Aarti Drugs Limited
Manufacturers of : Bulk Drugs & Chemicals

Corporate Office : Mahendra Industrial Estate,
Ground Floor, Plot No. 109-D, Road No. 29,
Sion (East), Mumbai - 400 022. (India)
Tel .: 022-2407 2249 / 2401 9025 (30 Lines)
Fax.: 022-2407 3462 / 2407 0144
Email: admin@aartidrugs.com
website: www.aartidrugs.com
CIN No.:L37060MH1984PLC055433

Ref: ADL/SE/2026-27/15
May 23, 2026

To,
Listing/ Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
BSE CODE: 524348

To,
Listing/ Compliance Department
National Stock Exchange of India Limited,
"Exchange Plaza", Plot No. C/1,
G Block Bandra - Kurla Complex,
Bandra (East), Mumbai – 400051
NSE SYMBOL: AARTIDRUGS

Dear Sir/Madam,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of Q4 FY26 Earning Conference Call

Please find attached herewith transcript of Q4 FY26 Earning Conference call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

FOR AARTI DRUGS LIMITED

RUSHIKESH VIVEK DEOLE

RUSHIKESH DEOLE
COMPANY SECRETARY & COMPLIANCE OFFICER
ICSI M.No.: F12932

“Aarti Drugs Limited

Q4 & FY’26 Earnings Conference Call”

May 18, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 18th May 2026 will prevail

MANAGEMENT:

- Mr. Adhish P. Patil – Chief Operating Officer and Chief Financial Officer, Aarti Drugs Limited
- Mr. Harshit M. Savla – Joint Managing Director, Aarti Drugs Limited
- Mr. Harit P. Shah – Whole-Time Director, Aarti Drugs Limited
- Mr. Vishwa Savla – Managing Director – Pinnacle Life Science Private Limited

Moderator: Ladies and gentlemen, good day, and welcome to Aarti Drugs Limited Q4 & FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 press Star then Zero your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Adhish Patil, COO and CFO from Aarti Drugs Limited. Thank you, and over to you, Mr. Patil.

Adhish Patil: Thank you. A very good morning, and welcome to the Q4 and FY '26 earnings conference call of Aarti Drugs Limited. Joining me today are Mr. Harshit Savla, Joint Managing Director; Mr. Harit Shah, Whole-Time Director; Mr. Vishwa Savla, Managing Director of Pinnacle Life Science Private Limited; along with our Investor Relations Advisors, SGA.

We trust that you have had the opportunity to review our financial results and investor presentation for the quarter and full year ended 31st March 2026, which have been uploaded with the stock exchanges and are also available on our website.

Let me start by outlining the key business and financial highlights for the period. FY '26 was an important execution year for Aarti Drugs as we moved from the investment phase into the operational scale-up phase.

From a broader industry perspective, FY '26 remained challenging due to multiple macroeconomic and geopolitical uncertainties, including global trade disruptions, trade tariffs and GST changes and pricing volatility towards the end of the FY '26 by elevated input cost, crude and gas-based raw material supply chain constraints due to the West Asia war.

During the quarter, freight, packaging, utility and energy-related costs also remained elevated, while availability of certain key raw materials remained inconsistent at various points. Despite a challenging operating environment for the industry, the business exited the year on a much stronger footing with a sharp sequential recovery in Q4 FY '26.

Operational initiatives such as process optimization, alternate sourcing strategies, energy efficiency measures and tighter planning helped us mitigate part of these pressures and ensure continuity of operations.

Now we'll talk about consolidated financial highlights. Q4 FY '26 revenue stood at INR721.1 crores as compared to INR678.6 crores in Q4 FY '25 and INR602.9 crores in Q3 FY '26, reflecting a growth of 6% year-on-year and 20% quarter-on-quarter, respectively.

EBITDA stood at INR96.6 crores versus INR95.2 crores in Q4 FY '25 and INR56.3 crores in Q3 FY '25, indicating flattish year-on-year growth and a growth of around 72% on quarter-on-quarter basis. EBITDA margin stood at 13.4%.

PAT stood at INR55.3 crores as compared to INR62.8 crores in Q4 FY '25 and INR40.5 crores in Q3 FY '26, a de-growth of 12% year-on-year and up to 36% quarter-on-quarter increase. PAT margin translated to 7.7% for Q4 FY '26.

With respect to the stand-alone business highlights for Q4 FY '26, revenue stood at INR631.7 crores versus INR623.0 crores in Q4 FY '25. Stand-alone business contributed around 88% to the consolidated revenue. 63% of the stand-alone revenue came from the domestic market and 37% from the export market.

Domestic revenue grew by 7% year-on-year, whereas export revenue declined by 7% year-on-year. Within the API business, the antibiotic therapeutic category contributed around 37.8%, anti-protozoal around 19.6%, anti-inflammatory around 11.9%, antidiabetic 15.0%, anti-fungal around 10.0% and the rest contributed around 5.7% to the total API sales.

Now let's talk about formulation segment highlights. Revenue from formulations stood at INR91.3 crores compared to INR64.8 crores in Q4 FY '25, up by 41% on year-on-year basis. Exports contributed 69% to this revenue.

For FY '26, formulation revenue was INR330.5 crores compared to INR284.9 crores in FY '25, up by 16%, with exports accounting for 65% of total formulation sales. Volume growth in the domestic market remained healthy, and we witnessed momentum in select non-antibiotic and export- led products. Export markets, especially formulations emerged as a key growth driver, supporting overall business stability.

As highlighted in slide 10 of our investor presentation, Aarti Drugs has consistently delivered positive volume growth over the last five years despite sharp pricing corrections across the industry. While this pricing pressure impacted realizations and top-line growth across the sector, our ability to sustain volumes and maintain customer relationships reflects our trust with the clients.

Encouragingly, pricing trends started stabilizing from September 2025 onwards, and this recovery strengthened further during Q4 FY 2026, supported by increasing crude prices and is expected to improve realizations in the short run. A key pillar of our performance during the quarter was the continued ramp-up of our new manufacturing facility, most notably our backward integration plant for methylamines at Sayakha.

The facility ramped up meaningfully and was tested at higher utilization levels, where operational performance remained encouraging. While the initial ramp-up phase witnessed temporary headwinds, the facility achieved a production rate of nearly 1,000 tonnes per month during the month of March 2026, and we expect to make further progress on utilization ramp-up during FY 2027.

Over time, the project is expected to significantly reduce dependence on externally sourced inputs and improve self-sufficiency for the metformin portfolio, thereby supporting margin improvement and operating leverage.

Another important structural improvement during FY 2026 was the increasing contribution from regulated and export-oriented markets. Exports contribution increased from 35% in FY 2025 to 38% in FY 2026, from which regulated market contribution also grew to 73% compared to 66%.

This gradual shift towards the regulated markets and higher-value products indicate the company's ability to meet stringent regulatory norms and adhere to international quality standards. Overall, while FY 2026 remains a transition year operationally, the business ended the year with significantly improved momentum supported by stabilizing pricing trends, stronger exports, improving product mix and a gradual ramp-up across newly commissioned facilities.

With that, I would like to now open the floor for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Nilesh Ghuge with HDFC Securities. Please go ahead.. Since there is no reply from the line of Mr. Ghuge, we'll move to the next participant. That is Mr. Shashank Goyal from Vyomara Capital. Please go ahead.

Shashank Goyal: Hello? Yes. Thank you so much for the convening as well as a very good number. So, my question is, how is the plant ramping up? What sort of integration has it reached? And what do you expect over the next two years? Amines plant?

Adhish Patil: Are you talking about methylamine plant in Sayakha?

Shashank Goyal: Yes, yes.

Adhish Patil: Okay. Yes. So, we just started that plant in the month of September. December quarter was the first quarter where we showed a utilization of around 29% roughly. And then in the March quarter, we were able to achieve a little upwards of 40%. We fell slightly short of our target of 45%, 50%, mainly because of ammonia-based raw materials in that plant because of the West Asia war.

But going forward, we are expecting that in June quarter, we should easily cross around 55%, 60% of utilization for that plant. And within a year's time, we believe that we should be operating upwards of 70% utilization of the methylamine plants.

Shashank Goyal: Okay. Okay. And my next question is on the salicylic acid, like what was your profitability at an EBITDA level last quarter? And what sort of margin and revenue profile may be reached over the next few quarters, assuming there is no change in the duty structure?

Adhish Patil: Yes. So, the salicylic acid still remains a laggard, as we were talking in last quarter that we were expecting one equipment and the delivery was expected in late April. So, we took a call

because we were making variable losses in salicylic acid, because we were not able to recover and reduce the raw material cost because of lack of that equipment. We took a call to shut that production.

And once all the equipments are operational, once we test it, once the variable costs are in check, and then we will restart the production of salicylic acid. So that is the latest update on salicylic acid, but we do expect and hope that we will improve. And very quickly, we should start with forward integration of salicylic acid as well because that plant is already commissioned. Now we will need to do piloting and scale up of the derivatives plant.

Shashank Goyal: Okay. Thank you so much. That's it from my side.

Moderator: Thank you. Next question comes from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi. Good morning, Adhish. So, my first question is in comment you mentioned that Q4, you ended on a strong note and the realizations were also kind of stabilizing because of this West Asia conflict, there is some improvement. So, given that we have a large capacity, which is already in place and the negative rate variance is behind us, should we expect around 10%, 12% volume growth and maybe some 4%, 5% positive rate variance because of the regulated market contribution going up and overall incremental pricing that we are getting because of the higher crude?

Adhish Patil: So, the current situation is such that the API prices remain elevated because of West Asia war. If this persists for longer, then definitely, there will be a lot more positive rate variances. Nevertheless, we will always strive for achieving a volume growth of 8% to 10%. As you said, we also have already built-up capacities from 2 greenfield expansion. So, achieving that kind of volume growth would be fairly easy. And realization, definitely it will be positive. The longer the war stretches, the positive variance would be more.

Dhwanil Desai: So, one follow-up on this, Adhish. So, we are talking about 8% to 10% volume growth. But if you look at the last 2, 3 years, we have put up so much of capex and the new capacity is coming on stream. So, with that, if we are talking about 8% to 10% volume growth, does it mean the existing base business, there we are not expecting much of a volume growth because that sounds slightly on the lower end, right, with the new capacity on so many new products, salicylic acid, methylamine, Spec Chem. So, with all that, why at a company level we will only grow at 8% to 10% volume growth?

Adhish Patil: Yes. So, the internal target would always be in the range of 10% to 15% growth. Right now, what is happening that with a very high pricing in the antibiotic segment, last time what we observed was the domestic demand had gone down. And that is what we fear. If the crude prices remain elevated very high, then the older generation molecules, which are already being sold at a very cheaper rate in the Indian market, and there is some kind of price regulation for the formulation players.

So, when the API become very expensive, typically, the demand of those products goes down. And that is what we have observed during Russia-Ukraine war as well in 2023. So that is the only challenge what we think we can face for antibiotic category in the domestic market if the prices are too high. If the prices are moderate, then it won't affect the demand. But if they are too high, the crude remains too high, then probably that might be the reason.

Dhwanil Desai: Okay. Got it. And second question on the gross margin side of it. I think there is some improvement stand-alone basis on gross margin. But how should we look at gross margin given that realizations are up, but input cost also is up. At the same time, regulated thing is kind of scaling up, rupee has depreciated for import, export. So multiple factors kind of playing into this. So, are we expecting any delta in gross margin for the coming year, given all this?

Adhish Patil: So, we don't expect much movement in gross margins as such. Definitely in Q4, we did fairly good in terms of gross margins. So, we would like to maintain this kind of gross margins. In Q4, what happened, our manufacturing costs were a little higher, but they can be reduced by 1% or so, which can lead to improvement in EBITDA margin.

However, there are a few factors like the more regulated sales, what we are targeting that will help in increasing the gross margin. But on the flip side, if the prices of the APIs goes too high because of the raw material prices, typically, what happens is that to maintain certain level of absolute gross profit per kg of a product, the margin tends to lower in terms of gross margin. You got my point?

Dhwanil Desai: Absolutely, I got your point that the absolute number can go up, but percentage it will look on the lower side …

Dhwanil Desai: But so my point is that, okay, so in percentage terms, it may not go up much, maybe stabilize or slightly lower. But in absolute terms, if the delta is higher, does it mean that the flow-through to the EBITDA will be significantly better

Adhish Patil: It can; there is a possibility.

Dhwanil Desai: Okay. Got it. And third thing, last question is on the formulation side. So, we did very well on the formulation side. So, what are the contributing factors? I think our oncology thing, the dossiers are still in the approval stage. So, it will take some time. So, what is driving this growth? And going forward, this kind of a run rate is possible to maintain? How should we look at it?

Adhish Patil: Vishwa, would you like to answer this question?

Vishwa Savla: Yes, yes, sure. So, as you rightly said, our oncology plant is still pre-revenue, but the current growth is coming from our direct exports in the non-oncology portfolio. Since we have a growing list of products that we are getting approvals across regulated markets, that is the business that is growing quickly, and that is why our export business is also increasing, which is leading to better margins as well. And going ahead, too, we are expecting a good number of

approvals and market extensions, which will help us keep increasing the export business at a similar pace.

Dhwanil Desai: So, this INR90 crores run rate that we got, I think that number is something which is possible to maintain in FY '27. Is that a fair way to look at it?

Vishwa Savla: Yes, yes, that's a fair assumption, right.

Dhwanil Desai: Got it. Thank you. That's it and all the best.

Vishwa Savla: Thank you.

Moderator: Thank you. Next question comes from the line of Jay Jain with JJ Capital. Please go ahead.

Jay Jain: Hi, sir. Sir, I have a couple of questions. Firstly, sir, regulated market contribution increased materially in FY '26, as you have highlighted. Sir, what are the key geographies leading to this improvement and which products?

Adhish Patil: Yes. I would like to highlight that this would be mainly Latin American markets. Still, European market, and U.S. market would be our target market for more and more regulated sales going forward. So, this hasn't seen an uptick yet, but it looks very promising because a lot of business development activities are going on with these clients. A lot of approvals are coming in for the facility as well as for the product.

So, within a year's time, at least by towards the end of the year, we should start seeing some kind of flow in the regulated markets from our recently reapproved U.S. FDA plant as well as other products. In fact, in a lot of our other dedicated plants as well, we have taken CEPs, which are the European approvals for antifungal products, then we have got for anti-inflammatory as well.

Jay Jain: Yes. So, sir, second is, what is the status update on timeline for key U.S. FDA approvals and DMF filings across the APIs and formulations?

Adhish Patil: For APIs?

Jay Jain: Yes.

Adhish Patil: See for API, we got the approval for U.S. FDA already last year, the plant approval. And there are a few antibiotic, anti-inflammatory and a few other therapies where we are actively marketing those products in the U.S. market and the flows will start within 12 months to 18 months is what we expect. Then we have oncology as well for the U.S. market where we are filing dossiers in formulation business?

Jay Jain: Yes. Sir, lastly, also can you please highlight the status of antidumping duties for the applied products?

Adhish Patil: Yes. So, we are in the process of application for our salicylic acid. So that is ongoing. As we speak now, the application is done and we are going ahead with the various stages of that antidumping duty application.

Jay Jain: Okay. Thanks a lot. Thank you.

Adhish Patil: Thank you.

Moderator: Thank you. Next question comes from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor: Hi Adhish, I joined the call a little late, so I missed your opening remarks. I'm sorry about that. Maybe my questions are a little different.

Sajal Kapoor: What challenges in the Sayakha ramp-up were kind of outside your control or were external? I mean it could be ammonia shortage or raw material volatility or some other factors? And which challenges were kind of internal execution issues where we or the company underestimated timelines, utilization curves or operational complexity because greenfield plants are always challenging in terms of scaling up, right?

What often works on the design, doesn't actually show up in the real production visible challenges. So, I mean, if you can split your response in something which was internal and could have been better managed and the factors that were outside your control? And how we should look at this particular amines greenfield going forward, FY 2027, this fiscal? Thank you.

Adhish Patil: Yes. So, we spoke about the Sayakha plant a little earlier. So, we said that we started this plant, the first quarter was December quarter, where the plant was operational at a full scale. So, earlier, we were just able to hit the run rate of around a little less than 30% utilization in the quarter of December, whereas in the quarter of March, in spite of the fact that there were slight raw material shortages, we were able to achieve utilization upwards of 40%.

And what we are seeing as far as first half of Q1 is concerned, we have already utilized the plant around 60%, the Sayakha plant. So, the methylamine scale-up is going pretty well. We did not face much issues in this plant like the Tarapur facility of salicylic acid, whereas the better utilization of this plant slightly depends on our expansion plans of metformin itself, which are also on its way as we speak right now. So, we are expanding metformin production as well. So, more the metformin production, more will be the utilization of the Sayakha plant.

As far as internal problems are concerned, there are very minor issues at the drying of one of the derivatives of methylamines, but we are not worried about that as of now because still we are able to increase our utilization and probably within 3-4 months, the real profitability of Sayakha plant will start showing results.

Sajal Kapoor: Sure. No, that's helpful, Adhish. And so, in terms of the metformin, I mean, how much of the value chain do we now control, because see, the state of India as a whole in metformin

especially was the fact that no one, absolutely no one was backward integrated, right? Everyone was dependent on China. So, how is the situation on the ground today as far as Aarti Drugs is concerned for metformin?

Adhish Patil: Yes. So, metformin, there are 2 main intermediates. One is sourced from China and Europe and the other one is indigenous, it is procured domestically. So, the DCDA, which is imported, there are a lot of players in that. So, not much margins to be made in that product as of now, plus it has an explosive chemistry, hazardous chemistry as well in terms of manufacturing.

But whereas the indigenous intermediate was concerned for metformin, there I believe now we are the only ones as of today with a backward integration facility. So, that puts us in a very good position. We are already very cost-competitive in metformin because we were clearly a leader with handsome majority when it comes to selling metformin in semi-regulated or I wouldn't call unregulated because none of the API markets are unregulated as of now.

But I would say, other than the highly regulated markets, the ROW market, we were absolutely leaders in metformin where cost of production is very important. And with the advent of this backward integration, our cost will further go down.

Another important update on metformin is that we have already filed a DMF with the US for metformin. Now, once we ramp up the capacity, we would like to invite FDA to inspect our dedicated metformin facility. So that would be the next stage for metformin. We already have this European approval. But what we feel is that US approval is the key even for selling the metformin to European markets.

Sajal Kapoor: Okay. So right. So that's helpful. So given our backward integration projects are now ramping up, is it fair to expect that every year should show Y-o-Y, if not quarter-over-quarter, improvement in terms of the margins, because the economics of the business is simple, the fixed costs are fixed as the utilization improves, and as long as the realizations are not suffering big time.

And there is also anti-involution talk coming from China. So, putting all that into perspective, is it fair to expect at least 100 basis points to 200 basis points margin EBITDA improvement in FY27?

Adhish Patil: Yes, we can expect that in terms of gross contribution. At least 100 basis points, we can definitely target.

Sajal Kapoor: When do we see us going back to the sunny day’s scenario. We in 2015, '16, '17 era, we were having 16% operating margins pretty consistently. We are way off that number. I know 2021, the COVID year, was an exception where we hit 20%, which was never sustainable. But for our kind of a business with backward integration and now this formulation also ramping up, and at some point in time, the oncology facility will also come into play. I mean, do you really think that 16% margin at an EBITDA level is a challenge even now?

Adhish Patil: No. So with more regulated sales from our US FDA plant, with metformin getting US FDA approval, hoping that, then with the advent of formulation, the export of formulation has already increased and the EBITDA margins in the formulation business is now upwards of 16% to 17%, which is very good for us, and it was consistent for the last two quarters.

And with incoming oncology business, definitely, as the utilization goes up, we will start adding margins at the EBITDA level, because as of now also, we are expensing some part of oncology cost, developmental costs in some part in the P&L. So, as the oncology sales improve, definitely, the EBITDA margin should improve.

Sajal Kapoor: And just remind me again on the capex plan for this fiscal and the next fiscal, because I might have missed that?

Adhish Patil: Yes. So as of now, greenfield project, we are not doing, but you can call it quasi-greenfield, mix between the brownfield and the greenfield, because the expansion, the new production lines, new production plants, which we are putting up are coming up mainly in the adjoining blocks of the existing facilities.

So, overall, the requirement of capital would be slightly low as compared to the greenfield projects because in greenfield projects, plot development, your compound wall, your utility setup, your other admin setup, QC block setup, those take up a lot of funds, whereas, in this kind of expansion, what we are planning right now and overall plans are there in three to four places.

So, we'll require a little lesser capex, but the asset turn of that capex should be slightly higher because it is a quasi-greenfield or brownfield, you can say. So overall budget, and this I was talking about the stand-alone plus in formulations also, we are coming up with additional block because we already got EDQM block in formulation for OSD. I'm talking other than non-oncology, and we want to double that capacity, and we want to make that block as EDQM as well.

So, all put together, we feel that at least in the next two to three years, definitely around INR300 crores to INR400 crores of capex might go in. But again, that will be a safe capex, more of increasing the existing capability rather than entering into altogether new products.

Whereas, a part of this capex will also go in formulation for developing our basket of oncology products, because that requires heavy capex. So, part of the capex will flow into the formulation business. And we are expecting to grow our formulation business at least till INR1,000 crores in the next three to five years.

Sajal Kapoor: Right. And how much of this expansion is backed by customer discussions and demand or order visibility versus we want to be ready with the capacity, hoping that the demand will come?

Adhish Patil: Understood, understood. So as far as the standalone business is concerned, because it is a brownfield or quasi greenfield kind of projects, all these products are the products which we

are already working in. So, we have pretty good visibility of the demand of that product. So, it is backed up by customer talks and discussions. As far as formulation is concerned, Vishwa, can you just explain how we are taking going forward for formulation demand?

Vishwa, the question is that whatever capex we are doing in next two years or three years, as far as the formulation capex is concerned, how much of that capex is backed by the visibility of demand or customer discussions? And how much is like more wishful like we will be ready with this and then probably the demand will come? That is the question.

Vishwa Savla: Right. So just to break it down, capex is in two parts. So, the capacity enhancement program that we are doing is pretty much based on our forecast for the signed products or where we have clear visibility on once our products are launched, we will need those kind of volumes. So, it's a brownfield expansion to meet our forecasted growth from existing products as well as new products.

And as far as our capex on R&D development goes, typically we look at developing products first. And then when the products are at late-stage development, either dossiers are ready or near approval, that's when we start to sign contracts. So apart from a few contracts which are signed at a very early stage, most of them are signed once products are almost ready to be marketed.

Sajal Kapoor: Okay, okay. No, that’s helpful. Thank you. Thank you for answering all my questions, team. All the very best. Thank you.

Moderator: Thank you. Next question comes from the line of Meghna Agarwal: with Mount Intra. Please go ahead.

Meghna Agarwal: Yes, thank you for the opportunity. Actually, can you just help me with the salicylic acid. I was not able to catch you properly. We are restarting the production. So, what happened actually? Can you please explain me?

Adhish Patil: Yes. So, in salicylic acid, a lot of improvements had to be made at the process level. One was regarding the phenol recovery, which was going waste on the mother liquor side, which we already did trials a few months back. We have ordered the equipment as well. But before that equipment is installed, it will be installed any time now. So, before that is installed and we operate and check that it is working properly. Though we have taken the pilot batches, so ideally it should work properly. So once that is done, only then we feel that there is a scope for us to come in variable profit for salicylic acid.

So, unless we install that equipment, there is no point in going ahead with higher production of salicylic acid because then that will, in turn, cause more losses for us. At the same time, in salicylic acid, what we have done, we have already commissioned, it's almost in the late-stage, we are going in for derivatives of salicylic acid. So, because the selling prices of derivatives of salicylic acid is much higher, the scope for margin expansion is more if we sell derivatives directly.

Secondly, we are also going in for antidumping for salicylic acid. And thirdly, there is one more scope of improvement in salicylic acid and that is at the part of effluent. So, in China, what is happening, the effluent stream is just a high saline water, which they are allowed to drain into the sea because other impurities are not there in that.

So, we are checking the possibility with the government, because if we have to evaporate all that thing then that puts us a little bit behind when it comes to competing with China. So there are two, three challenges. We are tackling all of them together. So, one is your liquid extractor, what I was talking about for improvement in phenol recoveries. Second was reducing cost at the effluent side. Third is antidumping duty. And fourth is your derivatives plant, which will come up by the end of May or by mid of June.

There is a severe fabrication labor shortage what we observed in the summer season, partly also because of lack of cooking gas and all. So, the labor in the area is not there. So that is why the plant got a little delayed, but anyway, it will be done soon. So, these are the multipronged approach what we are following up to improve the salicylic acid and then restart the facility.

Meghna Agarwal: Okay. And also, just wanted to any revenue guidance and EBITDA margins for FY 2027, like what are we expecting?

Adhish Patil: Yes. So, see, we already did around little more than 13% EBITDA margins. The war is one big challenge, how it will shape up, how far the crude prices will go up, whether they will stay up that high for a very long period of time or they will stay around, say, let's say, $90, $100, which is okay, which is fairly decent. So, there is slight uncertainty, but hoping for the best, we would still like to target EBITDA margins anywhere between 13.5% to 14% for this FY 2027. Had this war not been there, our earlier targets were definitely 14% to 14.5% EBITDA margin for FY 2027.

Meghna Agarwal: Okay. And also, one more last question. I wanted to understand like what is happening in the antibiotic segment? Like are we seeing any recovery? Or what is the thing going on the antibiotic segment, please?

Adhish Patil: So, there was some recovery on a sequential basis, means March versus December quarter. But one thing which can hurt this antibiotic demand a bit more is the elevated prices of antibiotics, means of the raw materials and all. So, if the crude remains too high, like more than $110, $120, then probably in short run, it might affect the domestic demand of antibiotics. That is what we feel.

Meghna Agarwal: So, are we seeing any volume growth or price growth in antibiotic sector, how are we seeing for our company?

Adhish Patil: So, there is price growth right now. I mean, if we talk year-on-year, in FY 2027, we are expecting a very big price growth in antibiotics. Volumes probably can be a bit flattish because anyways, the volumes of FY 2026 were not that great for antibiotics. So, it won't go further down is what we believe.

Meghna Agarwal: Okay, perfect. Thank you. Thank you so much, and all the best.

Adhish Patil: Okay. Thank you.

Moderator: Thank you. Next question comes from the line of Nilesh Ghuge with HDFC Securities,, please go ahead. Since there's no reply from the line of Mr. Ghuge, we'll move to the next participant, and that is from the line of Rishabh Jain with Modi Capital. Please go ahead.

Rishabh Jain: Yes. Thank you for the opportunity. So, my question is management indicated selective API price increase during the quarter. Which products have witnessed price hikes? And how sustainable are these increases? And do we expect to see further increases?

Adhish Patil: Harit bhai, would you like to answer this question?

Harit Shah: No, no. Prices are now stable. We don't -- we are not expecting any further increase in the price. This will definitely depend on the raw material and crude oil level prices basically. All solvents and other chemicals are at peak level now, and we don't expect further going up unless crude goes beyond $130, $140 per barrel.

Rishabh Jain: Okay. So, since you mentioned crude, so are we seeing a crunch in any of the key raw materials right now because of war? And is there any impact on the business?

Harit Shah: No. Only in March, we had some issue sourcing raw material, mainly ammonia. But otherwise, raw material availability is not an issue as of now.

Rishabh Jain: Okay. Okay. That will be all from my side. Thank you.

Moderator: Thank you. Next question comes from the line of Resham Jain with VVD Asset Manager. Please go ahead.

Resham Jain: Hi. Good morning, sir. So, I have two, three questions. First one is with respect to the overall capex, which you mentioned INR300 crores to INR400 crores over the next three, four years. Given that the cash generation is quite healthy, and we always maintain some level of debt equity, is there any other capex which you are planning beyond this? Because then it will not match the overall cash generation over the next three, four years?

Adhish Patil: So, if at all, we feel something is more lucrative, probably we might end up replacing some of the capex. And if the current projects, the current 2 greenfield projects, the Sayakha and the salicylic one, if there is stark improvement in the cash flow from these two projects, then probably we can have a bigger budget as well because then the cash generation would be a lot higher than what it is today.

So based on today's financials, this much is quite easily doable. As of today also, our consolidated long-term debt is around INR328 crores and short term would be around INR248 crores. And the debt-to-equity ratio is also historically lowest as of today in this quarter.

Resham Jain: Yes, that's right. That's why I asked. So maybe by the end of the year, you may further basically fine-tune the overall capex?

Adhish Patil: Correct. That is absolutely correct.

Resham Jain: Okay. The second question is with respect to CWIP of INR214 crores, which is currently sitting. That is related to which project, sir?

Adhish Patil: How much? So CWIP of what amount you said?

Resham Jain: INR214 crores, I could see.

Adhish Patil: Yes. So, part of that was related to the cogen boiler and some brownfield expansions what we are doing. And also, a major part of it is related to the formulation R&D, the dossiers - oncology dossiers, what we are developing. That also requires a huge capex. And as and when we will get the approval, then we will start the amortization of those capex.

Resham Jain: So, most of it should be capitalized this year, right, FY '27, maybe first half except oncology?

Adhish Patil: Vishwa, can you give us a fair idea about in oncology, how much of the projects will go live this year and next year, meaning in terms of percentage?

Vishwa Savla: Adhish, I think he's asking except oncology, but basically for the formulation part, the project life cycles are quite long. So, most of the CWIP will start getting amortized over the next 24 months. So, there might be some portion that will be amortized this year and next year, but the major chunk would be post 24 months.

Resham Jain: Okay. Understood. And sir, the last one, this year, all the projects which have started, like the methylamine and the salicylic acid and all, what is the total EBITDA loss, which is there in this year, because a lot of ramp-up related cost will be there?

Adhish Patil: For the entire year, you're asking FY '26?

Resham Jain: For the entire year, what is the total EBITDA loss because of new projects?

Adhish Patil: A very rough estimate, if you ask me, only the EBITDA loss would be somewhere in the range of INR18 crores to INR20 crores for the entire year?

Resham Jain: Understood. Okay, sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Adhish Patil: Thank you. So, thank you for asking the questions and showing the interest in Aarti Drugs. As utilization improves across our newly commissioned facilities and the benefits of our strategic investment starts reflecting more meaningfully in operations, we expect a gradual

improvement in profitability and return ratios for the coming years. We remain committed to disciplined execution, operational excellence and sustainable long-term value creation for all our stakeholders.

Thank you once again for your continued support and confidence in Aarti Drugs. For any further questions, please reach out to SGA, our Investor Relations Advisors. Thank you and have a nice day.

Moderator: Thank you. On behalf of Aarti Drugs Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

****