

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs292	32.61	Accumulate	Rs380	30%

\*as on 15th May, 2025

### About the Company:

Advanced Enzyme Technologies Limited (AETL) is a research-driven company with prominent global positioning in the production of enzymes and probiotics. With over three decades of experience; AETL stands as India's largest enzyme company, providing an impressive range of over 400 proprietary products, manufactured using around 68 indigenous enzymes and probiotics. AETL operates 9 state-of-the-art manufacturing facilities globally, with 8 in India and 1 in the US. These facilities are equipped with large fermentation, recovery, purification, and formulation capabilities. They cater to a range of industries, including animal nutrition, nutraceuticals, pharmaceuticals, poultry products, cosmetics, and other specialty products. The facilities are certified with ISO and WHO cGMP, with the US-based facilities focusing on the blending and mixing of enzymes and probiotics. Some of the marquee clients across the business segments include, Sanofi Aventis, Lupin, Cipla, Ranbaxy, Nestle, Mankind, Bilt, Biological E, Malwa Industries, etc. Mr. V. L. Rathi is the Chairman of the company.

### Results: Quick Glance:

- The net sales for the quarter reported a growth of 5.9% to Rs1.67bn as compared to Rs1.58bn in Q4FY24
- The Ebitda margins for the quarter under review stood at 27.3% as compared to 35.1% in the comparative quarter last year
- The company reported profit of Rs0.27bn as compared to Rs0.30bn in the same quarter last year
- The EPS for the quarter stood at Rs2.37 as compared to Rs2.53 in the corresponding period of last year
- For the full year, the revenue grew by 2.1% while the PAT reported a drop of 2.2%. The Ebitda margins stood at 30.5%
- The Board has recommended a final dividend of Rs1.20 per equity share of FV of Rs2 each for FY25 and an interim dividend of Rs4 per equity share

### Conference Call Highlights:

- The **domestic business** contributed ~42% to the revenues during Q4FY25 as compared to ~49% in Q4FY24; the revenues stood at Rs704mn in Q4FY25 as compared to Rs774mn in Q4FY24, drop of 9% on a y-o-y basis. International business contributed ~58% of revenue in Q4FY25 as compared to ~51% in Q4FY24; sales reported at Rs968mn in Q4FY25 as compared to Rs804mn in Q4FY24, an increase of ~20% on a y-o-y basis. The revenue increased by 22%, 48% and 116% in the US, Asia (ex-India) and RoW respectively, while there was a drop of ~25% in the EU regions for the quarter under review
- The **human nutrition** segment contributed ~62% of total sales in Q4FY25 and ~64% in FY25. The segment reported a flat growth of 1% during the quarter at Rs1031mn as against Rs1024mn in Q4FY24 whereas it grew by ~1% on a sequential basis. Under this business segment, the domestic and international sales for FY25 came in at Rs1764mn and Rs2289mn respectively. For FY25, the **B2C segment** generated revenue of Rs375mn as against Rs394mn in FY24; in USD terms the respective revenues stood at USD4.4mn as against USD4.7mn. The revenues from the largest anti-inflammatory enzyme stood at Rs1193mn in FY25; contributing ~29%. The top 10 customers' contribution came in at 22% as against 26%
- During the quarter under review, the Board has approved the incorporation of a WoS in India for 50,000 equity shares of FV of Rs10 per share (cash consideration). This subsidiary will primarily look after the business of nutrition, wellness
- The **animal nutrition** segment contributed ~12% of the total revenues both in Q4FY25 as well as FY25. The segment reported a growth of ~13% with revenues at Rs209mn as against Rs185mn in Q4FY24 whereas on a sequential basis the business grew by ~6%
- The **industrial bio-processing** segment contributed ~17% and ~16% to the overall sales in Q4FY5 and FY25 respectively. The revenues registered a growth of 8% on a y-o-y basis at Rs278mn as against Rs258mn in Q4FY24. Under this segment, the **food business** contributed ~14% to the overall revenue and stood at Rs230mn while the **non-food business** contributed ~3% and stood at Rs48mn during the quarter. The food business grew by ~16% and the non-food business registered a drop of ~21% on a y-o-y basis. In the bio-processing segment, the main focus of the company is towards the baking solutions. With a diverse enzyme portfolio, the company has submitted 15 dossiers to the European safety authorities with positive opinion/responses for 9 of such dossiers
- The segment related to **specialized manufacturing** contributed ~9% and ~8% of the overall sales in Q4FY25 and FY25 respectively. The revenues stood at Rs154mn as against Rs111mn in Q4FY24; growth of ~39% on a y-o-y basis

### Conference Call Highlights (contd.):

- During the quarter, AETL has filed for 4 enzyme dossiers in the EU region which are awaiting approval; these are indicated towards the food, baking and refined/edible oil. In the US markets, the company has filed for 2 GRAS dossiers for food processing, baking. Additionally, the Management has indicated of applying for 3 patents for sugar and weight management
- The formation of **Starya Labs, Inc.**, (Starya Labs) under the US subsidiary will cater towards the testing requirements of enzymes and probiotics products
- With regard to the R&D centre at **Nashik**, the Management anticipates phase 1 construction to be completed by Dec'25 and partially some portion is expected to start tentatively in Q4FY26. The R&D expenses for FY25 came in at Rs328mn as against Rs274mn in FY24
- In FY25, the company has commissioned 510kW solar power plant and as on date the total reliance on the renewable sources account for ~5-10%. In addition to this, the company is also looking at other alternatives/may incorporate a JV if required in the near term

### Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	1672	1578	5.9%	1691	(1.1%)	6369	6239	2.1%	6859
EBITDA	456	554	(17.6%)	553	(17.5%)	1944	2045	(4.9%)	2058
Other Income	87	95	(7.9%)	77	13.8%	330	367	(9.9%)	343
Interest	8	8	(4.5%)	9	(14.0%)	36	29	21.5%	38
Depreciation	101	93	8.6%	90	12.3%	366	352	3.7%	401
Exceptional Items	0	151	-	0	-	0	151	-	0
Tax	167	97	71.8%	141	18.3%	534	509	5.0%	560
Net Profit	267	299	(10.6%)	389	(31.2%)	1340	1370	(2.2%)	1401

### Outlook and Recommendations:

The company has reported decent set of numbers for the quarter under review. Revenues for the quarter grew by ~5.9% while for the full year a marginal growth of ~2.1% on a y-o-y basis. Amongst the business segments, except for human nutrition, all others have performed well for FY25; with a strong growth seen in specialised manufacturing. Human nutrition regarded as the top revenue contributor witnessed a slowdown in the revenues primarily from the domestic markets whereas the international markets have done well for the company. For animal nutrition business, conducting of trials, undertaking research to develop more effective nutritional products is an ongoing process for the company. Apart from this, the company intends to launch additional products for both the domestic as well as the international markets. The Management anticipates a lot of traction in the bio-catalysis segment, where the company is scouting for new opportunities, working on new product developments for the domestic as well as the US markets. The company is also in conversations with many pharma companies/customers which is expected to gain traction over the coming years. Though the company didn't receive the expected traction/response for the enzymes for weight and sugar management; growth is expected from other segments over the medium term. As far as the concerns related to tariffs are concerned until the final outcome, it's a wait and watch situation, though it will be positive for the company given the facility that the company has in the US markets. Though the pharma industry seems to have concerns over the next couple of quarters given the ambiguity pertaining to tariffs, the Management expects growth to be witnessed from bio-catalysis, animal feed and food business in the upcoming fiscal. All the subsidiaries are performing well and the Management anticipates the losses for Evoxx to reduce over the medium term. On the financials, the Ebitda margins were slightly lower for the quarter under reference primarily on account of change in product mix and inventory revaluation adjustments as at the year end. In terms of opportunities, each of the business segment has immense scope from a long term perspective. Strategic R&D investments, working on partnerships in key markets, strengthening the portfolio and a debt-free status are the long term fundamental triggers for AETL; we thus continue to maintain our target price of Rs380.

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