

ADVANCED ENZYME TECHNOLOGIES LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.258.20 (As on 28th Apr 2023)

TARGET PRICE : Rs.323.00

FACE VALUE : Rs.2

BSE CODE : 540025

NSE CODE : ADVENZYMES





Advanced Enzyme Technologies Ltd. is a research driven company with global leadership in the manufacturing of enzymes and probiotics. The Company is committed 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 and others. Its aim is to replace traditionally used chemicals with eco-friendly enzymatic solutions.

The Company has 68+ Enzymes & Probiotics, 400+ Proprietary Products, 700+ Customers Worldwide, 45+ Countries Worldwide Presence and 850+ Employees. The Company has 9 manufacturing units (7 in India and 2 in USA) and 7 R&D Units (India-5, USA-1 and Germany-1).

ABOUT THE COMPANY

Company Overview

Advanced Enzymes is a research driven company with global leadership in the manufacturing of enzymes and probiotics. We are committed 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 and others. Our aim is to replace traditionally used chemicals with eco-friendly enzymatic solutions.



What are enzymes?

Enzymes are natural protein molecules that act as catalysts within living cells, produced by all living organisms. Function as specialized catalysts and accelerate the pace of biochemical reactions.

Advanced uses enzymes to replace chemicals in, and improve efficiency of, a wide variety of industrial processes for its customers.

What are Probiotics?

Probiotics are live microorganisms, when administered in sufficient amount, confer health benefits to human and animals. 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. Probiotics act by fighting with the disease causing microorganisms and by secreting beneficial metabolites in the human/animal system.

Advanced Enzymes has developed and upscaled technologies for the production and application of several important probiotics.



Mission

It is our mission to see that every human being is able to take advantage of the power of enzymes and probiotics for well-being and leading a healthy life!



Vision

Our vision at Advanced Enzymes is to become the largest, enzyme and probiotic -based, value provider to consumers and processors globally!

Advanced Enzyme Technologies Limited – A Rising Global Star



9

Manufacturing Units
India - 7 USA - 2



7

R&D Units
India - 5 | USA - 1 | Germany -1



1st

Indian enzyme company



2nd

Highest market share in India



2nd

Listed integrated enzyme player globally



68+

Enzymes
& Probiotics



400+

Proprietary
Products



700+

Customers
Worldwide



45+

Countries
Worldwide Presence



850+

Employees



13*

Patents



12#

Food Enzyme Dossiers
filed with EFSA



7**

GRAS Dossier
evaluated by US FDA



500

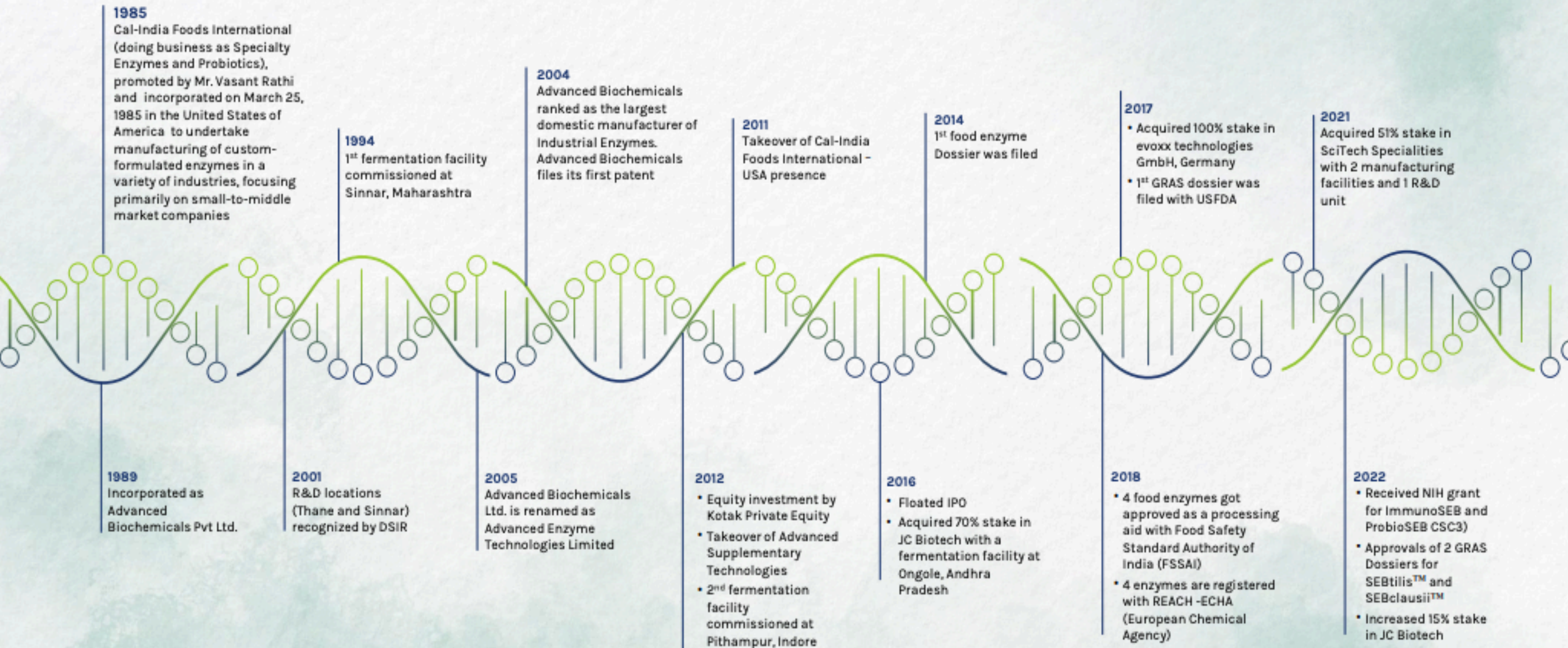
m³ Fermentation
Capacity



25+

Years of Fermentation
Experience

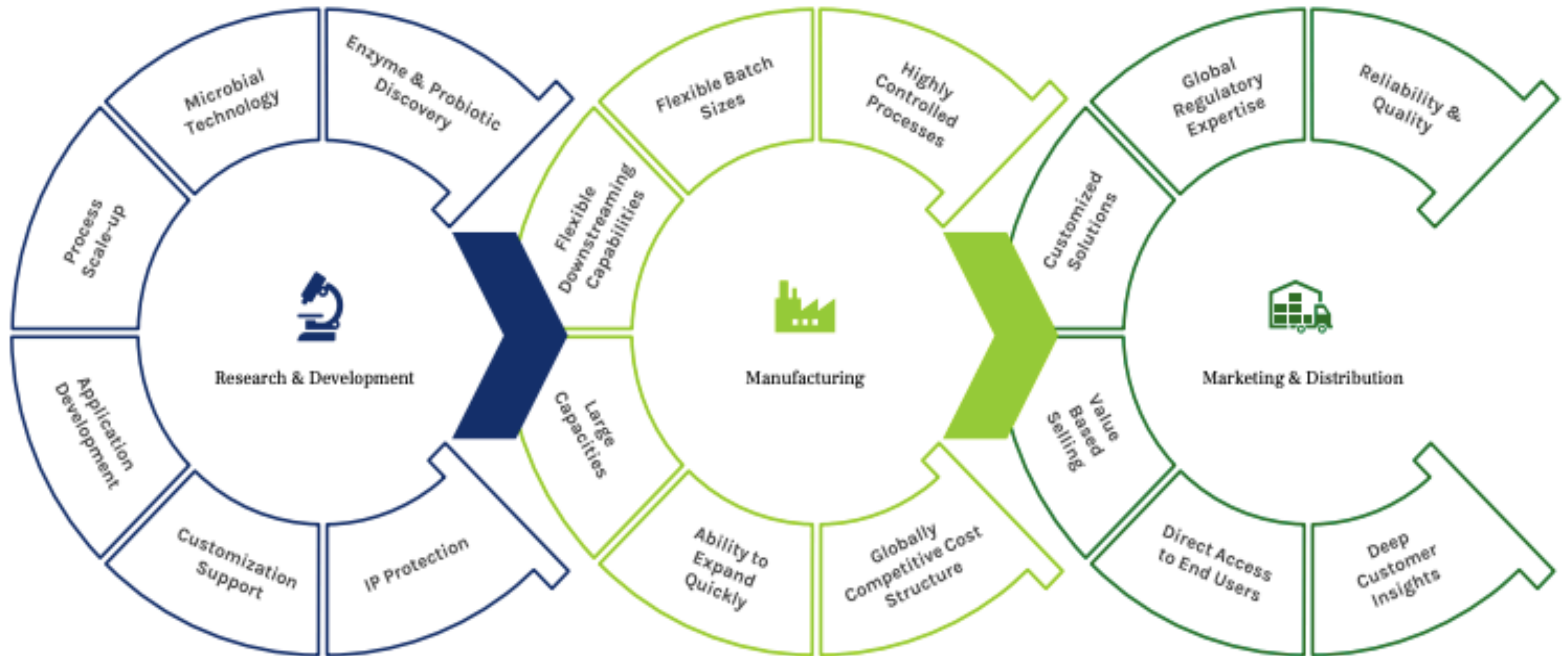
Brief History and Evolution








What Makes AETL a Unique Investment Case?



Integrated Player with Presence Across the Enzyme Value Chain



What we are Aiming in the Opportunity?

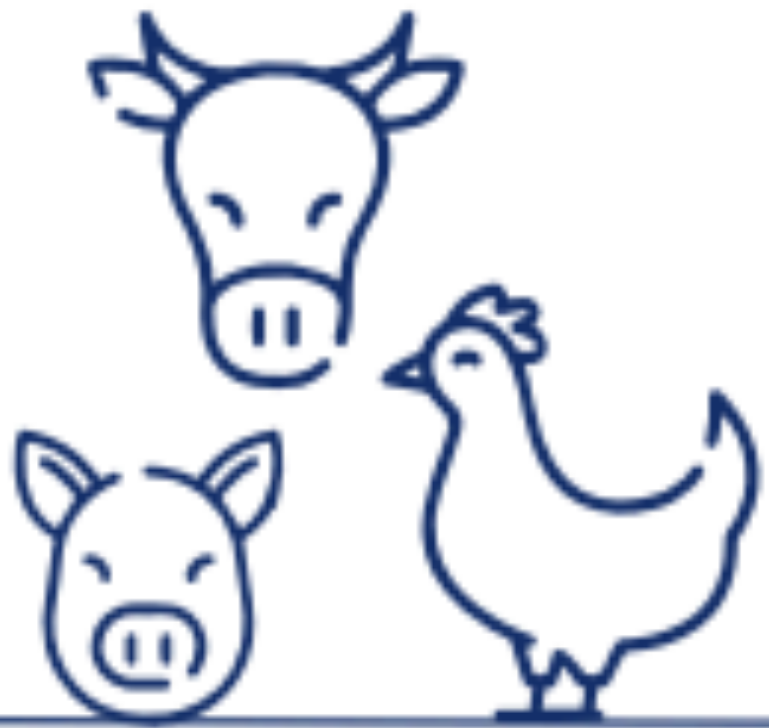
	Focus Area	Opportunity Size	Addressable market for AETL over next 5 years**	AETL's Current Share of Revenue	
				FY22	FY21
	Human Nutrition	\$ 400 mn	\$ 200 mn	\$ 41 mn, 58%	\$ 39 mn, 57%
	Bio-catalysis	\$ 60 mn	\$ 30 mn*	\$ 2.5 mn, 4%	\$ 2.2 mn, 3%
	Baking	\$ 300 mn	\$ 30 mn	\$ 7 mn [#] , 10%	\$ 6.3 mn [#] , 9%
	Animal Nutrition	\$ 1.02 bn	\$ 40 mn	\$ 7.5 mn, 11%	\$ 6.4 mn, 9%
	Probiotics	\$ 48 bn	Majority of the market is untapped, so this a huge opportunity	\$ 4.7 mn, 7%	\$ 9.8 mn, 14%

Specialized Business With High Entry Barriers



Focus Areas Going Ahead

Animal Nutrition



Continuing conduct trials and studies to bring newer and effective nutritional products, which may improve the efficacy of animal feeds

Registering and introducing more products in the domestic as well as in the international markets.

Expand its sales and marketing team in USA, MENA and Asian market

Targeting to strengthen the geographical reach and distribution network by appointing more distributors in the overseas markets

Probiotics



To introduce more probiotics products in Human Nutrition for the immunity development, active health food, gut health and various nutraceutical applications

To launch more products on immunity development, digestion improvement, and increase nutritional level of feed in the Animal Nutrition

Bio-Catalysis



Developing bio catalysis for API manufacturers, providing enzymatic based solutions that are target specific, helping them to save cost of energy, time and use of chemicals

Couple of products are under the advanced stage of trials at plant level by the API manufacturers

This is one of the opportunities, where your Company will continue its efforts and focus

Baking



In Bio-processing division, our focus is on Baking Solutions

We have got positive response for the products in terms of efficacy and performance

Confident to expand in Europe, Americas and Rest of World to tap the available opportunities by offering a value based approach in the Baking Industry

Geographical Performance

(₹ in Million)



India

42%

+04%

Q3 FY23 593

Q3 FY22 571



Americas

38%

-04%

Q3 FY23 543

Q3 FY22 563



Europe

07%

+23%

Q3 FY23 97

Q3 FY22 79



Asia*

10%

+61%

Q3 FY23 146

Q3 FY22 91



Rest of the World

03%

+32%

Q3 FY23 42

Q3 FY22 32

45%

+03%

9M FY23 1,805

9M FY22 1,747

38%

-05%

9M FY23 1,516

9M FY22 1,603

06%

+02%

9M FY23 251

9M FY22 247

09%

+31%

9M FY23 367

9M FY22 279

02%

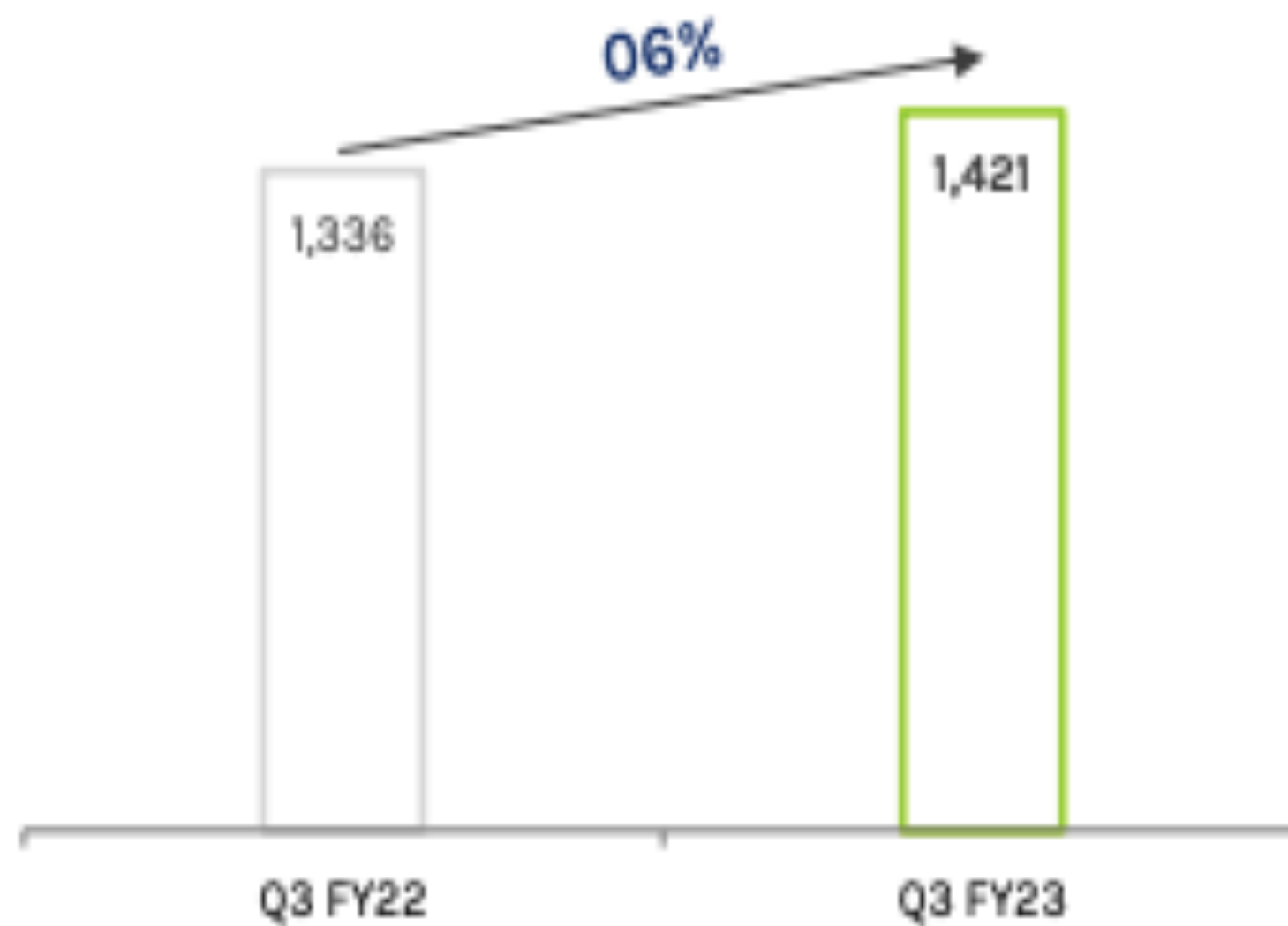
-19%

9M FY23 81

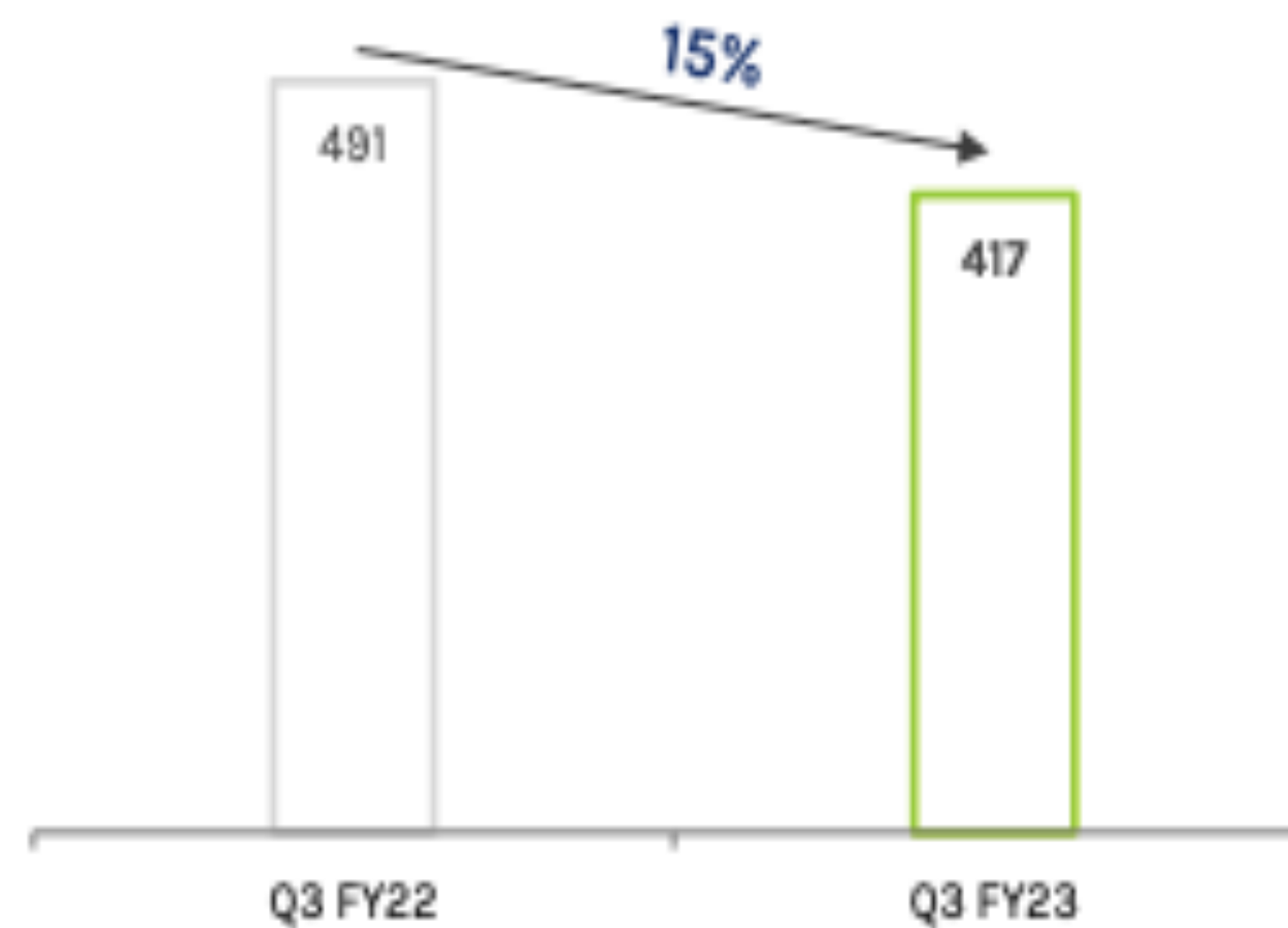
9M FY22 100

Results Summary – Q3 FY23 (Consolidated) Y-o-Y

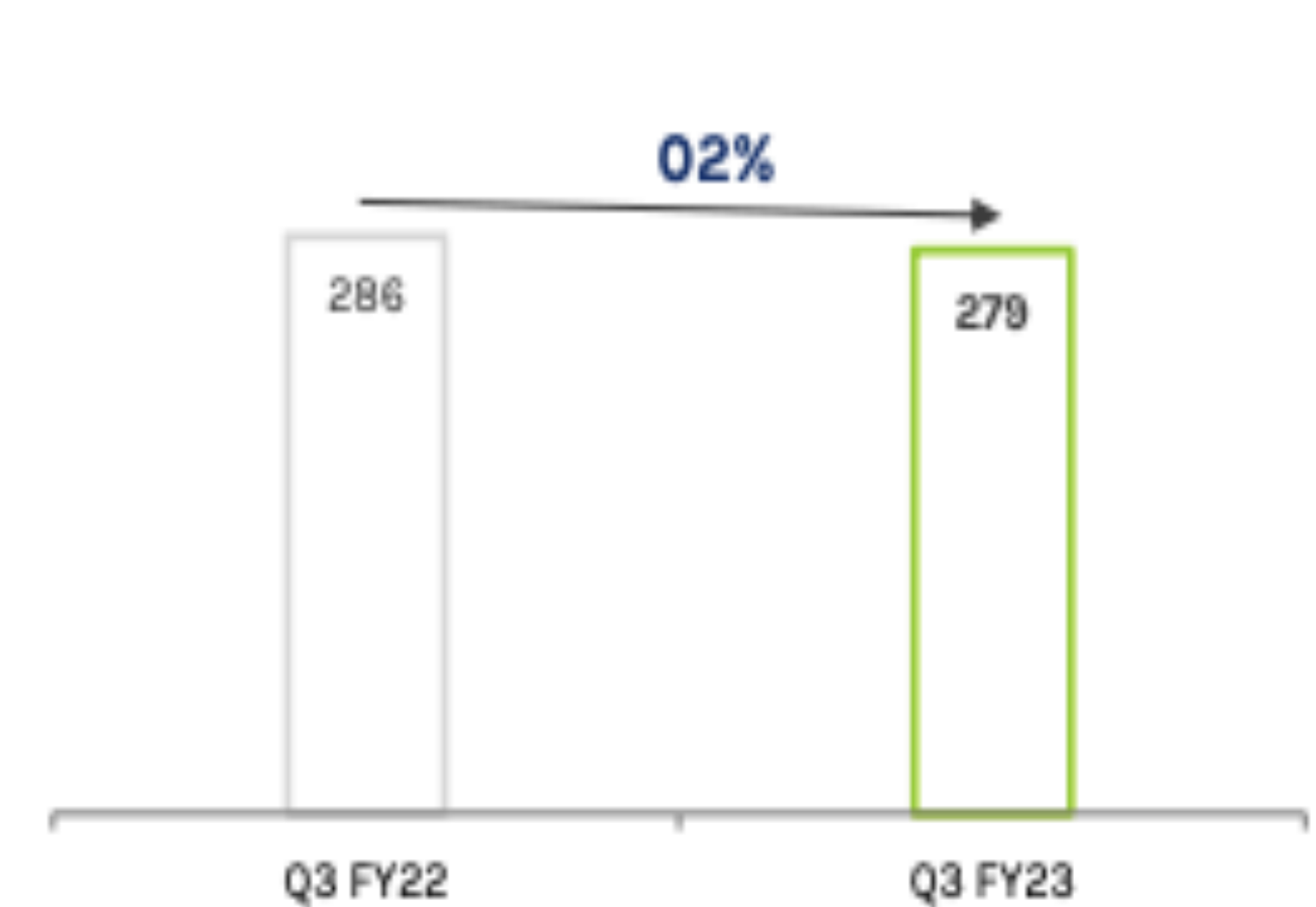
*Revenue (₹ mn)



EBITDA (₹ mn)

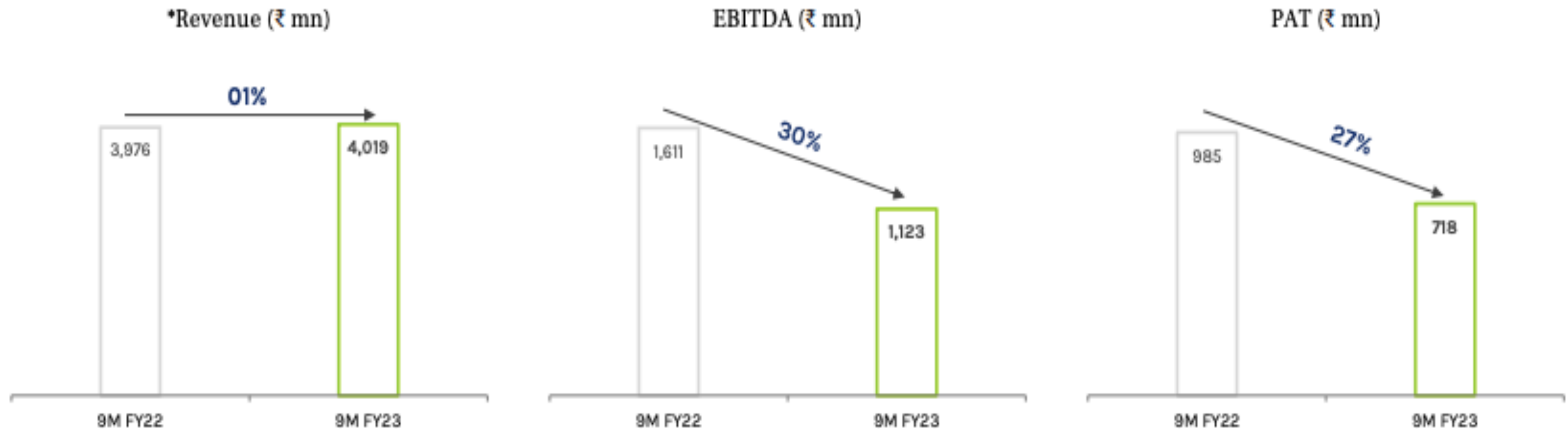


PAT (₹ mn)



- Revenue grew by 06% on y-o-y basis to ₹ 1,421 million in Q3 FY23 from ₹ 1,336 million in Q3 FY22
- EBITDA de-grew by 15% to ₹ 417 million in Q3 FY23 as against ₹ 491 million in Q3 FY22 on y-o-y basis
- PAT decreased to ₹ 279 million in Q3 FY23 from ₹ 286 million in Q3 FY22, a de-growth of 02% on y-o-y basis
- EBITDA margin and PAT margin during Q3 FY23 stands at 29% and 20% respectively

Results Summary – 9M FY23 (Consolidated) Y-o-Y



- Revenue grew by 01% on y-o-y basis to ₹ 4,019 million in 9M FY23 from ₹ 3,976 million in the 9M FY22
- EBITDA de-grew by 30% to ₹ 1,123 million in 9M FY23 as against ₹ 1,611 million in 9M FY22 on y-o-y basis
- PAT decreased to ₹ 718 million in 9M FY23 from ₹ 985 million in 9M FY22, a decline of 27% on y-o-y basis
- EBITDA margin and PAT margin during 9M FY23 stands at 28% and 18% respectively

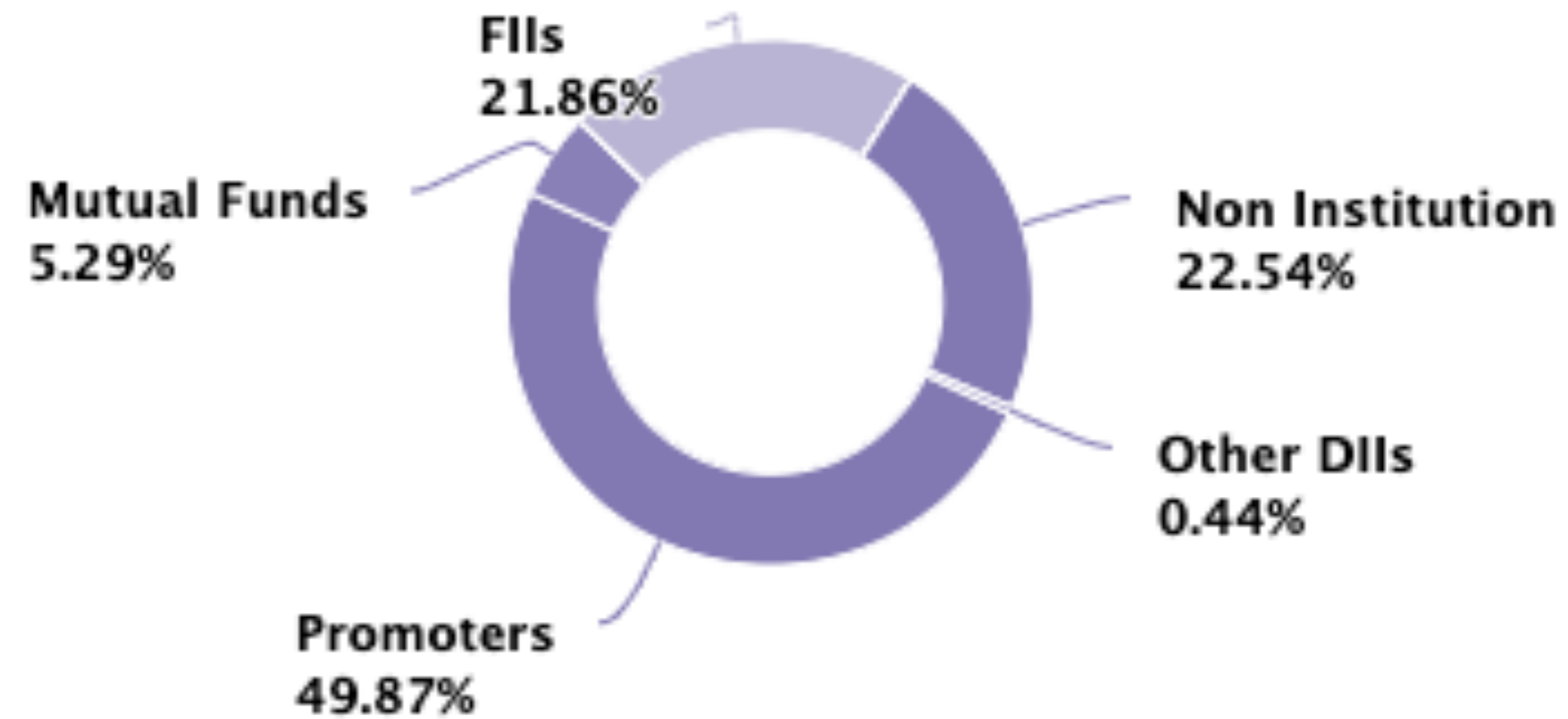
Yearly Results

YEARLY RESULTS OF ADVANCED ENZYME TECHNOLOGIES (in Rs. Cr.)	MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
Net Sales/Income from operations	529.38	501.84	443.99	419.59	391.02
Total Income From Operations	529.38	501.84	443.99	419.59	391.02
EXPENDITURE					
Consumption of Raw Materials	130.26	100.18	90.60	65.71	79.94
Purchase of Traded Goods	0.07	0.03	0.23	0.24	0.39
Increase/Decrease in Stocks	-20.61	-1.16	-9.92	11.29	1.14
Employees Cost	103.96	87.11	80.19	80.23	68.60
Depreciation	34.98	28.41	25.78	21.12	18.30
Other Expenses	114.29	84.16	80.56	80.21	76.99
P/L Before Other Inc., Int., Excpt. Items & Tax	166.43	203.12	176.55	160.80	145.66
Other Income	6.42	8.85	5.64	5.04	1.39
P/L Before Int., Excpt. Items & Tax	172.85	211.97	182.19	165.83	147.05
Interest	1.80	1.59	3.04	3.87	8.09
P/L Before Exceptional Items & Tax	171.06	210.37	179.16	161.96	138.97
P/L Before Tax	171.06	210.37	179.16	161.96	138.97
Tax	47.26	58.91	46.11	46.06	45.41
P/L After Tax from Ordinary Activities	123.80	151.46	133.05	115.90	93.56
Net Profit/(Loss) For the Period	123.80	151.46	133.05	115.90	93.56
Minority Interest	-4.22	-5.27	-3.76	-4.84	-3.50
Net P/L After M.I & Associates	119.58	146.20	129.29	111.06	90.06
Equity Share Capital	22.36	22.35	22.34	22.33	22.33
Reserves Excluding Revaluation Reserves	1,057.48	945.69	813.71	652.99	536.76
EPS BEFORE EXTRA ORDINARY					
Basic EPS	10.70	13.09	11.58	9.95	8.07
Diluted EPS	10.68	13.07	11.56	9.94	8.06
EPS AFTER EXTRA ORDINARY					
Basic EPS.	10.70	13.09	11.58	9.95	8.07
Diluted EPS.	10.68	13.07	11.56	9.94	8.06

Key Financial Ratios

KEY FINANCIAL RATIOS OF ADVANCED ENZYME TECHNOLOGIES (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
PER SHARE RATIOS					
Basic EPS (Rs.)	10.70	13.09	11.58	9.95	8.07
Diluted EPS (Rs.)	10.68	13.07	11.56	9.94	8.06
Cash EPS (Rs.)	14.20	16.10	14.22	12.27	10.02
Book Value [ExclRevalReserve]/Share (Rs.)	102.00	92.26	77.67	63.13	52.11
Book Value [InclRevalReserve]/Share (Rs.)	102.00	92.26	77.67	63.13	52.11
Revenue from Operations/Share (Rs.)	47.35	44.92	39.76	37.58	35.03
PBDIT/Share (Rs.)	18.59	21.51	18.62	16.74	14.81
PBIT/Share (Rs.)	15.46	18.97	16.31	14.85	13.17
PBT/Share (Rs.)	15.30	18.83	16.04	14.51	12.45
Net Profit/Share (Rs.)	11.07	13.56	11.91	10.38	8.38
NP After MI And SOA / Share (Rs.)	10.70	13.08	11.58	9.95	8.07
PROFITABILITY RATIOS					
PBDIT Margin (%)	39.26	47.89	46.84	44.55	42.28
PBIT Margin (%)	32.65	42.23	41.03	39.52	37.60
PBT Margin (%)	32.31	41.91	40.35	38.60	35.54
Net Profit Margin (%)	23.38	30.18	29.96	27.62	23.92
NP After MI And SOA Margin (%)	22.58	29.13	29.12	26.46	23.03
Return on Networth/Equity (%)	10.98	15.06	15.39	16.35	16.10
Return on Capital Employed (%)	14.31	19.53	19.94	22.39	23.38
Return on Assets (%)	9.43	12.68	13.21	13.69	12.30
Total Debt/Equity (X)	0.01	0.02	0.02	0.04	0.10
Asset Turnover Ratio (%)	0.32	43.53	45.36	51.73	53.44
LIQUIDITY RATIOS					
Current Ratio (X)	10.00	7.64	5.85	4.07	2.09
Quick Ratio (X)	8.00	6.25	4.62	2.98	1.36
Inventory Turnover Ratio (X)	1.30	5.35	5.55	5.46	5.17
Dividend Payout Ratio (NP) (%)	8.41	4.58	5.18	5.02	4.95
Dividend Payout Ratio (CP) (%)	6.50	3.83	4.32	4.22	4.12
Earnings Retention Ratio (%)	91.59	95.42	94.82	94.98	95.05
Cash Earnings Retention Ratio (%)	93.50	96.17	95.68	95.78	95.88
COVERAGE RATIOS					
Interest Coverage Ratios (%)	115.72	132.98	60.01	42.85	18.19
Interest Coverage Ratios (Post Tax) (%)	115.72	132.98	60.01	42.85	18.19
VALUATION RATIOS					
Enterprise Value (Cr.)	2,942.98	3,729.91	1,560.37	2,073.02	2,397.10
EV/Net Operating Revenue (X)	5.56	7.43	3.51	4.94	6.13
EV/EBITDA (X)	14.16	15.52	7.50	11.09	14.50
MarketCap/Net Operating Revenue (X)	5.96	7.68	3.60	4.87	6.08
Retention Ratios (%)	91.58	95.41	94.81	94.97	95.04
Price/BV (X)	2.90	3.97	1.90	3.01	4.25
Price/Net Operating Revenue	5.96	7.68	3.60	4.87	6.08
Earnings Yield	0.04	0.04	0.08	0.05	0.04

Shareholding Pattern an on Mar'23



Summary

- ❖ On quarterly basis, the Company delivered fair performance in Q3 of FY'23, with Net Sales up by 6.40% i.e. Rs.142.11 crs in Dec'22 as compared to Rs.133.56 crs in Dec'21. However, the Net Profits increased by 7.13% i.e. Rs.29.44 crs in Dec'22 versus Rs.27.48 crs in Dec'21.
- ❖ Considering sound financials and its consistent performance, the Company is available at a good price of Rs.258.20 with its 52 week low at Rs.225.00 and 52 week high at Rs.323.75.
- ❖ In view of the Promoters holding majority stake around 49.87% as well as its healthy valuations, it is fair to assume that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as on Mar'23, the FIIs and the Other DIIs collectively stood with 22.30% stake. Whereas, the Mutual Fund Houses own 5.29% holdings in the Company.
- ❖ It is reassuring to see that Advanced Enzyme Technologies Ltd. is held by HDFC MF, ICICI PRU MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 10.98% & 14.31% respectively as on Mar'22.
- ❖ For the year ending Mar'22, Advanced Enzyme Technologies Ltd. has declared an equity dividend of 50.00% i.e. Re.1.00 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

Copyright © Amiteshwar Singh Proprietor of M/S Amiteshwar.in. Any act of copying or distributing this report in part or in full, for any purpose, without my permission, is strictly prohibited and would be a copyright infringement.

Disclosures as required under SEBI (Research Analyst) Regulations, 2014

Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.Amiteshwar.in which is primarily focused on research of Multi-Cap stocks of India.

Business Activity:

I provide research services on equity stocks listed on Indian stock exchanges. The research is based on funda-mental analysis. I do thorough research and analysis on fundamentals of companies. As such, I undertake extensive scrutiny of major Company statistics like Balance Sheet, Profit & Loss Account, Key Financial Ratios (ROE, ROCE and Debt to Equity etc.), Quarterly, Half-yearly & Annual Results, Cash Flows, Annual Reports and Shareholding Pattern etc. Each Company's Business Model, Future Projections, Competitive Advantages & other Moats are thoroughly checked before recommending their Stock.

I offer services to the subscribers through the following:
www.amiteshwar.in

Disciplinary History

There is no disciplinary action which is / was running / initiated against me or my firm and there are no out-standing litigations against me.

General Terms and Conditions for Amiteshwar.in:

1. Every week, 2 stock recommendations will be provided to the subscribers.
2. The subscribers have to login in their account through login credentials provided to them at the time of subscription.
3. The reports should not be considered as an investment advice or personal recommendation.
4. I and my team members will not be liable for any loss or liability incurred to the user due to investments made or decisions taken based on the information provided in the reports.
5. All of the views and opinions expressed in research reports, issued after due diligence and careful study, reflect my unbiased analysis of the Company or Companies as on the date of the report.
6. Still, it is advised that the users should rely on their own research and analysis as well as consult their own investment advisors to determine the suitability of recommendation.
7. Past performance of a Company is no guarantee for future performance or future results.
8. My service is not suitable to investors who are looking for intraday calls i.e. day trading or futures & options in stocks and indexes on basis of technical analysis.

[Click here](#) to view the terms and conditions of the website.

List of Associates / Relatives:

1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.

Disclosure with regards to ownership and material conflicts of interest:

1. Neither I nor my associates / relatives have financial interest in the subject company.
2. Neither I nor my relatives / associates have actual/beneficial ownership of 1% or more in securities of the subject company, at the end of the month immediately preceding the date of publication of the document.
3. Neither I nor my relatives /associates have any other material conflict of interest at the time of publication of the document.

Disclosure with regards to receipt of compensation:

1. Neither I nor my associates / relatives have received any compensation from the subject company in the past 12 months.
2. Neither I nor my associates / relatives have managed or co-managed public offering of securities for the subject company in the past 12 months.
3. Neither I nor my associates / relatives have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
4. Neither I nor my associates / relatives have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
5. Neither I nor my associates / relatives have received any compensation or other benefits from the subject company or third party in connection with the document.

General Disclosures:

1. I have not served as an officer, director or employee of the subject company.
2. I am not engaged in market making activity for the subject company.

Definition of terms used:

1. **Buy Recommendation:** The subscribers can buy the shares of the subject company at the current market price. I expect a return of around 25% in the next 4 months.
2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.