



GROWING THE TREE OF LIFE

Annual Report 2012-2013

Financial Highlights

ANNUAL REPORT 2012-13						
FINANCIAL HIGHLIGHTS ON CONSOLIDATED BASIS				(Rupees in Millions)		
Financial Results Summary	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Net sales	2,204	1,717	1,166	1137	848	614
EBIDTA	943	657	263	243	179	115
Depreciation	74	55	50	51	47	33
EBIT	869	602	213	192	132	82
Finance charge	96	122	23	31	39	18
Profit before tax	773	479	190	160	93	64
Tax	264	135	21	39	20	12
Profit after tax including minority	509	344	169	121	72	52
PAT	498	338	167	115	70	51
Paid up capital-equity	218	207	207	207	104	104
Reserves & surplus	1,416	761	425	271	272	214
Shareholders' fund	1,634	968	645	479	375	317
Minority interest	25	16	13	11	4	2
Long term borrowings	1,167	1,394	370	108	132	157
Working capital finance	306	359	268	205	144	180
Short term unsecured borrowings	23	20	5	8	11	3
Total debt	1,496	1,773	643	321	287	340
Current liabilities	673	668	174	215	204	186
Fixed assets (net)	1,158	496	512	539	515	513
Intangible assets (net)	-	1	2	3	5	1
Goodwill on acquisition	1,710	1,547	-	-	-	-
Current assets	938	768	615	506	381	353
Net worth	1,634	968	633	479	375	317
Total outside liabilities - TOL	2,194	2,457	829	547	495	528
Growth Indicators						
Net sales	28%	47%	3%	34%	38%	0%
EBIDTA	44%	150%	8%	36%	56%	-10%
EBIT	44%	182%	11%	45%	61%	-18%
PAT	48%	102%	45%	64%	38%	-19%
Key Operating Ratios						
EBITDA margin	43%	38%	23%	21%	21%	19%
EBIT margin	39%	35%	18%	17%	16%	13%
PAT margin	23%	20%	14%	11%	9%	8%
Financial Leverage						
Debt/Equity	0.90	1.80	1.00	0.66	0.76	1.07
Interest coverage	9.09	4.92	9.27	6.13	3.36	4.56
Debt/EBTDA	1.77	3.32	2.68	1.52	2.05	3.51
Return Ratios						
RoE	31%	35%	26%	25%	19%	16%
ROCE	28%	22%	22%	24%	20%	12%
Other ratios						
Turnover to fixed assets	1.36	1.16	0.78	0.77	0.57	0.41
TOL to net worth ratio	1.34	2.54	1.31	1.14	1.32	1.67
Book Value per share (₹)	75	47	31	23*	36	31

*Due to issue of bonus shares in the ratio 1:1

BOARD OF DIRECTORS

Kedar Desai	Chairman
C. L. Rathi	Managing Director
S. C. Rathi	Whole Time Director
M. M. Kabra	Whole Time Director
V. L. Rathi	Director
R.T. Mehta	Director
Pradip Shah	Director
P. K. Gupta	Director
K. V. Ramakrishna	Director

CFO & COMPANY SECRETARY

Beni Prasad Rauka

REGISTERED OFFICE

Sun-Magnetica, A Wing, 5th Floor, Near LIC Service Road, Louis Wadi, Thane (W), 400 604

R&D CENTRES

1. 106, Dhanlaxmi Industrial Estate, Old Agra Road, Thane (W) 400 601
2. Plot no. A-61, Main Road No. 27, Wagle Industrial Estate, Thane (W) 400 604
3. A-135, Road No. 23, Wagle Industrial Estate, Thane (W) 400 604
4. A-61, M.I.D.C. Area, Sinnar, Nasik- 422 103

PLANTS

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, SEZ, Pithampur, Dhar, Madhya Pradesh

BANKERS

Citi Bank N.A.
HDFC Bank Ltd.
Yes Bank Ltd.
DBS Bank Ltd.
Indusind Bank Ltd.

AUDITORS

Walker, Chandiok & Co.
Chartered Accountants
16th Floor, Tower II, Indiabulls Finance Center,
S. B. Marg, Elphinstone (W), Mumbai - 400 013

COST AUDITORS

Shilpa & Co.

SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai 400 078

SUBSIDIARIES

Advanced Bio-Agro Tech Limited
Advanced EnzyTech Solutions Limited
Advanced Bio Proteins Limited
Advanced Enzyme Far East Limited, Hong Kong
Advanced Enzymes USA, USA
Cal India Foods International, USA
Advanced Supplementary Technologies Corporation, USA
Advanced Enzymes Europe B.V., Netherlands

DIRECTORS' REPORT

The Directors have pleasure in presenting their Twenty Fourth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March 2013.

FINANCIAL RESULTS

	Year ended 31.03.2013 (Rs. in Millions)	Year ended 31.03.2012 (Rs. in Millions)
Profit before depreciation, interest, Extra ordinary item & tax	427.4	339.0
(Less):		
Depreciation	69.6	52.1
Interest / Finance charges	37.8	37.0
Loss of goods in transits	-	1.5
	107.4	90.6
Profit before tax	320.0	248.4
Less/(Add): Provision for taxation		
Current tax	68.1	51.5
Deferred tax	68.0	(5.9)
MAT Credit entitlement	(50.3)	(5.0)
	85.8	40.6
Profit after tax	234.2	207.6
Balance brought forward	579.0	395.5
Profit available for appropriation	813.2	603.1
Out of which Director have appropriated as follows		
Proposed dividend (including tax on dividend)	38.2	24.1
Transfer to General Reserve	11.7	-
Balance in Profit and loss account carried to Balance sheet	763.3	579.0

CONSOLIDATED FINANCIAL RESULTS

	Year ended 31.03.2013 (Rs. in Millions)	Year ended 31.03.2012 (Rs. in Millions)
Profit before depreciation, interest, Extra-ordinary item & tax	943.1	654.6
(Less):		
Depreciation	74.3	54.9
Interest / Finance charges	95.5	122.4
Loss of goods in transits	-	1.5
	169.8	178.8
Profit before tax	773.3	475.8
Less/(Add): Provision for taxation		
Current tax	250.5	142.1
Deferred tax	64.3	(2.1)
MAT Credit entitlement	(50.3)	(5.0)
(Excess)/short provision for last year	-	(0.1)
	264.5	134.9
Profit after tax	508.8	340.9

DIVIDEND

Your Directors recommend payment of dividend @ 15 % for FY 13, amounting to Rs. 32.6 million, which is 50% higher than FY 12.

During the year 2012-13, unclaimed dividend of Rs. 8,640/- pertaining to financial year 2004-05, was transferred to the Investor Education and Protection Fund, as required under the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

REVIEW OF OPERATIONS

On consolidated basis, total net sales for FY 2013 was Rs. 2204 million as against Rs. 1717 million during FY 2012, registering a growth of 28% in total sales.

On standalone basis, your Company posted total net sales of Rs. 1417 million as compared to Rs. 1130 million during FY 2012 and registered a growth of 25.4% as compared to 1.46 % during FY 2012.

The Company's exports have gone up to Rs 581 million during FY 2013 from Rs. 522 million as compared to FY 2012.

During the year commercial production of fermentation facility set up at SEZ Plant, Pithampur - Indore, commenced.

Your Company had received a Private Equity investment of Rs. 300 million at premium of Rs. 280 per share.

On consolidated basis, EBIDTA margin was about 43 % during FY 2013 as against 38% during FY 2012, recording a growth of 44% and PAT margin has increased to 23% during FY 2013 as against 20 % during FY 2012 registering a growth of 48%.

The Company on standalone basis recorded a growth of 35.5 % in its EBIDTA margin and 12.9 % in its PAT margin during the FY 2013 as compared to its FY 2012. This could happen due to more prudent marketing strategies and of improved product mix.

AWARDS AND RECOGNITION

Your Company was one of the recipients of the fastest growing mid-sized business award organized by Inc. India in year 2013. The company was also awarded the Most Innovative Exporter Award organized by Dun & Bradstreet for 2012.

FUTURE OUTLOOK

During the year "Advanced Enzymes U.S.A", a wholly owned subsidiary of the Company, acquired Advanced Supplementary Technologies Corporation ('AST Enzymes'). The Company earlier acquired the business of Cal India Foods International doing business as Specialty Enzymes & Biotechnologies (SEB) in previous financial year 2011-12; with these acquisitions the Company had got a 100% subsidiary in USA with its step down subsidiaries. As a result of the recent acquisition of SEB and AST Enzymes, both based in California, United States, our customer base has substantially increased enabling us to directly cater to the various clients in North American market. In Fiscal 2013, the North American and the European market account for about 51 % of our total sales.

Additionally, we seek to enhance our presence in the European market, for which we have already set-up a subsidiary in Netherlands viz., Advanced Enzyme Europe B.V., and have also started hiring sales and marketing personnel to better serve to European customers.

Your Company has submitted its Draft Red Herring Prospectus (DRHP) to SEBI on 28th March 2013 for its maiden IPO, the same can be downloaded from website of the Company and also available at SEBI website.

DIRECTORS' RESPONSIBILITY STATEMENT

In the preparation of the annual accounts, the applicable Accounting Standards had 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 2013 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 CITI Bank N.A., HDFC Bank Ltd & Yes Bank. The Company do have financing arrangement in the form of term loan from Indusind Bank and credit facility in the form of External Commercial Borrowing DBS Bank raised for financing the capital expenditure incurred at SEZ, Indore plant. The DBS bank has also sanctioned a working capital facility of Rs. 5 Crores.

DIRECTORS

The Board of Directors of the Company comprises 9 Directors including 3 independent Directors, of which the Chairman of the Board is a Non-Executive and Independent Director and the Board comprises qualified individuals possessing the skills, experience and expertise necessary to guide the Company.

Mr. K.V. Ramakrishna (Nominee of Private Equity Investors) has been inducted as Non-Executive and Non-Independent Director on the Board with effect from 18th August 2012 and appointed as an additional Director of the Company. As per the provisions of the Companies Act, 1956, additional director hold office only up to the date of the ensuing Annual General Meeting and can be appointed as regular director. Notice under Section 257 of the Companies Act, 1956 have been received proposing candidature of Mr. K.V. Ramakrishna for the office of Director of the Company.

Mr. Mukund M. Kabra & Mrs. Savita C. Rathi, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

EMPLOYEES

Your directors place on record their appreciation of the contribution made by all the employees.

Particulars of the employees of the Company who were in receipt of remuneration in excess of the limits of Rs.60 lacs, if employed through out the financial year or Rs.5 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) Amendment Rules 2002 further amended by Companies (Particulars of Employees) Amendment Rules 2011(vide MCA Notification number G.S.R 289(E) dated 31st March 2011) 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 Walker, Chandio & Co., Chartered Accountants retire at the ensuing Annual General Meeting and offer themselves for reappointment.

The company has appointed M/s. Shilpa Parkhi Cost Accountants as Cost Auditors of our company to conduct cost audit of the said division for the year ending 31 March 2014. The Cost Audit report and Compliance Report for the year ended March 31, 2012 in XBRL reporting was filed on January 23, 2013 and February 28, 2013 respectively. Findings of the cost auditor have been satisfactory.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has eight subsidiaries included two step-down subsidiaries viz. Advanced Enzymes USA , Cal India Food International, Advanced Supplementary Technologies Corporation, Advanced Enzymes Europe B.V. , Advanced Enzyme Far East Limited , Advanced Bio-Agro Tech Limited, Advanced EnzyTech Solutions Limited and Advanced Bio-Proteins Solutions Limited and within the meaning of Section 4 of the Companies Act 1956.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT, 1956

In terms of the MCA General Circular 2/2011 dated 8th February 2011 under Section 212 (8) of the Companies Act , 1956, copy of Balance Sheets, Statement of Profit and Loss, reports of the Board of Directors and Auditors' Report of the subsidiaries have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any investor of the Company or subsidiary companies and shall be kept for inspection by any investor at the Registered Office of the Company. However, as directed by the Central Government the financial data of the subsidiaries have been furnished under Financial Information of Subsidiary Companies forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 specified in the Companies (Accounting Standards) Rules, 2006, the Consolidated Financial Statements presented by the Company includes financial information of its Subsidiaries. The statement pursuant to Section 212 of the Companies Act, 1956 forms part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, the Consolidated Audited Financial Statements and Cash Flow Statement are provided in the Annual 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, II and III) and forms part of this report.

AUDIT COMMITTEE

The members of the audit committee are Mr. Kedar Desai, (Chairman), Mr. C. L. Rath, Mr. R.T. Mehta and Mr. K.V. Ramakrishna, (Members). During the year under review, the Audit Committee has reconstituted and Mr. K.V. Ramakrishna was inducted as a member of the Audit Committee.

The audit committee met four times during the year to review financial reporting system, internal control systems and control procedures and ensuring compliance with the regulatory guidelines.

RESEARCH AND DEVELOPMENT

R&D expenditure which is Rs. 98.8 million for the current year and constitute 6.98% of net sales of the Company as against Rs. 75.9 million incurred during the previous year (6.72% of net sales).

INTELLECTUAL PROPERTY (IPR)

The Company has focussed and accelerated the IPR work on a number of products. The Company has already obtained nine registered patents for commercial use till this year and six patent applications are pending under various stage of grant. Your Company has over 100 registered trademarks and five registered copyrights and has applied for additional 22 trademarks for registration as well as five registered copyrights and has applied for one additional copyright for registration.

SOCIAL RESPONSIBLE CORPORATE CITIZEN

Your Company has been consistently working on providing eco safe solution and side effect free health care besides providing social support and relief consistently either directly or through one of the biggest NGO (Art of Living which operates under different segments in serving the mankind all over the world).

EMPLOYEES STOCK OPTION PLAN

The stock option issued by the Company under ESOP Scheme of the Company already has been granted, vested and exercised during the previous year and accordingly no more options were available for grant. Hence no vesting of any option and its exercise.

ENTERPRISE RESOURCE PLANNING (ERP)

SAP Business One Solution Software implemented by the Company is providing desired results and complete integration of data.

DEMAT OF SHARES CONNECTIVITY WITH CDSL AND NSDL

Shareholders can get their physical shares demated through their depository participants. The Company has an arrangement with both depository participants viz NSDL as well as CDSL and allotted ISIN Number INE 837H01012. 19,711,620 shares constituting about 90.6% of total shares have been demated till 31st March 2013.

SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited, Mumbai was appointed as a Registrar to the issue for the purposed Initial Public Offering of the Company and on account of administrative ease in operations and to provide better services to the shareholders, the Company has also appointed M/s. Link Intime India Private Limited, Mumbai as share transfer agent (R&T Agent) in place of M/s System Support Services. Shareholders can directly send their transfer request and other related correspondence in this regard to R&T Agent at their address given on the first page.

WEBSITE OF THE COMPANY

Website of the Company is www.advancedenzymes.com where detailed information of the Company and its products are provided.

ACKNOWLEDGMENTS

Your Directors acknowledge with gratitude the support received by the Company from Citi Bank N.A, HDFC Bank, Yes Bank, DBS Bank, Indusind Bank 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.

By Order of the Board of Directors

Thane, 6th July 2013

(Kedar Desai)
Chairman

(C.L.Rathi)
Managing Director

ANNEXURE "I" TO THE DIRECTOR'S REPORT

Name of the subsidiary	Advanced Bio-Agro Tech Limited	Advanced EnzyTech Solutions Limited	Advanced Bio Proteins Limited	Advanced Enzyme Far East Limited (Hong Kong)	Advanced Enzymes Europe B.V. (Netherlands)	Advanced Enzymes USA*
Extent of Holding	60% (60%)	100.00% (85.71%)	100% (100%)	100% (100%)	100% (Nil)	100% (100%)
Date of incorporation	09.11.2004	01.09.2008	20.07.2010	11.03.2009	05.06.2012	01.11.2010
Accounting year	From 01.04.2012 to 31.03.2013	From 01.04.2012 to 31.03.2013	From 01.04.2012 to 31.03.2013	From 01.04.2012 to 31.03.2013	From 05.06.2012 to 31.03.2013	From 01.04.2012 to 31.03.2013
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	Nil	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with or provided for in the accounts of the holding Company	Rs. 15,566,147	Rs. 39,31,902	Rs. (16,322)	Rs. 29,31,458	Rs. (60,72,109)	Rs. 238,875,497
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	Nil	Nil	Nil	Nil	NA	Nil
(b) Not dealt with or provided for in the accounts of the holding Company	Rs. 41,16,105	Rs. 33,39,473	Rs. (26,503)	Rs. (40,68,452)	Rs. NA	Rs. 154,894,691

* Consolidated including step down subsidiary Cal India Foods International doing business as SEB acquired on 4th April 2011 and Advanced Supplementary Technologies Corporation (AST) acquired on 31st October 2012.

ANNEXURE "II" TO THE DIRECTORS' 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 2013.

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 include:

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

(b) Impact of measures taken:

The measures taken have resulted in optimizing use of available resources.

Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in Schedule.

FORM A

		Year Ended March 2013	Year Ended March 2012
A) Power and Fuel Consumption			
1. Electricity			
a. Purchased from M.S.E.B.			
Total Units	Kwh	9,690,242	7,132,155
Total Amount	Rs.	60,975,961	45,181,022
Average rate per Kwh.	Rs.	6.29	6.33
b. Own Generation			
(Through Diesel)			
Total Units	Kwh	215,257	292,955
High Speed Diesel Oil			
Quantity	Ltrs	47,835	65,101
Amount	Rs.	2,252,165	2,830,182
Average Rate per Ltr	Rs.	47.08	43.47
Average Rate per Kwh.	Rs.	10.46	9.66
2. Furnace Oil & Diesel (for steam generation)			
Quantity		2,581,602	2,221,384
Total Amount		104,825,289	81,081,436
Average Rate per Ltr.		40.60	36.50

(B) Consumption per Tone of production

(Total production **2410.11 MT** (Last Year 2433.37 MT))

	Year Ended 31 March 2013		Year Ended 31 March 2012	
1. Electricity	Unit (kwh)	Amount	Unit (kwh)	Amount
Purchased	9,690,242	60,975,961	6,700,783	41,516,239
Own Generation	215,258	2,252,165	272,705	2,671,738
TOTAL	9,905,500	63,228,126	6,973,488	44,187,977
Average per tone of production	4,110	26,235	2,754	17,063
2. Steam	Unit (kg)	Amount	Unit (kg)	Amount
Through Furnace Oil & Diesel	34,851,627	104,825,289	27,923,000	75,367,188
TOTAL	34,851,627	104,825,289	27,923,000	75,367,188
Average per tone of Production	14,461	43,494	11,476	30,977

N.B. There are no separate standards available for each category since the product range consists of various products with different consumption.

FORM B
II. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.
A. RESEARCH & DEVELOPMENT

1. Specific areas in which R & D carried out by the company
 - Yield optimization.
 - Up-gradation of production processes:
 - Enzyme profile changes achieved to meet application demands.
 - Improvement done on new formulations and processes developed in Grain, Oilseed, Fruit & Vegetable processing based on plant scale trails.
 - Several new mutants of our existing bank of microbial cultures were screened for new enzymes and improved fermentation efficiencies.
 - New laboratory at Thane is set up to understand and characterize enzymes. This is to help existing business and support regulatory requirements.
2. Benefits derived as result of above R & D
 - Improved quality and efficiency at application level.
 - Cost reduction in fermentation and downstream process.
 - Better acceptability of products.
 - Higher yield and production.
 - New technologies, such as Lipases & proteases from different fungal sources, have been developed and scaled up.

3. Expenditure on R&D:	(Rs. in millions)	(Rs. in millions)
	2012-13	2011-12
(a) Capital	16.6	11.4
(b) Recurring	82.3	64.5
(c) Total	98.8	75.9
(d) Total R&D expenditure as a % of net sales of the Company	6.98%	6.72%

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation
 - Development of enzyme production technologies: Successfully developed new mutants of Hemicellulase and Pectinase have been developed.
 - Technical personnel got trained and exposed to acquire state of the art technologies.
 - Collaborative research carried out with various institutions to develop and upgrade technologies.
2. Benefits derived as a result of the above efforts: The improvement and up-gradation of existing technologies led to the cost reduction of raw materials, better utilization of manufacturing facility and improved per person output. Energy efficiencies were improved in most production segment and also enable the Company to expand its geographical reach.
3. Imported technology:

a. Technology imported	: Technology for manufacture of enzymes.
b. Year of Import	: 2008-09
c. Has the technology been Fully absorbed	: No.
d. If not fully absorbed areas where this has not taken place, reasons therefore and Future Plan	: The technology could not be absorbed. The Company will work on assimilating in consultation with the provider.