

2013 - 2014 ANNUAL REPORT

Welcome to The world of better business

ANIMAL HEALTHCARE
AND NUTRITION



INDUSTRIAL PROCESSING



HUMAN HEALTHCARE



BIOLOGICAL



FOOD PROCESSING



BIO-FUELS



Financial Highlights

ANNUAL REPORT 2013-14							
FINANCIAL HIGHLIGHT ON CONSOLIDATED BASIS				(Rupees in Millions)			
A) Financial Results Summary	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Net sales	2,394	2,204	1,717	1,166	1137	848	614
EBIDTA	1,031	943	657	263	243	179	115
Depreciation	100	74	55	50	51	47	33
EBIT	931	869	602	213	192	132	82
Finance Charge	132	96	122	23	31	39	18
Profit before tax & exceptional items	799	773	479	190	160	93	64
Exceptional items	514	-	-	-	-	-	-
Profit before tax	284	773	479	190	160	93	64
Tax	74	264	135	21	39	20	12
Profit after tax incl minority	210	509	344	169	121	72	52
PAT	197	498	338	167	115	70	51
Paid up capital-Equity	218	218	207	207	207	104	104
Reserves & surplus	1,457	1,416	761	425	271	272	214
Shareholders' Fund	1,674	1,634	968	1,291	479	375	317
Minority interest	36	24	16	13	11	4	2
Long term borrowings	879	1,167	1,394	370	108	132	157
Working capital finance	361	306	359	268	205	144	180
Short term unsecured borrowings	30	22	20	5	8	11	3
Total Debt	1,270	1,496	1,773	643	321	287	340
Current liabilities	935	691	668	174	215	204	186
Tangible assets (net)	1,149	1,158	496	512	539	515	513
Intangible assets (net)	-	-	1	2	3	5	1
Goodwill on acquisition	1,710	1,710	1,547	-	-	-	-
Current assets	920	937	768	615	506	381	353
Net worth	1,674	1,634	968	633	479	375	317
Total outside liabilities - TOL	2,242	2,210	2,457	829	547	495	528
Growth Indicators							
Net Sales	39%	28%	47%	3%	34%	38%	0%
EBIDTA	57%	44%	150%	8%	36%	56%	-10%
EBIT	55%	44%	182%	11%	45%	61%	-18%
PAT	-42%	48%	102%	45%	64%	38%	-19%
Key Operating Ratio							
EBITDA Margin	43%	43%	38%	23%	21%	21%	19%
EBIT Margin	39%	39%	35%	18%	17%	16%	13%
PAT Margin	9%	23%	20%	14%	10%	8%	8%
Financial Leverage							
Debt/Equity	0.74	0.90	1.80	1.00	0.66	0.76	1.07
Interest Coverage	7.05	9.09	4.92	9.27	6.13	3.36	4.56
Debt/EBITDA	1.41	1.76	3.32	2.68	1.52	2.05	3.51
Return Ratios							
RoE	12%	31%	35%	26%	25%	19%	16%
ROCE	32%	28%	22%	17%	24%	20%	12%
Other Ratios							
Turnover to Fixed Assets	1.40	1.36	1.16	0.78	0.77	0.57	0.41
TOL to Net Worth Ratio	1.34	1.35	2.54	1.31	1.14	1.32	1.67
Book Value per share (Rs.)	77	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. Rath	Managing Director
S. C. Rath	Whole Time Director
M. M. Kabra	Whole Time Director
V. L. Rath	Director
R.T. Mehta	Director
Pradip Shah	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. Plot no. A-161, Main Road No. 27, Wagle Industrial Estate, Thane (W) 400 604
2. A-135, Road No. 23, Wagle Industrial Estate, Thane (W) 400 604
3. 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

Shipa & 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 Enzymes USA, USA
Cal India Foods International, USA
Advanced Supplementary Technologies Corporation, USA
Advanced Enzymes Europe B.V., Netherlands

DIRECTORS' REPORT

The Directors are delighted to present their Twenty Fifth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March 2014.

FINANCIAL RESULTS

	Year ended 31.03.2014 (Rs. in Millions)	Year ended 31.03.2013 (Rs. in Millions)
Profit before depreciation, interest, exceptional items & tax	394.5	427.4
(Less):		
Depreciation	92.3	69.6
Interest / Finance charges	82.8	37.8
Exceptional items	120.6	-
	295.7	107.4
Profit before tax	98.8	320.0
Less/(Add): Provision for taxation		
Current tax	18.4	68.1
Deferred tax	12.7	68.0
MAT credit entitlement	(18.4)	(50.3)
	12.7	85.8
Profit after tax	86.1	234.2
Balance brought forward	763.3	579.0
Profit available for appropriation	849.4	813.2
Out of which Directors have appropriated as follows		
Proposed dividend (including tax on dividend)	12.3	38.2
Transfer to General Reserve	-	11.7
Balance in Profit and loss account carried to Balance sheet	837.1	763.3

CONSOLIDATED FINANCIAL RESULTS

	Year ended 31.03.2014 (Rs. in Millions)	Year ended 31.03.2013 (Rs. in Millions)
Profit before depreciation, interest, exceptional items & tax	1030.6	943.1
(Less):		
Depreciation	99.8	74.3
Interest / Finance charges	131.9	95.5
Exceptional items	514.3	-
Total	746.0	169.8
Profit before tax	284.6	773.3
Less/(Add): Provision for taxation		
Current tax	165.2	250.5
Deferred tax	(72.4)	64.3
MAT credit entitlement	(18.4)	(50.3)
Total	74.5	264.5
Profit after tax	210.1	508.8

DIVIDEND

Your Directors recommend payment of dividend @ 5% for FY 14, amounting to Rs. 10.88 Million.

During the year 2013-14, unclaimed dividend of Rs. 29,596/- pertaining to financial year 2005-06, 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 & FINANCIAL PERFORMANCE

The Company continued to be leader amongst the integrated enzyme manufacturing companies from India with consolidated net sale of Rs. 2394 million during the current year as against Rs. 2204 million during previous year, a growth of 8.6%. EBITDA margin was at Rs. 1011 Million (42%) during FY 2014 as compared to Rs. 907 Million (41%) during FY 2013, a growth of about 13%.

Profit before exceptional items and tax stood at Rs. 799 Million as against Rs. 773 Million in the previous year. Profit after tax stood at Rs. 210 Million as against Rs. 509 Million during the previous year.

The fall in profit is attributed to foreign exchange impact due to depreciation of rupee against major currencies of about Rs. 35 Million and exceptional items charged in respect of one time inventory write off, settlement of claims including provision thereof and certain expenses related to recall, aggregating to Rs. 514 Million, due to the unprecedented event as described hereinafter.

During the second half of the year, some of the lots of products exported by the Company to USA, Japan and EU reported to have potential contamination with trace amounts of the antibiotic Chloramphenicol. Accordingly, Specialty Enzyme and Biochemicals (SEB), who has done, voluntarily recall of those specific lots of enzyme products and the Company also got goods returned back from some its overseas customers in EU, Japan and USA.

On standalone basis, a total net sale of the Company was at Rs. 1358 million during FY 2014 as compared to Rs. 1416 million during FY 2013. The fall in sale during the year is due to lower domestic sales Rs. 772 Million as against Rs. 824 Million during FY 2013, mainly due to strategic decision for going slow on non-core low margin products.

The Company's exports was at Rs. 586 million during FY 2014 from Rs. 593 million as compared to FY 2013 as export during second half of the year suffered due to the unprecedented event as mentioned above.

AWARDS AND RECOGNITION

Your Company during FY 2014, in second consecutive year, is one of the recipients of the fastest growing mid-sized business award by "Inc. India". The company is also awarded Pharmexcil Patent Award 2012-13 for its outstanding contribution to India's Pharmaceutical industry during the year 2012-13 (Biotechnology-Certificate of Appreciation).

FUTURE OUTLOOK

The global enzyme demand has increased at 8.5% annual pace from \$3.8 billion in 2005 to \$5.8 billion in 2010, helped in large part by the rapid increase in global energy prices, which made enzyme-related processes and products more cost effective, and facilitated the legislation of a rapid expansion of the fuel ethanol market. Additionally, the expanding middle class population in the rapidly growing developing countries contributed to robust gains in food and beverage enzymes, and the quick adoption of several enzyme-containing pharmaceuticals also supported growth.

Demand for enzymes is forecast to increase 6.8 per cent per year to \$8.0 billion in 2015, aided by rapid growth in key markets, as well as the introduction of new, higher-value products. This will include both new versions of existing products such as amylases and proteases that have been optimized for specific applications, and new enzyme types whose potential has yet to be fully explored.

Other enzymes will also offer some of the best opportunities for growth through 2015, helped by strong increases in phytase enzymes for animal feed applications, the market development of sulfatases and other enzymes for enzyme replacement therapy, and continued expansion of the biocatalyst market. Carbohydrases will continue to represent the largest single category of enzymes, supported by the large fuel ethanol and starch processing markets, as well as applications in food and beverages, textiles and pharmaceuticals. Proteases, the second largest enzyme category, will continue to lose market share as the cleaning product, dairy and leather markets have reached maturity and competitive pricing pressures remain strong.

The Company has been growing at 23% in last five years and it has consolidated its position in the enzyme market and it expects to improve its growth. The Company's continued focussed on integration from R&D to market, new version of some of its enzyme products and biocatalyst, will certainly help the Company to gain market share.

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 2014 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, Yes Bank and DBS Bank. The Company do have term loan from Indusind Bank and External Commercial Borrowing from DBS Bank.

DIRECTORS

The Board of Directors of the Company comprises 8 Directors including 2 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. Pavan Kumar Gupta, Member of the Board, resigned from the Board of the Company effective from September 24th 2013. The Board thanks him for his insights that have helped the Company immensely.

Mr. Vasant Rathi & Mr. Pradip Bhailal Shah 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 & Co., Cost Accountants as Cost Auditors of our company to conduct cost audit of the said division for the year ending 31 March 2015. The Cost Audit report for the year ended March 31, 2013 in XBRL reporting was filed on September 26, 2013. Findings of the cost auditor have been satisfactory.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

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

During the year, Advanced Enzyme Far East Limited, wholly owned subsidiary of the Company got dissolved and the Company has made disinvestment from Advanced Bio-Proteins Limited.

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.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT, 1956

As per Section 212 of Companies Act, 1956, Company is required to attach the Balance Sheet, Statement of Profit & Loss and other documents of the subsidiaries. The Ministry of Corporate Affairs, Government of India vide its Circular No. 2/2011 dated February 8, 2011, exempted companies from complying with section 212, provided such companies publish the audited consolidated financial statement in the Annual Report. The Company has published the audited consolidated financial statement for the fiscal 2014 and same forms part of the Annual Report. Accordingly, this financial statement does not contain the financial statements of the subsidiaries. The Statement pursuant to section 212 of the Companies Act, 1956, highlighting the summary of the financial performance of the subsidiaries is annexed to this 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. Rathi, Mr. R.T. Mehta and Mr. K.V. Ramakrishna, (Members).

The audit committee met twice 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.120.7 (including Capital expenditure of Rs. 28.1 million) for the current year and constitute 8.90% of net sales of the Company as against Rs. 98.9 million (including capital expenditure of Rs. 16.6 Million) incurred during the previous year, 6.98% of net sales.

INTELLECTUAL PROPERTY (IPR)

The Company has focussed and accelerated the IPR work on a number of products. The Company having nine registered patent, over 100 registered trademarks and five registered copy rights as well. Some patent applications are under various stage of grant.

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 participates viz NSDL as well as CDSL and allotted ISIN Number INE 837H01012. 197,485,520 shares constituting about 90.73% of total shares have been demated till 31st March 2014.

SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited, Mumbai who acts as share transfer agent (R&T Agent). 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, 16th June 2014

(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 Enzymes Europe B.V. (Netherlands)	Advanced Enzymes USA* (U.S.A.)
Extent of Holding	60% (60%)	100% (100%)	100% (100%)	100% (100%)
Date of incorporation	09.11.2004	01.09.2008	05.06.2012	01.11.2010
Accounting year	From 01.04.2013 to 31.03.2014	From 01.04.2013 to 31.03.2014	From 01.04.2013 to 31.03.2014	From 01.04.2013 to 31.03.2014
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
(b) Not dealt with Or provided for in the accounts of the holding Company	Rs. 21,830,615	Rs. 69,44,518	Rs. (76,86,655)	Rs. 94,024,589
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
(b) Not dealt with or provided for in the accounts of the holding Company	Rs. 15,566,147	Rs. 39,31,902	Rs. (60,72,109)	Rs. 238,875,497

* 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 Oct 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 2014.

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

		<u>Year Ended March 2014</u>	<u>Year Ended March 2013</u>
A) Power and Fuel Consumption			
1. Electricity			
a. Purchased from M.S.E.B.			
Total Units	Kwh	8580707	9690242
Total Amount	Rs.	49,553,594	60,975,961
Average rate per Kwh.	Rs.	5.78	6.29
b. Own Generation			
(Through Diesel)			
Total Units	Kwh	172570	215257
High Speed Diesel Oil			
Quantity	Ltrs	38349	47835
Amount	Rs.	2,187,947	2,252,165
Average Rate per Ltr	Rs.	57.05	47.08
Average Rate per Kwh.	Rs.	12.68	10.46
2. Furnace Oil & Diesel			
(for steam generation)			
Quantity		1997710	2581602
Total Amount		82,100,118	104,825,289
Average Rate per Ltr.		41.10	40.60

(B) Consumption per Tone of production

(Total production 2671.83 MT (Last Year 2410.11 MT)

	<u>Year Ended 31 March 2014</u>		<u>Year Ended 31 March 2013</u>	
1. Electricity	Unit (kwh)	Amount	Unit (kwh)	Amount
Purchased	8,580,707	49,553,594	9,690,242	60,975,961
Own Generation	172,571	2,187,947	215,258	2,252,165
TOTAL	8,753,278	51,741,541	9,905,500	63,228,126
Average per tone of production	3,276	19,366	4,110	26,235
2. Steam	Unit (kg)	Amount	Unit (kg)	Amount
Through Furnace Oil & Diesel	26,969,085	82,100,118	34,851,627	104,825,289
TOTAL	26,969,085	82,100,118	34,851,627	104,825,289
Average per tone of Production	10,094	30,728	14,461	43,494

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
 - Fermentation process improvement to optimize production yields.
 - Optimization of raw material consumption to reduce production cost.
 - Generation of new mutant strains with improved production efficiency.
 - Characterization of the enzymes to help existing business and support regulatory requirements.
 - 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.
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 fungal Lipases production, have been developed and scaled up.

3. Expenditure on R&D:	(Rs. in millions)	(Rs. in millions)
	2013-14	2012-13
(a) Capital	28.1	16.6
(b) Recurring	92.6	82.3
(c) Total	120.7	98.8
(d) Total R&D expenditure as a % of net sales of the Company	8.90%	6.98%

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 bacterial proteases.
 - 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.