



“Advanced Enzyme Technologies Limited Q4 FY18 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Advanced Enzyme Technologies Limited Q4 FY18 Earnings Conference Call. We have with us on the call today Mr. Piyush Rathi - Chief Business Officer, Mr. C. L. Rathi - Managing Director and Mr. Beni Prasad Rauka - Chief Finance Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Piyush Rathi. Thank you and over to you, sir.

Piyush Rathi: Thank you. Very good afternoon to all the ladies and gentlemen warm welcome for this call. In the first segment of this call I will be taking you through the earnings and the business highlights and then we will move on to a broad guidance for FY19 and finally we will open up the floor for questions and answers.

The full year topline for FY18 has grown from Rs. 3.43 billion to Rs. 3.96 billion. The EBITDA has grown 8% from Rs. 1.53 billion to Rs. 1.65 billion. The bottomline has grown 1% from Rs. 929 million to Rs. 936 million. Company seen a solid year of growth, in this year we also made an acquisition of Evoxx Technologies GmbH. Evoxx is an investment into the future and the company stands to gain immensely in the years to come in the form of robust product line. However, in this particular financial year we have seen a net loss due to Evoxx acquisition to the tune of Rs. 140 million which includes about 80 million of operational loss and a 30 million of amortization expense and a 30 million loss due to foreign currency translation loss. Also foreign currency has played a significant role in shaping our financial this year with a 4% negative impact due to Rupee depreciation.

I am also however happy to announce to you that the company has successfully implemented SAP S/4 HANA at the standalone level and across its Indian subsidiaries in this financial year. The go-live happened on 3rd of April 2018 and the FY19 financial will be presented from the new system. SAP implementation is going to help the company drive operational efficiencies, improve transparency, visibility and accountability and in the near future will of course also look at extending the implementation of SAP through our international subsidiaries. In terms of broad guidance for FY19 we foresee a top line in the range of Rs. 4.4 billion to 4.5 billion that is 440 crores to 450 crores. An EBITDA in the range of 1.9 to 1.95 billion that is 190 crores to 195 crores and a bottomline in the range of Rs. 1.1 billion to Rs. 1.15 billion that is 110 crores to 115 crores. All of this growth will be organic and broadly 60% of this growth will come from the human nutrition segment, about 20% will come from animal nutrition and another 20% will come from the bio-processing sector.

And with this, now like to open up the call for questions.

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

- Amar Mourya:** Sir, now if I see when we are talking about the guidance part we are guiding round about 13% to 14% kind of topline growth, right. So, are we not including any break through from the R&D side in this year because I believe we have couple of ready products also in Evovxx. So, those are not going to contribute anything in this particular year?
- Piyush Rathi:** So, these are the budgeted set of numbers and this is our minimum commitment. However, we are not currently incorporate any positive upside from our R&D projects.
- Amar Mourya:** But then sir just like, I believe R&D is the core of this company. Now looking to your current portfolio of the new acquisitions which you did, so is there, what should be a tentative time line one should look that by when a new product will see a contribution, some sort of contribution to the topline probably is this a one year timeframe or 2 years timeframe because there are couple of good products which we can roll out much faster than the expected time.
- Piyush Rathi:** Yes, see as a company policy we do not speak on specific products. We have of course being talking about application that we have focused on. One of the applications that we talked about in the past which is palm oil we do expect to see commercial revenues in FY20. However, nothing budgeted this year.
- Moderator:** Thank you. Next question is from Preetam Lunawat, who is an individual investor.
- Preetam Lunawat:** Sir, this is my first concall that I am attending and I would want to know more about what the acquisition is and the products that they will add to the company's top line and bottom line, the company's product portfolio.
- C. L. Rathi:** This company what we acquired is a pure R&D company and they have mastery in, what we call a development of enzyme using it is called directed revolution means you playing God, creating any enzyme molecule as you can you wish to develop, and this is like 11-year company with a very large library of various enzymes and technology to engineer enzyme totally is brand new. Even like there are one ways you have enzyme in the nature already billions of enzymes in the nature. You develop, bring them and put into appropriate system to express them and develop the, what you call get an enzyme output for use in the industry or in the nutrition. But this the second way is to creatively design completely in new enzyme and this company has that platform and that platform we acquired, we acquired number of people like we got almost 40 scientists from there and that together is a very complementary skill set for our company because we have an expertise here also to do other aspects and we can do what we call developed manufacturing setup. We can take it to market we can do all other things and this additional research knowledge is giving as a very completeness now going forward in next 10 years or next for our growth phase. So, it is a very beautiful acquisition happened in the last year. We are very proud about it.
- Preetam Lunawat:** In the last year I attended your AGM, I think it is the first AGM that you, after you are listing and I was there and you had mentioned the CAGR growth rate. Sir, would you want to highlight

something on that, that what for the next 3 years or 5 years what kind of CAGR growth would Advanced Enzymes have or you think it would have?

Piyush Rathi: Preetam, we have been in the past, seeing about 14%-15% topline growth and in the range of basically somewhere 12%-13%-14%-15%, 13%-14%. So, these are the ranges in which we have operated in the past and we will continue to operate organically in these ranges. We have some novel projects which might contribute an upside to this.

Moderator: Thank you. Next we have a follow-up question from Amar Mourya from Emkay Global. Please go ahead.

Amar Mourya: Sir, now post this the tax benefit which we got from US, so what should be the tax rate we should expect for financial year 2019 and 2020? And what would be the CAPEX for next 2 year, sir?

Beni Prasad Rauka: So, I think tax in US it will be about 28%. So, from 39% to 28% we are going to get significant benefit of this tax reduction and CAPEX we are doing the detailing of that but as far as, as of day is concern we have planned only the normal capital expenditure planning but then detail planning we are doing for some CAPEX. So, that I think we will let you know in at appropriate time.

Amar Mourya: And sir, so absolute at a consolidated level what would be the tax rate we should assume?

Beni Prasad Rauka: Tax rate on consolidated basis, I think I will just give you some brief give me couple of minutes and meanwhile if you have any other questions, please ...

Amar Mourya: No, sir that is all.

Beni Prasad Rauka: So, will give you the update about it. So, what will be the effective tax rate going ahead, right?

Amar Mourya: Yes, consolidated tax rate if you can give?

Beni Prasad Rauka: I think, about 29%.

Amar Mourya: About 29%, right?

Beni Prasad Rauka: Yes.

Amar Mourya: But then sir, is there any mismatch because last time we were saying that something in the range of 24%-25% and now is there?

Beni Prasad Rauka: No, I mean the, another advantage now in India also because the tax rate has gone down. And apart from that what has happened some tax benefits like SEZ we were getting the benefit. So that benefit will not be there going forward and apart from that R&D benefit which used to be

there, so 200% weighted deduction was there. That benefit will also be now it has reduced to 150%. So, there are couple of things and because of that this tax rate is different now.

Moderator: Thank you. Next question is from Sarvanam Vishwanathan from Unifi Capital. Please go ahead.

Sarvanam Vishwanathan: Sir, FY19 given the currency movement what has happened in the first quarter, how are we placed, sir are we going to hedge anything or how are we going to handle it?

Beni Prasad Rauka: So, I mean we do some forward, sale in forward and apart from that we avail packing credit limits. As far as our exports from India is concerned and other than that the exports like from the USA is in local currency, Evoxx is again doing their business in local currency. So, my exposure from India is in terms of my exports to US and other countries. So, that we always use packing credit in foreign currency and in addition to that we do sale FX in forward. So, we just hedge to some extent which is about 25%-30% hedging and then apart from that packing credit we avail.

Sarvanam Vishwanathan: So, we will also have some imports, right? So, on the net basis you will hedge about 25%?

Beni Prasad Rauka: Yes, right. We do have imports. That is correct.

Sarvanam Vishwanathan: And what is the EBITDA range that you had mentioned for FY19?

Piyush Rathi: 190 crores to 195 crores.

Sarvanam Vishwanathan: And what are the key risks according, as such you have given very normal projections. So, but what is the key risks because FY18 we did not see that much growth, so given that what is the key risks to these assumptions? Is it any customer concentration or some cancellation of order, I mean is it those sort of things or do you see any other risk?

Piyush Rathi: No, we do not see any particular risk in this particular projections.

C.L. Rathi: There could be some upside but there could be some more upside because the projections are given to you are on a normal basis and whereas there could be some projects something which is being going on may give some positive upside in the process.

Sarvanam Vishwanathan: For FY19, do we have any specific product launches in mind? Or is it going to be whatever products we have in FY18 only that will, you will try to focus on that or any product launches we have plan for this year?

C. L. Rathi: There is some new customer acquisitions and as every customer when we work with we do develop we do create a product to suit where do customization to each one. So, those we do not call product launch. Once, we get a new customer we have to give a, what you call suitable tailor-made solution for their output. So that we do not call a product launch because we do not

do a product launch for everybody. It is only customer-to-customer. So, naturally they have been products into our basket but that we do not call it product launch.

Sarvanam Vishwanathan: So, as you have, I mean you said is customer to, I mean customer level specified customize products all this projects would have got started already, right? If you are going to had new customers the engagement would have started maybe couple of quarters or even a year back.

C. L. Rathi: Of course, few years back not just year back normally few years they take normal.

Sarvanam Vishwanathan: Yes, so given that, so you may have some visibility. So, you have about 700 plus customers now. So, do you plan to add more customers in FY19?

C. L. Rathi: That is like any business we always like to add more customers. And we do like then but if these are all because your never can predict how the new customers will be, what will be his buying pattern sometimes they suddenly buy large. But these are small things we do not want to write-up any comment or anything on that aspect like things stabilize.

Piyush Rathi: Typically a sales cycle is about a year and a half two years. So, many of the clients are already in that sales process at the beginning of the funnel. So, definitely we will see some new customer additions but they will not contribute enormously to the revenue growth.

Sarvanam Vishwanathan: And in your presentation there is a slide for top customer trend analysis. So, 81 crores is for?

Piyush Rathi: This is, yes of course in INR, right. In Dollar terms the customer has grown about 7%-8%.

Moderator: We will move to the next question. The next question is from Sivan Sarvaiya from JHP Securities. Please go ahead.

Sivan Sarvaiya: Sir, there were these news articles saying that structured debt has been raised from our vendors. Has the company raised it or the promoters have raised that? There was a confusion basically in the articles.

Piyush Rathi: These are the promoter level.

Sivan Sarvaiya: So, there is nothing to do with the company out here.

Piyush Rathi: No, the company is net zero debt company.

Sivan Sarvaiya: And sir, if you could tell me the revenue contribution of JC Biotech during the year, during this year and the year before this?

- Piyush Rathi:** JC Biotech was about the last year we did not have full consolidation, right. It was only about 4 months. So, revenue for Advanced Enzyme consolidates it was about 15.5 crores. This year we have had a full year consolidation and revenues from JC Biotech have been 40.5 crores.
- Sivan Sarvaiya:** Sir, then on the same thing, sir if I see the revenues ex JC Biotech, then there is not much growth that has been coming in from the old business, sir. Sir, your view on that and what is the company's strategy to increase growth? Are we facing some competition in certain product lines?
- Piyush Rathi:** It is the nature of our business. This year, I think about 29, so compared to last year we have seen about 25 odd crores of incremental growth from JC, right. Some growth has come on account of Evoxx acquisition and the rest, so 11 crores has come from Evoxx and the rest is inorganic growth.
- Sivan Sarvaiya:** Sir and one more question that I had was on the pledging of shares, sir. The pledging of shares has increased from 26% last year to about 40% this year. So, what has been the reason for this? And is the management wanting to it looking on reducing the same?
- Piyush Rathi:** Yes, it is an active outlook towards reducing the overall pledged levels.
- Sivan Sarvaiya:** So, sir any targets for the year?
- Piyush Rathi:** Nothing concrete that we can comment on but definitely the promoters are looking in reducing the pledge levels.
- Sivan Sarvaiya:** And sir, the research cost during the quarter?
- Piyush Rathi:** During this particular quarter?
- Sivan Sarvaiya:** Yes.
- Piyush Rathi:** Usually it is a very stable. We have had 45 million is research cost this quarter.
- Sivan Sarvaiya:** And this is going to be increasing going forward? I guess it was said in the last concall that it will be going to be in the range of 5.5% to 6% or something?
- Piyush Rathi:** So, Evoxx's R&D, right. So, this is also including Evoxx. This is likely to remain, this is excluding Evoxx.
- Sivan Sarvaiya:** And my last question was on the different segments of our revenue. Sir, we have seen animals feed and the food business their contribution to the sales has been going down every quarter in this year. So, sir what is this, is it a management strategy to reduce concentration here or is it because of some stiff competition that we are seeing?

Piyush Rath: It is the part of the growth cycle. You increase and then you consolidate and again then you increase. So, that is more like a consolidation phase. We expect to grow in these segments also going forward.

Moderator: Thank you. Next question is from Jigar Jani from Edelweiss. Please go ahead.

Jigar Jani: Sir, regarding Evoxx, is it completely R&D or do we do some sales of products also from Evoxx?

Piyush Rath: We do sales of products as well and now we will increase the sales of, so there are some products which are based sort of Evoxx product line and AETL product line also will be added going forward. So, both efforts are on.

Jigar Jani: So, sir any tentative plan as to when it will break even, maybe at the profitability level, Evoxx?

Piyush Rath: On a standalone level we expect the EBITDA to be positive in the second half of this year. So, Evoxx will contribute towards a very robust product line for the company and several projects will be taken up within Evoxx which will complement the AETL's developmental strength.

Jigar Jani: And what was Evoxx sales and profitability, if you could share for the last year?

Piyush Rath: In the consol numbers, you mean last financial year or this year of consolidation?

Jigar Jani: That is FY18?

Piyush Rath: FY18 we have had topline of 11 crores and overall the EBITDA has been negative to the extent of 9 crores.

Jigar Jani: And this includes how many months of consolidation?

Piyush Rath: 7.5 months and it is not necessarily linear.

Jigar Jani: So, it is not, it is bulky in nature.

Piyush Rath: Right.

Jigar Jani: So, any guidance for this year? What are we expecting from Evoxx, in terms of sales?

Piyush Rath: Evoxx, the topline should be in the range of 20 crores to 25 crores overall.

Jigar Jani: And we should be near EBITDA breakeven?

Piyush Rath: Yes, it should be near EBITDA even, the second half will be breakeven on a standalone basis. The first half we still see some residual losses or residual expenses which are bound which will get basically cutoff by the Q2 of this year.

- Jigar Jani:** And sir, I think Novozymes in their annual report has highlighted that they have launched Palmora, which is a product for increasing palm oil yields which they launched this year. So, do we see any competition to our product that we are likely to launch because of that?
- Piyush Rathi:** No, I think we are both in this particular market.
- Jigar Jani:** So, you see enough scope for us also to grow?
- Piyush Rathi:** Absolutely.
- Jigar Jani:** So, it is not like they get the first mover advantage and ...
- Piyush Rathi:** So, we are also first movers in that sense.
- Jigar Jani:** So, we have launched the product from palm oil yields in the markets?
- Piyush Rathi:** We are in similar phases of commercialization right now.
- Jigar Jani:** And sir, I think this is a follow up to the earlier question, if I look at your yearly numbers for FY16-2017 and 2018, your animal nutrition and food business has been largely growing at 3%-4%, where as human nutrition and industrial have grown at around 16% and 20% CAGR basis. So, any particular reason why because I remember when we met last about a year back we were focusing a lot on animal nutrition as a field and we saw a great prospects in animal feed business per se. But that does not seem to have taken of any particular reason why that is still being low growth area for us?
- Piyush Rathi:** Yes, we have seen a phase of consolidation for last couple of years. We are definitely expecting growth this year and forward.
- Jigar Jani:** And sir, regarding the pledge is this the personal reasons why there is a pledge or what is the reason for so much pledging in the company by the promoters?
- Piyush Rathi:** It is a personal reason.
- Jigar Jani:** And this structured debt that has been raised is again for some investment which is in the related field or it is completely unrelated to the enzyme industry?
- Piyush Rathi:** It has been basically a refinance.
- Moderator:** Thank you. The next question is from Rohit Sinha from Emkay Global. Please go ahead.

- Rohit Sinha:** Just one question that the interest cost has jumped significantly for this year, for this quarter. So, this is basically because of rise in debt or there is some currency impact also? And if is that any currency impact what would be the quantum?
- Piyush Rathi:** The major growth is on account of currency impact. The impact is about 3 crores i.e. 30 million.
- Rohit Sinha:** 30 million is because of currency impact?
- Piyush Rathi:** 30 million out of 45 million is basically due to currency.
- Rohit Sinha:** So, basically this cash which we are seeing in the balance sheet it is on the standalone or in subsidiary segment?
- Piyush Rathi:** It is on a consolidated basis.
- Rohit Sinha:** But in which subsidiaries?
- Piyush Rathi:** It is in our US subsidiaries. I am happy to also announce that our Chairman – Mr. V. L. Rathi is also on the call and I just like to pass on the question to him.
- Rohit Sinha:** Sir, my question was just that the cash which is there in books, so how that cash would be utilized and is there any chances of dividend there?
- V. L. Rathi:** No, we don't pay any dividend there. The basically, fundamentally cash is going to be used into more R&D for application and for the future growth.
- Rohit Sinha:** So, any acquisition we can expect in the future?
- V. L. Rathi:** Yes of course, we can see like in enzymes business the growth is happening. We are working with the customers to take care of the requirements, we needed to have a lot more expansion in that area since we are looking futuristically of how we can consistently follow the higher growth, so the cash will be deployed in that particular space.
- Moderator:** Thank you. The next question is from Duby Rex from iThought Financials.
- Duby Rex:** My question is already answered.
- Moderator:** Thank you. The next question is from Madhusudan J from Florin Tree Advisors.
- Madhusudan J:** I had a couple of questions here. One, I just wanted to understand what is going to lead to the EBITDA margin expansion next year on because you are clearly projecting 130 bps-140 bps increase in EBITDA margin compared to this financial year. I was just trying to understand where is that coming in from?

- Piyush Rathi:** No, this is normal course of business. If we see our EBITDA margin was last year 45% then it came down to 42%. So, it is that 40% to 45% range is a normal for our business.
- Madhusudan J:** So, what are the key drivers? Is the Evoxx cost going to down? The spend there is going to down or is it that the growth is going to come from the high margin product on the human nutrition side?
- Piyush Rathi:** Some is a product mix effect and some of course, we expect the EBITDA some cost to go down in Evoxx.
- Madhusudan J:** And any more granularity on where is the 60% growth going to come from on the human nutrition side? Is it India, US or is it the contribution from the top customer that you are expecting something like that?
- Piyush Rathi:** It is mix of both geographies overall.
- Madhusudan J:** So, can I assume that basically there will be growth on the JC Biotech revenues as well and growth from the top customers as well in that case?
- Piyush Rathi:** Not necessarily. If overall growth across both the geographies, across the product line that we have in both the geographies. It is not attributed only to one customer or to one product.
- Moderator:** Thank you. Next we have a follow up question from Sarvanam Vishwanathan from Unifi Capital. Please go ahead.
- Sarvanam Vishwanathan:** As regards capacity, how are we placed? When is the next capacity addition that we have to plan?
- Piyush Rathi:** At the moment nothing. Nothing that is that plan Sarvanam.
- Sarvanam Vishwanathan:** So, in the next two years we are well placed on capacity front. Next two years revenues can be achieved with the current capacities?
- Piyush Rathi:** Yes.
- Sarvanam Vishwanathan:** And so, do we have any defined R&D budget or how does that part work?
- Piyush Rathi:** Yes, we have been following our R&D budgets.
- Sarvanam Vishwanathan:** Is it a percentage of the sales or how is it normally?
- Piyush Rathi:** More on absolute number basis. In India we have about 10-odd crores which we spent in R&D. And now Evoxx will primarily contribute again towards R&D expenditure.

- Sarvanam Vishwanathan:** That is all getting expense in P&L, right?
- Piyush Rathi:** Yes.
- Moderator:** Thank you. Next question is from Sivan Sarvaiya from JHP Securities. Please go ahead.
- Sivan Sarvaiya:** Sir, I believed we got a small B2C business in US, in the nutraceuticals space which contributes around 10% of revenues. So, any plan to scale that up?
- Piyush Rathi:** So Sivan, it is about 3% of our revenues, of our consol revenues and I just like to hand over the call to Mr. V. L. Rathi to answer this question.
- V. L. Rathi:** Siva, repeat your question please.
- Sivan Sarvaiya:** Sir, my question was on the small B2C business that we have in the US nutraceuticals space. So, are we looking at scaling that up?
- V. L. Rathi:** Yes, to short answer to your question, yes. That is one of our primary area. In US, if we go from B2C it takes place like that not more distribution expansion over distributing area, etc. But to answer your question, yes which will be scaling up.
- Sivan Sarvaiya:** Sir, any broad guidance not a specific one what would be the revenue contribution of this B2C business?
- V. L. Rathi:** I cannot give you a definite answer, but you will see that revenue contribution would be increased significantly.
- Sivan Sarvaiya:** And to the folks in India, are we looking at doing the same thing in India too in the B2C space?
- Piyush Rathi:** No, Sivan. We do not have any plans in India as of now.
- Moderator:** Thank you. Next question is from Amar Mourya from Emkay Global. Please go ahead.
- Amar Mourya:** This question is for V. L, sir. So, sir now, I mean being a chairman of the company, just wanted to understand what is our dividend policy going forward like we are generating a phenomenal amount of cash. We do not need CAPEX at least for another 3-4 years except that we get some piece of acquisition. So, is that we are going to plan something, I mean can investors expect some good amount of dividend going forward or dividend?
- V. L. Rathi:** Dividend policy it will be consistent like what we were doing. This will be increased dividend by 25%. So, we can expect some growth in the dividend.
- Moderator:** Thank you. Next question is from Madhusudan J from Florin Tree Advisors. Please go ahead.

- Madhusudan J:** Sir, I just wanted to understand little bit more about the B2C business in the US. Sir, if you could just share some information on the modalities of the business? Are you selling like branded products over to the consumer to distributors or how is that happening? And is it specifically in the digestive enzyme space?
- V. L. Rathi:** Looks like you are directing the question to me?
- Madhusudan J:** Yes. So, I just wanted to understand the modalities of the B2C business in the US that is happening. So, is that you are selling like branded products directly to the consumer and is it more specifically in the digestive enzyme space?
- V. L. Rathi:** Yes, to answer to your question is correct. We are in digestive products, but we are also in systemic products which are basically better health not necessarily going to digestive product. And that is we see as a bigger market, okay. Digestive area is a define market and health care is a bigger market. So, our B2C will be more into to the other areas healthcare.
- Madhusudan J:** So, if I have to like kind of look up the products or something, is it put up on your website? Is it shared anywhere in the annual report?
- V. L. Rathi:** There is, yes there is a website you can look into call AST Enzyme which is a B2C area and you can take a look.
- Moderator:** Thank you. Next question is from Rishi K from India Capital. Please go ahead.
- Rishi K:** As per your recent presentation, your revenue in the food sectors has gone down by 40%. But around from the market sources we have learned that lot of other unorganized guys or the other guys growing in this particular field. Even in the animal it was down by 3% in last quarter. What are the specific reasons if you can just mention here that revenue in the food business is going down by 10% and the market is down by around 12%-13%.
- Piyush Rathi:** No, these are phases of consolidation which we of course intent to grow going forward.
- Rishi K:** So, any new product development in the food sector basically this is growing really fast?
- Piyush Rathi:** Growing, sorry did you ask the question about fast growth in food segment or animal nutrition?
- Rishi K:** Food sector, sir.
- Piyush Rathi:** Food sector is reasonably stable. Our expansion is primarily internationally. In India the food processing market is relatively smaller.
- Rishi K:** And how big is our R&D team, sir and how much is our R&D expenditure we also plan to do in next 2 years?

Piyush Rath: So, currently our R&D team is around 85 to 90 scientists. Bulk of that about 60 odd scientists are in India and about 25 scientists now in Germany. And R&D expenditure we expect to be in the range of 25 crores annually going forward. And this includes the expenditure in Evoxx as well.

Rishi K: So, I think you are doing a lot of pledge, any plans to do the buyback?

Piyush Rath: Did you ask about buybacks? Sorry the question was not so clear.

Rishi K: Yes, buyback.

Piyush Rath: No, we have no such plans as of now.

Moderator: Thank you. Next we have a follow-up question from Jigar Jani from Edelweiss. Please go ahead.

Jigar Jani: Sir, what are our plans for JC Biotech for FY19? What kind of growth are we expecting?

Piyush Rath: Do you mean standalone, Jigar?

Jigar Jani: For JC Biotech?

Piyush Rath: Yes, do you mean at standalone level or overall in a consolidated by the consol basis?

Jigar Jani: No, just for JC Biotech as it is?

Piyush Rath: So, JC we expect the revenues to grow about 15%-16% on a standalone basis?

Jigar Jani: So, on 40 crores you expect the 15% growth is what you are saying?

Piyush Rath: Yes. So, we expect around 46-odd crores.

Jigar Jani: So that means that you are expecting around 11 crores from expansion in Evoxx and around 6 crores in JC. So, that base business growth eventually comes to around 11% based on your guidance. Any particular reason why it is so low because this is kind of a growth that you could expect on a normal business without any product additions or any new customer acquisitions. So, are we like being very conservative in our projections, right now?

Piyush Rath: Yes, we are being conservative in our projections.

Jigar Jani: And sir, this 4% negative impact of FX what would have been the impact on the operating profitability. I believe this is on sales that you are talking about 4% impact?

Piyush Rath: Yes, overall because wherever we have Dollar revenues and Dollar EBITDA or Dollar based PAT margin that is of course, so that is impacted with this 4% negative accounting.

Jigar Jani: So, 4% is on profitability as well?

Piyush Rath: Yes, US based profits for example would be because of the Dollar-Rupee appreciation would be 4% lower, right, they would otherwise have been higher by 4%.

Jigar Jani: So, you are saying these are all translational losses?

Piyush Rath: Correct.

Jigar Jani: There is nothing is transactional in nature that is all hedged?

Piyush Rath: Correct.

Jigar Jani: And sir regarding, apart from palm oil any other new areas that you are keen on exploring may be in for the next 2-3 years?

Piyush Rath: No, these are the areas that we have already talked about.

Moderator: Thank you. Next question is from Sivan Sarvaiya from JHP Securities. Please go ahead.

Sivan Sarvaiya: Sir, I had read that the biofuel market in the US is doing extremely well. But when I see our financials I saw that in October 2017 we had dissolved one of the subsidiaries in these fuels. So, what was the reason for this?

Piyush Rath: It was a non-operating subsidiary and maybe I can request Mr. V. L. Rath to share some more light on that?

V. L Rath: We at that time we were looking at biofuels area as a growth that are very rare in US. However, the way the definitions of biofuel in US markets are, we figure that that is not an area which can grow as we want and the resources we want to put in and so we withdrew from it.

Sivan Sarvaiya: Because I read in the Novozymes annual report that they are doing extremely well in the biofuel sector in the USA. So, is it because of stiff competition from them?

V. L Rath: I do not know at this time because we are not very active in biofuels area in US market.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to Mr. Piyush for closing comments.

Piyush Rath: Thank you, everyone for joining our call today. And we hope to present such a robust set of numbers in the quarters going forward. Have a good day. Thank you.

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