

SEVENTEENTH ANNUAL REPORT 2005-2006

Report  Junction.com



ADVANCED

ENZYME TECHNOLOGIES LTD.

Where ENZYME is life
(An ISO 9001 : 2000 Company)

ABOVE NAVNEET MOTORS, GOKULNAGAR. P.O. BOX : 182 THANE (w) 400601. INDIA
TEL.: +91-22-25344011/12, 25343119, 25331324/25 FAX : 91-22-25343445, 25340243
E-mail : info@enzymeindia.com Website : <http://www.enzymeindia.com>

BOARD OF DIRECTORS

V. L. Rathi	Chairman
C. L. Rathi	Managing Director
S. C. Rathi	Whole Time Director
M. M. Kabra	Whole Time Director
R. T. Mehta	Director
Pradip Shah	Director
G. C. Gore	Alternate Director to Pradip Shah

CFO & COMPANY SECRETARY

Beni Prrasad Rauka

REGISTERED OFFICE

106, Dhanlaxmi Industrial Estate,
Old Agra Road, Thane (W) 400 601.

PLANT

1. A-61/62, M.I.D.C. Area, Sinnar, Nasik - 422 103. Maharashtra
2. SORL, H-17, M.I.D.C, Satpur Area, Nasik, Maharashtra
3. Survey No.30, Pali, Vasind, Shahpur, Thane, Maharashtra
4. Plot No. B-5-13, Special Economic Zone(SEZ), Pithampur, Dhar, Madhya Pradesh

BANKERS

Citi Bank N.A.
ICICI Bank Ltd.
Union Bank of India
Shree Sinnar Vyapari Sahakari Bank Ltd.

AUDITORS

M.M.Nissim & Co.
Chartered Accountants
Barodawala Mansion,
B-Wing, 3rd Floor,
81, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

NOTICE

NOTICE is hereby given that the **Seventeenth Annual General Meeting** of the members of **ADVANCED ENZYME TECHNOLOGIES LIMITED** will be held on Tuesday the 6th June 2006 at Sun Magnetica, 'A' Wing, Accolade Galaxy, 4th Floor, Near L.I.C. Service Road, Naupada, Thane- 400604, at 11.30 A.M., to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the Directors' and Auditors' report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Pradip Shah who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mrs. Savita Rathi who retires by rotation and being eligible offers herself for reappointment.
5. To appoint Auditors and to fix their remuneration.

Special Business :

6. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198,309,310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby ratifies and confirms the payment of managerial remuneration amounting to Rs 68,72,830/- paid/ payable to Mr. Chandrakant L. Rathi (C.L.Rathi), Managing Director, Mrs. Savita Rathi (S. C. Rathi), Whole Time Director, Mr. Mukund Kabra (M. M. Kabra), Whole Time Director of the Company (hereinafter collectively referred as *Whole Time Directors*) and Rs. 3,66,191/- payable to *Non-Executive Director* for the financial year ended 31st March 2006, as detailed in the explanatory note annexed to the notice of the Annual General Meeting of the Company and waives the recovery of the sum of Rs. 7,37,809/- from the whole time directors, being the remuneration paid to them in excess of the statutory limits laid down under the Act and approves of consequential retention thereof by them."

"RESOLVED FURTHER THAT the Company Secretary be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary, expedient or proper to implement the resolution including making application/s to the Central Government and making necessary submission to that effect."

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. All documents referred in the Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of Annual General Meeting.
3. The Proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 2nd June 2006 to Tuesday the 6th June 2006 (both days inclusive.)
5. Members desiring to seek further information or clarification on the Annual Accounts or operations of the Company at the meeting are requested to send their queries to the Chief of Finance Department so as to reach to the Registered Office of the Company at least one week in advance of the date of meeting to enable the management to keep information ready. Replies will be provided only at the meeting.
6. Members are requested to bring their copy of this Annual Report to the meeting.
7. Relevant Explanatory Statement pursuant to Section 173(2) of the companies Act, 1956, is annexed hereto.

By Order of the Board of Directors

Thane, May 8, 2006
Registered Office
106, Dhanlaxmi Industrial Estate,
Old Bombay Agra Road,
Thane-400 601.

(C. L. Rathi)
Managing Director

(R.T.Mehta)
Director

EXPLANATORY NOTES PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956**Item no. 6**

Members may recall that pursuant to the provisions of Section 198 of the Companies Act, 1956 (hereinafter referred as "the Act") the total managerial remuneration cannot exceed 11% of the net profits of a Company as computed in the manner laid down in Section 349 read with Section 350 of the Act without approval of the Central Government. Pursuant to the provisions of Section 269 and 309 of the Act, remuneration of Managing Director and other whole time directors shall not exceed 10% of the net profits of the company.

During the financial year 2005-06 the Company has paid Rs. 64,15,092/- as Managerial Remuneration to the Managing Director, Mr. C.L.Rathi, and the other two whole time directors, Mrs. S.C.Rathi and Mr. Mukund Kabra (hereinafter collectively referred as "Whole time directors") as their remuneration and further commission aggregating to 1.25% of the net profits amounting to Rs. 4,57,738/- is payable to Mr. C.L.Rathi and Mukund Kabra for the said financial year in terms of resolution passed in the extra ordinary general meeting of the members dated 4th January 2005. Pursuant to the resolution passed in the Extra Ordinary General Meeting dated 4th January 2005, Non-Executive Directors are also eligible for commission @ 1% of the net profits and as per resolution passed by the Board of Directors in their meeting held on 4th January 2005 , Rs. 3,66,191/- is payable to the Chairman of the Company Mr. V. L. Rathi.

Details of managerial remuneration is as follows:

	(Amount Rs.)
A) To Wholetime Directors	
Salaries and allowances	58,36,513
Commission	4,57,738
Company's contribution to Provident Fund, Superannuation Fund	5,78,579
	<hr/>
Total A	68,72,830
	<hr/>
B) To Non - Executive Director	
Commission to Mr. V.L.Rathi	3,66,191
	<hr/>
Total B	3,66,191
Grand Total	<u><u>72,39,021</u></u>

Accordingly the remuneration paid/payable to the directors for the year ended 31st March,2006 exceeds the statutory limits as per Section 198 of the Act by Rs. 4,90,498/- and managerial remuneration to wholetime directors exceeds the statutory limit as per Section 269 and 309 of the Act by Rs. 7,37,809/-.

Under Section 309(5A) of the Act, any sums paid in excess of these statutory limits become refundable to the Company unless the Company waives recovery of the amount paid in excess of the limits and such waiver is approved by the Central Government.

Since amount of commission payable to non-executive director is within the prescribed limit of Section 309(4) but overall managerial remuneration is in excess of the limit of Section 198 of the Companies Act, 1956, accordingly no amount as such is recoverable from the non-executive directors.

During the year 2005-06, although the Company has achieved a turnover of Rs. 5556 lacs as against Rs. 3968 lacs but net profits are lower mainly due to increased research and development expenses of Rs 302 lacs and depreciation Rs. 211 lac. during the current financial year as against Rs.163 lacs and Rs.186 lacs respectively during the last financial year. Further increased expenses on account of expansion of marketing, development of export market and on branding of the products of the Company also adversely affected profits for the current year.

Besides during the year the Company has made mandatory leave encashment for leave in excess of 90 days in respect of each employee working in Head Office and 60 days for employees working in the plant. Accordingly remuneration of whole time directors includes Rs.13,94,194/- paid towards leave encashment and has resulted in a higher remuneration of the whole time directors for the year under review.

The Board is of the view that the Whole Time Directors should be permitted to retain the salaries, perquisites and commission as approved by the members and paid/payable to them during the financial year ended 31st March 2006 though the amount is in excess of the statutory limits to the extent mentioned hereinabove and as set out in the Resolution.

Members' ratification and confirmation of the payment of remuneration made to the Whole Time Directors and non-executive director, as set out in the Resolution at Item 6 and the approval for the retention of remuneration in excess of the statutory limits laid down in Sections 198, 309 and 310 of the Act, being treated as increased remuneration, is requested subject to the approval of the Central Government. The Board commends the Resolution for acceptance by the Members.

Since the proposal is pertaining to the approval of excess remuneration of Mr. C.L.Rathi, Mrs. S.C.Rathi, Mr. Mukund Kabra and Mr. V.L.Rathi accordingly they are interested in the said resolution, none of the other directors are interested in the said resolution.

By Order of the Board of Directors

Thane, May 8, 2006

(C. L. Rathi)
Managing Director

(R.T.Mehta)
Director

Report Junction.com

Registered Office
106, Dhanlaxmi Industrial Estate,
Old Bombay Agra Road,
Thane-400 601.

DIRECTOR'S REPORT

The Directors have pleasure in presenting their Seventeenth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS:

	Rupees In Lacs	Year ended 31.03.2006 Rupees In lacs	Year ended 31.03.2005 Rupees In lacs
Profit before depreciation, interest & tax		833.71	878.59
(Less):			
Depreciation	211.49		185.90
Interest/Finance Charges	80.27		50.62
		<u>291.76</u>	<u>236.52</u>
Profit before tax		541.95	642.07
(Less): Provision for taxation			
Current Tax	107.00		110.00
Deferred Tax	6.93		97.61
Fringe Benefit Tax	10.31	124.24	-
Profit after tax		417.71	434.46
Add/(Less): Previous year tax adjustments		(50.63)	16.45
Balance Brought forward		644.25	340.75
Profit available for appropriation		<u>1011.33</u>	<u>791.66</u>
Out of which directors have appropriated as follows:			
General Reserve		40.53	41.92
Proposed Dividend (including tax on dividend)		107.26	105.48
		<u>147.79</u>	<u>147.40</u>
Balance in Profit and Loss Account carried to Balance Sheet		863.54	644.26

DIVIDEND :

The Board of Directors has recommended a dividend of 18% on Equity Shares amounting to Rs.93.29 lacs.

REVIEW OF OPERATIONS:

During the year under review your Company achieved a turnover of Rs.5556 lacs as compared to Rs. 3968 lacs in the previous financial year 2004-05. Increase in sales is about 40% as compared to 32% during the previous year. Exports during the year were higher at Rs.1155 lacs as compared to Rs. 624 lacs and posted a growth of about 85% compared to previous year.

The net profits before tax of the Company is lower at Rs. 542 lacs during the year compare to Rs. 642 lacs of the previous year. The Profits during the year are lower mainly due to increased research and development expenses and depreciation coupled with expenses incurred on expansion of marketing team and their expenses, development of export market and change in marketing strategies for complete branding of the products of the Company. However these factors has enabled the Company to increase its customers base, market and better visibility and gradual brand building, therefore the Company will be reaping the benefits in due course.

During the year under review the Company has chalked out capital expenditure plan of about Rs.2000 lacs comprising of (a) Setting up a recovery and formulation plant in Special Economic Zone, Pithampur, Indore (b) Setting up of formulation facilities at Shahpur, Thane (c) Installation of additional recovery facilities and advanced equipments at existing plant at Sinner and in R&D Labs at Sinner and Thane (d) Acquiring premises for shifting Registered office to expand R&D facilities in the existing premises at Thane.

SEZ plant is likely to become operational by mid of August 2006 and Shahpur plant shall commence commercial operation from July 2006. Other facilities as mentioned at (c) & (d) above are at the stage of completion.

The Company has incurred Rs. 1009 lacs on Capital expenditure as against Rs. 473 lacs of previous year.

CHANGE IN THE NAME :

Enzyme manufacturing and various technologies pertaining to the use of enzymes are core business activities of the Company therefore in order to reflect the true nature of business activities carried out by the Company, the name of the Company was changed from 'Advanced Biochemicals Limited' to 'ADVANCED ENZYME TECHNOLOGIES LIMITED'(AETL) and fresh certificate of incorporation consequent on change of name dated 19th August 2005 was obtained from the Registrar of Companies, Maharashtra.

FUTURE OUTLOOK :

Enzymes are Biochemical form of Energy! Current focus all over the world is to find alternative forms of Energy. We all have already started understanding the perils of various hazardous chemicals including Drugs, Pesticides, & other chemicals. Mankind is now very sincere in finding Natural Solutions to the present day problems. Enzymes are the solutions to the above problem.

The Company in its pursuit of excellence and for serving the mankind has been working on a very unique concept called 'Enzyme Therapy' for providing natural solutions to various Industries and mankind for Global Health & Living.

The Company continued its leadership position in the supply of bulk enzymes however on realizing the scope and potential of branding its own formulation its has given equal thrust to branding of the products of the company. AETL has several trademarks registered in its name and some of them are at different stage of registration. Besides intellectual property rights has been given top priority and during the last two years its has filed about 6 Patents as detailed elsewhere in this report.

The Company has developed several multi enzyme blends to take care of drug menace in Cancer, Tuberculosis, Arthritis, Cardic Care, Anti-Ulcer Treatments. Anti-inflammatory multi-enzyme formulation of the Company will provide supply of vital enzymes to support the Liver, Pancreas and Kidney. The Company has leadership position in the supply of enzymes used by pharma industry for formulation of medicines for digestive dysfunction. The Company is in the process of launching its own branded digestive enzymes. The market size for bulk Enzymes in Pharma industry is estimated at Rs. 6500 lacs and for branded products AETL has a huge potential due to its core strength of manufacturing and technology.

Animal Healthcare & Nutrition industry is fast growing with average growth of about 12%. With the change in the marketing outlook, the Company has started marketing its unique branded formulation developed for various segments of the Industry. The Company has already launched its unique Bio-feed supplement blend of enzymes and probiotics for improving the milk production in Cattle, for ruminal disorders and for fertility disorders. Based on the estimates the market size is about Rs. 20000 lacs. AETL having presence in this industry since over 10 years and supplying bulk enzymes, will be in a position to maintain its leadership in the retail segment also.

Stringent pollution control regulations and increased awareness about the environment is also forcing industries to look for alternates to replace use of chemicals. The company has a range of products providing 'Natural Solutions' for Textile, Leather and Brewery Industries. The products are eco-friendly, safe and cost competitive thereby enables the user to replace use of the hazardous, polluting, non-bio-degradable chemicals. Process industries are growing in double digits hence the potential available is enormous for the company, which is being tapped.

For conservation of fast depleting natural resources, use of bio-fuel by blending with petrol has been considered top priority world over. Brewery & Distillery, industries too have shifted their focus on use of grain for better yield and quality. Enzyme has its major role in both the industries since it plays vital role in degrading the grains to lower sugars. Besides enzymes also addresses the problem of pollution in the said Industries. Therefore will have dual advantage. Business potential in bio-fuel is in billions of money and market size in the brewery industry is estimated at Rs. 65000 Lacs.

The Company has also launched several products for bakery industry, which are alternatives to traditional chemical based technology and can replace synthetic chemicals in many processes and allows environmental performance of the production process, lower energy consumption and biodegradable.

Hence we strongly feel that this decade the ENZYME industry shall grow very rapidly from at present level of about US \$ 3.2 Billion to at least by 3 fold to US \$ 10 Billion in next decade. AETL being a very strong contender in this segment, we see a great opportunity & future for us in this decade.

DIRECTORS' RESPONSIBILITY STATEMENT:

In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.

We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at 31st March 2006 and of the profit of the Company for the year ended on that date.

We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

We have prepared the accompanying Financial Statements of the Company on a going concern basis.

BANKING:

The Company has working capital arrangement from Union Bank of India and Citi Bank N.A.. To part finance the capital expenditure, the Company has got sanction for term loan of about Rs. 750 lacs from CITI Bank and about Rs.950 lacs from ICICI. The Company availed term loan of about Rs. 673 lacs from Citi Bank during the year under review.

DIRECTORS:

Mr. Pradip Shah retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment.

Mrs. Savita Rathi retires by rotation at the forthcoming Annual General Meeting and being eligible, offer herself for reappointment.

Mr. Tetsuji Kawamura due to his preoccupation resigned during the year and accordingly G.C.Gore alternate director to him ceased to be director. Mr Gore was appointed as alternate director to Pradip Shah.

Your directors place on the record their appreciation and gratitude to Mr. Kawamura for valuable contribution and support extended by him during his association with the Company.

EMPLOYEES:

Your directors place on record their appreciation of the contribution made by all the employees in ensuring the higher level of performance and growth that your company has achieved during the year.

Particulars of the employees of the Company who were in receipt of remuneration in excess of the limits of Rs.24 lacs, if employed through out the financial year or Rs.2 lac per month if employed for the part of the financial year as prescribed by the Department of Company Affairs under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 amended by Companies (Particulars of Employees) Amended Rules 2002 is given in the Annexure II (Part IV).

AUDITORS REPORT AND REAPPOINTMENT :

The observations made by the Auditors in their report are appropriately dealt in the schedule of notes forming part of the accounts for the year which are self explanatory and hence do not require any further explanations.

M/s M.M.Nissim And Co., Chartered Accountants retire and offer themselves for reappointment.

SUBSIDIARY :

The Company has two subsidiaries viz. Advanced Bio-Nutraceuticals Limited and Advanced Bio-Agro Tech Limited within the meaning of Section 4 of the Companies Act 1956. The accounts of the said subsidiaries are incorporated in the annual report of the Company. The statement under section 212 of the Companies Act, 1956 is annexed as "I" with the report.

FIXED DEPOSIT :

The Company has complied with the requirements prescribed under the Companies (Acceptance of Deposits) Rules 1975. The Company does not have any overdue or unclaimed deposit as on the date of this Report.

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

The information required under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure "II" (Part I and III) and forms part of this report.

AUDIT COMMITTEE :

The members of the audit committee are Mr.C.L.Rathi, Mr. R.T. Mehta and Mr.G.C.Gore . During the year under review the audit committee met twice, to review financial reporting system, internal control systems and control procedures and ensuring compliance with the regulatory guidelines. All the members of the committee attended both the meetings, except the second meeting was not attended by Mr. R. T. Mehta.

RESEARCH AND DEVELOPMENT :

Your Company has continued its focus on R&D and considered this crucial for sustained growth. The thrust on R&D can be also observed from total R&D expenditure, which is Rs. 440 lacs for the current year and constitute 8.78% of its turnover as against Rs. 305 lacs incurred during the previous year (8.64% of its turnover).

During the year the Company has added state of art advance technology equipments and spent about Rs.137 lacs. The Company has applied for necessary renewal/approval of the R&D Labs located at Thane and Sinner from the Department of Science & Technology, Ministry of Science & Technology, New Delhi, which is awaited.

INTELLECTUAL PROPERTY (IPR) :

The Company has focused and accelerated the IPR work on a number of products. The Company has filed 6 applications in Indian/International patent office. Work on 4 applications is at the stage of completion and shall submit the same within couple of months.

SOCIAL RESPONSIBLE CORPORATE CITIZEN :

Your Company has one of its mission to serve the mankind and provides social support and relief consistently either directly or through the one of the biggest NGO (Art of Living which operates under different segments for serving the mankind all over the world). Your Company has contributed for the relief operations for Tsunami affected people. All employees of your Company have contributed a day's salary.

EMPLOYEES STOCK OPTION PLAN :

Pursuant to resolution passed by the share holders at the Annual General Meeting dated 4th June 2002 and in terms of the said resolution the board of directors allotted 100000 Equity Shares at a price of Rs. 26/- per share to the 'ABL-Employee Stock Option Trust. The Company has also sought approval for issue of 200000 Equity Shares at a price of Rs. 38 per share from the shareholders of the Company at the Extra Ordinary General Meeting dated 8th August 2005. The Company has not granted any fresh stock option to the Employees for the year 2005-2006. The details of the options granted to employees and the status of such options as on March 31st, 2006 are given in Annexure II (Part V) to this report.

ENTERPRISE RESOURCE PLANNING (ERP) :

Your Company is in the process of implementation of SAP Business One Software for the entire organization. The system will help in managing costs, increasing transparency and consistency of information for the benefit of all the stakeholders.

ACKNOWLEDGMENTS :

Your Directors acknowledge with gratitude the support received by the company from Citi Bank N.A, ICICI Bank, Union Bank of India and other Banks, Government Agencies and organizations. Your Directors also acknowledge with thanks the faith reposed by the investors in the Company and look forward to their continued support for times to come.

For and on behalf of the Board

Thane, 8th May, 2006

C. L. RATHI
Managing Director

R.T.Mehta
Director

ANNEXURE "I" TO THE DIRECTOR'S REPORT

Name of the subsidiary	Advanced Bio-Nutraceuticals Limited	Advanced Bio-Agro Tech Limited
Extent of Holding	79.68%	99.6%
Date of incorporation	17.02.2005	09.11.2004
First accounting year	From 17.02.2005 to 31.03.2006	From 09.11.2004 to 31.03.2006*
Net aggregate of profit / (loss) for current period of the subsidiary so far it concerns the members of the holding Company (a) Dealt with or provided for in the accounts of the holding Company (b) Not dealt with or provided for in the accounts of the holding Company	Nil (Rs.23,43,122/-)	Nil Nil
Net aggregate of profit / (loss) for previous financial years of the subsidiary so far it concerns the members of the holding Company (a) Dealt with or provided for in the accounts of the holding Company (b) Not dealt with or provided for in the accounts of the holding Company	Nil	Nil

* Necessary permission from the Registrar of Companies obtained by the Company for having accounting year exceeding 15 months.

ANNEXURE "II " TO THE DIRECTOR'S REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended 31st March 2006.

I. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

The Company had continued with the measures already taken but with better experience and versatility and concentrated more to get better results. Measures taken includes:

- By repair and overhauling electrical equipments etc.
- Reduction of Boiler pressure, de-rating the boiler and maintaining fuel filters.
- Modification of process parameters to reduce steam consumption.