August 17, 2026

To,
Listing/ Compliance Department
BSE LTD.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

SCRIP CODE: 543748

To,
Listing/ Compliance Department
National Stock Exchange of India Limited
“Exchange Plaza”, Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

SYMBOL: AARTIPHARM

Dear Sir/Madam,

Sub: Transcript for the Q1 FY27 Earnings Conference Call
Ref: Regulation 30 of the SEBI (LODR) Regulations 2015

Please find enclosed the transcript of the Earnings Conference Call held on August 10, 2026, regarding the Company's Unaudited Financial Results (Standalone and Consolidated) of the Company for the first quarter ended June 30, 2026.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For AARTI PHARMALABS LIMITED

Jeevan Bhargav Mondkar
Digitally signed by Jeevan Bhargav Mondkar

JEEVAN MONDKAR
COMPANY SECRETARY AND LEGAL HEAD
ICSI M. NO. A22565

Encl.: a/a.

"Aarti Pharmalabs Limited
Q1 FY27 Earnings Conference Call"
August 10, 2026

MANAGEMENT:	**MR. RASHESH GOGRI – CHAIRMAN – AARTI PHARMALABS LIMITED** **MR. PIYUSH LAKHANI – CHIEF FINANCIAL OFFICER – AARTI PHARMALABS LMITED**
MODERATOR:	**MS. JULIE MEHTA – 360 ONE CAPITAL MARKETS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Aarti Pharmalabs Limited Q1 FY '27 Earnings Conference Call hosted by 360 ONE Capital Markets Private Limited. 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Julie Mehta from 360 ONE Capital Markets Private Limited. Thank you, and over to you.

Julie Mehta: Good afternoon, everyone. On behalf of 360 One Capital, we welcome you all to Q1 FY '27 Earnings Conference Call of Aarti Pharmalabs Limited. From the management side, we have with us Mr. Rashesh Gogri, Chairman; and Mr. Piyush Lakhani, Chief Financial Officer. I would now hand over the conference call to Rashesh sir for his opening remarks, post which we will open the session for Q&A. Thank you, and over to you, sir.

Rashesh Gogri: Yes. Good evening, everyone, and welcome to Aarti Pharmalabs earnings call for the first quarter of the financial year 2027. I appreciate you taking the time to join us today as I walk you through our performance for Q1 FY '27 and share key business developments.

Let me start with the overview of our stand-alone financial Q1 FY '27. The top line was INR535 crores as compared to INR375 crores a year back, showing an increase of 42% Y-o-Y. The EBITDA was INR133 crores as compared to INR95 crores in the corresponding period of the previous year. This is an increase of 40% Y-o-Y. The profit after tax for the Q1 FY '27 was INR71 crores as compared to INR48 crores a year back, which was 49% increase Y-o-Y.

Now let me present a few business highlights. Aarti Pharmalabs operates across 3 key verticals: Xanthine derivatives, API and Intermediates and CDMO/CMO services. Xanthine Derivatives segment contributed to 57% of our turnover in this current quarter and it recorded the highest ever quarterly sales of Xanthine derivatives. The volume split was 74% beverages customers and 26% other customers. In terms of geographical split, the sales was skewed towards exports, which contributed to 79% and the local sales was 21%.

The API and Intermediate business stood at 30% of the turnover. The sub-segment-wise breakup was 58% regulated market, 14% rest of the world market and 28% non-regulated market. While we are working on the development of new molecules with the medium-term patent expiry, the pricing pressures in existing molecules remain. And to mitigate these headwinds, we are starting a special project towards process intensification and cost reduction of existing products.

The third segment, CDMO/CMO, has contributed to 7% of the revenue in this quarter. We are presently working with 22 customers and the number of active projects is now 57, of which 37 projects are in the commercial stages, while 20 are under different developmental stages, both at customer end. Similar to previous years, the CDMO/CMO revenue is likely to be skewed towards the second half of this financial year. The remaining turnover of 6% is categorized as others that includes trading sales, export incentives and other sales.

Now I will share the update on the capex. I'm happy to share that Q1 FY '27 marks the completion of a couple of expansion projects. In Q1 FY '27, we completed debottlenecking of the steroid block at Unit 4, Tarapur, which is our USFDA approved API production site. As a result, now we have an additional 33% of our existing steroidal capacity enhanced for this block.

The additional capacity for Xanthine derivatives, started by the end of the Q1, has also been commercialized and the trial production is ongoing for the final product. The incremental capacity will be ramped up through the next few quarters and we can reach 80% plus capacity utilization by FY '28.

Both phases of Atali Block 1 with 440 kL reactor capacity will become fully operational in Q2 FY '27. Atali is majorly engaged in manufacturing of CDMO/CMO intermediate steps. Additionally, we have announced a capex of INR 149 crores towards Block 2 at Atali with 400+ kL reactor capacity. Groundbreaking is expected in Q3 FY '27 and the completion time line is around 12 to 15 months. This block, being dedicated towards specific CDMO projects, is more cost-effective vis-a-vis multipurpose production block. This block marks another milestone towards our goal of INR 1,000 crores CDMO/CMO revenue.

Conclusively, the business looks promising and offers substantial long-term value creation for all our stakeholders. Our strategic focus and operational excellence position us well to capitalize on emerging opportunities in the pharmaceutical sector and deliver sustained growth in the coming quarters.

Now I request moderator to open the forum for Q&A session. Thank you.

Moderator: Thank you. The first question is from the line of Dhruv from Vyomara Capital. Please go ahead.

Dhruv: Am I audible?

Rashesh Gogri: Yes.

Dhruv: Congratulations on the good set of numbers. So my first question is on the Xanthine business. Could you please share the current domestic versus the export revenue split in the business? And how is the trend going on like as we have increased the capacity? And where do we stand in terms of the global market share, if you can share?

Rashesh Gogri: No. Our current split in the current quarter is 80%, 79% export and 21% local revenue share. And I think going forward also as we ramp up our capacity utilization, the local market remains relatively smaller. Our share in exports will continue to be higher. Yes. And in terms of utilization, I think we -- as I mentioned, towards the end of next year, we will have more than 80% capacity utilization.

Dhruv: Okay, sir. I also ask regarding the global market share, if you can share?

Rashesh Gogri: So we are aiming towards 20% to 25% global market share with the enhanced capacity in the next 2 years' time.

Dhruv: Okay. So my second question is that within Xanthine, is the primary competition largely China-based or it's like fragmented globally? And roughly, what share of the global capacity would you attribute to Chinese producers?

Rashesh Gogri: China is a major competitor for Xanthine. I think the overall capacity of Xanthine chemistry in China is quite significant. And they -- barring few producers in India and Europe, I think largely almost overall competition, 80%, 90% still is in China only.

Dhruv: Okay. Last question. What would you consider a normalized through the cycle EBITDA margin range for the Xanthine business at full utilization? And how much of that is like structural versus dependent on gasoline pricing?

Rashesh Gogri: So we are just not normally guiding on the EBITDA percentage because we have a raw material pass-through generally that happens. And you have seen in the current volatility with this crisis of Middle East increased the raw material prices and which we have passed on to our customers. That skews the EBITDA percentage number. I wouldn't like to guide there. But in general, we are at a company level in the range of 20% to 25% EBITDA.

Moderator: The next question is from the line of Raj Agarwal from Niveshaay Asset Management.

Raj Agarwal: Sir my question was on Xanthine side. So Xanthine was roughly 57% of the Q1. I wanted to understand if you can share split between what was the volume growth and realization growth?

Rashesh Gogri: Over last year?

Raj Agarwal: Yes, compared to last year, yes, sir.

Rashesh Gogri: Yes. I have to look at the numbers. Probably, I think 25% -- I'll have to look at the numbers, and we'll get back to you.

Raj Agarwal: But directionally, I wanted to understand, assuming that Q1 number.

Rashesh Gogri: Yes. 25% is the volume growth over last year's volume. The value number, exactly we will have to see the last year's percentage. Yes.

Raj Agarwal: Okay. Got it, sir. And sir, with the supply chains now normalizing, do we expect that the realization might decline in this current quarter, Q2?

Rashesh Gogri: Realization per kg will decline. But overall, with the additional capacity, our sales will grow.

Raj Agarwal: Got it, sir. And sir, on last quarter, you had flagged that basically we have this large upcoming capex that is coming online, right? Xanthine just came online and now we have this Atali plant, which is going to come online. So those preop expenses might hit in basically Q1 or Q2. Those expenses, we have not booked yet, right? We will be booking them in the next quarter?

Rashesh Gogri: Yes. No, no, we will start booking the expenses. For Atali, we have already started booking the expenses for Phase 1 of the Atali Block 1. Atali Block 1 phase 2, which is a smaller reactor block will get completed -- this part block will get completed in the current quarter. So, Atali Block 1, all the expenses will start hitting the books in the second half of this year.

Similarly, in Xanthine also, the new site that we started, for the brownfield additional site, L99, that we started - mechanical closure happened in end of June. Now we have started the trial production. With that, the expense will start hitting in the current quarter.

Raj Agarwal: Got it, sir. And sir, my last question on CDMO side, like you mentioned that we are putting up a dedicated block for a particular project. Do we have like 2, 3 projects in our pipeline on which in future, long term, we can put up dedicated blocks. And since we just completed one large capex, can we expect that this Atali plant can contribute meaningfully from Q3 onwards?

Rashesh Gogri: Yes, at Atali, our first block was a multipurpose block. And now we are trying to put a dedicated asset, which is tuned towards a few projects, which are repetitive in nature for every year. And on the basis of the same, we would always like to keep our multipurpose block free for newer projects in the initial phase. And as the projects mature and we have visibility of these projects, we will move these projects to dedicated blocks. That is the theory that we are using.

We are happy to say that we have identified the products and the projects which have those potential and they are moving to the dedicated block once we have this dedicated block commissioned next year.

Raj Agarwal: Got it. And Q3 onwards, we can expect this Atali plant to basically contribute to top line?

Rashesh Gogri: Atali will initially contribute partly to top line and partly it will contribute towards the early stages manufacturing also, for which the final stages - customers would like to buy from the existing approved sites. But Atali is already contributing from the current quarter meaningfully towards overall manufacturing capacity utilization.

Moderator: The next question is from the line of Yash from Unifi Capital Private Limited.

Yash: Congratulations for a good set of numbers. Just tracing back to the Xanthine facility. So what would be the cost impact from Q2 onwards? Can you please quantify it?

Rashesh Gogri: Cost impact for the new production site?

Yash: Yes, Xanthine.

Rashesh Gogri: Cost impact, basically, we will be ramping up that facility quickly to the newly installed 50% capacity. And I think that would be easily be able to take care of the increased cost, which will happen there. So I don't see a significant P&L hit on account of that brownfield expansion that we have done.

Yash: And regarding the Xanthine realization, as you said, basically, it's right now, the prices have dropped, right, for Xanthine from the peaks which we observed during the conflict May, June?

Rashesh Gogri: Yes. The prices keep on changing basis the raw material movement. And currently, the prices have come to lower levels from the peak.

Yash: Okay. Another question regarding -- it's related to your gross margin. So going forward, what will be the sustainable gross margin level because I think we had flagged that there would be an impact of input and logistics costs on your API and Intermediate business and which will not be able to easily pass over. So going forward, what would be the sustainable gross margins?

Rashesh Gogri: Gross margin -- EBITDA margin, we have mentioned 20% to 25%. Gross margin should be around 50%, plus or minus a few percentage here or there.

Yash: 50%, right?

Rashesh Gogri: Right, company level

Yash: Yes. Understood. And just last question on the steroid block, I think we had done a debottlenecking. So I think the capacity, I think it has increased by 1/3. So when do we expect the capacity to be completely utilized? And is there any update on any specific orders which we have got for sterile injectables.

Rashesh Gogri: This is not sterile injectable. This is steroidal side. For which we have already enhanced the capacity and for -- because we had a 1.5 month break in the current quarter. I think going forward, we are fully utilizing the additional capacity of 33%.

Moderator: The next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sir, in this quarter, one thing on the margins is very clear that the impact of Xanthine was there significantly. The price increase that we have seen the realization increase that we have seen in this quarter that has resulted in gross margins touching almost 56% and our EBITDA touching 25.4%. So this is something which is not sustainable in the coming quarters given the realizations have already started dropping for Xanthine. Is that the right understanding?

Rashesh Gogri: That will be mitigated by the increased quantities that we'll start producing. As earlier I have mentioned that we were operating at around 6,000 metric tons level of Xanthine production. And now with the increased capacity of 9,500 metric tons coming into operations, I think overall, we will see higher sales and absolute gross margin will get sustained.

Ankit Gupta: So the gross margin should sustain is what you're seeing?

Rashesh Gogri: Absolute, absolute gross margin.

Ankit Gupta: Absolute. Okay. Got it. Got it. Got it. And sir, on Xanthine, have we seen some pricing pressure coming down from China with the government there reducing the rebates on exports. And we see that the chemical prices across the board have seen some increase from China prior to the war also. So has that been the case in Xanthine? And how should that have a long-term impact on this business for us?

Rashesh Gogri: See, currently, the Xanthine prices are at elevated level, and they have not come to the normal level of pre-war. They are still at an elevated level. Though they are not at the peak, but they are still higher than what they were pre-war because a lot of raw materials are still much higher than what they were in the pre-war situation.

Ankit Gupta: Sure. And sir, on this China anti-involution policy, has there been some impact there on Xanthine also?

Rashesh Gogri: Yes, yes. In Xanthine also, they have removed the rebate and due to which structurally the prices of Xanthine have anyway increased overall because they are not able to get the rebate. That was one factor which has helped us improve the overall margin in the spot market.

Ankit Gupta: Okay. Okay. Okay. And sir, on the API segment, we have been in this INR160 crores, INR165 crores revenue range. And in your opening commentary also, you have mentioned that the pricing pressure continues. We had some good launches that we had planned for this financial year.

So how should we look at this segment going ahead? Do you think we'll be able to go back to at least the INR200 crores kind of quarterly run rate that we had seen last year -- in last to last year -- in Q4 FY '25. Should we be going back to those levels? And when do you expect to come back to those levels? And how are the margins in the segment? Of course, you don't give the overall -- the specific segment level, but any views on the margins in the segment since we have seen a sharp -- like we have seen our revenues also coming down here?

Rashesh Gogri: Yes. Basically, the overall API generic business that we have, generic API and Intermediate business, that has 2 parts, API and Intermediate. And whereas I mentioned that we had a shutdown in a block to do the debottlenecking and that resulted in some reduction in the current quarter. That will get normalized going forward.

We are also looking at debottlenecking of our anticancer block, and we expect newer launches happening in the next year from that block. Overall, another key segment in this is intermediate. That segment will also -- a few products have been successfully commercialized and we have undertaken that process intensification exercise in this process. Those also will meaningfully add to the top line and the gross margin. Overall, we expect going forward, this business to do well, reasonably well from the current level.

Ankit Gupta: Okay. Okay. Sir, just last question, if I can squeeze in. So on the CDMO side, sir, 2 parts to the question. So one is our CDMO revenues have always been H2 heavy and primarily in Q4, but sometimes last year, we saw Q2. So should we continue to expect the same trajectory going ahead also that this year also H2 will be significantly -- will do the heavy lifting for the growth of 40%, 50% that we are seeing -- that we're expecting in the segment? And second...

Rashesh Gogri: Yes, yes. Continue.

Ankit Gupta: And sir, secondly, since FY '25, we haven't seen significant increase in the number of molecules. Of course, there has been some improvement in the number of commercial molecules. But overall, in terms of molecules and number of customers, there hasn't been any material increase that we have seen. So if you can also talk about why that is there? And what is our pipeline going ahead, RFP conversions and overall view on increasing the pipeline for the CDMO segment?

Rashesh Gogri: Yes. CDMO/CMO segment continues to be a very important segment for us. That's why we have guided for a 40% to 50% growth, and we are quite confident that we will achieve that growth in this current financial year. Overall, if you see, this is a current number that we published that how many active customers are there and how many active projects are there. And there, we deduct the projects that have been dropped by our customers also, which have failed or which they do not continue to pursue.

This quarter, we have seen overall number to grow by 3 projects totally and 1 additional customer have been added. But if you see in last 3 years, the number of commercial projects have increased from 21 to 37 projects. And that is the key that -- we have been able to get into the projects which have become commercial and the company is quite convinced about the growth potential, and that's why we are investing almost INR149 crores additionally over and above INR450 crores expansion that we did in Atali to ensure availability of capacity for these projects, 37 projects that are with the company. We are quite confident of the INR1,000 crores target that we have set for us.

Ankit Gupta: And sir, you did not answer on that. This CDMO revenues will continue to remain H2 heavy and...

Rashesh Gogri: I mentioned in my speech that for the current year, this will be H2 heavy.

Ankit Gupta: Yes. Sure sir.

Moderator: The next question is from the line of Shubh Mehta from ICICI Securities.

Shubh Mehta: First is, sir, just a clarification on the revenue breakup which we have provided. I wanted to understand the breakup is on the stand-alone or consol numbers because 6%...

Rashesh Gogri: Standalone, standalone.

Shubh Mehta: Then sir, can you give us the 6% of the contribution of other segment breakup, trading business regarding what is it exactly?

Rashesh Gogri: No, no. That is all the scrap sales and some other sales, some trading because we do group buying in this company like solvents and stuff like that. Not much revenue or gross margin accretive.

Shubh Mehta: All right, sir. Second, on the, sir, Ganesh Polychem side, how are margins over there right now, PAT margin side?

Rashesh Gogri: Ganesh Polychem overall margins for the consolidation, we have added at INR7 crores PAT number after rationalizing INR2.5 crores of the dividend income that we got from the company.

Shubh Mehta: Just a follow-up over there, sir, like how is business performing over there at that side?

Rashesh Gogri: Yes, yes. Strong quarter there, and we had good growth. And we are quite happy that the business in this current fiscal looks strong.

Moderator: The next question is from the line of Umang Gada from Avener Investment Management.

Umang Gada: Congrats on great set of numbers. I had one question on the margin side of things given that you mentioned that Xanthine prices on the spot market have come down, we also have some pre-op expenses on the Atali side of things. So on the EBITDA level, where do we see the margins headed for the full financial year '27? Is it more towards 25% and maybe above or it's more towards 22% kind of range?

Piyush Lakhani: Yes. It will depend upon how fast and how easily we are able to operationalize the expanded capacities that we are planning to add during the year. But we are still guiding for EBITDA margin of anywhere between 22% and 25% for the full year on our stand-alone financials.

Umang Gada: Okay. I mean the reason to ask is that, I mean, you don't foresee any impact because of this war-related crisis and higher raw material prices impact on the business, right?

Rashesh Gogri: Largely, if you see this year, we have given a guidance of almost 40% to 50% on the CDMO. That revenue will also be significant and almost become 20% of overall revenue of the company and which is where we have higher gross margin. So they will try to average out the overall EBITDA.

Umang Gada: Understood. And last question on the API side of things. In this business, we had a very great year in financial year '25 and '26 was a very relatively less good year. So do we expect to cross the levels of FY '25 revenue levels of INR780 crores kind of thing? Or we are just going to maintain some 30-odd percent growth on FY '26 level revenue?

Rashesh Gogri: Yes. I think the revenue -- internal target is to meet that number. But I think looking at the overall environment and the launches, I think we'll be not able to cross it, but nearly there.

Moderator: The next question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Congratulations on a great set of numbers. Sir, just to understand on Xanthine. So typically, this quarter, we have reported INR305 crores of revenue. And given our capacity ramp-up will further ramp it up, the new expanded capacity, which will further ramp up in terms of the utilization. So this year -- and of course, you mentioned that there is a slight decline in the prices, but at the same time, the prices are above the pre-war levels.

So how should we look at the sales for Xanthine this year? Can we look at this INR300 crores and say maybe some decline in the prices being mitigated by your increasing production? So can we expect this year to be somewhere around INR1,100 crores plus or minus INR50 crores of sales from Xanthine?

Rashesh Gogri: We have to wait and see how the prices normalizes. That will have a bearing on overall pricing. But it will be a range between INR900 crores to INR1,100 crores. In that range, I think anywhere it can land INR900 crores to INR1,000 crores, right?

Rahul Jain: So can you specify what kind of price increase are already happening in the industry as such? Maybe you may refrain from saying for us, but overall, what is the price increase which the industry has?

Rashesh Gogri: The price increase is coupled with the raw material cost increase also. Overall margins per se will have an impact -- marginal impact. But overall, if you see, we have also done the mix change. We are selling more towards the Cola customers than the regular customers because as our new facility is up-ending, we have a higher commitment to give more volumes to these customers. And as the new capacity comes, it will be more on the spot pricing. That's how the mix has evolved in the current quarter.

Rahul Jain: And sir, with regards to the block, which you're talking about CDMO we are planning to do a capex. So with that capex and the capex which is getting -- which has got completed in the

Phase 1 as well as getting completed in this current year, those capacities are built to reach our stated goal of around INR1,000 crores of revenues by FY '29?

Rashesh Gogri: We have to see when we reach it, but '29 or '30. But in terms of the current new block that we propose to put and the existing current block and of course, the manufacturing that we will have at Vapi, these things will be sufficient to -- sufficient capacity will be there to meet that aspiration with the current block. In the current block also, currently, we have only approved 400 kL, but we have capacity to increase that by another 200 kL and that will depend on the new projects getting matured.

We are going to keep that readiness on the civil construction part of the project and that also has been sanctioned by the Board. However, the equipment, 405 kL only we are putting up, but the additional 200 kL equipment can be put up at a very short notice.

Rahul Jain: Okay. And my understanding was the one dedicated block which you already announced now. There was one more dedicated block which you were planning, probably waiting for some approval.

Rashesh Gogri: That is what we have announced. Last quarter, I did mention about -- we are thinking about this and that got approved by the Board now. We have a few good CDMO projects, which have very promising future potential.

Rahul Jain: So I'm talking about 2 dedicated blocks separately. So we are putting up one, right?

Rashesh Gogri: Yes, yes. But we already have another 400 kL multipurpose capacity available. The block 2 that we are putting up, we have currently approved for 405 kL, but we can still go up additional 200 kL. So existing 450 kL plus this 600 kL additional, which we can go up to, will be a very large capacity.

Rahul Jain: Okay. Okay.

Rashesh Gogri: It's a jumbo block rather than dividing into a smaller block - we are putting up a bigger block.

Moderator: The next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: I've got two questions. One is - beyond the revenue growth, how has the complexity and value of CDMO segment changed over the years? And how is that progression reflected in the gross margins of CDMO segment?

Rashesh Gogri: Yes. Good question. I think since we started CDMO journey meaningfully 5.5 years ago. I think we have grown almost 10x in that period. Initially, we started with ISO product supply, regulated starting material supply, KSM supply and then we have moved to GMP supply. And we have always been restricting ourselves to smaller molecules. And now we have also backed certain projects where we are supplying API for initial tox batches and also for the initial clinical batches.

In terms of chemistry skill sets, as I mentioned last time also, we have approved an R&D lab and equipment where we can look at peptides and oligonucleotides. That is adding additional capabilities in the near future to what company can do.

Apart from that, we are also doing more and more green chemistry, flow chemistry. Overall, where we were 5.5 years ago and where we are today is completely different. We are a much more mature company and we are operating all the manufacturing sites, which are all approved by the large innovators. 2 sites are U.S. FDA approved for Intermediate manufacturing as well.

We are able to build a good name in the CDMO market where people have started recognizing what Aarti is capable of doing. And with the recent hiring of CSO and then the team, new R&D team also has helped us in overall pushing that agenda.

Sajal Kapoor: No, that's very interesting. And secondly, some of the larger Indian CDMOs reports about 85% gross margins in the Development segment. And when the molecule goes commercial, they report 70%, 75% gross margins in commercial manufacturing, depending upon how many steps, what complexity, et cetera. So question is, as Aarti CDMO business scales from 7% of revenue today towards more like INR1,000 crores whenever we get there and beyond, how should we think about the structural opportunity for consolidated gross margins? Because we have got 3 segments, right? Xanthine is probably the lowest gross margins, and we have got APIs and then finally, the CDMO segment, which to my mind is the highest gross margin.

Rashesh Gogri: 85% and 75% margins - those who are doing very early-stage work. The gross margins are high, but it's more research work. Where we have to put up a lot of R&D efforts, whereas we specialize on the manufacturing side. If you see the way in which we have been able to increase our commercial portfolio is quite rapid. You don't see many companies doing 37 commercial projects within such a short span. Since we get into the projects during Phase II, Phase III changeover and then the commercialization of the products, if they happen, we straight away have the commercial sales -- and this our manufacturing specialization helps the innovator to bring down the cost from the early stage suppliers that they have for the clinical batches. That is what our specialization is.

We don't expect to do 70-75% gross margin currently, unless we move up in the Peptide segment and Oligonucleotide segment where it is very complex and more research-driven. In small molecules, I think we are reasonably at 60%, 65% gross margin on the commercial side, 60%. Whereas on the early side, we also have a little bit higher margins in some projects, but we do limited stuff there.

Sajal Kapoor: No, that's very helpful. I think even with 60%, 65% gross margins on optimal utilization, the EBITDA margins can be easily north of 30%. Again, it depends on the utilization level and how fixed costs are covered. But I think 60%, 65% on a sustainable basis is a very healthy gross margin.

Rashesh Gogri: Yes. But one thing, overall, we have 3 business segments. And in combined, we are pushing all the businesses to grow significantly. And as I have mentioned in earlier that we want all the businesses to grow beyond INR1,000 crores. Looking at that, I think Xanthine, as I mentioned, will reach that number sooner. CDMO/CMO has a few years. API also will take a couple of years to reach there.

With all the 3 segments breaching that, I think we expect CDMO/CMO segment to go beyond 25-30% overall percentage of the company's sales going forward.

Moderator: The next question is from the line of Kenil Mehta from Boring AMC.

Kenil Mehta: Sir, on the CDMO side, given our aggressive growth ambitions and capex, could you elaborate on the talent acquisition strategy driving this expansion, specifically on what additions have you made across your R&D scientific leadership team and global sales and business development team over the last few years? And what is the pedigree or domain expertise these hires bring in for Aarti Pharma?

Rashesh Gogri: Yes. As I mentioned earlier during this current year, we have built a CXO model on the tech side. Now we have a Chief Scientific Officer, we have a CTO, we have a COO who operates our manufacturing assets for API and the intermediates as well as the CDMO/CMO segment and the R&D segment. We have right people hired. And of course, below which also we have built a team. We have a dedicated R&D team, which has expertise in small molecules. Now we have also had a few people on the oligonucleotides and peptides and also we have a very good team on the scale-up side and process intensification. These 3 are very important in terms of R&D.

We run 3 R&D centers. We have an innovation center in Nerul, which is largely for the innovators where we have more than 100 scientists sitting there. We have an API R&D center in Dombivali, which we operate. And we have a scale-up and the process intensification R&D center in Vapi. All these 3 R&D centers combined, we have more than 250 scientists working in our organization. We have a quite healthy pool of scientists and a very good team.

In terms of BD, we are trying to enhance our BD team. We have geographically distributed BD for CDMO/CMO. And we have people assigned towards different regions. We have a European lead, and we have a U.S. and Japan lead. They work cohesively, and we also have a project management team, which supports them so that they only engage mostly in the BD work. We have a good structure that is working well for us.

Kenil Mehta: And what will be the contest in 2 years back and now as the CDMO has scaled up?

Rashesh Gogri: Yes. The entire lab of CDMO, we started 3 years back, and we have set up this entire 100 chemists only for the innovative work that we continue to do at our Nerul lab.

Moderator: The next question is from the line of Shubham Aggarwal from Burman Capital.

Shubham Aggarwal: Sir, my first question is on the prices trend of Xanthine. So sir, there have been 3 different effects that are playing out. One is that Chinese rebates have been eliminated going forward from April 2026. Second is what we also understand is that is basis the input provided by one of your Chinese players through their RHP that there have been production quota cuts in China in the domestic market.

And the last is that there have been rise in the cost of the raw materials that you are consuming. So sir, let's say, pre-involution duty, your prices were X. Can you just help us understand where they are as of now? And how many of these factors in your assessment will be temporary in nature versus structural in nature?

Rashesh Gogri: Yes. I think the involution duty currently looks like permanent structural change, at least for the near term. For the next few years, I don't see that to change significantly. And in terms of raw material increase - that is temporary and that is basically tied up with the West Asia crisis, whereas the quota tightening up of Chinese manufacturers that has been done by the government is to ensure curb on the competition, which was all the companies were bleeding in China.

They wanted to prevent it. That is structurally improving the overall Xanthine business margins overall for us. With the capacity that we have now, we will have the second largest capacity in the world of the Xanthine. For each and every consumer, we expect to have a wallet share in their overall requirement, being very large Indian source that we are. And with that, we have projected the growth that currently we are operating close to 6,000 tons, and we are anticipated to go to 9,500 tonnes in the next couple of years.

Shubham Aggarwal: So sir, let's say, if the prices have increased by any amount here, would you characterize 50% of it like in structural nature and 50% temporary? Or would it be even higher temporary increase just in your fiscal?

Rashesh Gogri: I think it is very difficult to put that number, but I think we can go by 50-50.

Shubham Aggarwal: Understood. Understood. And sir, I just heard that you were saying that we are expecting INR900 crores to INR1,000 crores of revenue in Xanthine. And what I understand we have already done INR305 crores this quarter. So remaining INR700 crores in next few quarters. So all in all, would you like expect a step decline in Xanthine revenues in the next couple of quarters just because pricing temporary will reverse? Or would you expect to maintain this quarterly run rate going ahead?

Rashesh Gogri: I think this quarter was exceptional in terms of the top line. In response to the West Asia crisis, the prices of raw material had almost practically increased by 50-100%. They have - in end of June and July - come to a little bit of a reasonable level from 100% to 25-50% level. There is already a change which will reflect on overall pricing because largely, we have price pass-through deals for the large customers. For the spot market also, it reflects overall pricing to come down. With that coming in, I think the top line is anyone's guess where we will land. So we are just giving a broad range.

Shubham Aggarwal: Understood, sir. Sir, just one last question on CDMO. So sir, we have like put up a INR150 crores dedicated capex for some of our molecules. Sir, I just wanted to understand this dedicated CDMO block. Is it like referenced by a customer booking your capacity in advance for one of the molecules they might be in commercializing stages? Or is it more to do with your own visibility basis a few of your molecules? So like is it for one customer, one molecule basis for near term? Or is it fungible between at least 1 to 2 projects basis different durations of time?

Rashesh Gogri: Yes. I think this block is going to be used as a dedicated block for manufacturing of a few projects. I think 3-4 projects will be done in this block for multiple customers. And a little bit of flexibility we will have in between because of skewed nature - when they would like to take certain quantities and when they may not like to take.

But I think we have quite a good visibility of where what kind of requirement combined can go with those projects that we have, and current capacity that we have - would be multipurpose and insufficient to meet that number, basically over -- because for each and every reactor, we have multiple sets of flexibility that we create, which need not be there for this dedicated block.

So rather than creating additional multipurpose, we decided to create a block which encompasses the changes due to dedicated nature that we are only going to do a few stages in that -- those dedicated reactors. So which makes the capex a little bit more efficient. And the process also optimizes a bit because we take care of the need of the process and tweak the machinery accordingly. So that's the advantage that we have.

Shubham Aggarwal: But sir, like we would have visibility on projects, which in itself can become INR200 crores, INR250 crores per molecule, like we do have some sort of those projects in pipeline.

Rashesh Gogri: I would not like to comment on numbers, but we have visibility.

Moderator: The next question is from the line of Abhishek from Padmaja Investments.

Abhishek: And regarding this new capex, new capacity that got commissioned, do we get that facility audited by U.S. FDA or EU GMP? Like is it necessary or not?

Rashesh Gogri: The Atali facility that we have started, there is no mandatory requirement of USFDA to get it audited. It has been already audited by our innovator customer, and they have approved the site for manufacturing; whereas in the case of Xanthine facility - it is largely for the food requirement that we have enhanced the current capacity that we had at the brownfield site. That also doesn't require USFDA approval. So, both the sites that have become operational in the last 6-8 months don't require USFDA approval as such.

Abhishek: Okay. Okay. Okay. And another question is on this Xanthine site, will you be allocating more capital going forward also to that division since it is a commodity and you are trying to focus more on the CDMO part, trying to understand the capital allocation as a broad strategy level.

Rashesh Gogri: Yes. I think with the current expansion that we have done, we will be the second highest manufacturer of Xanthine in the world. I think that this will be good enough for us to have this capacity for the next few years before we put additional capital in that. However, we will not rule out cost-saving projects, which have lower payback period.

Abhishek: And last question, sir, this is the last question. I remember your last presentation that you mentioned that 7% of the R&D expense as a share of API intermediates and CDMO revenue is the expectation. Like in that majority of it, is it allocated towards CDMO or towards the API and Intermediate one?

Rashesh Gogri: I think it is split between both

Abhishek: The number looks high. So I'm trying to understand if it is towards playing a old API generics...

Rashesh Gogri: I think more towards CDMO.

Abhishek: Okay. Okay. And going forward also, we can expect the same range its towards less than 5%.

Rashesh Gogri: Yes, yes. More than 50% of that will be for CDMO.

Moderator: The next question is from the line of Pritesh Chheda from Lucky.

Pritesh Chheda: Sir, my question is with respect to CDMO. So this INR149 crores of dedicated project, which 200 kiloliter and another 200 kiloliter possible expansion. Can you tell us the ramp-up plan at least for this dedicated project? Because my guess is here, you will have some visibility on the commercials of that molecule. And overall, my guess is you guys have invested now about INR600 crores of capex. So right, INR450 crores and this INR150 crores. So this INR600 crores of capex translates into what kind of asset turnover?

Rashesh Gogri: Yes. Asset turnover will be in excess of -- around 1x. And in terms of overall capacity utilization, meaningful capacity utilization because this plant that we have dedicated facility that we are putting up will start in end of next financial year. It will get reasonably occupied in 1-1.5 years' time post that. We expect this to meaningfully help us reach our target of INR1,000 crores in terms of top line.

Pritesh Chheda: So that onetime asset turn is on the whole INR650 crores you're saying? And correspondingly, you have INR1,000 crores ambition. So then we need to put in some more capex?

Rashesh Gogri: We already have our Vapi site also, which has a 600 kL capacity out of which partly is dedicated towards the CDMO. And currently, 450 kL is there, another 400. And I think the current block, we have kept another 200 kL flexibility, so which will also require additional money. But rather than building 2 blocks, we have decided to go ahead with 1 block where we can eventually ramp it up to 600 kL. But currently, we have visibility of 400 kL. But civil, we are going to keep ready so that within 6 to 9 months, we can ramp up additional 200 kL also.

Moderator: The next question is from the line of Julie Mehta from 360 ONE Capital Market Private Limited.

Julie Mehta: So sir, I had one question relating to Xanthine and CDMO. So basically, given that Xanthine contributed to around 57% of revenue, while CDMO has fallen to around 7%. So we observed that margins have remained stable year-on-year. Should we expect that margin expansion to improve as CDMO revenue recovers? Or does that mean that profitability profile of Xanthine has improved enough to offset the lower CDMO contribution?

Rashesh Gogri: I think overall, if you see all the manufacturing companies, their profitability in the current quarter looks a little bit higher because of the impact of raw materials which have been procured at a lower number and sales rate we have been able to push up. That has resulted in a little bit of higher margin for the current quarter, but that will get normalized for the Xanthine range of products going forward.

In terms of CDMO also, as it moves towards the second half, I think there, we will see a ramp-up of margins in CDMO because we expect almost significant sales happening there. Overall, this year, we will see more stable quarters rather than more up and down opening.

Julie Mehta: Okay. And sir, regarding the CDMO decline, so was it basically because of project timing or lumpy commercial shipments or maybe there were changes in customer demand? How do we look at it? If you could throw some light on it?

Rashesh Gogri: CDMO, we have guided and we are continuing to hold on our guidance of 40-50% growth over last year. And last quarter also, we had quite significant sales of CDMO. And the current year also due to the accounting standard, we had some postponement of sales also because of the non-deliveries, which could have resulted in sales in this year.

Overall, we are not concerned about lower sales in this quarter. Over the next 3 quarters, we will build it up and we'll get that growth number.

Julie Mehta: Okay, sir. And sir, just one last question where in terms of API, where are we seeing the strongest traction kicking in, in which areas, like oncology, steroids, respiratory or hypo products, how do we look at that?

Rashesh Gogri: See, the company is uniquely positioned and it has the capability of doing anticancer projects. It has the capability of doing steroids and also we do more lifestyle drug projects, whereas we anticipate newer launches in anticancer happening in the coming years where the growth can come. That's why we have taken an expansion of our Block 3, which is our anticancer block and the capacity will be ramped up significantly there.

Whereas in the case of the lifestyle products also, we are adding a few more products there, which are antidiabetic in nature and which have commercialized and going forward, they will ramp up. But due to the launch, there is strong pressure on the pricing. And as I mentioned in my speech that we are targeting a cost intensification and operational intensification and cost optimization exercise going forward. That will result in a positive margin and our ability to sell those products more. All this will result positively, I think, in the next 6 months' time. We will be able to grow this business also going forward.

Julie Mehta: Okay. So what kind of margins do we look for API business on a blended basis, like just approx range would also work?

Rashesh Gogri: So I think gross margin level, we are at around 45%, 50% gross margin.

Moderator: The next question is from the line of Ashish from Leo Capital.

Ashish: Sir, on the API business, what is the share of our top 5 or top 10 molecules to overall sales? Would we be supplying it to domestic international market? And what sort of global market share do we have in these molecules?

Rashesh Gogri: I think the top 10 products would be close to 60%, 70% of our share.

Ashish: API and this is in domestic or international, sir?

Rashesh Gogri: International and domestic both.

Ashish: Okay. And what sort of market share would we have in these top 10 molecules?

Rashesh Gogri: Top 10 products will be between 10-50%.

Ashish: 15%, sir?

Rashesh Gogri: 50%.

Moderator: The next question is from the line of Manan Desai from Turtle Capital.

Vanan Desai: Sir, my question is on the API side. I think you mentioned about some kind of a closure because of the debottlenecking for 6 weeks, I think. So now currently, we are at INR160-odd crores this quarter for API revenue. So do you think that we should be able to do INR180 crores plus with the debottlenecking behind us? And is the capacity now with debottlenecking on the steroid side? And I think we were also thinking about debottlenecking on the anticancer side. So with that in place, do we have enough capacity to go to INR1,000 crores on API or we need more capex for that?

Rashesh Gogri: No. We won't need any more capex for that. I think we will be good for INR1,000 crores plus with the current debottlenecking exercise that we have done for steroids and ongoing exercise for anticancer products. And then we have the Block 5, where we have also an additional line that has come up. With all these 3 initiatives, I think we are good for now for achieving INR1,000 crores plus going forward.

Vanan Desai: And sir, that question on debottlenecking that if it was not there, would have crossed INR175 crores.

Rashesh Gogri: Yes, yes, we should be in that range of INR170 crores to INR190 crores, anything in that range going forward.

Moderator: Due to time constraints, we take that as the last question. I now hand the conference over to the management for closing comments.

Rashesh Gogri: Yes. I would like to thank all the participants for taking the time. Good evening. Thank you.

Moderator: On behalf of 360 ONE Capital Markets Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.