

Fundamental Research Report

Advanced Enzyme Technologies Ltd

Date : 18-05-2020



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BUY

CMP	: Rs.156.75
Target price	: Rs.230
Stop Loss	: Rs.133
TTM EPS	: Rs.11.16
TTM PE	: 13.5x
Recommendation	: BUY
NSE Symbol	: ADVENZYMES
BSE Code	: 540025
BSE Group	: A
Face Value	: Rs.2
Book Value	: Rs.66.60
Promoter stake	: 57.88%
Pledged	: NIL

Company Background:

Advanced Enzyme Technologies Limited, incorporated in 1989, is a research driven company with global leadership in the manufacturing of enzymes. The company is committed to provide eco-safe solutions to wide variety of industries like human care and nutrition, animal nutrition, baking, fruit & vegetable processing, brewing & malting, grain processing, protein modification, dairy processing, specialty applications, textile processing, leather processing, paper & pulp processing, biofuels, biomass processing, bio catalysis, etc. The company aims to provide side-effect-free healthcare and eco-safe industrial solutions to its customers globally, and is today, the largest producer of enzymes in Central Asia. Equipped with state-of-the-art 7 manufacturing facilities and 7 research & development locations across India, Germany and US, Advanced Enzymes exports to 45+ countries across 6 continents, and provides customized & effective enzyme solutions coupled with the best in technical advice & superior service to 700+ customers. Company is engaged in the research and development, manufacturing and marketing of 400+ proprietary products developed from over 68 indigenous enzymes and probiotics.

Financials:

AETL has an equity capital of Rs.22.34 crore supported by reserves of Rs.721 crore. With a share book value of Rs.66.60, its P/BV ratio works out to just 2.35x. The promoters hold 57.88% of the equity capital, Mutual Funds hold 8.78%, FPIs hold 13.32%, which leaves 20.02% stake with the investment public.

Performance:

For the quarter ended December 2019, its sales has increased 10 per cent to Rs.111.94 crore in Q3FY20 from Rs.101.74 crore in Q3FY19. Operating Profit showed an increase of 26.67 per cent to Rs.52.86 crore in Q3FY20 from Rs.41.73 crore in the same quarter last year. PAT for Q3FY20 stood at Rs.33.61 crore as against Rs.24.45 crore in the same quarter last year, showing an increase of 37.46 per cent. For 9MFY20, it posted a 24.23 per cent higher PAT of Rs.97.96 crore on 8 per cent higher sales of Rs.333.72 crore and an EPS of Rs.8.77. During 9MFY20, its operating profit grew 16 per cent to Rs.153.62 crore v/s Rs.132.21 crore in 9MFY19. PAT has grown at 40.75% and income has grown 11.94% CAGR over the last 5 years.





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Concussions:

AT CMP of Rs.157, the stock is trading at PE of 13.5x on its EPS (TTM) of Rs.11.16 per share. 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. Company has developed and upscaled technologies for the production and application of several important probiotics. Company's 73 per cent income comes from this segment and it is highly promising sector in current scenario.

With strong earnings growth, we believe Advanced Enzyme Technologies Ltd is a potential re-rating candidate. We initiate coverage with a Buy and target price of Rs.230 (16x FY21E EPS). We are closely monitoring company's executions and keep upgrading our forecasts on the basis of earnings.

5 Year Financials:

INR Cr.	FY15	FY16	FY17	FY18	FY19
Sales	222	293	329	391	420
Operating Profit	91	138	152	165	184
PBT	74	118	137	139	162
PAT	50	76	92	90	111
OPM	41%	47%	46%	42%	44%
NPM	23%	26%	28%	23%	26%

Quarterly & Nine Monthly Performances:

INR Cr.	Q3FY20	Q3FY19	9MFY20
Sales	111.94	101.74	333.72
Operating Profit	52.86	41.73	153.62
Profit before tax	46.89	36.67	135.96
Net profit	33.61	24.45	97.96
EPS	3.01	2.19	8.77





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