC Biotech acquisition as well as some newer product introductions into the market.
- Anurag Tiwari:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Amar Maurya from Emkay Global. Please go ahead.
- Amar Maurya:** Thanks a lot for the opportunity Sir once again. I just wanted to get a few bookkeeping questions. Number one is what is the tax rate, which we are looking for FY2018 and FY2019?
- Vasant Rathi:** Our effective tax rate around 25% to 28%.
- Amar Maurya:** 25% to 28% right Sir?
- Piyush Rathi:** Yes, right.
- Amar Maurya:** But Sir I think historically the average seems to be around 31%, 33% or 32%. So is there any tax benefit, which we are likely to get because of the new tax structure?
- Chandrakant Rathi:** No, in fact this will be the last year our Indore plant will be getting the tax benefit I do think of course there are major benefit as such because anyway we ended up the paying the MAT.
- Amar Maurya:** Okay, because the average is around 27% for the last two years if I am not wrong Sir right?
- Chandrakant Rathi:** That is right.
- Amar Maurya:** The same range or it is going to be 25%?

- Chandrakant Rathi:** No, we expect in the same range 27%, 28%.
- Amar Maurya:** And secondly Sir what is the capex, which we are looking for next two years given that JCB is already acquired, and what is the kind of capex and what is the kind of R&D expenditure will be incurring for next two years if you can help me with that?
- Piyush Rathi:** On organic basis will continue to remain the absolute numbers that we had in R&D and also in the normal the maintenance capex that we had in our plans.
- Amar Maurya:** What would be the numbers if you can specify?
- Chandrakant Rathi:** About Rs.10 Crores for the R&D as well as for the maintenance capex they are around Rs.10 Crores, Rs.12 Crores.
- Amar Maurya:** Rs.10 Crores, Rs.12 Crores that is it.
- Vasant Rathi:** That is right.
- Amar Maurya:** One last if I can I just wanted to know if I see our fixed asset turnover ratio which is relatively below one by when you are expecting that at least it will reach to one, just wanted to know your view probably in the next two years or three years, when do you see it happens?
- Chandrakant Rathi:** I think we should positively see it in the next two, three years for sure.
- Amar Maurya:** At least in three years, we will reach to the 100% asset turnover?
- Chandrakant Rathi:** We expect more.
- Amar Maurya:** At least.
- Chandrakant Rathi:** Yes.
- Amar Maurya:** How much we can go at a top end?
- Chandrakant Rathi:** I think we have shared our estimates or long-term vision on a topline basis we are looking at 15% to 20% growth over a fairly long period of time.
- Amar Maurya:** No, I am asking about the fixed asset lower ratio like one is the first initial range, what is the normal industry churn for company like Enzymes, what is the top most fixed asset turnover ratio in case if you can help me what is the industry level?
- Vasant Rathi:** As such we do not want to have any benchmark available. I think we have to look at because fixed asset get added not every year.

- Amar Maurya:** Correct and the topline is going to go up that is what you are saying right?
- Chandrakant Rathi:** So, they both move in different ways. The fixed asset gets added in step up fashion after few years and the topline of course grows every year.
- Amar Maurya:** Correct Sir and what is the growth of top 10 customers if I can?
- Chandrakant Rathi:** Top 10 customers are...
- Amar Maurya:** Growth rate for top 10 customers?
- Chandrakant Rathi:** About 2%, 3%.
- Amar Maurya:** Okay, thank you Sir.
- Moderator:** Thank you. The next question is from the line of Saurabh Kataria from BOI AXA Mutual Fund. Please go ahead.
- Aakash Manghani:** Good evening, this is Aakash Manghani. Am I audible? Couple of questions. One is on the gross margin this quarter. This quarter gross margin was roughly around 77% and if I look at it sequentially Q3 as well as to 77%. However in Q3 your topline to was 0% of revenue and Q4 it is 16% of revenue. How would have expected that your topline which is a higher margin product coming back, the gross margin should have gone up; however, its flat sequentially in spite of the 16% revenue contribution, so could you explain that?
- Piyush Rathi:** There is a product mix effect and also I think JC overall the gross margins there is a lower gross margins overall and from that acquisition, but eventually in this financial year we will see some accrual on that side.
- Aakash Manghani:** I know earlier this question was asked a new sort of refrained to answering this, but I will try my best again. If you could help me with the revenue contribution, how you want to put it from JC Biotech and what is the gross margin and EBITDA margin. I have the number for FY2016, which was Rs.39 Crores in revenue, and EBITDA of 19%. It would be helpful if you can give that same for FY2017?
- Chandrakant Rathi:** Aakash. I will also attempt to answer this question once again. We have to not look at JC as a front end subsidiary that means as a standalone marketing based front line output coming on from there. Our revenue is coming directly from AET. What we are using JC Biotech primarily is for production, and it is integrated into our operations. It is primarily for production and the sales anyway is happens from Advanced Enzymes.
- Aakash Manghani:** I understand that but this in Q4 we were looking at around Rs.80 odd Crores in revenue and it has ended up at Rs.87 Crores, so just additional looks like Rs.7 Crores comes from inorganic part of

the business and the margins for the base business would have held up and with consolidation our JC has gone down a bit, so it would be great – okay may be I will take this offline probably if that is the way you want it. The next question is that in earlier conversations in the past you alluded to animal feed as big opportunity for you guys and if you look at FY2017 the growth rate in animal feed was sub-10% and I believe there was a big plan to do animal feed in Middle East and launch this in the export market, so from a two to three year perspective what is the trajectory that one can expect and what are the plans in place to achieve higher revenue trajectory?

Piyush Rathi: Broadly you can split out business into two geogarchy one is India and one is outside of India international business. Our international business is growing very, very rapidly, of course it is on a smaller base, our India business is stable and we expect a healthy double-digit growth coming from both the areas especially from the internatinoal part of the business, so of course we are planning to get into three-digits within the next two, three years, within the three to five year horizon we are looking at good healthy three digit numbers from this business alone.

Aakash Manghani: And that three digit number let us say by FY2019 or FY2020 would be primarily from the exports part of business?

Piyush Rathi: Actually I am referring to three digits only primarily from the exports.

Aakash Manghani: Okay and exports will be contributing what in that Rs.51 Crores right now.

Piyush Rathi: Contributing about Rs.10 or Rs.11 Crores.

Aakash Manghani: This should go to close to 100 odd may be by FY2020?

Piyush Rathi: That is the target.

Aakash Manghani: Sir please explain you are selling through distributors, are you selling to the end client directly, does the end client know he is buying from Advanced Enzyme, so how you setup the distribution network in the exports business?

Chandrakant Rathi: Yes our model is that. We are depending on distributors. We are appointing distributors in various geographies and the end customers very well know that the product they are buying is from Advanced Enzymes, so ours is a branded strategy unlike other people who might maybe offering a more generic or bulk strategy, our focus is to go directly to the end customers. Of course we need a point of connect for various aspects whether you looking at stocking or whether looking at servicing, the technical service, all of those aspects need to be delivered on the ground and therefore we need a partner in each of the geographies that we operate in, so we have distributors or authorized distributors and the focus is to meet each and every end client, our team travels on foot and lot of our team members travel across the globe to meet the end customers, the end users and along with the distribution partner.

- Aakash Manghani:** So this is a fairly penetrated market for you to go 10 fold in revenue in three-years odd is an ambitious target, but you have a differentiated offering or it is just a price game you are playing with the international competition or what is that will help you achieve this 10 fold growth?
- Chandrakant Rathi:** It is a mix of growth both and the market is very large and our base is small, so I do not believe it of course...
- Aakash Manghani:** The market is growing at low single-digit as per my understanding right?
- Chandrakant Rathi:** For the feed enzyme market is growing very well globally and especially some of the emerging economies are growing in very healthy double-digits.
- Aakash Manghani:** Next on the top client this year your revenues almost 10% growth YOY, some sort of broad visibility on what could it end up being in FY2018, I know it is you go quarter by quarter probably in that, but could you replicate FY2017 growth or could be high based on initial talks with your client, how does maybe this calendar year look like for you versus last calendar year?
- Piyush Rathi:** So I will tell you what we have budgeted for, we have budgeted nearly the same percentage growth in terms of rupee revenue compared to, so FY2017 whatever growth we have seen that is what we have budgeted for in FY2018.
- Aakash Manghani:** What is the dollar number for the top?
- Piyush Rathi:** About 2%, 3% growth, between 2% and 3%.
- Aakash Manghani:** Okay fair enough. Fine. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Edelweiss Financials. Please go ahead.
- Rohan:** Thanks for followup question. Sir two things, first on goodwill, so what goodwill policy we will be accounting for now?
- Chandrakant Rathi:** Do you have any specific?
- Rohan:** Recently we have acquired JC biotech and almost Rs.34 Crores on the goodwill, so do we have any specific timeframe that we need to write off or consume all these goodwill and otherwise there is already related amount goodwill, so on the balance sheet sitting so what will be the accounting policy will be following it on?
- Vasant Rathi:** For that particular goodwill policy we do impairment testing at each and every balance sheet date and if required there are conditions.

- Chandrakant Rathi:** So usually we will do a annual evaluation.
- Vasant Rathi:** For impairment testing we do every balance sheet date.
- Chandrakant Rathi:** There is impairment in the goodwill and that is as per the accounting standards.
- Rohan:** Okay, so there is no timeframe like every five years we have to impair this?
- Vasant Rathi:** Every each year we do.
- Chandrakant Rathi:** This each year has to be done, evaluation has to be done, in that point in time we have to do the evaluation for the goodwill whether it still stands or is there any impairment, so as of now we do not have any reason to impair or reduce the amount of goodwill or amortize the goodwill.
- Rohan:** Sir second question that recently the promotor has shown a lot of interest in the company itself and you have increased promotor shareholding significantly, so do you have any such further plan Sir going forward or how much is the room available to increase the shareholding further as of now?
- Piyush Rathi:** So I think Rohan you are well aware that we are on 70% right now amidst the promoters to have upto 75% shareholding.
- Rohan:** So do you have that intention to increase it to up to 75% in the current level?
- Piyush Rathi:** Of course the promoters see value in the company and not just recently – it is not a recent phenomenon, it is there for last 30, 40 years, the promoters are solely focused on this business alone, so at the right time at the right opportunity the promoters may decide to buy further.
- Sneha Talreja:** Okay, so given a chance that you may increase it further and to take up to almost 75%?
- Piyush Rathi:** I will not deny that possibility.
- Sneha Talreja:** Great Sir. Thank you so much.
- Moderator:** Thank you. The next question is a followup from the line of Nikunj Choudhari, he is an Individual Investor. Please go ahead.
- Nikunj Choudhari:** Sir I think the committee has answered my last question. It was regarding the increase in stake by the promoters.
- Chandrakant Rathi:** Okay sure. Thanks.
- Nikunj Choudhari:** Thanks.

- Moderator:** Thank you. The next question is from the line of Anurag Tiwari who is an Individual Investor. Please go ahead.
- Anurag Tiwari:** Thank you for the followup question. Sir my question is regarding pledging because I saw that promoters has bought significant number of shares in the last few months and then the pledging was done for about 40% for that particular promoter; however, we have seen the investment, which has been done for that part is not that much, so what is the intention behind the pledging of those shares?
- Chandrakant Rathi:** Typically when you raise funds you are required to also pledge that you have to provide security cover.
- Anurag Tiwari:** What I meant is that the pledging has been done significantly because it is like mostly number of shares has been pledged, but what I have seen the investment is very less as compared to the pledging which has been done for the share, so there any future planning to go for inorganic growth?
- Chandrakant Rathi:** Frankly, I cannot comment on that, but on general level when you raise funds you are required to pledge an amount in excess of what you are investing, so you need to provide a security cover to the lenders, so that is the general comment that I would like to provide to you.
- Anurag Tiwari:** Thanks.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to Mr. Nimit Shah for closing comments.
- Nimit Shah:** We would like to thank the management for giving us an opportunity to host the call. Thank you, any closing comments from the management?
- Chandrakant Rathi:** Nothing Nimit.
- Nimit Shah:** Thanks a lot.
- Chandrakant Rathi:** Thank you so much.
- Moderator:** Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.