advanced enzymes

Where ENZYME is Life

ANNUAL REPORT 2019-20

Advanced Enzyme Technologies Limited

CATALYSING SUCCESS

CATALYSING SUCCESS

The enzyme and probiotic industry plays a crucial role in the health across the globe and affects every person directly. Apart from human and animal nutrition, these compounds are central to a variety of other industries as well. With better biocatalysts, probiotics, biofuels, textiles, cleaning aids, the world is indeed moving forward with enzymes as an integral part. With each industry playing an imperative role in the society, this industry has been catalyzing success. These compounds are a subject of heavy research and companies invest heavily in their development as they are a key to modern life. Advanced Enzymes is dedicated to the production of enzymes and probiotics which take the world forward. With skillful personnel and a long history of fostering innovation, we are in the constant quest for better enzymes.

SCAN ME

THE ANNUAL REPORT ONLINE
This 2020 Annual Report can also be downloaded as a PDF file from our website at

https://www.advancedenzymes.com/investors/annual-report/

Disclaimer:

This document may contain certain forward-looking statements/details in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Investors/shareholders/public are hence cautioned not to place undue reliance on these statements/details, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events or otherwise.

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CORPORATE IDENTITY

Advanced Enzyme Technologies Limited (AETL) is a research driven company with global leadership in the manufacturing of enzymes and probiotics. We are the largest Indian enzyme company, engaged in the research and development, manufacturing and marketing of 400+ proprietary products developed from over 68+ indigenous enzymes and probiotics. We are commited to providing eco-safe solutions to a wide variety of industries like human health care and nutrition, animal nutrition, baking, fruit & vegetable processing, brewing & malting, grain processing, protein modification, dairy processing, speciality applications, textile processing, leather processing, paper & pulp processing, bio-fuels, bio-mass processing, bio-catalysis, etc. Our aim is to help consumers access side-effect free healthcare, help farmers enhance nutrition for animals, and also to help adopt modern enzyme based processes.

Vision

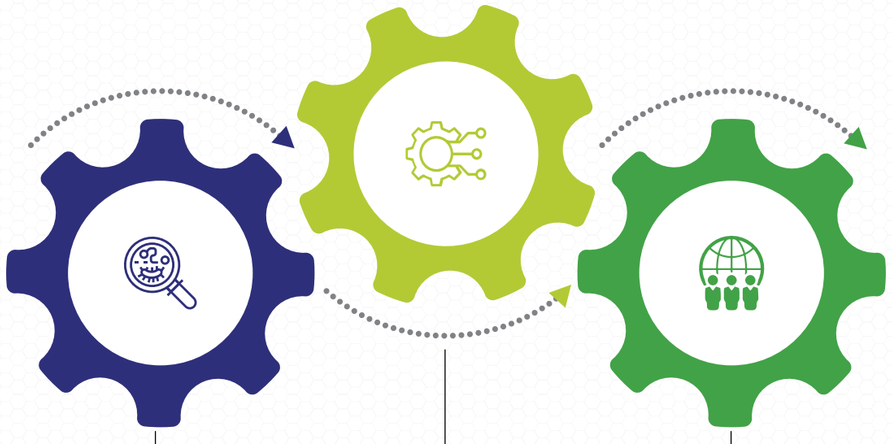
Our vision at Advanced Enzymes is to become a leading, respected & preferred, enzyme based solutions provider in the global market.

Mission

It is our mission to see that every human being is able to utilize the power of enzymes, for general well-being, for health and for improving the quality of life.

It is also our mission to see that every possible industry is able to take the advantage of enzymes, to create & produce innovative products, improve the quality of the end products, reduce energy costs, optimise the use of raw materials & resources, reduce pollution & overall carbon footprint of the process.

Key Strengths



Strong Research & Technology Focus

Integration Across the Value Chain

Global Competitiveness

CHAIRMAN'S LETTER

V.L. Rathi
(Chairman)

> Even though the world is facing tough times, we are proud of the consistent excellence achieved by your Company.

Dear Shareholders,

It brings me immense pleasure to put forth the Annual report of Your Company, Advanced Enzymes, for the financial year 2019-20.

This year was marked by the enormously challenging COVID-19 pandemic, which has fundamentally altered the world and continues to do so. It is difficult to overstate our gratitude for essential workers – from healthcare personnel to grocery workers to many staff members of Your Company. Amidst lockdowns, our team came to work across the globe because of a shared commitment to produce our enzyme and probiotics products, which are vital to the food supply.

We are proud of the consistent excellence achieved by Your Company in FY20. Our operating revenues at the consolidated level grew by about 6% to ₹ 4,440 million from ₹ 4,196 million. For the first time in history, our EBITDA crossed the ₹ 2,000 million mark, growing by about 11% to ₹ 2,023 million from ₹ 1,819 million. On the other hand, our PAT (before minority interest) has grown about 15% to ₹ 1,330 million from ₹ 1,159 million. As before, Human Nutrition is our largest revenue driver (contributing 75% of revenue), followed by Animal Nutrition (13% of revenue) and Bio Processing (12% of revenue). On the operations front, our capacity utilization continues to be in the 52%-55% range. When compared with FY19, it is clear Advanced Enzymes is staying true to its values. Further highlighting our sound decision-making and continuous hard work is the wonderful news that Your Company is now a zero net-debt organization.

We have also made significant progress in integrating evoxx, the German subsidiary. The acceleration of the integration process has resulted in evoxx achieving a positive PAT on a standalone basis in FY20, as well as steady growth for the first time since its acquisition.

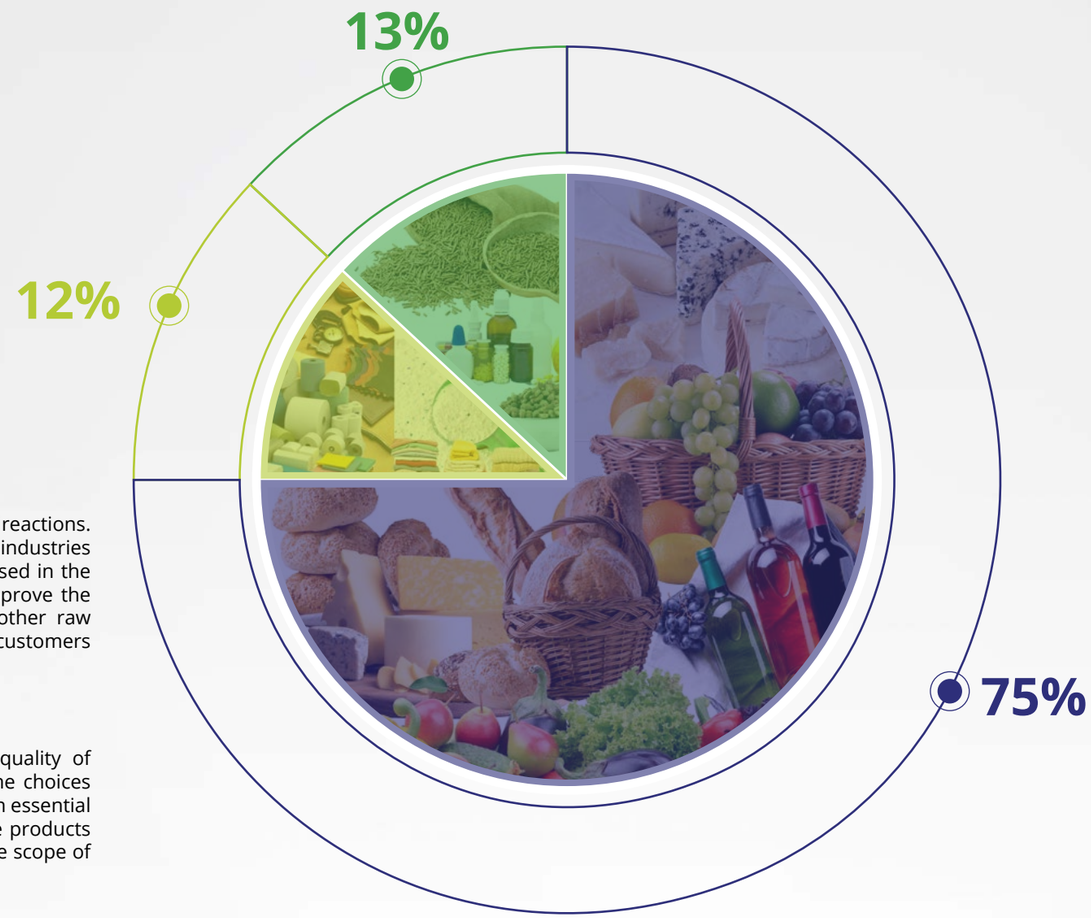
Although the world is facing tough times ahead, Your Company is well-positioned to rise to the occasion. With the entire globe clamoring for natural alternatives to boost human immunity, we anticipate numerous opportunities in the areas of biocatalysis and probiotics.

FY20 is a testament of the brilliant work of Your Company's team members, and their never-ending dedication to providing the highest-quality products, retaining the trust of customers, and looking forward to the future with optimism and innovation. As we move forward into our next year, may you and yours family stay safe and healthy!

Best Regards,

V. L. Rathi

DIVERSIFIED MARKETS



Industrial Bio-Processing

Non-Food Processing

Enzymes are considered as potent biocatalysts for a large number of reactions. Advanced Enzyme (AETL) offers eco-safe solutions for variety of industries such as textiles, leather, detergent and pulp & paper, which are used in the manufacture of a wide range of products. Biological solutions improve the efficiency of industrial processes by saving energy, water and other raw materials, while reducing waste and effluent load, thereby helping customers to comply with the pollution norms reducing overall process cost.

Food Processing

By maximizing the resources and continuously enhancing the quality of the products, food and beverage manufacturers are improving the choices enjoyed by consumers and users around the globe. Enzymes play an essential role in bringing more nutritious and appealing food and beverage products to the modern world, and they offer significant benefits beyond the scope of traditional alternatives.

Animal Nutrition

AETL provides enzyme based feed additives for the animal nutrition industry, mainly catering to poultry and swine. By adding enzymes to feed, the digestibility of the components can be enhanced. Animal Nutrition product offering enables animals to maximize the nutrients they absorb from the feed, thus helping in reducing feed costs, minimizing animal waste production and accordingly helping to reduce environmental pollution. Probiotics has beneficial metabolites and competitive exclusion widely used in animal healthcare. We have developed and assessed efficacy of probiotic formulations useful in Animal healthcare.

Human Healthcare and Nutrition

AETL provides proprietary enzyme products and customized enzyme solutions to various pharmaceutical and nutraceutical companies in India, North America, Asia (ex-India), Europe and other countries globally. These products includes various anti-inflammatory solutions, digestion solutions, probiotics, etc. which are used by customers as active ingredients. Probiotics have now become an integral part of several therapies for the digestive disorders and newer applications for treatment of several other diseases are being developed. We have developed and upscaled technologies for the production and application of several important probiotics.

Pithampur, Madhya Pradesh

QUICK FACTS

400+ Proprietary Products

15 Amongst Top 15 Global Enzyme Companies

550+ Employees

100+ Scientists, Microbiologists, Engineers, Food Technologists, Biotechnologists

25+ Years of Fermentation Experience

20+ Patents Granted

480 m³ Fermentation Capacity

45+ Countries Worldwide Presence

12# Food Dossier Filed with EFSA

#1 Indian Enzyme Company

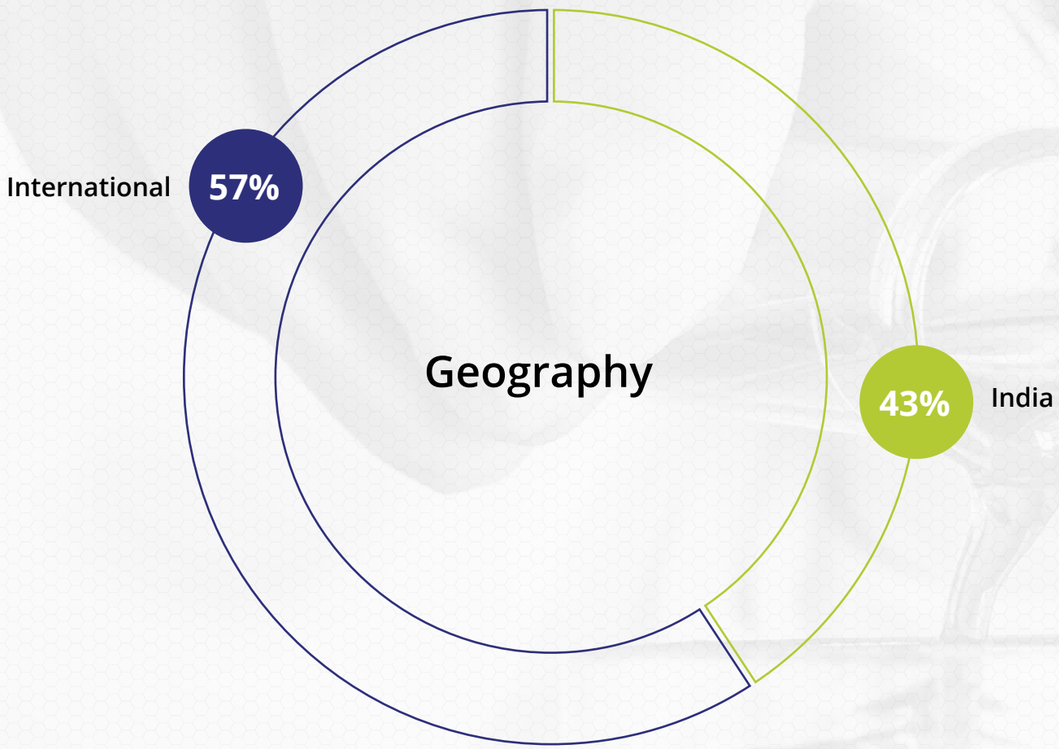
700+ Customers Worldwide

68+ Enzymes & Probiotics

02 GRAS Dossiers filed with FDA. No Question Letter received for one dossier, another one is under evaluation

#Food Dossier filed with EFSA, out of which positive opinion is received for 3 Dossiers & 9 are under evaluation

DIVERSIFIED REVENUES



Product Category

- 75% Human Nutrition
- 12% Animal Nutrition
- 13% Industrial Bio-Processing

Robust Margins*

- 82% Gross Margin
- 46% EBITDA Margin
- 30% PAT Margin

Robust Returns**

- 22% ROCE
- 28% ROIC
- 18% ROE

Robust Performance

- 5.52 Inventory Turnover*
- 2.06 Fixed Asset Turnover*
- 905 Free Cash Flow ₹ *million*

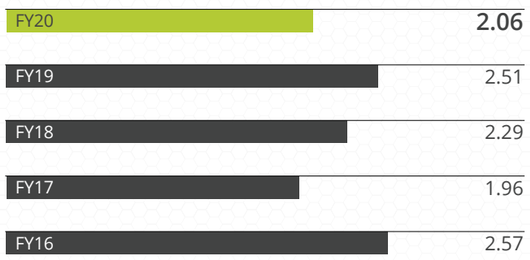
Robust Balance Sheet

- 115 Net Working Capital* Days
- 0.02 Net Debt/Equity
- 8.40 Net Worth ₹ billion

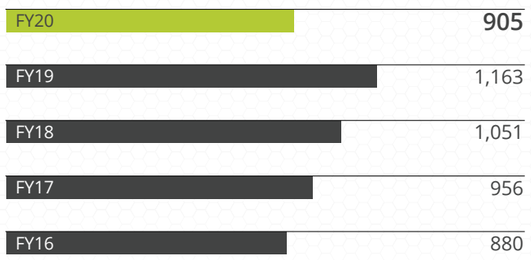
Note : * Based on net sales (excluding export incentives)
** Based on average shareholders' fund and average debt

KEY PERFORMANCE INDICATORS

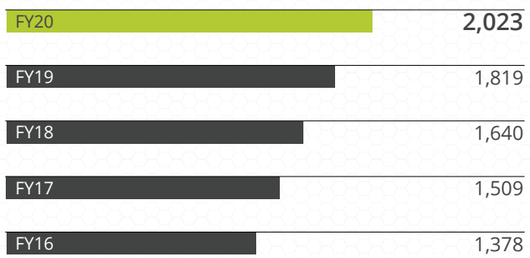
Fixed Asset Turnover (X)



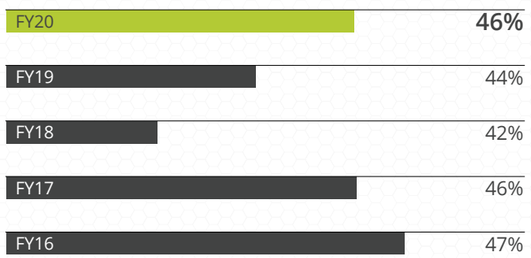
Free Cash Flow*



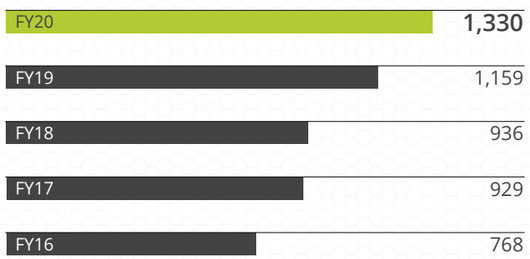
EBITDA*



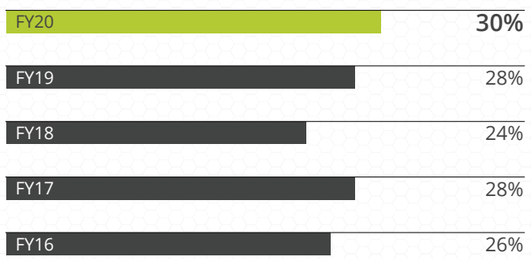
EBITDA Margin (%)



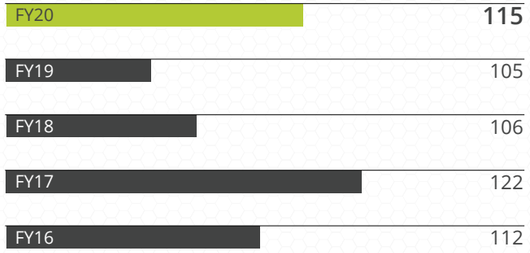
PAT*



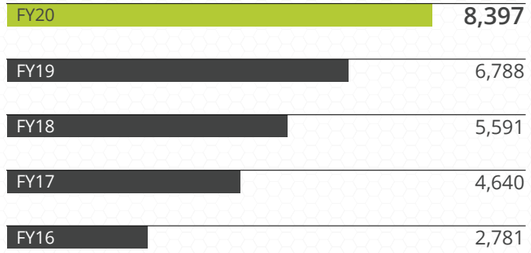
PAT Margin (%)



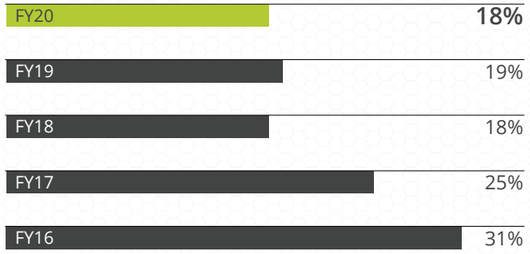
Net Working Capital (Days)



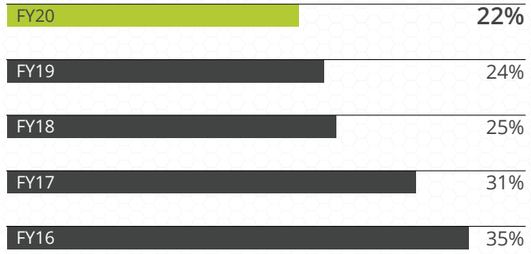
Net Worth*



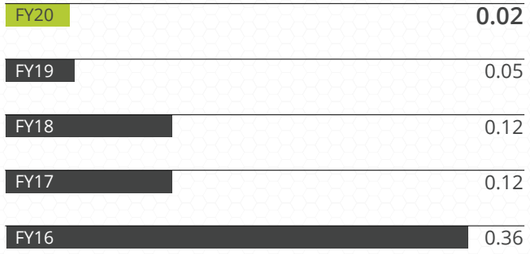
ROE (%)



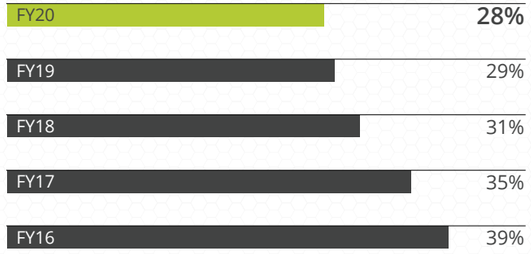
ROCE (%)



Net Debt / Equity (X)



ROIC (%)



Note: As per IGAAP (FY17, FY18, FY19 & FY20 – as per Ind As)
All numbers are on Consolidated basis.
** All numbers are in ₹ million unless otherwise stated.*
*Net working capital days =((Trade receivables + inventories – Trade payables)/ Net Sales)*365*
Net Debt = Long term debt + short term debt + current maturities of long term debt – Cash & Cash Equivalent
ROIC=EBITDA / (Equity + Net Debt)
Return ratio calculated based on average of shareholders' fund and average debt

FINANCIAL SUMMARY (Consolidated)

(₹ in million)

Particulars	2019-20	2018-19	2017-18	2016-17	2015-16
Revenue from operations (including excise duty and export incentives)	4,440	4,196	3,957	3,431	3,047
Net Sales (excluding excise duty and export incentives)	4,416	4,177	3,881	3,299	2,938
EBITDA	2,023	1,819	1,640	1,509	1,378
Depreciation	258	211	183	128	87
EBIT	1,765	1,608	1,457	1,381	1,291
Finance Charge	30	39	81	36	79
Profit Before Tax & Exceptional Items	1,735	1,569	1,376	1,345	1,212
Exceptional items	-	-	-	-	41
Other Income	56	50	14	25	11
Profit Before Tax	1,791	1,619	1,390	1,370	1,182
Tax	461	460	454	441	414
Profit After Tax including minority (PAT)	1,330	1,159	936	929	768
Profit After Tax and Allocation of Minority Interest	1,293	1,111	901	915	758
Paid up Capital-Equity	223	223	223	223	218
Reserves & Surplus	8,173	6,565	5,368	4,417	2,563
Shareholders' Fund	**8,397**	**6,788**	**5,591**	**4,640**	**2,781**
Minority Interest	278	260	226	211	54
Long-term Borrowings (including current maturities)	72	137	290	275	718
Working Capital Finance	127	213	377	214	296
Short Term Unsecured Borrowings	-	-	1	52	-
Total Debt	**199**	**350**	**668**	**541**	**1,014**
Current liabilities (excluding short term borrowings and current maturities)	437	372	519	271	480
Other Liablities	372	341	312	227	176
Tangible Fixed Assets (Property, Plant and Equipment) (Net)	2,143	1,665	1,693	1,679	1,144
Intangible Assets (Net)	645	680	741	336	51
Goodwill on Consolidation	2,941	2,715	2,584	2,280	1,710
Current assets	3,756	2,821	2,107	1,382	1,397
Other Assets	300	230	191	213	203
Net Worth	8,397	6,788	5,591	4,640	2,781
Total outside Liabilities (TOL)	1,286	1,323	1,725	1,250	1,724

Growth Indicators	2019-20	2018-19	2017-18	2016-17	2015-16
Net Sales	6%	8%	18%	12%	32%
EBITDA	11%	11%	9%	10%	52%
EBIT	10%	10%	5%	7%	58%
PAT	15%	24%	1%	21%	48%

Key Operating Ratios*	2019-20	2018-19	2017-18	2016-17	2015-16
Gross Margin	82%	82%	79%	78%	80%
EBITDA Margin - EBITDA/Net Sales	46%	44%	42%	46%	47%
EBIT Margin- EBIT/ Net Sales	40%	38%	38%	42%	44%
PAT Margin-PAT/Net Sales	30%	28%	24%	28%	26%

Financial Leverage	2019-20	2018-19	2017-18	2016-17	2015-16
Debt/Equity	0.02	0.05	0.12	0.12	0.36
Interest Coverage	58.14	41.23	17.99	38.62	16.34
Debt/EBDAT	0.10	0.20	0.43	0.37	0.78

Return Ratios#	2019-20	2018-19	2017-18	2016-17	2015-16
RoE (PAT/ Shareholders' Fund)	18%	19%	18%	25%	31%
RoCE (EBIT/(Shareholders' Fund + Total Debt))	22%	24%	25%	31%	35%
ROIC(EBITDA)/(Equity+ Total Debt-Cash & Cash equivalent)	28%	29%	31%	35%	39%

Other Ratios	2019-20	2018-19	2017-18	2016-17	2015-16
Turnover to Tangible Assets (Net)	2.06	2.51	2.29	1.96	2.57
TOL to Net Worth Ratio	0.15	0.19	0.31	0.27	0.62
Book Value/Share (₹)	75.18	60.80	50.08	41.57	127.57
EPS (Basic)	11.58	9.95	8.07	8.27	34.85
EPS (Diluted)	11.56	9.94	8.06	8.27	34.85

Working Capital Cycle *(No. of Days)**	2019-20	2018-19	2017-18	2016-17	2015-16
Inventory Turnover	66	67	71	76	75
Accounts Receivable	61	51	55	58	52
Accounts Payable	12	13	20	12	15
Net Working Capital	115	105	106	122	112

R&D Spends (Standalone)	2019-20	2018-19	2017-18	2016-17	2015-16
Capital Expenditure	28.8	6.0	8.3	13.5	17.3
Recurring Expenditure	189.9	189.9	112.4	88.4	81.8
R&D Spends	218.7	195.9	120.7	101.9	99.1
As % of Net Sales	4.95%	4.69%	3.11%	3.09%	3.37%

#Return ratio calculated based on average shareholders' fund and average debt
**Based on Net sales*
Note- FY 17, FY 18, FY 19 & FY 20 Book value and EPS are based on face value of ₹ 2/- per share
Note- FY 17, FY 18, FY 19 & FY 20 figures are as per Ind AS