



“Advanced Enzyme Technologies Limited Q4 FY21  
Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, Good Day and welcome to Advanced Enzyme Technologies Limited Q4 FY21 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 ‘\*’ and 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. Thank you and over to you, sir.

**Mukund Kabra:** Good afternoon everybody. First of all, I along with the whole AETL family would like to welcome all our investors and partners to this conference call for the quarter ending 31<sup>st</sup> March 2021. It is a pleasure to address to all of you again as we put up our Quarter 4 Results of the financial year 2021. First and foremost, we hope and pray that you and your respective families are in good health and in high spirit as we all must be strong and endeavor. It is a tough time together we at Advanced Enzymes are regularly being updated with the current COVID-19 scenario as safeguarding our employees and customer health and their interest is always being our topmost priority.

In the first segment of this call we will be briefing you on our focus area and the business highlights and then we will open up the floor for the question and answers. Our focus area continued to be the same, bio-catalysis for API and also the probiotics are our focus area as well as like B2C segments of our nutraceuticals areas in the bio-processing division. We still focus on the bakery division, and we are expanding baking solutions in US and European market. We are also focusing our animal nutrition business in the globe. Moving ahead with the call, we are happy and proud to announce that we are again positive on all the parameters on our goal for this financial year we strongly believe in delivering long term value to our esteem shareholders. I am glad to announce that we have a decent growth in profitability because of our product mix.

Despite the tough time of COVID-19 our revenue grew by 13% to ₹ 5,018 million and maintaining our legacy of higher margins, our EBITDA margin and PAT margins stood at 46% and 30% respectively in financial year 21. Our business in India has delivered good results and has shown a growth of 20%. We have lost our top customers from US which contributed \$ 5.37 million despite that we have delivered a robust growth of 12% in US during financial year 21. Hence, proving that our specialized business model keeps us risk free from large customer dependencies. The segment breakup of revenue is as follows: Human nutrition contributed 77%, Animal nutrition contributed 9% and Industrial bio-processing contributed 14%. We are committed to growth without sacrificing our margins and continue to create the stakeholders value.

During this quarter we have acquired 51% stake in SciTech Specialities Private Limited company specialize in effervescent based products for consideration of INR 316 million and acquisition process has completed on 11<sup>th</sup> January 2021. This acquisition has contributed to 1.8% of our inorganic growth this year. This acquisition also added 2 manufacturing facilities and 1 R&D facility to the Company.

Despite the sentiments around the world we have moved forward in the right direction and your company has fully prepared to navigate the vagaries of the evolving micro situation and intricacies of the business environment. The company will continue to move ahead by leveraging its strength and expanding further to capitalize the opportunities.

To end with, I would like to say the outlook for financial year 22 right now is difficult to give any guidance given this is a very dynamic situation with the Corona still going. So, as we get more clarity going forward we will be able to give you more clarity how the year should plan out, but we expect even in such a tough situation we are here to be decent.

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

**Beni Prasad Rauka:**

Thank you very much Mukund. Good afternoon everyone. I will just take you briefly through the company's financials for the last quarter and the last financial year. So, on year-on-year basis our revenue has increased by ₹ 578 million which is about 13% growth from ₹ 4,440 million to ₹ 5,018 million. Our EBITDA is increased by ₹ 292 million which is roughly 14% increase from ₹ 2,023 million to ₹ 2,315 million and it is about 46% of our revenue. Profit before tax is increased by 17% from ₹ 1,792 million to ₹ 2,104 million so an increase of ₹ 312 million this is roughly from 40% of revenue to 42% in current year. Our PAT is increased by ₹ 185 million 14% from ₹ 1,330 million to ₹ 1,515 million so we have cross 1,500 threshold as such for us and it is about 30% of our PAT.

On year-on-year basis this is more relevant for us. We have a good amount of growth in the company's those numbers. Now I am giving on year-on-year basis this is Quarter 4 to Quarter 4 of last year. The revenue has increased by ₹ 229 million from ₹ 1,103 million to ₹ 1,332 million a growth of ₹ 229 million and EBITDA has gone up from ₹ 487 to ₹ 549 million this is about from 41% to 44%. Profit before tax is increased by 46 million which is roughly 39% increase is of ₹ 46 million from ₹ 432 million to ₹ 478 million and our PAT is increased by about ₹ 11 million as compared to ₹ 327 million to ₹ 338 million.

For the sake of better understanding let me repeat my year FY21 number to FY20 numbers. Revenue is increase from ₹ 4,440 million to ₹ 5,018 million an increase of ₹ 578 million and EBITDA increase is about ₹ 292 million from ₹ 2,023 to ₹ 2,315. Profit before tax is increased from ₹ 1,792 million to ₹ 2,312 million and PAT increase is ₹ 185 million from ₹ 1,330 to ₹ 1,515 million 30% of our revenue. Our R&D spent is at ₹ 179 million during FY21 as compared to ₹ 144 million in FY20 this is a increase of about 19% and it is about 3.55% of our revenue in FY21 and 3.25% in FY20.

Some of the data point on frequently asked questions. So, our Evoxx sale during FY21 stood at ₹ 282 million and EBITDA of ₹ 52 million and we had a PAT of ₹ 13 million during this year as compared to revenue of ₹ 264 million and EBITDA of ₹ 58 million and PAT of ₹ 22 million during the previous year.

Sales in JC biotech during this year is at ₹ 540 million as compared to ₹ 424 million and EBITDA of ₹ 149 million as compared to ₹ 119 million and PAT is ₹ 78 million during this year as compared to ₹ 61 million during FY20 and our largest product which is anti-inflammatory enzyme stood at ₹ 1,134 million during FY21 as compared to ₹ 1,035 million so it has registered a growth of about 10% and top 10 customers contribute roughly 38% of our total revenue in FY21 as compared to 35% last year. Although last year we have lost the largest customer who has contributed about 9% last year, in FY20.

The recently acquired subsidiary has posted a revenue of about ₹ 79 million and EBITDA of ₹ 22 million this is roughly 26% and PAT of about ₹ 14 million this is about 17%. So, this performance is from 11 January 21<sup>st</sup> to 31<sup>st</sup> March 21 and full year revenue of SciTech stood at ₹ 379 million as compared to ₹ 306 million of last year and EBITDA margin of ₹ 93 million as compared to ₹ 66 million during FY20 and PAT is about ₹ 30 million as compared to ₹ 16 million during FY20.

That was from my side and now we would like to commence a question-and-answer session please. Thank you so much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Sinha from Emkay Global. Please go ahead.

**Rohit Sinha:** Just on this SSPL part I think till FY20 the margins of SSPL was 15% and in 9 month it was around 27%, so there we have seen margin improvement in this quarter as well whereas our overall margin for all the line has come down, so is it all because of the raw material side and pricing for advancements particularly or any comment on that margin contraction?

**Beni Prasad Rauka:** Margin during this Quarter 4 is lower mainly, number one because of increased cost of the raw materials, input cost has gone up and in addition to that there is couple of expenses which has been included due to this consolidation because in the consolidation all this expenses has increased in that sense although there is a increase in revenue I do understand. So, gross margin erosion is there during this particular quarter and that is mainly because of increase in input cost and in addition to that as I explained you some of the expenses are also up like if you look at the margins erosion which has substantial amount in that sense that is roughly 59 if we compare with quarter-to-quarter basis and payroll cost is up by about ₹ 18 million and the depreciation on account of again this company which we have acquired which is higher, other expenses higher because of logistic cost has gone up and couple of other expenses on some of the technical studies which we have got done from the outside external parties. So, there is an increase in that host and apart from that professional charges because we have acquired the company so we have to spend some money on financial and legal due diligence. Some of the expenses has gone up during this quarter and coupled with erosion in the margin this is mainly because of change in the product mix and the lower you can say the revenue during this quarter as compared to the previous quarter because this quarter if we add the ₹ 79 million of SciTech in spite of that we could see that there is the revenue is lower by about ₹ 45 million. Our margins are higher as

compared to margin we earned on ₹ 79 million. All these factor has ultimately contributed in lower profitability during this quarter as compared with the previous quarter.

**Mukund Kabra:** And Rohit there is also like some of the taxation effect so this quarter we have a higher tax because we changed the regime to the new tax regime. So, we had to wipe out somewhere around ₹ 2.7 crore which was there as a MAT credit.

**Rohit Sinha:** Secondly as you said on the depreciation side I mean there is a significant increase so is it all because of that SSPL addition?

**Beni Prasad Rauka:** Yes, mainly it is because of SSPL addition because in SSPL they have added CAPEX during that quarter which has got capitalized. So, roughly ₹ 90 million was increased and then in addition to that some of intangible assets which has been identified so we had to amortize for the proportionately on the basis of number of days since we have acquired this company. So, that amortization cost has also gone like added into the depreciation. So, all put together roughly depreciation cost all account of SSPL is higher by about ₹ 15 million. ₹ 4 million is because of some addition capital expenditure this has been capitalized in other subsidiaries including advanced Enzymes.

**Rohit Sinha:** Going forward I mean this SSPL contribution how we are now seeing this opportunity as we see for this quarter it was hardly for few months, but going forward how much kind of revenue growth we are expecting from this and how the margin profile would look like for SSPL in particular?

**Beni Prasad Rauka:** It is for about 82 days or so. If you see the full year revenue it was about ₹ 379 million. So, we expect and it will contribute a very good amount it will continue to be a kind of major subsidiary for us. So, maybe they will be contributing about 10% to 12% at least of our top line going forward and as far as the EBITDA margin is concerned we could see that EBITDA margin has improved in the first quarter, but yes we are looking for more integration and the more optimization of available resources so that will finally as we promised we will get to know that where we are and the kind of efforts been put in by us as well as the team over there. So, we feel that the scope for improvement is of course there. So, the EBITDA margin as well as the PAT margin this is now I mean we will always try to bring it in line, but yes this is a kind of different business as such, but the improvement is of course will be there in due course of time.

**Rohit Sinha:** And sir last question as Mukund sir has also said that we are not giving any particular guidance for next year in terms of growth, but overall I mean with which segment we are seeing better kind of traction or where we are seeing some kind of still issues are there which might not turn up into a strong revenue?

**Mukund Kabra:** So, Rohit we continue to see that biocatalyst is going to grow as we move on this year it should be a good growth in the biocatalyst area as we move on. We continue to see that probiotics will grow, we continue to see that animal nutrition will be under pressure and since like again the

COVID situation is there. So, we still feel that the food process business will be also like under pressure.

**Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla:** My first question I would like to understand what is your current capacity utilization level?

**Mukund Kabra:** Alisha in our business it is very difficult to measure the capacity, but roughly it is still like somewhere around 55% to 60% is the capacity utilization right now.

**Alisha Mahawla:** Sir, it has been at this level since the last few years is this the peak capacity or can it go up to say 80%, 85% also because we have been at this sub 60% for the last three to four years?

**Mukund Kabra:** It can go it is not a peak level, but what happens is like you also work on the improvements. We are in a very good industry where 2 plus 2 is not 4 or 1 plus 1 is not 2, but 11. So, you continue to increase your productivity and that you have like some of the capacity is always free. This quarter also we work on the few products, and we could free some of the capacity. So, we continue to be on the same level at this point of time and we hope to be continuing.

**Alisha Mahawla:** And sir like you said that this quarter margins were impacted because of increase in raw material prices, so maybe if you can just comment on where do you source it from and going forward for FY22 where do you see the margin especially because contribution from SSPL will also increase, so do you think you can maintain it at FY21 levels or better utilization, can it improve just some color on that would be helpful?

**Mukund Kabra:** We always feel that our margin should be between 40% to 48% we still continue with that guidance yes there are certain pressure in the raw material for example if you really go with the soya flour, soya oil the prices are increased, some of the raw materials doubled, but we expect 1% to 2% impact on the margins, but that can be improved with the capacity utilization. So, net-net we feel very small portion that should really impact us on the bigger picture. We do not know how long the prices will be up as it is a seasonal as well, but currently we are facing the same situation then if you really look at it logistic cost has also gone up. So, we need to see wait and watch.

**Alisha Mahawla:** Where do you source your raw material from?

**Mukund Kabra:** So, 90% to 99% of the raw materials are source from India. Most of them are agriculture origin and some of them are the salts, but the salts in terms are being source their basic materials are being sourced from China, so you are dependent indirectly on China, but not directly because most of the chemical industry is dependent on China. So, if the prices of logistics and other thing goes up all the cost goes up.

**Alisha Mahawla:** And just one clarification you said that the prices have almost double, so is there any scope to pass on these prices or normally it is observed by the company only?

**Mukund Kabra:** We do not like pass it on unless and until it becomes a permanent feature. So, we wait and watch because it is very competitive industry. You generally do not go and just pass it on because 1% cost has gone up, by 2% the cost has gone up. So, you wait and watch if it is a continuous then you go and pass it on.

**Moderator:** Thank you. The next question is from the line of Aditya Khemka from InCred Asset Management. Please go ahead.

**Aditya Khemka:** You said animal nutrition business there was some impact, could you elaborate a bit more what impacted the animal nutrition business and why do you feel that it can continue to be under pressure?

**Mukund Kabra:** Aditya ji if you really look at it because of the COVID situation we expect like lot of animal feed business comes from the export market. Right now, you cannot travel this was like under the development stages lot of like things were like the distributors and all of those things were under the process, but because of the COVID situation you cannot travel. Secondly if you really look at it the logistic cost has gone up dramatically this business where you sell the product and dollar or \$2 a kg and when the logistic cost goes up it really impact you the third thing what has happened with the logistics it is not only the cost, but the timely deliveries are also affected and because of that like you lose some of the customers and some of the customers do not want to trust you also like you cannot travel. So, these are the real challenges which we are facing at this point of time last year this was a bigger challenge. Even like when you look into the first quarter or the second quarter all the hotel industry was closed and animal feed industry, or the livestock are like dependent on the hotel industry as well and their consumption was lower. If you again look at it like the soya flour or the corn prices has gone up dramatically and this people are more under the stress to produce than to sell. So, overall if you really look in the situation animal feed industry is going to be under pressure.

**Aditya Khemka:** That is predicated upon this COVID situation continuing right I mean your pressure is basically related to COVID not really demand because you are saying two different things. One is obviously COVID is not allowing you to travel, COVID has the hospitality industry under pressure so that is one part of the pressure you are talking about and the other part of the pressure you said was that your consumers do not want to order again because they do not trust you or we have not been able to supply. So, while COVID impact maybe more transitionary in nature obviously nobody knows how long COVID will last, but it is transitionary for sure. The other impact which is your customer trust getting lost on you or customers putting to source more locally somebody like Novozymes rather than sourcing from you that could be more structural impact. So, the sense that I am trying to get is which is the one factor out of these two which impacted more, is it the loss of contact from the consumers or is it the COVID situation?

**Mukund Kabra:** So, if you really look at it because of the situation both the situation play just to give you the example last year we lost a very big customer on the Russian side because of the logistics delays and then we stop like really promoting very aggressively because you are not sure what will happen on the deliveries and other side. So, we stopped a little bit we pause because it is more important for us to not to lose the name rather than kicking a business. Some of the structural damage is already being there, but right now we are playing more waiting game rather than aggressively moving forward.

**Aditya Khemka:** In terms of even the enzymes business overall the biological catalyst business overall how do you think the market is moving forward so again COVID impact aside I am talking more on a broader market growth basis, so we notice Novozyme delivering single digit growth, so what is the broader overall growth of the enzyme market, can you throw a bit of light on that?

**Mukund Kabra:** I do not like the overall market growth yes I can talk about our segments particularly if you really look it like the biocatalyst area where we are really focusing on the enzyme side. We grew last year somewhere around 78% of course it was on a smaller side, but will be our real growth area. Again this year we continue to work on the COVID drugs which uses the enzymes. We are continuing to work on the different API. So, this year again we feel that we should have a decent growth into that area particularly, if we talk about human nutraceuticals yes there is lot of awareness which is being there right now because of the COVID that is a positive impact. We can see that the nutraceuticals industry is growing somewhere around 8.5% right now and maybe it will be more because of the COVID everybody wants to have a better immunity everybody wants to be fit so that is a positive impact. When we go to the food industry yes there is a lot of cautious there is a mix response the same thing is happening like lot of hotel industry is close or hospitality industry is close and again if you really look into the baking areas those are like Europe areas and again if you really look at it there is no travel and people do not want to change at this point of time because it is all the delivery and other thing and logistics comes into the picture and again if you cannot travel you cannot like meet the customers you cannot like create the new customers. So, this is where it is happening right now, but yes moving forward we still see that the nutraceutical, probiotics. Probiotics is also playing a very good role right now because it is also the immunity place. We have done certain clinical trials and we figured it out that our probiotics as well as our enzymes capsules are really working well against the COVID the trial was done on the fatigueness and within 3 to 4 days all the fatigueness after COVID is gone even if you are COVID impacted with your regular medicines like your recovery time can be reduced by one day. So, the nutraceutical industry is shaping very well right now. Biocatalyst industry is shaping very well, probiotics is shaping very well, but yes there is a pressure on the animal feed industry as well as on the food industry.

**Moderator:** Thank you. The next question is from the line of Lakshminarayanan from ICICI Mutual Fund. Please go ahead.

**Lakshminarayanan:** My questions are related to kind of recruitments we have done on the sales front and on the R&D side, in the last one year what has been the addition of sales people in India as well as in Europe



and US, any major changes and also in terms of R&D how many people we have now and did we add any this year?

**Mukund Kabra:** Lakshminarayanan ji last year it was more like a status quo situation, but we started adding the people this year. We are seriously looking to expand our marketing team particularly into the animal feed areas into food areas, but last year because of COVID we were like more or less stagnant. On the R&D front as well like we are on and off we are operating few of the months and few of the month we had to close down. Currently also like we are operating somewhere around one or two days just to take care of whatever is urgent rather than really focusing on a bigger way, but yes we are adding a team. I think Rauka ji can you give the R&D number how many people are there?

**Beni Prasad Rauka:** We have total strength of 105, Mukund and in AETL standalone, but overall we have about 148 people. So, addition as such you already explained we 105 people are working in our R&D.

**Lakshminarayanan:** You said 148 or 105?

**Beni Prasad Rauka:** Total 148 is like we have some in our subsidiary at Hyderabad then US company, Evoxx has some 20 people working. Well recently we have added SciTech so there are about 11 employees in R&D in SciTech so all put together is about 148.

**Lakshminarayanan:** And in terms of the animal health what is the sales split across India and outside India for the animal health?

**Beni Prasad Rauka:** Yes, animal health overall numbers is ₹ 470 million during FY21 as compared to ₹ 548 million last year in FY20. Now, in terms of like sales in India you want geography wise distribution of this numbers.

**Lakshminarayanan:** Yes, broadly because you touched upon the fact that there has been a decline, so just wanted to understand which geography it is declined and what is the sales split broadly between geographies?

**Beni Prasad Rauka:** Meanwhile if you have any other question please go ahead we will give you the numbers.

**Lakshminarayanan:** On the JC Biotech I think we have an option to acquire up to 100% or we can actually acquire only up to 85% and when compared to our earlier acquisition price what has been the increased was there an increase in valuation of JC Biotech ever since we first acquired it?

**Mukund Kabra:** Initially like when we acquired JC Biotech we acquired it at ₹ 35 per share, the current acquisition cost is ₹ 68 per share. We do have option to buy 100%, but we still believe that there should be some part for the promoter so the operation becomes more smoother at the same time it gives you more leverages to come up with new products, you can still now add, you can use your capital much better instead of just like keeping it in a mutual fund or in the banks that was

the objective to go ahead and acquire like 15% of stake, but we do have options to buy all the 100%.

**Lakshminarayanan:** There has been increase in JC Biotech sales especially last year there is a big significant jump from ₹ 42 crores to almost ₹ 51 crores, so what drove that change because from FY16 it was fairly around 40 crores, there has been a jump in JC Bio so can you just elaborate as to what drove that increase sales?

**Mukund Kabra:** Currently, JC Biotech is whatever we are producing more or less they are supplying to Advanced Enzymes, and it is mainly into the anti-inflammatory product. Right now, like whatever Rauka ji has already explained that there is a growth of 7%, 8% so there is a jump. Some of the time it is like inventory buildup situation or like maybe I do not know exactly, but in the initial stage of the year there might be some more inventory last year than this year. So, there is somewhat plus minus, but moving forward we are trying to make JC Biotech multiproduct rather than just a one product at this point of time we are more concentrated just one product but moving forward may be after two quarters we will see that JC Biotech produce more products and that we can utilize much better way because there we do have a capacity and we feel that we can utilize the capability much better way moving forward.

**Lakshminarayanan:** Sir, in the initial remarks you mentioned the sale of your top product as ₹ 110 crores did I hear it right?

**Mukund Kabra:** It was something ₹113.4 crores.

**Lakshminarayanan:** And also, in the initial part of the conversation you mentioned that the US top client which was around 9% in FY20 have actually withdrawn or that account is not active now, so what percentage of revenues of 21 came from that client which was 9%?

**Beni Prasad Rauka:** Nothing, no sales as of now.

**Lakshminarayanan:** Zero sales in FY21?

**Beni Prasad Rauka:** Yes, yet US business grew by about 12%.

**Lakshminarayanan:** Despite this client?

**Beni Prasad Rauka:** Correct. And as far as the numbers you are asking about animal health nutrition. The degrowth is in mainly in India and international market is about I think about 170 million this year and the remaining is in India market. So, we have seen that there is a dip in the sales in AHL in India from 300 million.

**Lakshminarayanan:** So, you said international is around 170 million for animal health this year?

**Beni Prasad Rauka:** Yes and domestic is 300 million.

- Lakshminarayanan:** And what was the number in FY20 for these two?
- Beni Prasad Rauka:** So, it is ₹ 170 million in FY20 international and domestic ₹ 370 million.
- Lakshminarayanan:** So, the entire impact on business has come from India?
- Beni Prasad Rauka:** Yes, right.
- Lakshminarayanan:** And this when you supply this to India so is it consumed in India or is it again exported in some form outside?
- Beni Prasad Rauka:** I am talking about India only.
- Mukund Kabra:** 95% or 98% is India.
- Beni Prasad Rauka:** These are all Indian customers, and they are ultimately consumer in that sense all poultry companies who are integrated players, farmers.
- Mukund Kabra:** 2%-3% is like exported to Bangladesh.
- Lakshminarayanan:** Fair enough.
- Lakshminarayanan:** Sir one last question from my side in terms of the B2C nutraceuticals business which you were selling through either Amazon or also through your direct-to-consumer channel, what was the sales of that for this year?
- Mukund Kabra:** Which is ₹ 5 million like as whatever our target was had grew from ₹ 3 to ₹ 5 million this year gone by year.
- Beni Prasad Rauka:** It was up ₹ 3.85 to ₹ 5.27 million.
- Moderator:** Thank you. The next question is from the line of Shantanu Chatterjee from Mount Intra Finance. Please go ahead.
- Shantanu Chatterjee:** My only question is sir you have got number of products for registration under EFSA that is European Food Security Authority. You have already got registration for 3 products now want to know about the status of the rest of the 9 product when we can expect that those products will get registered?
- Mukund Kabra:** It is difficult to say currently there are like 4 products which they have sent for some questionnaire. We have already replied to them, but when they will go through all the other products it is very difficult, but once like we have submitted all of those products we are open to sales.

**Shantanu Chatterjee:** Is there any tentative timeline within which you can expect that those things will actually turn up?

**Mukund Kabra:** If you really look at it, it is very difficult. We have submitted the first dossier in 2014 and right now still they are evaluating. So, it is very difficult for me just to tell and give you the timeline how long they will take.

**Moderator:** Thank you. The next question is from the line of Rajiv N an Individual Investor. Please go ahead.

**Rajiv N:** Just can you tell me about positives of the company this year sir and what will be the indicatives for the company this year sir?

**Mukund Kabra:** I have already explained Rajiv ji the positive is like growth provided sales is in India is more than double the thing like 128% or something. Our Biocatalyst business has grown up by more than 78%. Our US business nutraceuticals business has grown up by 11% despite losing the largest client. Our B2C segment is growing and these are all the positive side of it. The negative side is we still like going through the COVID impacts. Our business since we have present into so many different areas we cannot like go and really talk about quarter-on-quarter, but yes some of the quarters you get some business and some of the quarters we do not get the business and if we really look at it we are still going to be under pressure and animal nutraceutical business at the same time on the food business. So, these are the negatives at this point of time.

**Moderator:** Thank you. The next question is from the line of Lakshminarayanan from ICICI Mutual Fund. Please go ahead.

**Lakshminarayanan:** So, I see that the bio-processing business which has been fairly flat for the last one year, can you just elaborate a bit on how do you look at that business and what has been the changes in the last one year either from the customer side or from your own product side on the bioprocess business?

**Mukund Kabra:** So, bioprocess business we divide it into the two categories business in the nonfood business. If we really look into non-food business it mainly comprises of like textiles business and your detergent business. Here our revenues were more or less flat last year. If you really look into the first quarter our revenue was almost zero it was just like hardly ₹ 5 lakhs, 6 lakhs similar situation is happening this quarter as well as we move on because of the COVID situation. So, it does have a lot of impact on the COVID despite that we could cover up the first quarter in last three quarters I would say moving forward also we do not know how long the COVID will last and how that business will grow this year whether we will be able to take some growth or no, but we expanded little bit into some of the export market and some of the orders are coming into that segment. Moving into the food business food business we are really focusing on the Europe side. We had a good impact on the food business in Europe because you could not like many more conversion of clients at the same time the consumption was on a lower side in the initial stages of the COVID. So, the first two, three quarters were really slow than what we anticipated last quarter and this quarter is moving ahead again, but we do not know how it will plan out due to

COVID situation . So, difficult to say so we feel that this year also probably will be remaining neutral, but we cannot predict too much at this point of time till the COVID situation sustain.

- Lakshminarayanan:** How the business splits between food and non food broadly bioprocess?
- Beni Prasad Rauka:** Roughly FY20 the bio-processing segment is about 15% and 12% is food and 3% is non-food and the same is the situation in FY21 it is roughly about 14%, 9% is food and 5% is non-food. So, here the non-food comprises of domestic as well as international markets. So, domestic we have seen no growth as Mukund has already mentioned in first couple of quarters there was no sale subsequently COVID situation and thereafter lot of improvements towards normalcy. So, it has picked up and our sales during FY20 is about ₹ 90 million in India and that was only the same number was about in FY20 so from ₹ 90 to ₹ 92 million in FY21, but the good part is this year we could sell revenue from this particular segment in US has improved and we could see that it has witness a very good growth, in terms of absolute number last year we had about ₹ 55 million, but this year it has gone up to ₹ 140 million.
- Lakshminarayanan:** I did not capture you said ₹ 55 million?
- Beni Prasad Rauka:** ₹ 55 million was last year and this year it is about ₹ 140 million.
- Lakshminarayanan:** This is which part of the business this is the bio-process food in the US?
- Beni Prasad Rauka:** Bio-process, non-food.
- Lakshminarayanan:** And what is driving this is it when you look at the bio-process non-food in the US, what is driving this?
- Beni Prasad Rauka:** They have been working on since last 3-4 years and probably we are going to get couple of customers over there so that has resulted in higher sales during this year.
- Lakshminarayanan:** Sir in terms of your R&D expenses what is the CAPEX and what is the total outlay for FY21 and how much is capitalized and how much is taken through the P&L?
- Beni Prasad Rauka:** So, FY21 our revenue expenses is about ₹ 125 million as compared to ₹ 115 million FY20 and CAPEX is about ₹ 54 million as compared to ₹ 29 million last year. So, it is about ₹ 179 million in FY21 and ₹ 144 million in FY20.
- Lakshminarayanan:** And what is the plan for the next one or two years in terms of R&D expenses?
- Beni Prasad Rauka:** As far as revenue expenses are concerned FY21 as Mukund has mentioned several times during this concall because of COVID the hiring was really very very tough and very challenging and we also feel that there is no point in hiring unless and until the person can really work on floor because R&D is like one has to go and work, and physical presence is very important in that sense, but yes another thing I think couple of times we have mentioned about it we have a plan to expand our R&D at Nasik which was also kind of standstill during FY21 now FY22 atleast

2 months are gone like that. So, we have plans to spend some amount on CAPEX side of it including the hiring is already started, but yes on a overall basis this year probably there could be outlay of maybe about ₹ 100 million to ₹150 million on CAPEX side and revenue expenditure is likely to go up generally we spent about 3.5 to 4% so it will be in that range only.

**Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla:** I just wanted to understand you were mentioning to the earlier participant that the bio-processing segment you are expecting it to be sort of flat for FY22 and we have also seen some headwinds in the animal healthcare segment, so where are we seeing the growth coming from I know mentioned the nutraceuticals in the probiotics, but will it be enough for me to maintain the kind of growth rate that we have over the last two years or are we expecting it to be a slightly softer year?

**Mukund Kabra:** Alisha we cannot comment at this point of time how much will be the growth and what it will be, but we can say that there should be a decent growth into the bio-catalyst area. We feel that there should be a decent growth into the nutraceutical area, but numbers I cannot speak at this point of time because it is very difficult for me to really predict what I can say is we will be positive no matter what, whatever happens I mean that is what happens at this point of time.

**Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Mukund Kabra for closing comments.

**Mukund Kabra:** Thank you everyone for your questions. I hope everybody for a better health, and I pray for everyone, we feel that this COVID time should be over and everybody will be healthy. Thank you everyone for your participation. Thank you.

**Beni Prasad Rauka:** Thank you so much

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