

**Advanced Enzyme Technologies Ltd.**

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**August 16, 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 August 13, 2024 for the audited Financial Results for the quarter ended June 30, 2024**

In furtherance to our intimation letter dated August 06, 2024, please find enclosed the Transcript of the Conference call held on Tuesday, August 13, 2024 with Analysts and Investors for the audited Financial Results of the Company for the quarter ended June 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**

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

Encl.: As above



“Advanced Enzyme Technologies Limited  
Q1 FY25 Earnings Conference Call”

August 13, 2024



**MANAGEMENT: MR. MUKUND KABRA – WHOLE TIME DIRECTOR –  
ADVANCED ENZYME TECHNOLOGIES LIMITED  
MR. BENI 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 Q1 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, Investor Relations. Thank you and over to you, sir.

**Ronak Saraf:** Good evening, everyone. Welcome to Advanced Enzymes Q1 FY'25 Earnings Conference Call. I'm 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 on our website.

We have with us Mr. Mukund Kabra, Whole Time Director; Mr. Beni 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. 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 expectations or predictions about the future. Because these statements are based on current assumptions and factors that may 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.

**Mukund Kabra:** Thank you, Ronak. Good evening, everyone. I really appreciate you all for taking out your valuable time. And I extend the heartiest welcome to everyone joining us today on the conference call for the quarter ended 30<sup>th</sup> June 2024. Coming on to the performance, the company's overall performance improved on a year-on-year basis.

Now as far as the quarterly performance our top line stood at INR1,545 million grew 5% on a year-on-year basis and it has degrew by 2% on a sequential basis in quarter 1. Our EBITDA stood at INR512 million grew by 16% on a year-on-year basis while it has declined by 8% on sequential basis. We have witnessed growth of 19% in the bottom line on a year-on-year basis and 17% on sequential basis. On the margin front, EBITDA margin stood at 33% and PAT margin stood at 23% during the quarter 1.

Now talking about the segment-wise performance. I will first go through Human Nutrition. The human nutrition segment more or less remained unchanged during the quarter contributing 65% in the revenue. It grew by 2% on a year-on-year basis while a slight decline of 1% is registered on sequential basis. Nutrition business primarily supported the numbers in human business. Overall, the demand in the pharma business remained subdued.

On animal Nutrition, our animal nutrition business contributed 11% to the revenue in quarter 1. It grew by 9% on a year-on-year basis while it has declined by 7% on sequential basis.

Bio processing. During the quarter bio processing segment contributed 16% to the revenue. It grew by 12% on year-on-year basis and de-grew by 3% on sequential basis.

The food business grew by 6% on year-on-year basis and de-grew by 1% on quarter-on-quarter basis. The non-food business grew by 43% on year-on-year basis and degrew by 9% on quarter-on-quarter basis.

The specialized manufacturing segment contributed 7% and grew by 13% on year-on-year basis while it remained unchanged on sequential basis.

Our principal focus is on improving our product offering, keep introducing newer and commercially viable products and consistently meet the ever changing demands of our clients. We anticipate a robust growth trajectory in all our segments in the second half of this year. We'll bring more resilience in our business to enhance customer value proposition and deliver long-term sustainable growth going forward.

With this, I will hand over the call to Rauka ji, and he will walk you through the financials and key subsidiary numbers. Thank you.

**Beni Rauka:**

Thank you very much, Mukund. Good evening everyone. I hope you all are in good health. On the company's consolidated financials for the first quarter of Fiscal Year 2025 on year-on-year basis Q1 '25 versus Q1 '24. Our revenue increased by INR72 million, 5% of increase from INR1,473 million to INR1,545 million. EBITDA increased by INR72 million, 16% from INR440 million to INR512 million. This is about 33% EBITDA in Q1 of FY'25.

Profit before tax increased by INR73 million, 18% increase from INR414 million which is 28% of our revenue to INR487 million, 31% of our revenue for the quarter 1 of FY '25. Profit after tax has increased by INR56 million a 19% increase from INR294 million to INR350 million. PAT is about 23% of our revenue. On sequential basis, the revenue is decreased by about 2% from 1,578 million to 1,545 million.

EBITDA decreased by INR42 million from 544 million to 512 million. Profit before tax increased by INR90 million from INR397 million to INR487 million. Profit after tax on sequential basis increased by INR51 million from INR299 million to INR350 million.

On our financial performance of some of the subsidiaries. JC Biotech for Q1 FY '25, revenue stood at INR159 million; EBITDA of INR24 million and PAT of INR7 million as compared to INR134 million of revenue and INR9 million of EBITDA and negative profit of INR1 million in FY '24 quarter 1.

Evovx revenue stood at INR47 million as compared to INR54 million in Q1 '24. EBITDA is negative INR7 million and INR7 million was in Q1 of FY '24. So no change. Profit after tax,

Evocx continues to be in loss. It's about INR15 million of loss during this quarter as compared to INR13 million in last year's Q1. The sales of SciTech stood at INR111 million as compared to INR97 million and EBITDA of INR22 million as compared to INR4 million. Profit after tax, INR10 million as compared to INR1 million.

The sale of our largest product, which is anti-inflammatory enzyme, stood at INR280 million for the first quarter of FY '25 as compared to INR352 million in Q1 of FY '24, so there's a de-growth of about 20%. And it constitutes about 18% of our total revenue. The top 10 customers contributed 23% in the total revenue in Q1 FY '25 in comparison with 26% in Q1 of FY '24. The B2C segment contributed about USD 950,000 as compared to INR1.28 million during the same period in the previous year.

The Human Healthcare segment where we provide generally more granule numbers. So I'm giving you those numbers now. Pharma India INR375 million as compared to INR447 million. Probiotics INR39 million as compared to INR5 million. Biocatalysis is INR74 million as compared to INR86 million. India sale is about INR488 million in Q1 as compared to INR538 million in the corresponding first quarter of FY '24. International sales, Human Nutrition is about INR523 million as compared to INR456 million in Q1 of FY '24. The major contribution has come from the U.S.A., INR494 million as compared to INR422 million last year Q1.

R&D spending during this first quarter, we have spent about INR76 million on R&D as compared to INR62 million in quarter 1 of FY '24. And if we see that in terms of the percentage, on standalone basis, it is about 9% as compared to 7%, and consolidated basis R&D spend is about 3% in Q1 as compared to 3% in Q1 of last year. This is after intercompany eliminations.

And if we do not remove this elimination, then on consolidated basis, R&D spending is about 4% in both the quarters. That was from my side. Now we shall open the floor for question-and-answer session.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Shubham Sehgal from SIMPL. Please go ahead.

**Shubham Sehgal:** So my first question is, so like in the previous calls, we have been hearing that you are working on the sugar management and the weight loss products. But could you actually really provide a concrete essence as of now which stage of development have we reached? When you'll be able to launch these products? And what kind of revenues can we expect, like any ballpark figure would work? And will we only be distributed to the U.S. market or we would expand to other regions as well?

**Mukund Kabra:** Shubham, as you see some of the nutraceutical business in the U.S. is growing in the first quarter. On a quarter-on-quarter basis as well as on base basis, some of the sale is started, but it is still under the trial. So just -- I won't be able to give the exact revenue numbers for that. And as of now, like we are targeting the U.S. market for these kind of products.

**Shubham Sehgal:** When do we expect to launch because we have been hearing since 3, 4 quarters like in here.

- Mukund Kabra:** We've already launched, but it's on a pilot basis as of now.
- Shubham Sehgal:** So my next question is that, over the next 2, 3 years, what would be our key priorities and key gaps in the business, which we want to cover up or even if come to terms with the competitors? So what are the key gaps you want to fill in the next upcoming 2 to 3 years?
- Mukund Kabra:** So the priorities are going to be all the 3 segments. As we always mentioned, our growth is going to be driven by the nutraceutical as well as on the food side of the business, biocatalyst of the business and the animal feed. So these are going to be our key focus areas. Those are going to drive the growth. We will be introducing new products as we move on into all of these areas, and we are working on all of those areas. So that's going to be our key strategy.
- Moderator:** Thank you. The next question is from the line of Harini Dedhia from Tamohara Investment Managers. Please go ahead.
- Harini Dedhia:** I had a couple of questions around growth. So if you can help us understand what the Indian geography where we saw a flat quarter, because even in biocatalysis, we've seen a de-growth, which is supposed to be one of our growth engines. Just trying to understand -- is it just a quarter phenomenon or what is going on over here?
- Mukund Kabra:** Generally, the first quarter is always a little bit subdued, but we shouldn't really look into it as a quarter-on-quarter basis.
- Harini Dedhia:** But even year-on-year, it's been flat -- the India business. So which piece in the India business has sort of not worked out for us?
- Mukund Kabra:** India business is supposed to be under pressure this year, particularly on the human side. Most of the growth is supposed to come into the second half of this year.
- Harini Dedhia:** Okay. And that will also come from the human side itself?
- Mukund Kabra:** Yes on to some of the biocatalyst areas.
- Harini Dedhia:** Got it. And on Serratiapeptidase this has been another quarter of degrowth. So what is exactly happening in this market? Why are we seeing de-growth over here?
- Beni Rauka:** Last quarter in FY '24, probably pharma companies have picked up more stock, so some impact in the Q1.
- Harini Dedhia:** Got it. And in the Asia market, again, we were expecting growth driven by Animal Nutrition, that was the conversation in the Q4 call. So should we read something into this quarter's number or that will resume again in Q2, Q3 onwards?
- Mukund Kabra:** We shouldn't really look into it quarter-on-quarter basis as of now. I would say that the quarter-on-quarter numbers on Animal Feed or any area cannot give you the story.

- Harini Dedhia:** Okay. Got it, sir. So sir, when I look at the overall growth of the business, we've seen a lot of growth to come from U.S., which is typically a high-margin business, especially in Q1. So do margins still have room to expand from here on? Or with the U.S. growth also we're doing these margins, so we pretty much see similar 33%, 34% margins going forward?
- Beni Rauka:** I think 33%, 34% is what probably one should look at it now as of now.
- Harini Dedhia:** Got it. So only when we see rest of the geographies contributing a little more, will we see some expansion here?
- Beni Rauka:** Right. As international sales go up, probably you will see some better margins. And for that, I think we will have to wait a couple of more quarters.
- Harini Dedhia:** Okay, sir. But for the whole year, we would still expect that 12% to 14% kind of growth on the whole year basis to come through?
- Beni Rauka:** Yes. Right.
- Moderator:** Thank you. The next question is from the line of Abhishek Navalgund from Nirmal Bang Equities. Please go ahead.
- Abhishek Navalgund:** So some of the questions related to growth have been already answered. But just wanted to understand, sir, while you talked about some sort of destocking maybe this quarter in Serra, what sort of underlying growth we should assume going forward considering you're already a domestic leader here?
- Mukund Kabra:** So if you talk about Serra business we don't expect a lot of growth to come. It should be a more or less flat business or maybe like 5% here and there, the growth has to come from the other segments, what we're working on.
- Abhishek Navalgund:** Right. So since Serra still is the largest product in terms of overall size so if Serra is expected to grow at, let's say, 5%, 6%. I mean, the large part of the heavy lifting has to be done by the International Human Nutrition. So on that side in terms of quarterly run rate...
- Mukund Kabra:** Biocatalyst areas in the Indian side.
- Abhishek Navalgund:** Biocatalyst on the Indian side. But honestly the run rate on the biocatalyst hasn't picked up on a consistent basis. So what sort of growth do you expect from the biocatalyst? Are we in a position to launch some new molecules on the biocatalyst side in India?
- Mukund Kabra:** Yes. So we are really working on those, and we expect like some of the thing has to come up in the second half of this year.
- Abhishek Navalgund:** And the margins on the biocatalyst and maybe the International Nutrition business are more or less similar? Or international are much higher as compared to the biocatalyst? Even the gross margin, just an indication, yes.

- Beni Rauka:** I think as far as comparing the margin is concerned, it all depends. Even in International market now, like a couple of new products are being introduced. So initially, the margin there is different. But yes, I mean, international business, we get better margins.
- Abhishek Navalgund:** Sure, sure. And on the cost side, while on the other expenses, if I see on a sequential basis, there is no increase as such, but any comments on freight cost or it gets netted off against revenue? Just more clarity considering the Red Sea issue, ongoing Red Sea issue?
- Beni Rauka:** Freight cost is slightly elevated.
- Abhishek Navalgund:** Sir, possible to give the number? I mean, is there any major increase or not major increase that at this time?
- Beni Rauka:** It's not essential because freight -- like what happens once you realize that the issue is now with the logistics. So you always insist that freight is something the customer has to bear.
- Abhishek Navalgund:** Right. So the reason I'm asking is, during COVID year also, we have seen supply disruption. So both in terms of RM pricing as well as freight. So some part of it we could not pass it on entirely. So from that angle I'm asking whether it is a complete pass through with a lag or there could be some burden on us in coming quarters?
- Beni Rauka:** Yes some burden is there. If I compare on year-on-year basis, probably the freight cost is up by about INR5 million.
- Abhishek Navalgund:** Sure, sir. And last question, just to refresh my memory. I mean that R&D facility, which is going to come up, any commissioning or time line we have shared earlier? I'm not aware of that.
- Mukund Kabra:** No, we haven't shared. But as of now, like we feel in the -- after the June of next year, it should be in a working condition.
- Abhishek Navalgund:** June of next year, right? So no major capex, so like INR25 crores, INR30 crores capex this year and next year is what we should be doing?
- Mukund Kabra:** Roughly same amount.
- Abhishek Navalgund:** Okay. Last question, sorry. Anything on the potential M&A that you're looking at? Any development there?
- Beni Rauka:** No. I mean, as of now, I don't think any development. But yes, we keep on working on that.
- Mukund Kabra:** Nothing is concrete as of now, which we can...
- Moderator:** Thank you. The next question is from the line of Shrinjana Mittal from Ratnatraya capital. Please go ahead.
- Shrinjana Mittal:** I have two questions. One is on the product side. So like you mentioned that our biggest product, the anti-inflammatory product. So that is degrowing, and that's expected to be like that. So can



you just help me understand that is it the nature of the business that once we introduce a molecule, after a certain period, either there are many other players which come in, because of which the sales become flattish and then we try to add more products to cover up for the growth?

Or like what is it? And the second part of the question is, so currently from our product basket point of view, how many new products do we have in line? What is the stage in terms of application approvals and everything? So just some colour on that.

**Mukund Kabra:** So here, like we always have to work on the two areas. One is, always improve the productivity. That is a constant feature in our business, and the second one is the new product. There are a lot of different new products, which are under the pipeline. And that is how you grow.

Now if we talk about anti-inflammatory product. That is a very old product. In terms of product cycle, we started it somewhere around 1999, 2000, and it's still there. So it will not die as such but, yes, at some point of time, there is always -- when you are always leading 90%, 95% of the share when you command into that, there is going to be some problem.

**Shrinjana Mittal:** Understood. And when you talk about the new products, which are into pipeline, what would be the duration of that pipeline, like in terms of the application approval and then finally, commercialization? And how many such products would be there in the pipeline?

**Mukund Kabra:** If you ask me, there are about 50 products which are there in different areas, into different molecules as of now into the pipeline. But generally, the cycle is at least 1.5 years to 3 years, right? So some of them are like getting into the final stages now.

**Shrinjana Mittal:** And just one more question on the employee cost. So is this quarter is supposed to be the annual increment cycle for us? Because the employee cost has sequentially increased a bit, and it seems like that's generally the case. Is that the reason?

**Beni Rauka:** So I think first quarter, the incremental cost has come. But yes, for a couple of subsidiaries, probably that will happen in the second quarter, that happens from 1<sup>st</sup> of September also. But major -- I can say 80% incremental cost has already been absorbed. So you can go -- considering this particular quarter as the basis for annualization of your overall payroll cost.

**Moderator:** Thank you. The next question is from the line of Nitish from ChrysCapital. Please go ahead.

**Nitish:** My question is actually a follow-up to a question asked by an earlier participant. We said that we are confident of doing 12% to 14% revenue growth in this year. So that means we'll have to do around INR185 crores to INR190 crores quarter in Q2, Q3. So I just wanted to ask, do we have any visibility on Q2 since we're halfway there already?

**Mukund Kabra:** So in the beginning of the year, we do the exercise of the sales and from which part it will come up, and we map the sales with all the customer wise and growth area wise. And even though we don't have a very long-term visibility with the customers, but we can always see how it is going

to pan out in a year. Based on that, as of now, we feel that we should be able to do it because most of the sales have to come into the second half of this year.

**Nitish:** Okay. And on the margin outlook, considering we're already at 33% in first quarter, which is typically a low-margin quarter for us. So should we expect Q2, Q3 to be having a better margin?

**Beni Rauka:** So I mean -- the numbers will improve going forward. There will be certainly some kind of incremental margins. But as of now, I think 33%, 34% is what we are saying is something one should look at it.

**Nitish:** But it's right to assume that we could be closer to the 34% of this band.

**Beni Rauka:** Yes.

**Moderator:** Thank you. The next question is from the line of Kiran from Table Trick Capital. Please go ahead.

**Kiran B:** A couple of questions from my side. Sir, apart from the anti-inflammatory enzyme product that we have, it's about INR100 crores sales year-on-year. Do we have a start to -- the next 2, 3 products, which have a potential to go to INR100 crores revenue? Or is it more like a segment like a biocatalysis or Animal Bio-Processing or something -- a segment as such goes to INR100 crores. How do you look at it? Are there any -- the next Serra kind of products -- 1 or 3 products which can go to INR100 crores by themselves or is there a segment?

**Mukund Kabra:** So our business has to be seen with the different ways. One of them is like API, where Serra is there, which is more than INR100 crores as a product as of now. But there are a lot of formulations which we are launching, and we are focusing on them, and probably those should be more than INR100 crores going forward.

**Kiran B:** Got it. Got it. And most of these formulations are primarily in the U.S., if I'm not wrong?

**Mukund Kabra:** That is true. We are working a lot on to those formulations and improving those formulations going forward.

**Kiran B:** Got it. Second question, sir, our B2C segment, the Wellfa brand. I just want a clarification and then a followed by question, which is Wellfa brand is under SciTech, which is our 50% subsidiary. And then, how is it growing? And can it become a potential INR100 crores, INR150 crores in the next 1 to 3 years as you see it right now, of course, there can be changes, but as you see it right now?

**Mukund Kabra:** So Wellfa brand is under the Advance Enzymes right now, not under the SciTech. But as of now, I don't want to comment how it is going to pan out into 2 to 3 years down the line, but we feel that this year, we should be having about INR2 crores to INR3 crores sales coming from the Wellfa brand.

**Kiran B:** INR2 crores to INR3 crores. Got it. Got it. Got it. Okay. Sir, then the commentary from some of the U.S. and European players in the segment that we are in, they have had a lot of commentary that U.S. and Europe consumer slowdown is significant and even our Nutraceutical segment or the human nutrition segment, they're talking about other segments as well where we are not there.

They're seeing a severe slowdown in terms of consumption and buying patterns in the U.S. and European markets. So from where you are sitting as a vantage point, have you seen the slowdown or are you seeing the slowdown in terms of buying and purchasing patterns in the U.S. and European markets?

**Mukund Kabra:** European is a little bit slowed down as of now. That is what we can see. In terms of U.S., probably we are growing into these areas, because our sale was very low on the consumption side.

**Kiran B:** Sorry, sir. I didn't understand the U.S. market comment.

**Beni Rauka:** So U.S. market, we have seen growth if look at our number for the Q1 as compared to Q4 as well as Q1 of the last year. And based on whatever understanding we have from our U.S., we see that this year we are going to have a better growth from the U.S. business. This is the scenario as of now. Now when you are talking about the spending, probably what is happening is, it is on a different part of it -- on the consumer side of it.

Nutraceutical segment, again, there are different issues. So I mean, our business where we are catching to primarily on B2B first and then B2C is very small business. So here, still we see that there is an opportunity and growth is there in this market. So unless really we see the impact from those who are on the field and selling the products, which are formulated or finished goods from our formulations. So that impact so far, we have not seen.

**Kiran B:** Perfect. Understood. My last question, sir, Mr. Vasant Rathi in the AGM mentioned that somebody asked a question in the AGM, and he said, we probably will reach INR1,000 crores in sales very soon and all that stuff. So is there any definite pathway that you can tailor that Human Nutrition will be INR300 crores or Bio-Processing will be INR300 crores, whenever that we reach the INR1,000 crores sales. Right, maybe 3 years, maybe 5 years?

**Beni Rauka:** Of course, I mean, that has been really mapped and we have done a lot of work on that area, and that is that the Chairman has commented that, in down the line 4 to 5 years, we target to achieve INR1,000 crores of revenue.

**Kiran B:** Got it, sir. And which segment do you think will contribute the most to that growth from INR600 crores to INR1,000 crores. Because that's a delta of 400. In our area, it's quite a large number. That's the reason why I'm asking.

**Mukund Kabra:** You need to work on to the 3, 4 different horses, right? When we talk about INR1,000 crores, you need to work on the INR1,100 crores, INR1,200 crores, and then you can reach the

INR1,000 crores, because 1 or 2 will falter. As of now, like -- because it's more like on our R&D side and R&D driven. As I was telling, like most of the enzymes when you do it, the research is for 1.5 years to 3 years.

So it takes some time. It's very difficult in our areas like to exactly predict the number, it will come from this area or this area. Some may not work out. So it's difficult for me to say that the INR300 crores will come from this segment or for example, from this product.

**Kiran B:** Got it. My last question is a clarifying question, bookkeeping. Last year, we had a one-off of INR18 crores expense due to a legal settlement with one of our U.S. competitors. Is there any other legal expense or legal settlement that we are expecting in whatever, this year, next year, next 2, 3 years? Is there any particular conflict that we have as of today?

**Mukund Kabra:** No. As of today, there is no conflict. But you never know.

**Beni Rauka:** As of now, there's nothing.

**Moderator:** Thank you. The next question is from the line of Pawan Kothari an Individual Investor. Please go ahead.

**Pawan Kothari:** Yes. Sir, I would like to -- this is Pawan Kothari, I would like to ask you if we are having any export thrust to Europe also? And what capacity are still underutilized as of now, like how much of operating capacity are we currently working at?

**Beni Rauka:** So current capacity utilization is around 60% to 65%. And if you really look at the numbers -- so our export sale is now generally in the range of 50% comes from the international market, 50% comes from the domestic market. It keeps on changing. Sometime it is 48% to 52%, sometimes it is 50%-50%. That's how it is on a quarter-on-quarter basis.

**Pawan Kothari:** With the incremental sales, suppose our capacity has been utilized from 50% to 75%. How much of the cost benefit are we getting with the more capacity utilization?

**Beni Rauka:** Yes, Pawan ji, that will -- as you speak and you might have done a proper study. If you really look at when our sales, I mean, the revenue increased by 1%. Generally, I have seen that the EBITDA increase is 2x to 3x of increase in the top line, and that adds substantially to our PAT also. So definitely, expenses increased -- the more revenue you generate, the profitability definitely will change, it will improve substantially. In terms of numbers, I mean, when you look at 1% increase in revenue, 3% in EBITDA, 3% in PAT. So that is how generally we have observed in our profitability

**Pawan Kothari:** Right. And a very small question, sir. Are we selling online also, like on Amazon and other online big portals or are you just selling it like on the...

**Beni Rauka:** Yes. So there is the Wellfa brand basically. So we are expecting some kind of -- now good numbers in that sense. The last, I think, 1 year -- 2 years back, we have launched this. Now this is second year in succession. So we are getting good numbers in that sense.

- Pawan Kothari:** Thank you sir. I congratulate you once again on the good set of numbers this quarter.
- Moderator:** Thank you. The next question is from the line of Shubham Sehgal from SIMPL. Please go ahead.
- Shubham Sehgal:** Sir, we've always been an R&D-focused company. And as you mentioned, R&D is quite important for us. So this 3% to 4%, which we are maintaining as an R&D expense, how exactly do we allocate our resources? And what are our key focus areas and priorities? Like, if you could help me understand, how exactly are we spending our R&D budget and maintaining a 3%, 4% and which segments do we give priority or which are the key focus areas we are giving priority?
- Beni Rauka:** So it is always on the 3 and 4 segments where we have our strength and where we see that the potential is really excellent going forward. And so these are areas where we spend our money on R&D. So we continue to work on that.
- Shubham Sehgal:** But so I mean those segments where exactly do we scoop it or I mean how do we discover from the mix or where do we invest largely?
- Beni Rauka:** I mean, if you really see enzyme -- enzymes are very unique. So when you are developing the enzymes, it is not for a particular application, okay? So those are kind of -- the development takes place and thereafter, once you reach to a particular threshold, then you look at whether I can also develop application in, say, human nutrition, in animal nutrition, can I use for nutraceutical segment.
- So that happens subsequently. So you need to really spend on core research where you don't have that kind of understanding that, yes, I'm going to work only on this animal nutrition area. You work on your core strength basically.
- Mukund Kabra:** Only the enzymes which are only in the area of biocatalysts are more specific.
- Shubham Sehgal:** Okay. Got it. And so last question means that, what exactly is our edge or advantage in the human nutrition space as in the last 4 years, we have narrowed down our focus on the human nutrition?
- Beni Rauka:** So this is the business which we have started long back. I think if you really look at the -- you might have read the biography of our Chairman also. He is in U.S. So we started long time this particular journey where human nutrition what kind of initially we begin. And over a period of time, we developed so many enzymes around that, and that is because of his expertise in that particular space.
- So we are very strong on human nutrition side. And over a period of time, of course, human nutrition -- when you are talking about human health. So Animal Health is another area which is kind of coexists in that sense. So that is another area. And then now when you look at the food, the Bio-Processing is another segment because again now everything is going around -- a novel application of the enzymes in the food areas. So this is completely a subject which is very

close to us. And we have spent a lot of -- I can say last 25 years, a lot of R&D has been carried out on human nutrition, food areas and animal nutrition.

So we know we are very strong in that, and we have kind of in past some of like clients have been added over a period of time. So that speaks about that, yes, it is a sustained growth in the client portfolio with us.

**Moderator:** Thank you. The next question is from the line of Shreyans Gathani from SG Securities. Please go ahead.

**Shreyans Gathani:** So my question is mainly on the R&D front. So historically, we've mentioned we want to have R&D as 7% of the sales as such. But like on a consolidated level, we typically have been doing around 4%. So is that something that we should be expecting to go up in the future? Or should we just look at this number as is currently.

**Beni Rauka:** So Mr. Gathani, the capex is not much if you really look at in this area because now whatever capex we are doing is on our research and development center at Nashik. It is in CIB currently, not added to the expenses side of it, capital expenditure as such. So it is kind of a work in process, which is going on.

So once we add that amount, probably the spending is about 5% to 6% in any case. But yes, I mean, when you really prepare a sort of model, you can look at about 6% as our total R&D spend on a consolidated basis.

**Shreyans Gathani:** Got it. Okay. So what would be the expenditure already incurred on the center up to now?

**Beni Rauka:** I think we have roughly spent about INR15 crores.

**Shreyans Gathani:** Okay. Got it.

**Beni Rauka:** INR35 crores is something, sorry, I have not added the land. Land, this is about INR35 crores we have spent. And another INR15 crores is kind of another expenses on civil construction which is under progress.

**Shreyans Gathani:** Okay. So that's INR50 crores. So I thought that was the total spend that we've envisaged earlier for the same period.

**Beni Rauka:** Sorry, the land was acquired 3 years ago I think.

**Mukund Kabra:** It's somewhere around in COVID period 2017, '18.

**Shreyans Gathani:** Okay. Got it. Okay. So my next question is around Evoxx. So we mentioned that as an R&D arm of the company as such, so do we consider that portion into R&D or does that Evoxx sales come into like actual consider mentioned this in the expenditure numbers or not yet?

And second question on that is like we initially -- Evoxx had some partnerships with certain companies for some product development. Is there any update on that or that's pretty much was on a low key for a while. Just trying to understand if there was any movement on that side?

**Mukund Kabra:** So Evoxx -- since it's 100% owned company, the numbers get eliminated on the consolidated basis. So they don't come up in terms of R&D numbers. In terms of partnerships, there will be 2 types of models. One model is some of the Evoxx products sale. Some of them is like our R&D and some of them is CRO kind of customer-related R&D to sustain the expenses side of it. So there are certain customers which we are talking and that is what you are referring to. As of now, there is one big order is under the discussion, negotiation that is yet to be finalized. So can't comment on that.

**Shreyans Gathani:** Got it. So there's one order under sales. So when do we expect that to close by if it is successful?

**Mukund Kabra:** Over the next 15 days, but we'll come to know once it's done.

**Shreyans Gathani:** Okay. And could you quantify the size if that's possible or not yet?

**Mukund Kabra:** It will be not very big, but it will be about EUR 1.4 million to EUR 1.5 million.

**Shreyans Gathani:** Okay. That will be executed over a period of 1 year or so or...

**Mukund Kabra:** Yes. One year or so.

**Moderator:** Thank you. The next question is from the line of Kiran B from Table Trick Capital. Please go ahead.

**Kiran B:** So just trying to clarify, we've always committed on 15% growth CAGR over a number of years. But just for this year, I missed the last two concalls. What is the outlook or visibility that you've given?

**Mukund Kabra:** So this year we should be somewhere around 2 digits, somewhere between 12% to 15%, something of that nature. This year it is going to be a little tougher for us, but this is what like we feel we should be able to get.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to Mr. Ronak Saraf for the 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 kindly 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 in the next quarter, till then stay healthy, stay safe. Thank you.

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

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