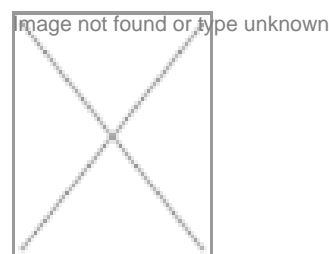


'We rely every bit on our indigenous technology'

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Mr CL Rathie,
CEO, Advanced Enzymes Technologies

In a market dominated by multinational companies, homegrown company, Advanced Enzymes Technologies (AETL), has performed commendably, clocking revenues of ₹175 crore (as of December 2011) and chalked out an ambitious plan for a year-on-year growth of 30-35 percent to reach the ₹1,000 crore mark in the next five to eight years. This apart, the company is also looking at a massive expansion of its production capacity and penetration to different geographies of the world. In a conversation with BioSpectrum, Mr CL Rathie, CEO, Advanced Enzymes Technologies, gives an insight into the company's game plan for the future.

What are your strategies to achieve 30-35 per cent growth to touch ₹1,000 crore?

Mr Rathie: Advanced Enzymes has current revenues of ₹175 crore. The strategy of growing six fold in the next five-to-eight years is focused on two key pillars - capacity expansion and geographical expansion. To support these two pillars, we shall continue investing heavily into R&D.

On the capacity front, we are in the final leg of commissioning the first phase of our Indore plant. This will improve our fermentation capacity from 160 cubic meter to 400 cubic meter. The plant has been set-up in such a way that in the second phase, we shall be able to add another 600 cubic meter fermentation capacity with minimal incremental investment. An enzyme-dedicated, 1000 cubic meter fermentation capacity will be the key pillar for our growth in the coming decade. On the geographical front, we have a strong presence in the US and India, and we are currently expanding our operations in Europe, China, Latin America and South East Asia, which are key target markets for us.

What have been your achievements till December 2011?

Mr Rath: This year, so far, has been one of consolidation; thanks to a shortage of production capacity. We rationalized our product lines to make them more profitable and cut out product lines that were non-core. Our entire organization is now geared towards high profitability. As we are an enzyme dedicated company, our revenues come from the industrial biotech segment. As of December 2011, year-on-year growth has been about 12 percent primarily due to shortage of production capacity.

Are you looking to shift the focus on emerging markets in the coming years and reduce dependence on the US and European union?

Mr Rath: Exports account for over 65 percent of our total revenues with major chunk being from the US and European union. The reason for this is that these two are the two most important markets in the 20,000 crore global enzyme industry. The US and Europe account for more than 70 percent of the global market and one cannot ignore them. Yes, emerging markets are growing faster on broader economic parameters as well as in enzyme industry, while developed economies such as the US, EU and Japan are growing slowly. However, even the low single digit growth on an already existing large base, is significant in absolute terms. Also these economies offer huge opportunity for us since they have the highest awareness for green technology and their inherent cost structure pushes them to look at more cost-effective alternatives. We do not see any reason to shift focus away; in fact we are looking to enhance our focus.

In the coming months will AETL be looking at increasing its revenue share from the domestic market? What are the hindrances for Indian companies in the domestic enzyme market?

Mr Rath: Advanced Enzymes will continue to focus on increasing its revenues from the India market. However, The India market is quite small (barely two percent) in the global context. Currently, India revenues are 35 percent of our total revenues and that share will come down over a period of time. In India, environment and sustainability are still not a priority, either for the government or for the industry. The government lacks initiative on this front and industry finds easier ways of getting around the problem rather than adopting green technology.

What is the progress so far in Europe and China in terms of investments, manpower and infrastructure?

Mr Rath: We have sales organizations in both these key markets, and we will be expanding these organizations as we grow. For the moment, our focus is on sales expansion. Once we reach sufficient scale, we shall establish distribution infrastructure. We may also look at acquisitions to gain scale in these markets. We are currently in process of evaluating an appropriate location for our European subsidiary. Primary investment will be in terms of expanding our sales organization.

What is AETL's R&D strategy and investment into research for the coming months?

Mr Rath: Advanced Enzymes has been consistently investing over eight percent of the revenues into R&D for over two decades now. We have been developing four-to-five new enzymes every year and this trend shall continue. We are currently developing a state-of-the-art research center to channelize these investments.

What is the pipeline of enzymes so far for AETL? When will we see these being launched?

Mr Rath: Advanced Enzymes has built a portfolio of over 50 enzymes so far. This portfolio consists of a wide range of carbohydrases, proteases and lipases. Some of these product introductions are visible as new product launches, and others are not. As a B2B company, visibility is anyways on the lower side.

Is the decrease in price points of enzymes every year a big hurdle for AETL? What are the concerns of the enzyme industry that the government needs to address?

Mr Rath: It's a natural phenomena in growth industries. Over a long period of time, prices decrease, leading to increased market penetration. This leads to an overall expanded market. Pressure on prices leads to innovation and increased productivity. Advanced Enzymes has thrived on such pressure. However, in order to proactively drive this innovation, the government needs to create avenues where innovators and technopreneurs can have easy access to low-cost and risk-free capital. We also think that the government should drive innovation in the country by providing incentives for investments in R&D.

The bioindustry in India is largely dominated by MNCs and Indian companies are yet to capture a large share in the segment? How is AETL looking at competing with its foreign competitors?

Mr Rath: I think the main reason has been that the Indian companies have had a late start, compared to their global peers, and, they haven't been able to match the scale of innovation taking place inside the MNCs. Within the enzyme industry, there are many sub-segments. Advanced Enzymes has chosen to compete in a select few segments where it has strength and is building its strength in others. Overall, the company has about 15 percent of the India enzyme market.

Q How will the current EU and the US debt crisis hit Indian and MNC enzyme companies in India?

Mr Rath: We are all part of a big global village and every major international crisis has some effect sooner or later. However, the debt crisis has not posed any major concerns for Advanced Enzymes. We have witnessed a slowdown of overall demand, but that has only spelt opportunity for us. Overall global slowdown, I believe, has boded well for the enzyme industry globally.

Q Should Indian companies divert from the approach of importing enzymes from foreign companies and reselling them in India market?

Mr Rath: Since most homegrown companies do not have access to technology or resources, they choose the easier route of trading and formulating. For Advanced Enzymes, given our technology base now, we have no reason to do that. We rely every bit on our indigenous technology and, in fact, thrive on it. A few years ago, we were also importing and formulating for about 25 percent of our sales. Today, that has come down to less than five percent. That is a tremendous source of competitive advantage.

Nayantara Som in Mumbai