

**November 19, 2024**

To

BSE Limited  
Department of Corporate Affairs  
P. J. Towers, Dalal Street,  
Mumbai- 400 001  
Scrip ID-540025

National Stock Exchange of India Ltd.  
Exchange Plaza, Plot No. C/1, G Block  
Bandra-Kurla Complex, Bandra (E)  
Mumbai- 400 051  
Scrip Code-ADVENZYMES

Dear Sir/Madam,

**Sub: Transcript of Conference call held on November 13, 2024 for the Un-audited Financial Results for the quarter and half year ended September 30, 2024**

In furtherance to our intimation letter dated November 04, 2024, please find enclosed the Transcript of the Conference call held on Wednesday, November 13, 2024 with Analysts and Investors for the un-audited Financial Results of the Company for the quarter and half year ended September 30, 2024.

The aforesaid information is also being uploaded on the website of the Company.

Kindly take same on your records.

Thanking you,  
Yours Faithfully,

**For Advanced Enzyme Technologies Limited**

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**Sanjay Basantani**  
**Company Secretary and Head - Legal**

Encl.: As above



“Advanced Enzyme Technologies Limited  
Q2 FY '25 Earnings Conference Call”

November 13, 2024



**MANAGEMENT: MR. MUKUND KABRA – WHOLE TIME DIRECTOR –  
ADVANCED ENZYME TECHNOLOGIES LIMITED  
MR. BENI PRASAD RAUKA – GROUP CHIEF FINANCIAL  
OFFICER – ADVANCED ENZYME TECHNOLOGIES  
LIMITED  
MR. RONAK SARAF – MANAGER INVESTOR  
RELATIONS – ADVANCED ENZYME TECHNOLOGIES  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Advanced Enzyme Technologies Limited Q2 FY '25 Earnings Conference Call. 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 call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Saraf. Thank you, and over to you, sir.

**Ronak Saraf:** Thank you. Good evening, everyone, and welcome to the Advanced Enzyme Technologies Q2 and H1 FY '25 Earnings Conference Call. I'm Ronak Saraf, the Manager Investor Relations here at Advanced Enzymes. We sincerely hope you have gone through all our financials, press release and the presentation which has been posted in the Investor Relations section on our website.

We have with us Mr. Mukund Kabra, Whole-Time Director; Mr. Beni Prasad Rauka, Group CFO. Today, the management will discuss the performance and business highlights, update on strategies and respond to any questions that you may have. As is usual, for ease of discussion, we will look at the consolidated financials. So before we proceed, I would like to draw your attention to the forward-looking statement contained in the PPT.

During our call, we may make forward-looking statements regarding our expectations or predictions about the future. Because these statements are based on current assumptions and factors that may involve risks and uncertainties, our actual performance and results may differ materially from our forward-looking statements.

So without any further ado, we shall commence this call. Over to you, Mukund, sir.

**Mukund Kabra:** Thank you, Ronak. Good evening, everyone. I really appreciate you all for taking out your valuable time, and I welcome you all to the conference call for the second quarter and half year ended 30<sup>th</sup> September, 2024. This quarter 2 turned out to be the lowest quarter in financial year '25 for us. But I want to assure you that our long-term business potential remains robust. We are confident that the second half of the year will outperform the first half.

Now as far as the quarterly performance is concerned, we have achieved top line of INR1,461 million, degrowth of 7% on a year-on-year basis and 5% on a sequential basis in quarter 2. Our EBITDA stood at INR424 million, degrew by 17% on a year-on-year basis as well as on a sequential basis. We have witnessed degrowth of 5% in the bottom line on a year-on-year basis and on a sequential basis.

Talking about the margin profile. EBITDA margin stood at 29% and PAT margin stood at 23% during the quarter 2. There are a few factors that had impacted our quarter 2, and I will throw

some light on these factors as well as we proceed in this call. During the quarter, the company had a higher revenue reversal of INR83 million compared to the previous quarter since revenue recognition criteria was not made as per the accounting standard. The revenue and margin towards these sales are deferred to quarter 3. Rauka ji will elaborate this point further.

A slowdown in our export sales lead to decline in international sales, excluding the US, and some of this is because of the sales reversal as well. Our EBITDA margin is subdued majorly due to the lower top line, but we expect this to improve as we progress into the second half of this fiscal year.

Talking about the segment-wise performance. As projected at the start of the fiscal 2025, we do not anticipate growth in domestic sales for this year. However, our US business is expected to perform stronger in financial year '25, with US sales having already increased by 24% on a year-to-date basis.

The Human Nutrition segment declined during the quarter and contributed 68% in the revenue pie. It degrew by 6% on a year-on-year basis and 2% on a sequential basis. This decline in Human Nutrition is on account of low revenue realization in Pharma API business. As we mentioned in our earlier calls as well, there is certain competition in our anti-inflammatory market. In the international markets, Probiotic and Nutrition business performed well.

Our Animal Nutrition business contributed 12% to the revenue in quarter 2. This segment grew by 5% on a year-on-year basis, while it grew by 6% on a sequential basis.

Our Bioprocess business contributed 12% to the remaining quarter 2. This segment underperformed during the quarter by around 31% on a year-on-year basis and 33% on a sequential basis. The Food business degrew by 42%, while Non-Food business reported a growth of 24% on a year-on-year basis. The major Food business comes from export markets, and sales reversals have impacted this. The Specialized Manufacturing business contributed 8% and grew by 17% on a year-on-year basis and 9% on a sequential basis.

While the current quarter appears to be stronger, the previous quarter presented challenges based on the prevailing trends. Consequently, the anticipated growth for financial year '25 is expected to be in the single-digit range.

Despite the influx of new competitors in our sector in recent years, we continue to observe increasing demand for our inventive probiotics in the US market. This is largely due to the strength of our brand. At the halfway point of the year, request to feature our formulated ingredient brand names on finished consumer products have already risen by 58% compared to last year. This indicates that our customers see our branded ingredients as a key selling point, reflecting the strength of our brands.

We remain focused on our ongoing strategies and are also working on developing new biocatalyst molecules. In the last quarter, we introduced 2 new solutions and are collaborating with customers to finalize the optics. A significant challenge for our US customer is the lack of

familiarity with enzyme and probiotic testing, compounded by a fragmented and under-educated market for third-party testing services. This often leads to wasted resources as customers struggle with basic quality control requirements, which in turn places undue pressure on sales.

To address this, we are establishing a full independent Level 3 for enzyme and probiotic testing. This will allow us to leverage our testing expertise to support our customers in growing their brands, ultimately benefiting our ingredient sales as well. We also recognize that certain investments, particularly in the area of R&D, is essential for long-term growth.

As reflected in our financials, significant resources are being allocated to these areas, actually exploring new opportunities and developing new products and molecular biofertilizers and bio pesticides within our agriculture portfolio. These offerings are expected to generate an additional couple of millions in revenues in the near future.

With this, I conclude my remarks. I now hand over the call to Rauka ji. He will walk you through the financials and key subsidiary numbers. Over to you, Rauka ji.

**Beni Prasad Rauka:**

Good evening, everyone. I hope you all are in good health and wishing you all happy festivities. On the company's consolidated financial for the second quarter and half year fiscal year 2025. On a year-on-year basis, our revenue has decreased from INR1,578 million to INR1,461 million, 7% decrease.

Our EBITDA has decreased from INR513 million to INR424 million, and it stood at 29% as compared to 33% of our revenue. Profit before taxes decreased by INR57 million from INR479 million to INR422 million. Profit after tax. PAT decreased by INR18 million from INR352 million to INR334 million. And this is 23% of our revenue as compared to 22% in the corresponding quarter.

On Q-on-Q basis, our revenues decreased by INR84 million, which is about 2% decrease from INR1,545 million to INR1,461 million. EBITDA also decreased by INR88 million from INR512 million to INR424 million. And this is, again, as I mentioned, 33% in the previous quarter as compared to 29% this quarter. Profit before tax decreased by INR65 million from INR487 million to INR422 million, and PAT has decreased by INR16 million from INR350 million to INR334 million.

On 6 monthly -- I mean, half yearly performance of the company, the revenues decreased by INR45 million from INR3,051 billion to INR3,006 million. EBITDA decreased by INR17 million from INR953 million to INR936 million. And this is 31% of our revenue as compared to 31% in the previous year half year and 6 months' performance. Profit before taxes increased by INR16 million from INR893 million to INR909 million. PAT has increased by INR38 million from INR646 million to INR684 million.

As Mukund has mentioned, our Q2 is affected because of a couple of things. One is the higher - - this is incremental higher revenue reversal of about INR83 million as compared to the previous quarter. Since this is the requirement of Ind AS revenue recognition because if the significant

risk and reward has not passed on to the customer before the cut-off date, this is 30th September '24, then to that extent, the revenue cannot be recognized during that period.

And generally, we have about INR80 million to INR85 million of reversal. But this quarter, this reversal is higher by INR83 million. So this has impacted, in a way, the revenue. So to that extent, if you see the revenue has decreased. Otherwise, this quarter is flat as compared to the previous quarter.

And if this revenue reversal would not have happened, then of course, because of the gross contribution of about 77% to 78% and gross profit margin of about 60% to 61%, our profits would have been higher. And as you know, the PAT is also about 23%. So to that extent, the PAT would have been higher in this quarter.

But yes, this is the impact, and the revenue to that extent is deferred from quarter 2 to quarter 3. So in spite of lower sales of 1% on YTD basis, if you see our profitability for the 6 months is improved. And the contribution is also on account of the higher income from other sources.

Now some of the numbers of our major subsidiary. JC Biotech during this quarter stood at revenue of INR158 million, EBITDA of INR20 million and PAT of about INR5 million as compared to INR174 million of revenue and INR17 million of EBITDA and INR3 million of PAT. So it is showing continuous improvement. And for half yearly, JC Biotech top line is INR317 million as compared to INR308 million of first half of FY '25. And EBITDA of INR44 million as compared to INR26 million. And PAT is INR13 million as compared to INR1 million during last 6 months.

Evoxx revenue stood at INR49 million. But still, the EBITDA is negative INR12 million. And PAT, because of depreciation and amortization, is about INR19 million negative as compared to Q2 of FY '24 top line of INR64 million and INR3 million of positive EBITDA and PAT of INR3 million negative. For 6 months, Evoxx top line is INR96 million as compared to INR117 million. And EBITDA of INR19 million negative as compared to INR4 million last year. And PAT is INR35 million as compared to INR16 million negative last year.

SciTech, which is a specialty manufacturing company for us -- the top line stood at INR120 million as compared to INR103 million last year. And EBITDA is about INR14 million as compared to INR18 million. PAT is INR3 million as compared to INR7 million last Q1. For 6 months, SciTech has posted a growth of 15% in the top line from INR200 million to INR232 million. And EBITDA has increased from INR22 million to INR36 million. And PAT is increased from INR8 million to INR13 million. So this is also continuously showing the upward trend.

Sale of our largest product, which is anti-inflammatory enzyme, stood at INR275 million. And I think last quarter, it was same, INR275 million. And for 6 months, the product sold off is, about INR555 million as compared to INR716 million last year first half. So it has like decreased significant, and the revenue is about 18% of total as compared to 23% last year -- 6 months. Top

customers contributed about 25% in Q2. And if we take 6 months, the contribution of top 10 customers is about 22% as compared to 27% last year.

B2C segment has contributed about USD1.14 million as compared to USD1.1 million in the previous quarter. And health care breakups, Pharma India is about INR366 million as compared to INR375 million in the last quarter. Probiotics and Biocatalysts together constitute about INR52 million as compared to INR113 million. So India sales from INR488 million to INR419 million during this quarter.

International sales in Human Health Care is up from INR466 million in Q2 of last year to -- if we compare with the Q1 of last -- this year, it was INR523 million. Now during this Q2, the revenues from international market is up to INR573 million. So this is continuously staying above trend.

In international business, the major contribution, as you all are aware, is from our USA company. So there, we see a continuously upward trend. In Q2 of last year, it was INR403 million, to Q1 of this year, it was INR494 million. And Q2 of current year, it stood at INR532 million.

So I think our R&D expenditure, as we generally mentioned about our spending on R&D during Q2, we have spent about INR72 million as compared to INR62 million last year. And our capex is about INR13 million as compared to INR2 million last year. So total R&D expenditure in 6 months is INR151 million as compared to INR126 million last year.

The R&D constituted about 6% of our top line as compared to the 4% in Q2 of last year. This is without considering the intercompany elimination. If you eliminate our Evoxx spending, then R&D expenditure is about 5% in Q2 as compared to 3% in Q2. That was all from my side.

Now we shall open the floor for question-and-answer session.

**Moderator:** The first question is from the line of Harini Dedhia from Tamohara Investment Managers.

**Harini Dedhia:** Right. My question was on serratiopeptidase. We had called it out specifically as a reason for degrowth in India in Q1. And you had said that there's some inventory that's not being run down at the customer end, which is taking longer than expected. Is this still the problem in India, or is the problem a little more structural in nature or is it a temporary issue? Just wanted to understand that.

**Mukund Kabra:** Harini, serra sales is down but it is not down to the extent what these numbers are showing. Last year, the serra sale was there in the first half and it was down into the next half. So on an overall basis, if you ask me, it is down somewhere around 7%, 8%. We expect that will be down by 7%, 8% on the volume basis.

**Harini Dedhia:** Got it. And so are we expecting then some sort of normalization in the sales in Q3, Q4? Or like in general, in the second half, or this is continue -- the run rate has come off?

- Mukund Kabra:** So we were already saying that there is going to be some competition, which we do expect in the serra area and this area particularly. And that is where we are coming at it, we've forecasted this year as well our sales in this area will be down somewhere around 7% to 8%.
- Harini Dedhia:** Got it. But given that in H1, we are down much more, we are expecting that H2, we won't be down double digits in serra.
- Mukund Kabra:** That is correct.
- Harini Dedhia:** Okay. And my second question was in the start of the year, we were very clear in our communication and stating that India is unlikely to grow this year. I'm guessing because of serra, predominantly. And then in US, we were confident to grow ahead of the rest of the geographies. And we are still confident of a double-digit growth playing out for the full year. So what has not panned out according to our plan? So is it that India de-growth is steeper than our expectations? Or is it that something has gone up in the rest of the world that is really hurting us?
- Mukund Kabra:** So Harini, let me correct you, like earlier, we were expecting a double-digit growth, but this time, we feel that we will have a single-digit growth, and that is what I've made it clear in my initial remarks. We were thinking was some of the sales from the other areas which we are expecting to come out, they are slightly delayed. And that is where we see that this year probably on the Indian front probably we will not have any growth, right? And that will impact on our -- and that is where it's difficult for us to get into the double-digit growth here. We do feel that the next half will be better. At the same time, we may not be able to achieve double-digit growth.
- Harini Dedhia:** Got it. But even to achieve a single-digit growth number, the next 2 quarters, we will have to do about INR350 crores or right of 170...
- Mukund Kabra:** Yes. So if you really look at it, like as Rauka ji explained you, we had some sales reversal, which is already if it wouldn't have been there, it probably would have been flat. And these are the accounting practices -- even though the invoices are there, the material has not reached to the customer. Some of the delays are because of the shipping delays and orders, the other airlines' delays or whatever we can call it. But that is not in our hand. Right? So those sales will be -- those sales will be realized in the next quarter.
- Harini Dedhia:** Got it. So that will actually add to the growth number in Q3 then?
- Mukund Kabra:** Yes.
- Harini Dedhia:** Got it, sir. Sir, just 1 sort of feedback from our end. If this could have been cited in the presentation or we could have done the call on Saturday or Monday itself, that might have just helped calm some nerves around this. But thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from the line of Sandeep Dixit from Arjav Partners.
- Sandeep Dixit:** Sir, earlier, you had guided that your EBITDA growth will be 2x of the revenue growth. Are we -- does that equation still hold given that -- given the revision in the guidance?



- Mukund Kabra:** Can you repeat? I didn't get your question.
- Sandeep Dixit:** Yes. In last quarter call, you said that the EBITDA growth will be 2x to 3x of revenue growth.
- Mukund Kabra:** Right.
- Sandeep Dixit:** So does that equation hold even now? So if you are saying that revenue growth for full year '25 will be single digit, will the EBITDA growth still be 2x that?
- Beni Prasad Rauka:** So if you really look at -- let me answer your question. If you really look at the de-growth. So if the equation if you are talking about, if sales is, say, down by 5% on Q-o-Q, the EBITDA is down by 17%. So that's how you can see the equation in that sense. On YTD basis, if you really see the sale number is down, say, about 1% but EBITDA is down by 2%. So the equation is, in that sense, when you have the incremental sales, your EBITDA always keeps on increasing by at least 2x to 2.5x or 3x. That's how it is. So you can see the impact in that sense.
- Moderator:** The next question is from the line of Umang Shah from Banyan Tree Advisors.
- Umang Shah:** Sir, first question was what is the reason for the higher competition in our serratiopeptidase portfolio? Is it on account of a new product which is coming in the market or something else? Because we tend to have a very high market share in that product category anyways. So what was the reason for higher competition?
- Mukund Kabra:** So when you have a very high percentage of market share, it's always we are bound to lose some of it. Because whatever you try to do, at some point, some people will come up with the same product, right? So the competition is for the same product and not with the other molecule. So the molecule is still intact.
- Umang Shah:** Sure, sir. That is 1 question. Second is, sir, every quarter, you break down the Human Nutrition revenues between India and international. Can you give that number, please?
- Mukund Kabra:** Rauka ji, can you give those numbers?
- Beni Prasad Rauka:** So Human Nutrition pharma sales has been INR419 million in current quarter as compared to INR593 million in the quarter 2 last year. Our international sales has been INR573 million in the current quarter compared to INR466 million in last year's September quarter.
- Umang Shah:** Sure. Rauka ji, what would be the revenue, R&D expenditure for the 6 months as compared to last half?
- Beni Prasad Rauka:** But I will give you the number. Yes, so in these 6 months, we have spent INR143 million in revenue expenditure in R&D compared to INR121 million in last year's 6 months. Okay. We have already explained capex, right? INR18 million and INR5 million. This year, it was INR18 million. Last year, it was INR5 million.

- Umang Shah:** Sure, sir. And sir, any news on how the new launches are doing in the current year, both in pharma and nutraceutical in US?
- Mukund Kabra:** In biocatalyst areas, we have just come out with a couple of solutions, as I mentioned. In the US, there are no new launches. It's the same products but we are focusing more right now.
- Umang Shah:** Sure. Okay. And any traction on the launches that you have made last year?
- Mukund Kabra:** So those are -- we were talking about on the Pet food. And I think we are talking about the sugar one, right? So those areas are growing, and probably those are the ones which are driving the sales at this point of time. We expect it to grow further as we move on.
- Umang Shah:** Sure, sir. And sir, biocatalysis, segment pharma driven. We were thinking that this year would be the year where the segment sales ramped up significantly. Can we expect a positive surprise in the second half?
- Mukund Kabra:** We're expecting in third and fourth quarter, but probably what we feel is, which is a little bit delayed. We do have the molecules ready, but to commercialize it and take to the sales on a higher level, probably, this may not happen in this year, but maybe the next year. But yes, the fourth quarter will be a little better than what we had on all the 2 or 3 quarters, what we can say.
- Moderator:** The next question is from the line of Sagar Tanna from Alchemie Ventures.
- Sagar Tanna:** Sir, we've been in existence for such a long time, more than 15 years. Even today, we are a INR600 crores company in terms of top line. What do you think will it take for us to grow at 25% consistently considering the size of the market and the addressable TAM that we have? Do you think we are lacking on products, R&D? Or is it our sales engine?
- Mukund Kabra:** It takes time. Even though I feel 25% growth is a little impossible or a little difficult to do it, not impossible, but difficult to do it. But what we need is more R&D support and more products to come out as we move on. And we are focusing on many of these areas, particularly into the R&D areas. We are trying to increase our R&D capacity. Probably, it will take some more time. Till that time, probably, we will not see the 25% kind of growth, which is a little difficult to achieve.
- Sagar Tanna:** Sir, which are the Indian companies who are our competitors, both in India and overseas? And what would be their size?
- Mukund Kabra:** So in India, I won't say like there is much of a competition, but a lot of the competition comes from the global players, where their R&Ds are much stronger. And probably, it will take some more time for us to reach to those levels.
- Moderator:** The next question is from the line of Navya Gautam from Sicomoro Advisors. The line for the current participant has been disconnected. Moving on to the next question. The next question is from the line of Lakshminarayanan K.G. from Tunga Investments.

**Lakshminarayanan K.G.:** In the August conference call, you had mentioned that you would actually grow somewhere between 12% to 15%. And part of the year, you mentioned that you'll actually grow in a particular range. Now, were you surprised in terms of the difficulties which you are facing now? And how do you think you will end the year at? And what actually changed in the last 7 to 8 weeks?

**Mukund Kabra:** What we see is some of the sales which we are expecting from the biocatalyst area to come into the next 1 or 2 quarters, those are going to be deferred, right? From the very beginning, we were anticipating that the Indian sales will be more or less muted this year because we were anticipating the growth to come from the US. For India side, we are expecting the growth to come from the biocatalyst and other areas. Which is deferred, and that is where we feel that double-digit growth is a little difficult, but we will be having single-digit growth at this point of time. That is what we feel. That is what we are communicating.

**Lakshminarayanan K.G.:** That's for India, right? Or for the entire company?

**Mukund Kabra:** For the entire company.

**Lakshminarayanan K.G.:** Entire company. Okay. Okay. So in terms of -- within India. And last year, I think serra was almost like INR131 crores or so. So this year, at this trend rate, what will be in that for serra?

**Mukund Kabra:** We will be expecting about INR115 to INR120 Crores for the year.

**Lakshminarayanan K.G.:** And the SciTech business, right, I mean, have we seen growth in SciTech? Because I think in FY '24, they're growing pretty healthy there. Yes. So how do you anticipate growth in that part of the India business?

**Mukund Kabra:** This year, we expect a good growth to come from the SciTech.

**Lakshminarayanan K.G.:** Okay. And overall, India would grow at what rate this year?

**Mukund Kabra:** Single digits, probably. If you consolidate everything.

**Lakshminarayanan K.G.:** Okay, okay. And how is Europe shaping up? Because we see a decline in the first half I mean, in this quarter. But how do you think about Europe?

**Mukund Kabra:** Evoxx revenue is on the lower side in the first half, but we expect that it showed smaller growth in the last year at the end of the year because as we were talking and I think we might have talked last time, probably, we were expecting some of the contracts in the Evoxx, which has been signed. So we expect a positive this year, particularly at the end of the year. The next half will be better from the Evoxx side.

**Lakshminarayanan K.G.:** Yes. I mean, I believe we had some approvals in the food side in Europe. And I think not recently, but even several quarters back, you had mentioned that you're getting some approvals and that would actually open up a lot of opportunities in Europe. So on the food part in Europe,

what are we tracking? Is it -- is it the gestation period is longer? Can you just help me understand that?

**Mukund Kabra:** Yes, there is a gestation period, which is a little bit longer. At the same time, there are certain issues, some of the issues are coming with the freight and all of those areas, the freight cost is also on a higher side. Some of the other areas are also affecting some credits and some other areas, and we are working on how do we resolve those problems?

**Lakshminarayanan K.G.:** Got it. Just one last question related to the rest of the world. And if you look at the rest of the world in animal feed and non-animal feed, where do you see growth? Is the growth coming from animal feed business or the non-animal feed business?

**Mukund Kabra:** Animal Feed, like we will be expanding into some other areas, particularly and we are working on those. At this point of time, this year, I don't see much of the growth to come from the animal feed, but we are trying to explore some other areas like the ruminant areas and solutions for aquaculture, and all of those other areas, we are trying to explore at this point of time. Non-animal or non-food bioprocessing area is looking very decent for this year, particularly.

**Lakshminarayanan K.G.:** That profitability, when compared to last year, this year, would we end at a better picture than last year in terms of our operating profit or the net profit?

**Beni Prasad Rauka:** Yes, I think we should look at the kind of numbers we had last year, at least we are likely to outperform once we get a single-digit growth.

**Lakshminarayanan K.G.:** Got it. Is there any surprise that actually came in the last few months? Has actually changed...

**Beni Prasad Rauka:** Some of the sales, as Mukund has mentioned, has not picked up. Like customers, they are taking their own time there. Initially, when as you mentioned in the month of August, where we could see some kind of visibility. But then there are several things which I think customers are also looking at it. And therefore, the Indian sales is not picking up. In the USA, if you really see -- the growth is there and now they are working that most of the nutraceutical customers. So they use our branded formulated product name in their product.

So instead of using any kind of specific ingredient, now we are trying to convince our customers that look, this is our brand name and which we are supplying. So you use on your nutraceutical, the name of our product. So it becomes more, in that sense, customer-centric as well as the kind of brand visibility we create over a period of time. So a couple of such issues are there, which I think are taking some time to shape up.

**Moderator:** The next question is from the line of Nikhil from SIMPL.

**Nikhil:** Just continuing with the question Lakshmi asked. See, how does -- because -- and sorry to harp on this, but -- just to understand your business better, when you say we have some visibility, but that -- so that visibility in most companies, we see is based on the POs which they get from the

customers. And this is the schedule with which they will supply the product. So how does your business work?

**Beni Prasad Rauka:** Sometime, you know, trials are going on like on biocatalysts. And customers also making trials. So getting an order for a big, you can say, commercial order takes time. So initially, you gave it, yes, I think a couple of trials are going successful. Hopefully, now next quarter, we shall be getting the big order. But then customers, they may take their time because they have to also reschedule various -- internally, many processes also. So for that, sometime, it takes time.

**Mukund Kabra:** But Nikhil, to answer your question, our business doesn't go with the PO basis. We hardly always have any POs. The number of POs at any given time is not more than 10, 12 Crores.

**Nikhil:** Okay. So sir, just 2 questions here, 2 follow-ups. One is when you say the customer is undergoing trials or validations. In that sense -- and it could be naive to say, but does it mean that the business which we were expecting gets deferred over time? Or do you think that the business is lost completely? Because if he is taking some time and validation and that time line has shifted, then probably it will come in FY '26, what we were thinking of growth in this year. Would that be right assumption? Or is it like the project gets scrapped completely?

**Mukund Kabra:** No, it's most of the time, this is a novel solutions, what you come out. And basically, it takes time because a lot of times, they need to file the DMF, they need to file many other areas. And there can be multiple possibilities which are not in your hands, how long it can take. You can only always estimate based on the feedback and other areas, but sometimes, it always differ. And this is what the case is. Sometimes we are optimistic. We were a little bit more optimistic that this should come up as early as possible, but we realize that it will take some more time.

**Nikhil:** Okay. And secondly, coming to your near-term guidance on second half, you said for the full year, we should grow at single digit. Even if I adjust for this INR8 crores, it seems we have to grow in second half by at least 15%, 20% on a year-on-year basis to get that number of 6%, 7%. Now considering the lack of visibility, which you also have, how do you build confidence that this kind of growth is achievable in the near term?

**Mukund Kabra:** The way I can look at it is basically whatever the numbers I can see is forecast at this point of time, I can see that we are not going to de-grow. We are going to grow. What will be that number, that still we need to really work out, which will be the really realistic numbers.

**Nikhil:** Okay. But you don't have any direct communication from the clients in terms of -- so between the time you get an order and your delivery, what would be the time period generally? Like, is it a 1-month kind of a time period when you have to supply from the day you get the order?

**Mukund Kabra:** It differs on product to product. Sometimes it's 6, 7 days, sometimes, like it's a month.

**Nikhil:** Okay. Fine. I'll come back in the queue.

**Moderator:** The next question is from the line of Shreyans Gathani from SG Securities.

**Shreyans Gathani:** I had a couple of questions. So the first one was on the Europe business, we see like a very sharp decline. So does that indicate like we've lost any customers or lost market share over there? And even the rest of the world, we see like a sharp decline. Even if we adjust for the deferred revenue, even then just trying to understand that 35% drop.

**Mukund Kabra:** I don't see there is any customer loss as of now. Yes, there is a small one, which was like \$1 million, which we realized last year, which we are knowing that this year will not be coming up because of some other reasons because the -- they changed the process in other areas. Besides that, there is no customer loss, what we can expect this year in the European business. We expect that this should pick up.

**Shreyans Gathani:** Okay. And a second question. So basically, are we like lacking on the product innovation side? So for -- like if I look at Novozymes, Chr. Hansen and other combined entity commentary and their guidance, they just upped their guidance and they are even more positive versus we are like losing sales. We're actually increasing guidance and we are losing. So are we like falling behind on the R&D front compared to them in terms of product, or just trying to understand that?

**Mukund Kabra:** If you ask about Novozyme and these people, they are much ahead, no if and but. But that is where we have our own niche areas and other areas. We are really focusing on the R&D area. We are developing our R&D capabilities. We have a plan to increase it by threefold. And this is what our overall focuses are. We will need some more time to really go on and take on the Novozymes and other people in all the different segments. At the same time, we are working really hard to go to that level.

**Shreyans Gathani:** Got it. So by when do we expect the R&D to pick up to 3x, 4x that you are mentioning?

**Mukund Kabra:** We are building up our new R&D center right now in Nasik. This should be fully operational by the end of next year. Then we will have like, slowly, slowly, we'll really ramp up on the R&D front.

**Moderator:** The next question is from the line of Anuj Gakhar, who is an individual investor. Please go ahead.

**Anuj Gakhar:** Although most of the things that have been discussed is something was on the top of my head also, I'm not too -- like too much knowledgeable on accounting and other things, but I'll ask very basic questions which investors would like to know. I'm invested in the company for about 2 years or something. You can easily see a panic in the share price in the last 2 days. I think it dropped 25% after the results were released.

You have explained the sales were down because of some accounting or some booking of the sales changes that have happened, which I understand. But right now, we are already 1.5 months into quarter 3. So you will have some kind of visibility in terms of how would the sales look like in quarter 3, in which we are currently, if we do a 2x of what we are as on date. So do you see we are growing from the quarter 2 results that we have already declared?

- Mukund Kabra:** Anuj ji, it's a forward kind of a guidance, but I can see that probably we should -- we should do better than quarter 2. That's all what I can say.
- Anuj Gakhar:** Okay. And the other one is, I can see that -- looking at the balance sheet that we are constantly going on the reserves part of it. So is there any plan of -- any kind of reward to the shareholders in terms of buyback or bonus in the future?
- Mukund Kabra:** Those decisions have to be taken by the Board. Like if you really look at it, we increased the dividend, and we continue to cover dividend policy. That's all what I can say. Probably, buyback is not -- not possible. But Rauka ji can give more clarity on that. Rauka ji?
- Beni Prasad Rauka:** No, I think buyback is not efficient. Because it is also taxable again in the hands of the recipient. So for shareholders, there will be a cash outflow. So as you rightly mentioned, I think dividend is what every year, we have been increasing. So that is what is the way forward.
- Anuj Gakhar:** Sure. So one small last question. I was listening on the news that there might have been some impact to this quarter because of Red Sea related issues in terms of the deliveries along that corridor. Was an impact of the Red Sea concerns?
- Mukund Kabra:** The freight cost is on the higher side, Anuj ji. We have, an impact, of about INR1.5 crores in this quarter, particularly because of the freight cost.
- Anuj Gakhar:** Okay. And is that because...
- Mukund Kabra:** Certain delays in the shipments.
- Anuj Gakhar:** Okay. Okay. So the operating profit margin, that's the reason why it came down from the range of 30 to 35 to now 29 in this quarter. Is that the reason? Or is there something else contributing like a product mix or something else?
- Mukund Kabra:** It's also like the nature of growth because like when you talk about the profit and other things, your expenses are more or less fixed. And if your revenue growth is on a downside then surely like you will see that the percentage has to go down, right?
- Beni Prasad Rauka:** This is a major impact. As Mukund rightly mentioned, that is a major impact. If the sale is down because of your higher gross margin -- gross contribution and fixed expenses remaining at the same level, the impact is measured on EBITDA as well as on PAT.
- Anuj Gakhar:** Okay. So if we use that INR77 crores to INR80 crores which was not booked, then we will be at the same level, around 33...?
- Beni Prasad Rauka:** It's not INR77 crores to INR80 crores. It is, I think, INR83 million. That is what we have explained to you.
- Anuj Gakhar:** Okay. So if we account for that, then we'll be around the same margin, that 33%?

- Beni Prasad Rauka:** Yes, yes, yes.
- Moderator:** Thank you. The next question is from the line of Vivek, who an individual investor.
- Vivek:** Yes, sir. I have 2 questions, sir. How many R&D scientists do we have as of date, sir? This is my first question. And I would like to ask another question, sir. At what EBITDA margin we are expected to close this financial year '25?
- Mukund Kabra:** No, I think I don't have exact number. We will achieve -- actually, we have more than 150 scientists at this point of time. There may be more. But I don't have an exact number as of now, but should be more than 150 plus. That's what I can say. Your second question is how...
- Vivek:** How much EBITDA margin we can expect for this financial year, sir?
- Mukund Kabra:** It's a difficult question. Rauka ji can answer that.
- Vivek:** No, the thing is that we are on the declining trend as our revenue has decreased.
- Beni Prasad Rauka:** So I mean, once the revenue increases, I think the improvement will definitely be there. So we expect that the EBITDA margin should be in the range of anywhere over 30%. It will be in the range of 30% to 33%.
- Moderator:** The next question is from the line of Harini Dedhia from Tamohara Investment Managers.
- Harini Dedhia:** Just 1 question on when we say R&D, where we would like to invest more? And that's one piece that's sort of we feel that we can do better on. If you can help us understand what are the kind of things that we want to do? Would it be more on hiring of new scientists? Or would it be some infrastructure or some equipment or some segment? I guess, you can just help us understand what do we want to add on that side right now?
- Mukund Kabra:** It's a combination of all. If you really look at it, we don't have a space as of now. Because of the space, we cannot hire the people. And there are a lot of new equipments which we will have to do that. We need to increase the number of products as well.
- Yes. So it's a combination of all. We are working on all the different technologies as well at this point of time. We have some breakthroughs, but we will have to scale it up, basically.
- Harini Dedhia:** Okay. Would it be possible to just share the kind of things that if you can just help us understand. Maybe at a later stage, if you could put out something along the lines of the kind of breakthroughs we have had or what are the new things that we are working on. Just help us understand better.
- Mukund Kabra:** In terms of R&D, is what you're talking about?
- Harini Dedhia:** Yes. Because I remember in the February call, when Mr. Rathi was also on call, he had specifically called out that he was very proud of the work that they've done in the R&D team for



the last 2, 3 years. So just wanted to know that -- what was being done and where is it that we want to go?

**Mukund Kabra:** So there are a lot of biosolutions which are specific, and you need to do a lot of protein engineering on that, right? And we are now getting the hands to that. We are doing and we are developing a lot of molecules. We understand how to develop it now, but we really need to scale it up. If you talk about all these biocatalyst and other areas, clearly, those are the outcome of our protein engineering, basically. It's a difficult science, but at the same time, it's possible.

You need to do many other areas, particularly, not only development of the strains, but applications, fermentation R&D, formulation R&Ds. And all of these, we are trying to work at this point of time. And we will have to expand those. I wouldn't be able to give you more specific because those are going to be the -- those are going to be -- some are the IP kind of a property, and I don't want to talk on those in the public domain.

**Moderator:** The next question is from the line of Rohit Ohri from Progressive Shares PMS.

**Rohit Ohri:** Sir, 2 questions from my side. First 1 being, with the changes in the US market as well as the political scenario over there, do you think it is a boon or is it a bane for AETL?

**Mukund Kabra:** I don't know, honestly, time will tell. But what I can say is we have a strong base in the US, in particularly, probably it should help. But you never know what kind of like input duties and other things come -- will come up. And what will be the impact.

**Rohit Ohri:** Sir, because his focus was to make America great once again. And we do have quite a lot of cash and other equivalents in the US. So will you be looking at some acquisitions over there to boost the sales from the US market?

**Mukund Kabra:** I can't comment at this point of time. So, we'd like to see how the things pan out, Rohit ji.

**Rohit Ohri:** Sir, any rough work that you have done or anything that we should anticipate over the next 1, 1.5 or 2 years or something like that?

**Mukund Kabra:** No. In next one years, I don't expect any acquisition at least in the US, particularly.

**Rohit Ohri:** Okay. Sir, my second question is related to Evoxx. In the previous quarter, you did mention that you were looking for some sales that were supposed to come through from there, somewhere around INR1.4 million, INR1.5 million kind of sales that was supposed to come from there. Has that passed through? Or are there some difficulties over there as well?

**Mukund Kabra:** No. What I said was that is fine, that is what we were expecting. We do have a PO of that, which is pan out for a whole year, and that is where we expect that the next half year will be the better for the US. And probably we will have higher sales than the low last year, particularly in the US.

**Rohit Ohri:** Sir, many of these customers' clients from the international market, they must be trying to make their own budget as the year is coming to an end. So what sort of outlook exactly are they sharing with you in terms of sales as well as the margin profile for us?

**Mukund Kabra:** Are you talking on the Evoxx?

**Rohit Ohri:** On Evoxx and other customers as well, other European, Latin American or maybe North American customers that we have.

**Mukund Kabra:** Can you please repeat your question, Rohit ji?

**Rohit Ohri:** For many of these customers, they must be making their budgets, right, for the next year. I think we are at financial year comes to an end very soon. So what is their outlook? And what sort of conversations are you having with them in terms of the growth for AETL?

**Mukund Kabra:** No, I won't be able to give you that number because a lot of times, these customers won't come out with their numbers or the expectations, what they do. Because our business doesn't run on the -- it runs on the PO basis, but there are not liquidate anything which is a long-term contract.

So it's very difficult for me to tell how that will be really come out with what generally, we anticipate is how many customers, new customers may be added and what business they can give. So that is how generally we work rather than taking the POs for the whole year. So it's an ongoing process. So at this point of time, I don't have the exact number, honestly.

**Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Ronak Saraf for closing comments.

**Ronak Saraf:** Thank you, everyone, for taking your valuable time for attending our earnings conference call. We will keep you posted for any further updates. I request you all to send in your questions that may remain unanswered. An audio recording and a transcript of this call will be uploaded on our website in due course. Looking forward to host you all in the next quarter. Till then, stay healthy, stay safe. Thank you.

**Mukund Kabra:** Thank you.

**Beni Prasad Rauka:** Thank you, everyone.

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

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