

February 21, 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 February 16, 2024 for Un-audited Financial Results for the quarter and nine months ended December 31, 2023

In furtherance to our intimation letter dated February 10, 2024, please find enclosed the Transcript of the Conference call held on Friday, February 16, 2024 with Analysts and Investors for the un-audited Financial Results of the Company for the quarter and nine months ended December 31, 2023.

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

Sanjay Basantani
Company Secretary and Head - Legal

Encl.: As above



“Advanced Enzyme Technologies Limited
Q3 FY24 & 9M FY24 Earnings Conference Call”

February 16, 2024



MANAGEMENT: MR. VASANT LAXMINARAYAN RATHI – CHAIRMAN & NON-EXECUTIVE 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 the Advanced Enzyme Technologies Limited Q3 FY'24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal the operator by pressing “*” and then “0” 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. Welcome to the Advanced Enzyme Technologies Q3 and Nine Months FY'24 Earnings Conference Call. I am Ronak Saraf, the Manager, Investor Relations here at Advanced Enzymes.

We hope you all have gone through our Financials, Press Release and the Presentation which has been posted in the Investor Relations section of our website.

We have with us Mr. Vasant Rathi, Chairman and Non-Executive Director and 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 the ease of discussion, we will look at the consolidated financials.

Before we proceed, I would like to draw your attention to the forward-looking statement contained in the presentation. During our call, we may make forward-looking statements regarding our expectation or prediction about the future. Because these statements are based on current assumptions and factors that involve risk and uncertainty, 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, sir.

Vasant L. Rathi: Thank you, Ronak. Good evening everyone.

I really appreciate you all for taking your very valuable time and I welcome you all to the conference call for the 3rd Quarter and nine months ended 31st December 2023.

I'd like by giving a brief summary of macro-economic conditions that could affect the Company. In the US, things have started to improve. Geopolitical tensions are impeding the flow, which might affect commodities, interest rates and consumer spending. As we all know, yesterday, UK, Japan, those countries are going into recession.

The domestic economy is also doing well. So, we see an adequate demand overall. The trade due to ongoing red sea issues could have an effect mostly on freight, which could lead to a longer supply chains. And we all know what happens with the longer supply chain during the COVID.

During the quarter, we have recorded growth and in last nine months we have witnessed top line growth of 16%. And our profitability has also improved on a sequential basis for nine months by 49%.

Now to this “Quarterly Performance.” We have achieved top line of Rs.1,609 million, the growth of 13% on a year-on-year basis and 2% on sequential basis in Q3. Our EBITDA stood at 538 million, grew by 29% on a year-on-year basis and 5% on a sequential basis. We have witnessed a good growth of 52% in bottom line on a year-on-year basis while sequential basis it grew by 21%.

There is an improvement on the margin side as well. EBITDA margin stood at 33% and PAT margin stood at 26% during the Q3 as compared to 29% and 20% respectively for Q3 of last year.

Double digit growth in the bottom line is because of our improved top line change in product mix and higher other income. The overall trend across our business has remained upbeat.

Talking about some segment wise performance, Human Nutrition, which is our main engine of the growth, this segment as usual remains the highest contributor in the revenue pie of 69%. It grew by 19% on year-on-year basis and 5% on sequential basis. The international market, primarily in USA supported the numbers in human nutrition.

Our animal nutrition business contributed 10% to the revenue in Q3. This segment is a little lacking and de-grew by 8% on year-on-year basis and 6% on sequential basis.

Bio-Processing segment grew by around 5% on year-on-year basis, while we have witnessed a slight decline in 2% on sequential basis. This segment contributed 15% to the revenue.

The food business grew by 21% while non-food business reported a decline of 36% on year-on-year basis.

The Specialized Manufacturing segment contributed 6% and grew by 20% on year-on-year basis and 1% on sequential basis.

As you can see, overall, our confidence in the business remains very high and we are moving ahead with the clear focus on our target segments.

During the quarter, we have also acquired an additional stake of 5.89% in J.C Biotech (JCB) for the total cash consideration of Rs.56.07 million. Post completion of this acquisition, the shareholding of the Advanced Enzymes in JCB will increase to 95.72%.

With this, let me conclude my remarks and now hand over the call to Mr. Rauka. He will walk you through the “Financials and Key Subsidiary Numbers.” Thank you.

Beni P Rauka:

Thank you very much sir. Good evening, everyone. I hope you all are in good health.

Let me brief you about the financials of the Company during the quarter gone by. On the Company's consolidated financial for the 3rd Quarter and nine months of the Fiscal Year 2024:

On a year-on-year basis, our top line grew to 1,609 million as compared to 1,421 million of last year. Q3, an increase of 13%. EBITDA has increased from 417 million to 538 million, this is 33% of our revenue as compared to 29% last year. Profit before tax increased to 589 million from 404 million last year Q3, 37% of our revenue. Profit after tax increased to 425 million and the increase is from 279 million. So, this works out to be 26% of our revenue. Quarter-on-quarter basis sequential, revenue increased by 31 million from 1,578 million to 1,609 million, an increase of 2%. And EBITDA increase is 5% from 513 million to 538 million. Profit before tax increased from 479 million to 589 million. This works out to be 37% of our revenue. Profit after tax has increased to 425 million, 26% of our revenue as compared to 22% in last year Q3.

Nine months performance, the revenue has increased by 16% as Vic sir has already mentioned from 4,019 million to 4,660 million and the profit before tax has increased by 51%, profit after tax has increased by 49% from 718 million to 1,071 million, this is 23% of our top line as compared to 18% in nine months of previous year. So, EBITDA increased from 1,123 million to 1,491 million, which works out to be 32% of our top line as compared to 28% last year.

Let me give you some numbers of our subsidiaries. JC Biotech continues to be positive. During the quarter, top line of 176 million, EBITDA of 33 million and PAT of 14 million. So, for nine months we have seen a 22% of growth in top line of the JC and EBITDA has increased from 16 million to 59 million and last year it has a loss of about 8 million, it is now in profit of 16 million.

Evovx continues to be EBITDA-negative for the nine months and overall the top line also degrew by 9%, the Company is in loss of about 26 million for nine months as compared to 10 million of profit during last year nine months.

SciTech has performed well. Overall, this quarter top line of 104 million, EBITDA of 17 million and PAT of 4 million. For nine months, it has recorded a sale of 304 million as compared to 236 million, the top line growth of 29% and EBITDA of 38 million as compared to negative EBITDA of 30 million last year, PAT during nine months is about 12 million as compared to 50 million. last year nine months.

Our R&D spend is about 202 million as compared to 290 million last year. That works out to be 7% of our top line on a standalone basis. On a consol. basis, we continue to spend about 3% to 4% of our revenue on research and development activities. This year is slightly down because the CAPEX is lower, that will be capitalized over a period of time. The capital work-in progress of our R&D lab is still going on.

The largest selling product continues to be in the range of 22% to 23% top 10 customer sale is about 26% to 27%, B2C segment has contributed a growth of about 4.4%. So, this year it is 3.79 million as compared to 3.63 million last year.

So, this is all from my side. Now, we open the floor for question-answer session.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Abhishek Navalgund from Nirmal Bang Equities. Please go ahead.

A Navalgund: So, my first question is on the nutrition segment in the international human nutrition pie. So, after I think the multiple quarters of similar kind of run rate that you're maintaining on quarterly basis, I think we have seen some good growth coming in and you have mentioned in the opening remarks also that it's largely led by US. So, could you please give some more color on this segment and how do you see coming quarters as far as this particular segment is concerned?

Vasant L. Rathi: Thank you, Abhishek. You can see that our major segment is human nutrition and US market plays a very vital role in this area. We see that the market is doing well right now we forecast that it will continue to do so.

A Navalgund: My only question is till last quarter we were mentioning that there have been some competitive challenges also in the market. So, do you see this is like there is some one-off order which has led to this kind of growth, or do you see this kind of run rate maintaining or even improving from the current level?

Vasant L. Rathi: Yes, challenges remain. Challenges don't go away because the market is now changing and it is becoming as you know more of a global nature, right, and lot of regulatory challenges are there in this industry. However, for the last couple of years we are working on it to address those issues systematically and we have introduced some new products, we have brought some new customers, and it is a continuous ongoing process. So, we feel that there will be little up and down here and there, but the growth will continue.

A Navalgund: My second question is on the probiotic segment. So, while the international probiotics I think could be in the flattish trajectory, but domestic, I think from second quarter also we have shown some improvement and this time around also I think that is also a big driver as far as domestic human nutrition is concerned. So, again, I mean this is related to some channel restocking happening or how do you see this growth actually going forward?

Vasant L. Rathi: I think what happens is that certain brands are developing. We have so many studies related to probiotics applications. So, people now are warming up very nicely with our probiotics segment and even though the market is a little bit flattish for us, we see that it will continue to grow for us.

A Navalgund: And my last question is on the two dossiers for which we have got the approval last quarter. Any update on that, I mean, would you be in a position to tell us what could be the total addressable

market and when should we start seeing revenue from those products, if at all you're trying to sell in developed markets?

Vasant L. Rathi: Abhishek, which one you're asking for, I mean -?

A Navalgund: I think in the last quarter we have mentioned that we have got two food dossiers got approved I think from Europe, if I am not mistaken.

Vasant L. Rathi: See, the approvals are there, there are always some queries comes out from the from the EFSA and other kind of agencies and you have to spend a lot of time to answer them and we are doing so, Then the final approval comes in. It is an ongoing continuous process. Because we patiently are working so hard on these things... you see that whatever we have filed will get approved finally and then we are always going after new approvals.

Moderator: The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: One is you mentioned on the US side, but specifically on the probiotic and nutrition which we had seen a big drop post-COVID, are you seeing that market returning for us in US? And secondly, a connected question was that in our previous call we had mentioned that if US grows then we should be able to come back to that 40% kind of EBITDA margin which was our historical range. So, at what level you believe the US business has to come for us to improve on our margin profile?

Vasant L. Rathi: It's a very competitive market, Nikhil, right. So, there are always challenges to improve the margins after the certain tick mark. I don't want it to tell you that it will never come 40% and 50% margins as you used to see it before, but we are constantly working on improving our margins and as you can see the effects are already showing in this quarter, all three quarters it is improving gradually and you will see the improvement continuing.

Nikhil: The first question is on the growth on the US, because if we look at the last three, four quarters, our average run rate in US was around 45, 50 crores, which has jumped to 60, 62 crores this quarter. So, are we seeing a trend on the probiotic side, which has had a big impact for us in the last two years on the US market or what has helped this?

Vasant L. Rathi: There are too many different factors. It is always a product mix, as you know, and I know it. That's the first thing. The second part is some new products developments happening and that also gives us some advantages in the marketplace. And third is as we progress and develop further and further, we see that improvement because as you go into higher revenue and more sales, your cost structure goes down relatively in percentage wise?

Nikhil: Just two more questions. Sir, on Serratiopeptidase, we've been increasing our share in JC Biotech every quarter. And if you look at the molecule size, it's moved. So, when we acquired it was around 100, 110 crores, today on a run rate basis, it's something in the range of 150, 160 crores. How do you see the opportunity in this molecule? I know we've not filed in US and Europe. But

are you planning to file there? And if we file, do you see there is a big opportunity size in this molecule because on one hand we are also increasing our share continuously in this Company. So, what's the overall idea and thought process behind this?

Vasant L. Rathi: Unique molecule, we have a big advantage on it. So, we will press our advantages wherever and everywhere we can do so. It requires a lot of research work on our part and we are doing. So, our R&D is really helping us in so many different ways to utilize this molecules in a different, different way.

Nikhil: If we look at our position in 2016-17 when we had come post the IPO, we had talked about going into industrial and on the palm oil side and the biofuel side and all. But what I understand is that there were existing large players like Novozymes and Hansen on the dairy and on the industrial side where they have been present for the last 50-60 years. If you look at today on the human nutrition segment, which we've also talked about as a core area, how is our positioning versus our competitors? Because when we read through their capital markets, they are also talking about that we have to become big. They are also working to build molecule base here. So, would we say, we are on an even position versus competition in this segment? How do you see our competitive positioning here?

Vasant L. Rathi: Nikhil, it's a good question, right. Obviously, when you see very lucrative markets or expanding markets, competition is going to come from the big and small. But the industrial market is a very different market segment versus nutritional market. More and more people try to go with a healthy lifestyle, nutritional market will keep on expanding and there is room for everybody, but we have a good advantage vis-à-vis our presence in the market for a very long time and we don't see that it will affect us tremendously.

Moderator: The next question is from the line of Rohan from Turtle Capital. Please go ahead.

Rohan: I have a couple of questions. We haven't seen any growth in America sales since FY'19, but in the couple of quarters we have registered higher growth. So, will this trend continue, and can we expect going forward as America share increase in our revenue, we can get back to around 40% margin? And what has led to this growth -- is it the product mix have changed?

Vasant L. Rathi: I told you that it is always a very difficult proposition to go over 40% margins. Competition is always there, like Nikhil asked a few minutes ago, there are lot of other small and major players coming into the marketplace. So, we have to create our own niches in the marketplace, which we are continuously doing. We see that it's a continuous growth for us and the margin is always going to be competition. But we will do nicely as you see this quarter, we have improved our margins considerably.

Rohan: The question is, what are the challenges you are facing in animal nutrition as well as specialized manufacturing because your quarterly run rates have not scaled up lately?

- Vasant L. Rathi:** Yes, animal nutrition is a different animal altogether. It's very competitive and you can see that it is logistics, deliveries, the walls doesn't help, cost keeps on increasing and you have to really compete cost wise and price wise in various different markets.
- Rohan:** And how are the margins between these segments like margins of product profiles of human nutrition, animal nutrition as well as bio-processing and specialized manufacturing, if you can just give a rough idea how the margins are?
- Beni P Rauka:** As far as the gross margin segment wise, we cannot track like that gross margins for human nutrition and animal nutrition, industrial bio-processing, I mean that's not the way like. We just classify it for the sake of better understanding of our business, our customers and the product. So, for every product you will not have that kind of a margin as such.
- Moderator:** We have the next question from the line of Aditya Padhi from Girik Capital. Please go ahead.
- Aditya Padhi:** I just have two questions. Just wanted to understand the first question is, you mentioned about improvement of margins when your US business would pick up like in the previous quarter. So, US has seen decent growth after some time. So, how do you see the visibility in the near term to midterm like, how do you see the margin growth in this business?
- Vasant L. Rathi:** We will continue on that path.
- Aditya Padhi:** So, similarly like this quarter?
- Vasant L. Rathi:** Every quarter is different. It is not quarter-to-quarter we care; we look at really because sometimes how the inventories go. Somebody orders by the end of the month may not require it right away till one quarter, so what can you do?
- Aditya Padhi:** My next question is on the margins. If I see like versus the long-term margin, there have been major increases in like employee spend in the last 4-5 years. So, where do you see like margin improvement coming from like would it be gross margins or employee expenses going down or other expenses like whichever gone up post-COVID?
- Vasant L. Rathi:** Employee expense is going to continuously grow up because there is a lot of pressure on the salaries as you know very well. Logistic cost is kind of came down after COVID, but now it is again under pressure. So, carrying inventory will be with a higher cost. So, there are a lot of challenges as I explained before also ahead of time. In spite of that, we are constantly trying to improve the margins, keeping our costs down as much as possible in various other areas and also other income is increasing for us because of the higher interest rates.
- Beni P Rauka:** So, we have a lot of investments as Rathi sir has mentioned. So, from that we are getting good returns. So, other income has increased substantially if we compare our nine months of this year number versus the nine months of last year. So, that has also contributed in overall increase in our profitability. But yes, the margin has improved, you rightly said, I mean as Rathi sir has also

mentioned. So, U.S. business as it grows, we have a better margin, better profitability, that's what you can see from this last quarter number.

Moderator: The next question is from the line of Umang Shah from Banyan Tree Advisors. Please go ahead.

Umang Shah: First question was, could you tell us the Evoxx loss number for nine months?

Beni P Rauka: Evoxx nine months number is top line 116 million as compared to 182 million of last year and EBITDA is negative for this nine months, 12 million, as compared to 39 million positive. During this nine months, we have a loss of about 26 million as compared to 10 million of profit in nine months of last year.

Umang Shah: So, sir, what we understand is that this Company was acquired for better research in marketing function in Europe. So, going forward, will it have its own profitability, or will it continue supporting the consolidated entity and report losses?

Vasant L. Rathi: This is an R&D Company, okay, and we have to look at that way because it's not like regular commercial operation, right? And European conditions, as you know, in Germany, lot of pressure on the salaries and other cost, cost increases versus slowdown in the businesses.

Umang Shah: Sir, the second question was, we have launched two new pharma products in JC Biotech which have come after a long time. So, how is the market that you see, would they be India-focused, or would they be outside India also, if you could some give some clarity there? The products I am referring to is Invertase and Alpha Galactosidase.

Vasant L. Rathi: Yes, they're very interestingly new products are added to the production side of it and we see very good opportunities in the industrial sector.

Umang Shah: So, any rough number on what the market size is like and how much are we targeting of that market?

Vasant L. Rathi: It's a huge size, industrial area you know it's a very big market. These products takes a little bit time to just introduce and get approvals, but we see a good prospect.

Umang Shah: For the last two quarters, you've been giving out numbers for human nutrition revenues from India. If you could just give that number for this quarter, it would be very useful?

Beni P Rauka: It's 519 million. And what was it for same quarter last year

Umang Shah: And what was this for Q3 last year?

Beni P Rauka: It's 393 million

- Umang Shah:** For the nine months, could you speak out about WELLFA performance and how are we looking at our B2C foray?
- Beni P Rauka:** No, I think WELLFA number is still negligible. As we mentioned to you, it's like we are still working on it, it will take a lot of time to build
- Vasant L. Rathi:** B2C is a very different animal as you all know. It takes time.
- Umang Shah:** Are we changing anything on the product front or on the management front?
- Vasant L. Rathi:** Working good. Right now, we are satisfied with the progress with what's happening with it and there will be a constant addition of the product and we are very mindful of how we want to take this forward.
- Moderator:** The next question is from the line of Gaurav Nigam from Tunga Investments. Please go ahead.
- Gaurav Nigam:** Have you given the revenue for this quarter from our top products?
- Beni P Rauka:** I am giving you for nine months it is 22% of our top line and last year it was 24%, quarter is I think 20%.
- Gaurav Nigam:** Can you provide bifurcation of the human nutrition revenue between India, international and the sub-segment, sir?
- Beni P Rauka:** So, I think I have just given that. So, India human nutrition is about 519 million and international it is 588 million. So, the total is about 1,107 million in Q3 of this year.
- Gaurav Nigam:** And would you able to give the pharma probiotics and biocatalyst numbers within the three segments we operate in?
- Beni P Rauka:** So, pharma is about 386, probiotic is about 100 and biocatalyst is about 33. This is India I am talking about. International human nutrition is 562, probiotics 20 and biocatalysis is about 5 million.
- Gaurav Nigam:** I just wanted to get your outlook on the end customers in the US Nutra segment because I think till last quarter we were not very sure about the end market performance. So, how is it now and how are the customers looking at the growth going forward, any sense of the US Nutra market would be helpful?
- Vasant L. Rathi:** Right now, we can see a stable market and a lot of new customer additions.
- Gaurav Nigam:** Sir, the inventory issues, which were there in the last few quarters, is that over?
- Vasant L. Rathi:** We have taken care most of it. It's a gradual process.

- Gaurav Nigam:** So, just continuing on a previous participant on the animal nutrition segment, so we have seen almost a stagnation in the last three quarters. Just wondering whether this is because of the India business or international business and what are the reasons behind it?
- Vasant L. Rathi:** It's a very competitive business, and a lot of pressures on the logistics, inventories and cost.
- Gaurav Nigam:** But majority in the India business these competitive pressures are coming or is it -?
- Vasant L. Rathi:** International business. India is also not an exception to the rule in this matter.
- Moderator:** The next question is from the line of Harini Dedhia from Tamohara Investment Managers. Please go ahead.
- Harini Dedhia:** My first question was on B2B sales. A couple of years back, we had appointed a distributor on the India side, Anshul and then as well as on South Asia. How has that experience been with these distributors, what has the traction been like? And are we also appointing more on the ground sales people to do direct sales, if you can just help us understand how is our sales team shaping up for B2B sales?
- Vasant L. Rathi:** B2B sales shaping up fairly decent. We're satisfied with that. The acquisition of the new market is always a challenge and takes some time. But a requirement is you have to be present and keep on knocking on the doors explaining our better side of the products and the services.
- Harini Dedhia:** Do we have a preference on whether we go via distributor in a particular market for a particular product or the direct route or do we try to do both, how do we approach it?
- Vasant L. Rathi:** We try to do both.
- Harini Dedhia:** On the B2C front for WELLFA, like you yourself mentioned, it's a whole other base, I mean, there is no limit to how much money you can spend on it. Do we have a call on both capital and time allocation how much money are we okay burning on this, how much time are we okay spending on this to get it to break even?
- Vasant L. Rathi:** We are not burning lot of money. Let's put it this way. That is not a full focus on it. However, there are people who are given the full attention, and they are continuously working. I think looking at various different challenges in B2C, we are doing fairly decent.
- Moderator:** The next question is from the line of Rohit Ohri from Progressive shares. Please go ahead.
- Rohit Ohri:** A couple of questions. First, related to probiotics. There is an immense potential over there untapped, which is to the tune of USD48 billion to USD50 billion. Sir, what would the AETL be interested in, whether you'd be interested in the animal feed segment, dietary supplements or the functional F&B?

- Vasant L. Rathi:** Obviously, we're interested in all these three markets. That's why we're there.
- Rohit Ohri:** In the initial phase, what sort of market do you intend to capture for maybe the next two years or maybe three years' time?
- Vasant L. Rathi:** Continuous growth in this area. Now, there are always some areas where we will perform better than others as the condition changes, but we see good opportunities in all these areas where we are.
- Rohit Ohri:** In terms of catalysis, if there are any new products in pipeline which you think are nearing their launch dates, if you'd like to specify?
- Vasant L. Rathi:** We will see next year it will start paying off.
- Rohit Ohri:** How many, if you would like to just put a number to that?
- Vasant L. Rathi:** I don't know, but I think two to three products to begin with.
- Rohit Ohri:** So, there is a lot of emphasis being put on bio-energy, clean green energy by the Hon'ble Prime Minister and his entire team. So, what sort of efforts have we taken forward for the domain of biomass processing scarification and bioethanol production?
- Vasant L. Rathi:** Hon'ble Prime Minister in this country is looking into bio-green area. It's a very challenging area. Hon'ble Minister Nitin Gadkari is always speaking about various different fuel projects produced and all that. The issue is always what are the processes you develop and what the government is willing to do. We are capable of working on it, but requires a lot of government support, and here we don't hear much of it, to be honest.
- Rohit Ohri:** I may think that you'll be able to add the fifth division to the basket of the entire of AETL, maybe grain and tech processing. By when do you think you can add the fifth element or the fifth segment?
- Vasant L. Rathi:** As you said, there is a lot of push. And if that push comes through with the proper government support, we are capable of doing it.
- Rohit Ohri:** Are there any molecule you're already working on it, like to share some details on that?
- Vasant L. Rathi:** No, I cannot share at this point in time.
- Rohit Ohri:** So, my last question is related to the overall pie. If we see the pie of the revenue is gradually moving more towards the animal healthcare and the bio-processing, do you think that from the current 10% to 13% or maybe 13% to 15% of animal HC and bio-processing pie for these two segments will improve or increase going forward?

- Vasant L. Rathi:** It will improve.
- Rohit Ohri:** Any ambitious target that you have to kind of have?
- Vasant L. Rathi:** You pointed the right finger at it. As our pie increases, that means keeping that percentage improves the sale numbers also.
- Rohit Ohri:** Is there any thoughts on entering pyrethroid or insecticides business or any antiparasitic or insect repellents?
- Vasant L. Rathi:** No, we are not looking at that right now. There is enzyme applications but we are not working on research on that.
- Rohit Ohri:** And the R&D team intends to work on those going forward, maybe two years down the line?
- Vasant L. Rathi:** Maybe.
- Rohit Ohri:** If there is anything on the improvement or the mitigation of the issues that we have with ROC, which was raised in the last quarter as well, which was related to the goodwill that is lying in the balance sheet, if any concrete steps have been taken on that?
- Beni P Rauka:** No, no. Are you talking about return on capital, right?
- Rohit Ohri:** Yes, sir.
- Beni P Rauka:** Correct. So, I mean return on capital I think we have already mentioned that we are taking care to the extent, it is good for all the stakeholders. That's what you might have observed that last time we have declared a very handsome dividend as well. So, you improve that way your return on capital employed because you distribute some money to the shareholders. But other than that, whatever money is with us, we have been using that money for our investments where we are getting a good return and in addition to that, there is again you see the benefit of the money being invested in USD. So, you get at least 4% to 4.5% every year because of the rupee depreciation. And in addition to that, there will be of course some return from the investment which have been made in the government bonds and other investments. So, capital employed per se in percentage, maybe lower due to a lot of money we have with us. But yes, overall, if you see the Company is growing, so we keep that money, Vic sir is also with us and we have discussed in past also. We are scouting for some opportunities as well. So, we are keeping that cash. So, as and when there are good opportunities where there is a lot of synergy in the business, probably that money will be used for that purpose, and otherwise the management will take care of that how to deploy that funds.
- Moderator:** The next question is from the line of Ravi Purohit from Securities Investment Management Private Limited. Please go ahead.

Ravi Purohit: Just wanted to touch base upon the work that Evoxx been doing. Evoxx is essentially an industrial enzyme research Company. So, if you could share some of the areas that they've been working, they had done a strategic partnership with Symrise cosmetic Company about a year and a half, two years back. So, anything on that or anything on generally on industrial side because we see a lot of opportunities on the industrial side from our perspective, so if you could just share some insights or some part of the work that we've been kind of looking at on the industrial enzyme side?

Vasant L. Rathi: Ravi, as you rightly pointed out, it is a R&D Company, and it is working with various different companies as some names you probably gave, and they are all confidential documents with them. So, we cannot reveal all the names as they're working on their R&D projects. But I can only tell you that various different products are not only R&D, they work on research projects and also various different, different molecules in industrial as well as in other segments, human and animal nutrition. So, you don't see those in the balance sheets directly, but they are very big contributors. The market is a changing market. It is a very information and research-driven market now. Evoxx has a lot of role to play in that.

Ravi Purohit: And so, in FY'22, I think we had announced a strategic partnership with Symrise, a very large Company, highly profitable Company, very, very strong in cosmetics, right. So, I was just wondering if something happened, it's been about a year and a half. Does it throw open opportunities for us on the business side or it's more like a core development of products or core research, so if you could just share some insights into that?

Vasant L. Rathi: Unfortunately, I cannot because I have confidential agreements with them.

Ravi Purohit: If you could just share on the industrial side again, because we read a lot of articles and a lot of material which says that for hydrogen production and all enzymes are like the pre-catalyst agents, right. So, there is a lot of activity going on, on that side. So, is this something that we have the capabilities to participate, is there something that throws open opportunities for us on the industrial side, if you could share anything on that side?

Vasant L. Rathi: I honestly don't know what to tell you about it, but we are working on those enzymes very diligently at this point in time and progress is made considerably but it takes little time to get through all this regulatory development and becomes a competitive marketplace. We never cannot compete with the hydrogen peroxide. Enzymes are not that cheap.

Moderator: The next question is from the line of Rohan from Turtle Capital. Please go ahead.

Rohan: One question. I just wanted to get an idea what is driving the domestic sales as well as rest of the world sales, what segment is playing a role in this growth?

Vasant L. Rathi: Human nutrition and food.

Rohan: And in true size is it playing any key role?

- Beni P Rauka:** So, baking is part of our food segment.
- Moderator:** The next question is from the line of Laxmi Narayan from Tunga Investments. Please go ahead.
- Laxmi Narayan:** A couple of questions. First is, when you set out this year, at the start of the year, you would aspire what do you think, just wanted to understand that we draw the year to the close, which are the areas which has actually exceeded your expectations -- there could be people, product, sales or margins or whatever, and which are the areas which disappointed you?
- Vasant L. Rathi:** Very nice and a general question Laxmi Narayan ji. We are very excited with our people. The research group is doing phenomenally well for us. It's also that a lot of papers and a lot of publications are happening which are giving us a lot of advantage in the marketplace, and we are finding market is responding also very nicely because of our long association, long presence in the market, our reputation, etc., So, that is all positive. Negative is somewhat disappointing with this macroeconomics of what's going on and that is putting the unnecessarily pressure on us, and also more of we can see a challenge, not separation, a lot of challenges of further expansion and growth.
- Laxmi Narayan:** Can you just drill a bit deeper on the second thing, when you say macro, what is it leading to us as a Company for us?
- Vasant L. Rathi:** The macroeconomics like the wars doesn't help anybody in the economies as you know. So, delivery challenges are pretty disappointing, cost always keeps on going on that, and challenges are also acquiring good talent when you are expanding the Company and pressing wages in other things on it.
- Laxmi Narayan:** Any segment or geography or a product that actually did very well beyond your expectations in the last financial year?
- Vasant L. Rathi:** I cannot give you any specific numbers or specific product names, but overall we are doing very well in the entire segments.
- Laxmi Narayan:** And if you just roll back and look at the last three years, I mean, the reason I am asking is that, you always mentioned that don't look at my Company on a quarterly basis, look at in a slightly longer. So, if you look at it in the last three years, which are the areas which have actually surprised you positively and which are the ones which have disappointed you, and what are you doing to address those areas which have disappointed you?
- Vasant L. Rathi:** Our R&D, there is only one solution in our marketplace. Expanding the R&D and making sure that our products are really addressing the issues. So, a lot of change happens in the last three to four years.

- Laxmi Narayan:** How do you quantify that R&D has actually improved -- is it by the number of scientists who work with you or the kind of output on a near term or a long term, how do you parameterize it when you say you're happy?
- Vasant L. Rathi:** Output is always very important, and talent is always part of the entire game. So, we have excellent talents, and we are very proud of our wonderful group of people. They are willing to take any challenges.
- Moderator:** The next question is from the line of Manoj N Muthiyan, an individual investor. Please go ahead.
- Manoj N Muthiyan:** I just want to know how many new molecules are being developed in the R&D and what is the timeline of the commercialization? I am asking this because business growth is expected to come only from the existing molecules and then from the new molecules. There is always limitation to the existing molecule and the new molecule will only play a major role in business development and business growth.
- Vasant L. Rathi:** Very true, Manoj, and it's a very good question. Thank you. We have developed several new molecules, but these molecules when you develop, goes through very thorough testing, like it has to go through with the toxicology, with the various different approvals and it takes really long time, and there are lot of challenges on those. So, as I said, our R&D is doing very phenomenal job along with our documents, department and other supporting areas. We have filed some patents also. So, there is excellent movements. We will only say that these molecule developments are useful when we complete all these requirements. Does that make sense?
- Manoj N Muthiyan:** I definitely know about that. I just wanted to know how many number of products being developed and what is the calendar for their commercialization?
- Vasant L. Rathi:** As I said, commercialization takes some time. A few products are developed. I cannot give you exact numbers, but quite a few.
- Manoj N Muthiyan:** Then second question is, since our R&D development cost in European countries is too high. Then do you have any plan to ship development to Indian sites?
- Vasant L. Rathi:** That is also a very good question. We just invested I think about Rs.50 crores in our new R&D facility, which is happening on 15 acres of land and there is a huge park development is going on. We will be one of the top most R&D companies in this area. So, we have a very big plans for the research and development.
- Manoj N Muthiyan:** And my third question is, there are seven molecules filed with the US FDA according to the annual report, and for five there is no questions from the FDA and for remaining two, there were some questions. Whether those questions have been addressed and molecules have been commercialized in U.S. market?

Vasant L. Rathi: Manoj, FDA ask a lot of questions. And we filed many of those already. And some of them approved, some of them are in the process.

Moderator: The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Just two questions. Sir, this question point which the earlier participant raised, just wanted to understand, see, in traditional pharma what we see is that companies have a tie up with the customer and then they file the DMF or whatever and once the approval is received, their commercialization starts. But if I go through our calls, even in Europe and US where we said that there are products where there are no questions and in a way there are approvals which are being achieved, how does the sales process happen -- so, is it like first we file, then we scout for partners, how does the overall process happen? I know it will take some time, but if you can just educate us how this process works versus traditional pharma?

Vasant L. Rathi: First of all, traditional pharma takes a lot of money in long time, but they also get patents and they can make a lot of claims. We cannot make any specific claims of anything cured or anything which you can call it, cure and what other word is there? Treat cure, any diseases or anything. So, it has to be related to health and nutrition and that's all we can claim. So, it has a lot of difficulties. Doctors may recommend or may not recommend because in US, most of the doctors will go for the Medical they need to have an FDA approval for drugs. So, different, different ways to deal with it, and we are only strictly into human nutrition of well-being and not in the disease or cure business. Your second part was whether we look for partners before or after. Once we get approval, then we have to find appropriate partners who have different needs, and the molecule will fit for their application.

Nikhil: This is from our Slide #28 where we talk about the addressable market for ETL over the next five years and ETL's current share of revenue. If we have to understand, say, just taking an example of, say, baking, where we say \$30 million is the addressable market. If we have to understand five years back based on our capabilities and molecules, how would these sizes have changed, the addressable markets would have changed. And this is in relation to the R&D question. I know you can't say how many molecules we launch and all, but if you can just spend some time five years back, what was this addressable market for some of these segments which today we are talking of say 200 or 30 million. And as an investor externally, how should we measure how we are increasing our addressable market opportunity?

Vasant L. Rathi: The market has changed. Now, let's say for baking, the need and the food industry changing to not just food, but healthy food, less sugary food or whatever. Those are the kind of market needs have changed before we used to have all the coca colas in the market, now the drinks are more healthier drinks. You can see that human nutrition is a very dynamic subject and they are constantly changing. As the research comes out of it, people want to have address different things at a time. So, as you know, like January 1st, everybody wants to have a resolution to lose weight. And after three months, they lose that interest and go back to again same old, same old. Human nutrition is something of that nature. It is changing, and obviously some market is increasing as

expenditure and income changes, people start thinking about healthy food or spending some money on the right food. It has changed in five years; it has expanded in my opinion.

Moderator: The next question is from the line of Jeshit Ladhani, an individual investor. Please go ahead.

Jeshit Ladhani: I have been an investor since quite long time in Advanced Enzyme Technologies because I believe in the philosophy of the Company about making everyone healthy.

Moderator: Sorry to interrupt, but you do sound a little muffled. I request you to please use the handset mode.

Jeshit Ladhani: So, I've been an individual investor in Advanced Enzyme Technologies since quite some long time because I believe in the basic philosophy of the Company making everyone healthier. So, a couple of questions which I am noticing since long time that earlier we used to have operating margins in the 40s range, now which is in 30-ish percentage, slightly increasing since couple of quarters. So, is it going to be in the same range for a longer period of time, or are you going back to the 40s range?

Vasant L. Rathi: I just want to thank you for investing in the Company for a long time. We really greatly appreciate that. I also answered that question some time ago, is that it's a very competitive market business marketplace and keeping very high margins are not always that kind of high margins and not always feasible because you have to compete. But we are trying to improve our margins all the time. It is always a combination of product mix which really reflects how margins will shape up at the bottom, but it will be healthy, that's all I can tell you.

Jeshit Ladhani: So, this 30ish range is the new normal, right?

Beni P Rauka: 30-33, yes.

Jeshit Ladhani: And the top line growth which you are seeing is around 20ish now, is it going to be a sustainable growth like are we going to see that number quarter-over-quarter or year-over-year?

Vasant L. Rathi: We don't say every quarter, but as you can see these last three quarters this year, they're constantly increasing, not necessarily that will continue the trend necessarily. However, we see 15% to 20% growth as we guided before also for some time.

Jeshit Ladhani: The geographical bifurcation like 80% of business comes from India and America. So, is this going to be the same or like are we seeing any new growth opportunities elsewhere?

Vasant L. Rathi: A lot of other opportunities are there. So, it will change.

Jeshit Ladhani: I think around 13 patents we have. So, any new patents filed in this year out of those 13?

Vasant L. Rathi: Yes, we did.

Moderator: Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to Mr. Ronak Saraf for closing comments. Over to you sir.

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

Beni P Rauka: Thank you very much

Vasant L. Rathi: Thank you, everybody.

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

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