



“Advanced Enzyme Technologies Limited
Q4 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Advanced Enzymes Technology Limited Q4 FY2020 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. Mukund Kabra, Whole Time Director; and Mr. Beni Prasad Rauka, CFO from Advanced Enzyme Technologies Limited. Thank you, and over to you all!

Mukund Kabra: Good afternoon all. It is a great pleasure to address you and discuss our q4 results for the financial year 2019-2020. We hope that you and your families are doing well in these difficult times. At Advanced Enzyme, we are taking all safety precautions to safeguard the health and interest of all our employees and customers during this COVID-19 crisis, as safety is our topmost priority. In the first segment of this call, we will be taking you through the earnings and the business highlights and then we will open up the floor for questions and answers.

We are proud to announce that we are again positive on all the parameters of our goal for this financial year and we strongly believe in delivering long-term value to our esteemed shareholders. I am glad to announce that we have a decent growth in profitability because of our product mix. Our business in India has also bears good results and has seen 11% growth.

In past, we have explained that our annual financial results is more relevant to look our performance and also for comparative purpose. We are proud to say that for the first time our EBITDA crossed Rs. 200 Crores and stood at Rs. 202 Crores, 46% of sales, increased by 11% from Rs. 182 Crores, 43% of sales in financial year 2019. Our PAT increased by 15% and stood at Rs. 133 Crores, 30% as compared to Rs. 116 Crores, 28%.

As mentioned earlier, sale to our topmost customer is on the declining scale for third consecutive year. In financial year 2020, the contribution stood at 9% of our total revenue as against 18% which was last year. We have made very great progress in integrating Evoxx, which is our German subsidiary and we keep our goal intact to consolidate the integration process between AETL and Evoxx has accelerated which resulted in for Evoxx turn in fact positive on a standalone basis in financial year 2020 and is growing steadily. This has happened for the first time since our acquisition.

Financial year 2020 was a challenging year for us because of the consolidation and synergizing all our different resources. We are committed to grow without sacrificing our margins and continue to create the stakeholders' value.

To end with, I would just like to say the outlook for the financial year 2021 right now is difficult to predict or give any guidance. This is because the very fluid and dynamic situation with Corona. In recent times, we have seen destruction of supply chain, value stabilization.

Our R&D units are still not functioning. Our offices, we are still working from home. Because of all these disturbances, the work is lagging. Once we get the clarity, we will be able to give you more clarity how the year should pan out. But we expect in such a tough situation, we are here to be decent.

Now let me hand over this to Rauka Ji, our CFO, who will walk you through the company's financials. Rauka Ji?

Beni Prasad Rauka:

Thank you very much, Mukund. I will just take you briefly through the company's financial and start with our annual financial performance, because that is what we have been telling from time to time that is more relevant for how to evaluate our company's performance and how to judge the performance of the company. So revenue this year, FY 2020, is increased by 6% to 244 million from Rs.4,196 million to Rs.4,440 million.

Our EBITDA is as Mukund Ji has mentioned, first time crossed Rs. 200 Crores mark. So it is Rs.2,023 million as compared to Rs.1,819 million, is roughly 46% of our sales, and the increase is about 11%. Our profit before tax is increased by 11% from Rs. 1,620 million to Rs. 1,792 million, from 39% of sales to 40%. So there is increase of 1% on our PBT. PAT is increased by Rs.171 million, a 15% increase from the previous year of Rs. 1,159 million. This was about 28% to Rs. 1,330 million, roughly, it is 30% of our sales.

On quarter-to-quarter performance, this quarter, the revenue is decreased by Rs. 15 million so the impact on EBITDA of about Rs.43 million and on PAT about Rs.19 million. On year-on-year basis, last quarter and last quarter of the previous financial year, there is a decrease of about Rs.1 million in our topline, that is the revenue, this was Rs.1104 million, so it is Rs. 1,103 million. EBITDA is decreased by Rs. 11 million. PBT is decreased by Rs.33 million, and PAT is decreased by Rs.8 million. So these are like on quarter-to-quarter and year-on-year numbers and financial year complete YTD numbers, which I mentioned to you.

Evoxx, our topline revenue stood at 264 million this year with a PAT, this is the first time like after the acquisition, Evoxx on standalone basis is earning profit after tax, this is about Rs.21 million. JC Biotech, our topline was only Rs. 424 million. The largest customer, and as you know that is the one number which we always track, this year the total annual sales of the topmost customer is only Rs.385 million as compared to Rs.719 million. So this directly impacted our revenue of our U.S. based company. So in U.S. business, we have witnessed degrowth of about 10% and that is mainly because of that customer. If we remove those numbers, then U.S. business has grown by 10%. Our top 10 customer contribute about 35% of our total revenue. Last year, we had about 44%. So there is like now more deconcentrating of our sales.

So with this, now I would like to commence the question-and-answer session.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: Just wanted to understand that while we have witnessed a sharp decline in the revenue from largest customers, in spite of that our overall revenue has not been impacted that much. So we have definitely grown, yes, through the non-top customers. So can you highlight that and even if I look at your segments, different segments, there's not much change there. So can you highlight how come that we have lost the largest customer, but we have gained another customer in the similar segment. So just wanted to have an idea as to what is driving this replacement?

Beni Prasad Rauka: Yes. I mean, this is because this particular customer is U.S.-based company, so it has directly impacted on our revenue of U.S. company. But of course, we have seen a very good growth in India. So India domestic market, we have seen a very good growth, about, I think, 17%. Then from India, the export has also gone up by about 45%. So that is and then another good thing is Evoxx, the topline has gone up. So these three things have contributed and somehow whatever loss we had, that has compensated. Those sales are not to a particular customer, so there are like n-number of customers to whom we are exporting our product or in domestic markets, our growth is again mainly driven by nutrition and in pharma business. So I mean those growth have contributed in compensating whatever the loss on account of one particular customer.

Vaibhav Badjatya: Yes. Actually, that is what I also noticed from the number and wanted to understand that it takes a lot of time to kind of get a product through the customer. In the same segment, like if I say your Human HC segment is nearly as a percentage of revenue it is nearly same as

compared to last year despite of the fact that the largest customer belonged to that segment and we lost that customer.

Beni Prasad Rauka: We have some other domestic customers, right? So there, the sale has really gone up.

Vaibhav Badjatya: Any specific factors that are driving these?

Beni Prasad Rauka: It is pharma that is what I am saying in pharma segment, there is a good growth in that sense, right? And then export also has gone up from India. So both put together has finally given us an incremental sale of about Rs. 244 million.

Vaibhav Badjatya: So in pharma, in what kind of medicines do our product go, any particular components?

Beni Prasad Rauka: Yes, we have like anti-inflammatory enzymes, we have digestive enzymes, then we do have some probiotics, I mean those are kind of products. So there are several other products, which we supply to various pharma companies in India. And also, we do exports. When we export it is kind of human nutrition? It is not pharma in that category..

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

Moderator: Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Sir, I had a couple of questions. Sir, on our last concall, we had suggested that we double our revenues over the next 3 to 5 years. So after this whole COVID destruction, are we still on track for doing that? Do we maintain that guidance?

Beni Prasad Rauka: I think Mukund Ji will answer your question. Hello?

Shikha Mehta: Yes, sir.

Beni Prasad Rauka: Mukund? I do not know, I think he is not audible or if we lost him.

Moderator: Mr. Mukund Kabra, your line is in the talk mode. Mr. Mukund Kabra, are you able to hear us?

Beni Prasad Rauka: I think there is a loss of connection probably or he is in mute.

Moderator: Sir, I will just get his line.

- Beni Prasad Rauka:** Yes, please.
- Shikha Mehta:** All right. Sir, in the meanwhile, I can ask you my next question. Sir, with this whole COVID crisis, the demand for preventive care has maybe increased because a lot of people are focusing on their immunity so how do we see that panning out for our enzymes?
- Beni Prasad Rauka:** I think this is all business related. First, I think if we are able to connect to Mukund, so I think it would be better if he answers those questions and if we are not able to connect, then I will definitely answer your question.
- Shikha Mehta:** All right, Sir.
- Moderator:** We have the line for Mr. Mukund Kabra reconnected.
- Mukund Kabra:** Yes, please?
- Shikha Mehta:** Sir, my first question was on the last call we had suggested we double our revenues over the next 3 to 5 years. So after the whole COVID disruption, does that still hold true for us? Or are we extending the guidance?
- Mukund Kabra:** Shikha, at this point of time, we still think that we can achieve that guidance, probably all the sales and other things might get delayed by 3 to 6 months, but we hope that we will cover it during the coming days.
- Shikha Mehta:** My next question was about because of Coronavirus, everyone seems to be focusing on their immunities and are looking for preventive healthcare. So how does that pan out for our enzymes and our products? Do we have any new products in the pipeline?
- Mukund Kabra:** We are working on those, Shikha. We are getting a very positive response in the U.S. markets. In the Indian market, we are still not exactly into the nutritional areas because we still are getting categorized under the pharma, okay? So the situation is not really clear in the Indian market scenario as far as health is concerned, but we feel that we are getting a good response in the U.S. market.
- Shikha Mehta:** Sir, we had our capex of around Rs. 100 Crores for that R&D facility. So is that going to be deferred or is that still happening?
- Mukund Kabra:** Everything will be deferred by 6 to 8 months, Shikha.

- Shikha Mehta:** Sir, as on FY2020, we have around Rs. 200 Crores in cash and cash equivalents. So do we have any specific cash management strategy? What exactly are we going to be using this for?
- Mukund Kabra:** Shikha, we want to use the cash for the growth, for the increasing growth as well. We are actually searching for it. As of now, nothing to say that we are actually pursuing for these opportunities.
- Shikha Mehta:** Thank you. That is all from my end.
- Moderator:** Thank you. We will move on to the next question that is from the line of Jay Arora from Birchwood Capital LLP. Please go ahead.
- Jay Arora:** Good afternoon. Mr. Mukund, I had two things in mind. Firstly, in order to boost our sales, and can we think of going into supplements of prebiotics, probiotics, because we are already the manufacturers, so and in America, there are a lot of supplement-oriented companies who sell on Amazon. So if we could think of going from B2B to B2C category as well. Can we think on those lines or we plan to remain only as manufacturers of enzymes?
- Mukund Kabra:** We are promoting probiotics very aggressively. We are working on B2B and working with all the different supplement areas, on the probiotics. At the same time, we are growing also in the probiotics currently. Did I give you answer or you need like any specific one?
- Jay Arora:** I mean to say we had a guideline from three to five years, was to double our sales and we have enough cash balance, so I was just thinking within this industry being a manufacturer of enzyme, does it give us the edge to grow at 20% in double digits every year-on-year or we can do something else to increase our revenue?
- Mukund Kabra:** So we already said that we are working on biocatalyst area and probiotic area, and also like on the food areas, particularly into the bakery area and the animal area. So probiotics front, when we talk about, we are talking about all the verticals including food supplement and the other companies also we are having, not only like just in the pharma or nutrients.
- Jay Arora:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Veera from Abakkus Asset Management. Please go ahead.
- Rahul Veera:** Good evening, Sir, just wanted to understand, do we capitalize some of our R&D expenses?

- Beni Prasad Rauka:** No, we do not capitalize any R&D expenses except whatever is related to our regulatory filing because we need to file our dossiers for getting those products registered in the countries where like they have this kind of requirement. So we need to spend a lot of money. So those are like expenses we have capitalized. So that is about, I think, Rs.57 million so far we have capitalized in last couple of years. Other than that, all R&D expenditures are like part of our P&L, except capital expenditures. Of course, if we spend some amount on equipment that is part of our asset.
- Rahul Veera:** That is right. Because there is a sharp increase in the goodwill this year, from Rs. 271 Crores, we moved to Rs. 294 Crores.
- Beni Prasad Rauka:** Yes, that happens because of the currency difference. Because every year that has to be valued at current rate at March 31 year-end rate.
- Rahul Veera:** Sir, any visibility on the Q1 till now in terms of logistics or employees or what has been the kind of disruption for us for Q1?
- Beni Prasad Rauka:** Mukund Ji will answer.
- Mukund Kabra:** We have had some disturbance in the month of April in India. In the month of April, we had certain logistical issues and certain disturbances. We are still not able to operate our R&D units in Thane, but our Evoxx operations are going on, our U.S. operations are going on. Yes. I would just say that May month, we are like at normal.
- Rahul Veera:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rohit Sinha from Emkay Global. Please go ahead.
- Rohit Sinha:** Thank you for taking my question. Most of my questions are already answered, just wanted to check on this guidance for the company as Mukund Sir said that in next 3, 4 years we will look into double the revenue. Just wanted FY2021 revenue guidance and margin guidance and then if you look at our last 7, 8 quarters topline, it has been more or less flattish kind of number. So where would be again the visibility coming for growing at I mean, in three, four years, we are looking to double the revenue?
- Mukund Kabra:** So Rohit, this year it is difficult to predict because I do not know what will happen in the next quarter, whether there will be the second wave of COVID and all the disturbances will again come back or not. So we are not at this point of time very sure how the situation will pan out, and that is why we are not giving any guidance right now for this year. We will

wait for the next quarter, and then we will come out. But I can say that we will have a decent this year if not very high, but we will have a decent this year. This is what at this point of time I can tell. The growth in the next 3 to 5 years, we still pursue the same verticals, which we are talking again and again, the pharma areas, the food areas and the animal area. In the pharma area also like we think biocatalyst can be another one area and the probiotics. So these are the verticals and probiotics can work as a horizontal vertical, which fits into all of these areas, pharma, animal and also like into the food area. So from these 3 verticals, we expect to grow. Also, we will have some inorganic growth in the coming year.

Rohit Sinha: Just wanted to look if going forward, I mean, for FY2021 also, I mean, if we are expecting that there would be some pressure on this COVID thing and all that because of logistic issues or some other issues. So what kind of factors would be impacting our margins going forward? Or it will remain in this range. I mean, is it the employee cost or the other expenses which might back up or it will go in line with the past numbers?

Mukund Kabra: Rohit, our expenses are more or less constant, right? So it, again, depends on the sale number. So if sale is disturbed because of like some lockdowns or some other things which may come up with the second wave. We hope it should not come up, but unfortunately, if it comes up and everything is again locked down, in those circumstances, probably we might get slipped out of margin. Otherwise, we expect that the margins and the topline should be more or less constant.

Rohit Sinha: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: I just had a couple of follow-up questions. Sir, what was our capacity utilization for the full year?

Mukund Kabra: Shikha, it is roughly the same, 45% to 50%.

Shikha Mehta: Sir, our R&D costs as a percentage of sales?

Mukund Kabra: Rauka Ji can tell that.

Beni Prasad Rauka: I think R&D cost, percentage of sales, what we do is we have spent on R&D, I will just give you the numbers, about Rs.21 Crores, Shikha so that you can take out of overall basis.

- Shikha Mehta:** Thank you. That is all from me.
- Moderator:** Thank you. We will move on to the next question that is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** Sir, pharma sales because currently the pharma is in focus everywhere. So what are the total sales that we have done in this year to pharmaceutical companies?
- Beni Prasad Rauka:** Pharmaceutical, it is about Rs. 177 Crores.
- Vaibhav Badjatya:** Last year, what was the number?
- Beni Prasad Rauka:** It was about Rs. 160 Crores.
- Vaibhav Badjatya:** Rs. 160 Crores to Rs. 177 Crores?
- Beni Prasad Rauka:** So roughly about 10% of growth.
- Vaibhav Badjatya:** Correct me if I am wrong, I read somewhere that this COVID testing, for this RC-PTR test, there is a test kit that is required and in that test kit, there is a function of enzyme, without that enzyme the test does not work well. So are we any way supplying those kinds of enzymes? Or we are just not in that enzymes and do not have the capability to address that problem?
- Mukund Kabra:** Vaibhav, we are not doing that. We are not supplying at this point of time. We do have capabilities to make any kind of enzymes, but at this point of time that is not our focus area.
- Beni Prasad Rauka:** It is not our focus area as of date, Vaibhav.
- Vaibhav Badjatya:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon AIF. Please go ahead.
- Manish Poddar:** This is Manish here from Nippon AIF. Sir, I have actually couple of questions. So first thing was on this guidance, which you are saying that you will double in the next, let us say, four years. So but if you look at your performance, let us say, in the last 5 years, at least, if you look at revenues, our revenues have roughly grown at 10%, 11%, and last year, performance was in high single digits. So can you probably elaborate what is changing, let's say, or what has probably because there was a lot of share structure, which changed among

the promoter groups. So what has really changed in terms of the operation or, let us say, the thought process behind running the business? So first question is that, and then I have another one.

Mukund Kabra: It is the focus which has changed. Earlier, we were like focusing on many areas, now we consolidate our focus to three to four areas, which is our strength, and we believe that, that will take us to that. Because earlier, we feel that we were missing the focus. Okay?

Manish Poddar: So let us say, in terms of, let us say, if I look at would FY2021, in terms of number of clients which you operate, is our objectives to function with the same number of clients and get more well entrenched with them? Or you want to increase the number of clients? Just want to understand broader?

Mukund Kabra: Definitely, we will have to increase the number of clients.

Beni Prasad Rauka: It happens both ways. You need to focus on increasing your customer base, you need to focus on increasing your product.

Mukund Kabra: Product base as well.

Beni Prasad Rauka: Yes.

Manish Poddar: Second thing, Sir, you mentioned that you are running at 45%, 50% utilization. And if I look at your last year, staff cost plus other expenses roughly Rs. 160 Crores full year, which is largely similar to what was FY2019. So would it be fair that this is the cost base you really require to run the business? Or would this cost structure change, let say, when you change in size and scale?

Beni Prasad Rauka: So some of the expenses like those are variables, they change, right? Otherwise, most of the expenses are kind of fixed expenses and now when you talk about employee cost, if you want to really increase your marketing reach, you want to increase your R&D effort, then definitely, you need to put more people. So there will be kind of some increase. This is always in-built in a way like you always think about 8% to 10% growth in your payroll cost, increase of payroll cost by 8% to 10%. Otherwise, expenses, as far as our operations are concerned, there are some variables, like if you utilize plants more, then there will be extra electricity charges, fuel cost, right, some repairs will be additional and you need to hire some more laborers, if you want to really operate at 80%, 90% capacity, where you have a lot of orders. So those are kind of variable expenses. But otherwise, most of the expenses are kind of fixed in that sense.

- Manish Poddar:** Just one follow on, if I may. Is there a way to track your revenues or get a better handle on revenues? From a growth perspective, let us say, at how should one get a better handle of the revenue front?
- Beni Prasad Rauka:** I mean that is what we say, you have to judge by annual performance, not on quarter-to-quarter basis. So that's how you can track us in that sense.
- Manish Poddar:** No, I agree, annual is the right number, but I am just trying to understand, let us say, would 10% be the right number for the industry or for the company to grow or would 15% or 5% be the number. How should one decipher that? That is what I am trying to gauge?
- Mukund Kabra:** So if you look at the Novozymes or the other big players, you will see that they are growing 3% to 4%.
- Manish Poddar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ramesh Sabbani an investor. Please go ahead.
- Ramesh Sabbani:** Yes. I have two questions. First thing is about the current COVID situation. I mean, whether it is a positive thing or a negative thing or just neutral thing for the company, for business in the mid to long term?
- Mukund Kabra:** There are certain positive developments, there are certain negatives, we do not know what it will pan out.
- Ramesh Sabbani:** I mean, like in the broader sense, like it is a positive for pharma, that is what we are hearing. So can we classify Advanced Enzyme also will get some benefits in the mid to long term from this COVID situation?
- Mukund Kabra:** At this point of time, we think that, yes, there will be some more positives than some negatives. Positives will be ahead of negatives. That is what I think at this point of time. The situation is very dynamic and fluid, and that is why it is like little difficult to predict.
- Ramesh Sabbani:** Second question is based on your commentary, like whether our business comes under essential category or not because you were saying like if there is a second wave and another lockdown and of course and it will be impact to the business. But if it comes under essential category, I mean, there should not be any major impact. Am I correct?

- Mukund Kabra:** We are under essential categories. So we just had a lockdown for two, three days in the beginning because the situation was not very clear. So we are working the whole time. It is not like that we are not working. But what we have faced is like sometimes the transporter is not taking the material or we are not getting the transports kind of all of those sorts of issues. Or even we are working, our customers are not working. Some of them are closed. Some of their R&D units are still not working. So the product has to be approved in the R&D and then only it can move forward. But all the R&D work is being stalled because at the customer end also like they are not working; their R&Ds are not working. So these are the few difficulties what we have faced. Certainly, like as I mentioned, like in the month of May we are back to the normal, but yes, we faced some problems in the month of April. And we do not know like how it will pan out in the whole year, so.
- Ramesh Sabbani:** Yes. I have 1 final question if I can ask. It is about 1 consumer probiotics drink, which is available in most of the supermarkets and online marketplaces in India. And it is called Yakult. Have you heard of that name?
- Mukund Kabra:** Yes.
- Ramesh Sabbani:** Yes. My question is that do we do anything on that context like do we supply any enzymes to such businesses or are we having any plan to introduce such consumer probiotics drink in India or elsewhere?
- Mukund Kabra:** We generally work with the company who supplies that and we supply the probiotics to them. We are working on those sorts of areas. But as of now, nothing is concrete, but yes we are working with a lot of different customers. We do not plan to go directly from B2C from B2B.
- Ramesh Sabbani:** I had one final question. It is about the competition, Novozymes. So are we gaining market share from them or as they are the leader in the industry, they are gaining from us? Because you said we lost one customer. Like coming to that big customer, did that customer go to our competition or how?
- Mukund Kabra:** We are not very clear, some of the business they lost, probably, we are still not sure. Like it was more like M&M customers. Raukaji, what you call it?
- Beni Prasad Rauka:** As such these companies are not exactly in the space where we are like we are in the nutrition business. Novozymes is not in that business in that sense. So as such, we do not have head on competition as such with them.

Mukund Kabra: So Novozymes has a different area. We do have our niche areas. So we directly do not compete with Novozymes directly?

Ramesh Sabbani: Okay. Then in that case there is one more question. If you want to name one competitor for our business, who would be that one be?

Beni Prasad Rauka: So there is no one competitor, let me tell you, because we operate in human nutrition. So human nutrition is one area where, like, we do not see any competitor as such because we operate in different verticals in that sense. So human nutrition, animal nutrition, we have bioprocessing where we supply our enzymes for food processing. Then there is industrial enzyme. So industrial enzyme maybe the biggest contributor for them and they are operating in detergent segment where we do not have any presence. So there is no apple-to-apple comparison with any competitor who is kind of in the business in which we are. We are fully integrated in the sense and we operate on different technology. We have submerged technology, solid technology, and we cater to most of the industry in that sense. So I mean there is no other competitor per se where we can compare. Like earlier, Biocon used to be there, but then they sold their industrial enzymes to Novozymes and they have some kind of pharma enzymes. So our business, to some extent, is comparable with the business in which they also operate. So Novozymes, maybe we compete for a couple of, I can say, category of products, which may be going for animal nutrition, but it is not exactly apple-to-apple comparison is not possible as far as competition is concerned.

Ramesh Sabbani: Thank you. All the best for the next year.

Moderator: Thank you. The next question is from the line of Arushi Chaplot from First Water Advisors. Please go ahead.

Arushi Chaplot: My question was on the U.S. business. We do see a clear drop in Q4 on Y-o-Y basis. It has come down from 46% to 38%. So any particular reason behind that?

Beni Prasad Rauka: So are you talking about our U.S. business?

Arushi Chaplot: Yes, the U.S. business.

Beni Prasad Rauka: Last quarter, we did not have any sales from one of our topmost customers. So that is only the reason in the drop. Otherwise, U.S. business has grown by about 10%.

Arushi Chaplot: The geography split that shows it was at 38% for Q4 as compared to 46% in FY2019 Q4. So that is the 1%?

- Beni Prasad Rauka:** Yes. So that is the drop basically,
- Arushi Chaplot:** Okay. Yes.
- Mukund Kabra:** Both the effect, like India has gone up and U.S. has gone down because of the top customer. So the overall mix has changed.
- Arushi Chaplot:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Veera from Abakkus Asset Management. Please go ahead.
- Rahul Veera:** Sir, you recently commented something around inorganic growth? Are we looking at buying out some companies, like some M&A opportunity?
- Beni Prasad Rauka:** Yes, if there is some possibility, we will definitely evaluate such options.
- Rahul Veera:** But there is nothing on the radar right now. Is that correct?
- Beni Prasad Rauka:** Yes.
- Mukund Kabra:** We will actually searched, but nothing is there. Yes.
- Rahul Veera:** Thank you.
- Moderator:** Thank you. The next question is from the line of Harsh Bhatia from Emkay Global. Please go ahead.
- Harsh Bhatia:** Thank you for the opportunity. I joined the call a bit late. Sir, if you could just re-provide the top product and top client contribution versus last year?
- Beni Prasad Rauka:** Top product last year, we had about Rs. 721 million and this year, it is about Rs. 388 million. But if you are talking about the product sorry, I am sorry, I missed this point, let me again rephrase this. You are talking about the topmost product, correct?
- Harsh Bhatia:** Yes. Top product as well as top client contribution?
- Beni Prasad Rauka:** Top client is that I think I explained you. As far as topmost product is concerned, that let me give you the numbers. So it is about Rs. 1,035 million. I think there is a growth of about 8% on FY2019 numbers. So this Rs. 1,035 million is about 108% in that sense.

- Harsh Bhatia:** Thank you. That is it from my end.
- Moderator:** Thank you. The next question is from the line of Gopinath Reddy an investor. Please go ahead.
- Gopinath Reddy:** Sir, this is related to the loss of the big customer from U.S. Is it something that orders that got deferred or we lost the order? Is the loss of order something related to COVID or nothing related to this?
- Mukund Kabra:** Gopinath Ji, there is no clarity. But at this point of time, we do not hold any order in hand.
- Gopinath Reddy:** My question is, is the loss of the customer, the big customer from U.S., is it because of Corona? Or is it something completely unrelated and it is loss of business, are a deferment of an order?
- Mukund Kabra:** Gopinath Ji, we do not have much of clarity at this point of time, is it because of corona or is it due to lockdown where their business is lost or what has happened.
- Gopinath Reddy:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vineet Shah from Motilal Oswal. Please go ahead.
- Vineet Shah:** What is the product launch plan for FY2021?
- Mukund Kabra:** So, Raukaji, will you answer.
- Beni Prasad Rauka:** I think you please take this. Product launch, he is talking about probably.
- Mukund Kabra:** Generally, we do not to launch a single product. The products are more or less mixed because we operate more on the solution side rather than just the product. As you know, like we have a basket of more than 65 enzymes and more of the probiotics so most of the products have been mixed. We constantly develop new enzymes. Every year, we add three or four different enzymes in our portfolio, in our armory, I can say that. But it is more to do with the application base. So we are working on to the more like biocatalyst areas, as I mentioned earlier too, right? The probiotics areas, these are our like main focus areas. At the same time, we are going with lot of like registration in the animal food areas. In the bakery areas, we do have some new good products, which we were like about to launch or like start the sales, but unfortunately because of the COVID everything got delayed. So we expect a six-month delay into those areas.

- Vineet Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Thank you for the opportunity. Sir, it seems that you booked 0 revenues for this top product in the fourth quarter? Is that a fair understanding?
- Beni Prasad Rauka:** Yes, from that particular customer.
- Chirag Dagli:** The top products whose sales we are reporting as Rs. 388 million in FY2020, this is essentially just three quarters?
- Beni Prasad Rauka:** Yes, right.
- Chirag Dagli:** Is there an impact analysis that you have done on the demand environment in the U.S. of whatever is happening right now? Like in one of the comments, Mukund Ji mentioned that it is more positive in the COVID crisis for us, if you can just elaborate a little bit on the demand environment for human nutrition in the U.S.?
- Mukund Kabra:** On the human nutrition side, we are getting good orders, but at this point of time, it is not very clear whether the customers are building their inventory because of like uncertainties or it is the real demand. So we cannot comment at this point of time on that front, but I can feel like some of the pharma companies are giving orders to the Indian pharma companies, and we are getting like some orders because of that. So I think those are certain positive areas, which we can see. But we do not know how the situation will pan out, if there will be more orders to the pharma companies or the orders will get reduced or how it will work out.
- Chirag Dagli:** This industrial processing, the fourth quarter has seen a sharp improvement in the run rate. Is this run rate sustainable of Rs? 19 Crores a quarter, or is there some bunching up there and we should not look at the quarterly number? Or is this because of some new products?
- Mukund Kabra:** Can you please repeat?
- Chirag Dagli:** Sir, this industrial processing, this number that you shared with us of enzymes used in industrial processing, it has seen a sharp jump in the fourth quarter. In this Rs. 19 Crores number that you reported for the fourth quarter, is there any one-off in this? Or is this quarterly run rate sort of sustainable for us?
- Mukund Kabra:** Rauka Ji, is it industrial Rs. 19 Crores for the quarter?

- Beni Prasad Rauka:** So he is talking about that bioprocessing food and nonfood both, right?
- Chirag Dagli:** Yes, Sir, total.
- Mukund Kabra:** Those numbers, yes, so it is not a one run rate. We have good growth in those areas. So we think that it can be sustainable.
- Chirag Dagli:** Okay, this number is sustainable, Sir, this absolute number?
- Mukund Kabra:** Yes.
- Moderator:** Thank you. The next question is from the line of Ramesh Sabbani an investor. Please go ahead.
- Ramesh Sabbani:** I have one question about this foreign portfolio (**inaudible**) more than 10% holding in our business, right, and they also have a portfolio for different healthcare companies under their umbrella. So are they like getting in with the management very frequently and guiding or getting to know about the business, something like that, and in the future they may ask for any Board seat, anything like that?
- Beni Prasad Rauka:** Yes. Their representative, Dr. Sunny, is on our Board. So he is definitely contributing a lot.
- Ramesh Sabbani:** Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Mukund Kabra for his closing comments.
- Mukund Kabra:** Thanks. Thank you so much for your participation and asking some very good questions. We appreciate your support and cooperation throughout and look forward to working with you. Thank you all the shareholders. We really appreciate you. Thank you very much.
- Beni Prasad Rauka:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Advanced Enzyme Technologies Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.