November 17, 2025

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 of Q2 FY26 Earnings Conference Call**
**Ref: Regulation 30 of the SEBI (LODR) Regulations 2015**

Please find enclosed herewith the Transcript of Earnings Conference Call held on November 11, 2025 on the Un-Audited Financial Results of the Company for the Q2 FY26.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
**For AARTI PHARMALABS LIMITED**

Jeevan Bhargav Mondkar
Digitally signed by Jeevan Bhargav Mondkar
Date: 2025.11.17 17:19:32 +05'30'

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

Encl.: a/a.

# "Aarti Pharmalabs Limited Q2 & H1 FY '26 Earnings Conference Call"

**November 11, 2025**

**MANAGEMENT:** **MR. RASHESH GOGRI – CHAIRMAN, AARTI PHARMALABS**
**MRS. HETAL GOGRI GALA – VICE CHAIRPERSON & MANAGING DIRECTOR, AARTI PHARMALABS**
**MR. PIYUSH LAKHANI – CHIEF FINANCIAL OFFICER, AARTI PHARMALABS**

**MODERATOR:** **MR. SHASHANK KRISHNAKUMAR – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Aarti Pharmalabs Q2 and H1 FY '26 Earnings Conference Call hosted by Emkay Global Financial Services Limited.

As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing '*,' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shashank Krishnakumar from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

**Shashank Krishnakumar:** Hi, thank you. Good evening, everyone. Thank you for joining us on the 2Q and 1H FY '26 Earnings Conference Call of Aarti Pharmalabs Limited hosted by Emkay Global.

I would like to welcome the management and thank them for giving us this opportunity to host them. We have with us today Mr. Rashesh Gogri – the Chairman; Mrs. Hetal Gogri Gala – the Vice Chairperson and Managing Director and Mr. Piyush Lakhani – the Chief Financial Officer.

Before we begin this call, I would like to point out that some statements made in this call may be forward-looking in nature, and these must be viewed in conjunction with the risk that the business faces.

I shall now hand over the call to Mr. Piyush Lakhani for his opening remarks. Thank you, and over to you, sir.

**Piyush Lakhani:** Thank you, Shashank. Welcome, everyone. Good evening. Rashesh bhai would be joining us in a few moments, so allow me to read out the opening speech.

Welcome to Aarti Pharmalabs Earnings Call for the 2nd Quarter of the Financial Year '25-'26. Thank you for taking out time to join us today. I will be walking you through the Q2 FY '26 performance and highlighting key developments across our businesses.

**Let me start with an overview of our standalone financials for Q2 FY '26:**

The top line for the quarter was INR 417 crores, which was INR 377 crores a year back, which is an increase of 11% Y-o-Y.

EBITDA stood at INR 75 crores as compared to INR 85 crores in the corresponding period of the previous year. The profit after tax for Q2 FY '26 was INR 31 crores as compared to INR 48 crores a year back. In this quarter, PAT had an impact of Forex loss of around INR 7.4 crores.

**Now, I will talk about consolidated financials for the Q2 FY '26:**

The top line stood at INR 418 crores as against INR 458 crores in Q2 of FY '25. The EBITDA for the quarter, that is Quarter 2 FY '26 stood at INR 75 crores as compared to INR 94 crores in Q2 of last year. The profit after tax for the quarter was INR 28 crores as compared to INR 55 crores a year back.

**Now let me present a few business highlights:**

Aarti Pharmalabs operates across three key verticals – Xanthine Derivatives, API and Intermediates, and CDMO-CMO Services. The Xanthine Derivative segment contributed 51% of our turnover in Q2. The volume split was 71% beverage customers and 29% others. In terms of geographical split, the export sales was 59% and the remaining 41% was local sales.

**Coming to API and Intermediates:**

This business stood at 39% of the turnover. The sub-segment wise breakup is 55% regulated market, 31% rest of the world and 14% non-regulated market. The API business saw high margin pressure. Moreover, the API sales mix in this quarter was skewed towards lower margin APIs.

**The third segment CDMO-CMO:**

CDMO-CMO has contributed 10% to the revenue for this quarter. We are presently working with 21 customers. The number of active projects is now 59, of which 39 projects are in commercial stage and 20 are under different stages of development, both at customer's end. We are on track to achieve and exceed the earlier estimated sales target which is 30% to 40% growth Y-o-Y.

**Let me now discuss update on the projects.:**

We inaugurated the Atali plant in September and have started operations. Currently, we are in the process of taking trial batches of a few products for customer qualifications. More products are planned in upcoming months. We expect the facility to be fully operational in two to three quarters, thus contributing meaningfully to the revenue from FY '27.

Xanthine expansion is ongoing as planned. We are now operating around 500 metric tons per month. The incremental capacity will get operationalized in phases, and we expect to reach 9,000 metric tons per annum installed capacity by end of this financial year.

Looking forward, looking ahead for the full year, we revised our EBITDA growth guidance to 8% to 12% growth Y-o-Y in FY '26. Our long-term business strategy is to target growth while maintaining financial discipline. We are confident that long-term customer relationships and strong technical capabilities will continue serving as pillars of our progress.

The moderator may now open the forum for a Q&A session. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

**Rahul Jain:** Sir, a couple of things. First, on the gross margin side. So, both gross margins and EBITDA margins have fallen sharply quarter-on-quarter as well as year-on-year, and I am talking about standalone margins only. So, the gross margins are down by roughly around 5% year-on-year compared to the last year, September '24 quarter.

So, I understand that you have given reason and your presentation as well as your inaugural speech with regard to issues on the API and Intermediate business. But when we look at the segment-wise sales also, Xanthine is better compared to last year. And in fact, overall API sales are much lower than last year. And CDMO sales are higher than last year. So, how do we understand this margin fall? If you could share some more details about and what is the sustainable gross margin, we should look ahead for?

**Rashesh Gogri:** Yes, Rahul. So, basically, if you see, we have still maintained our CDMO-CMO top-line guidance. And actually, we have stated today that we are going to exit it. And now we have two quarters left. So, in these two quarters, we have to deliver the product and exit our guidance and for that we have had to use our facilities to produce these products for these projects which are in the intermediate stage. So, they have taken up some capacity which has resulted in largely the slow, little bit lower impact on the overall EBITDA number. But that impact will get wounded up in the coming couple of quarters, basically.

So, as you know that, you know, we have fungible plants which are being used for the CDMO business as well as the intermediate business. And that is where the capacity gets utilized depending on the priorities and the profitability of the projects. And of course, CDMO projects get priority over sometimes the intermediate business. So, that is one reason for the overall slowness that you have seen.

Of course, second reason that we have stated that last year we had a couple of products which were launched in last year. So, we had huge sales of these products with good margins and which, of course, in a second year of genericization, there are more players who have entered the market and, of course, the margins always come under pressure.

So, till now, we have never had such large launch of these kind of products in past, which could hamper our overall margin percentage. But that has happened in last year, we had good launch, and this year, of course, this is the second year. So, that is where the impact has come.

So, overall, that is what grossly summarizes the overall changes in the number that you are seeing in the results. And also this quarter we had, of course, non-EBITDA based, I think, Foreign exchange loss was also one of the components which, of course, had an impact. I think overall, yes, you were saying something.

**Rahul Jain:** No, sorry. You were saying something overall?

**Rashesh Gogri:** Yes, overall, I think the EBITDA number, overall EBITDA margins, we normally like to give overall guidance on growth only, absolute number. So, because percentage point depends on which market I am pushing, which product, and it can vary a little bit up and down. So, I am not too much worried about the overall percentage EBITDA over top line.

**Rahul Jain:** And sir, with regards to the overall API business, so when we look at the full year this year, last year we have done around INR 770 crore sales. And in the previous call, you had guided for growth on that stage for the full year. So, as we speak today with some and with your comments?

**Rashesh Gogri:** Yes, basically in this quarter, we had a lot of intermediate manufacturing, which suck up the overall capacities for CDMO, which will get freed up in the last, this coming quarter. So, which will result in higher API overall number going forward.

**Moderator:** I hope that answers your question, Mr. Rahul.

**Rashesh Gogri:** I think he has dropped, so we can take someone else.

**Moderator:** Next question is from Ahmed from Unifi Capital. Please go ahead.

**Ahmed:** My first question is on the Xanthine business. What was the current capacity production in current quarter, which is Quarter 2 of '26? And compared to that, what was the production last year? And a parallel question to this is, with the new brownfield expansion, while expanding the capacity, will the volumes be impacted for the Q3 and Q4 or you think the volumes will expand from the current quarter's numbers?

**Rashesh Gogri:** We are not sharing the absolute production numbers. We are just giving the overall Xanthine numbers quarter-wise. We are not giving the pointed numbers every quarter. So, I wouldn't like to share the data for confidentiality reasons.

However, we are operating at a higher level now. And with the de-bottleneckings that I was here, I had guided that the capacity will get de-bottlenecked. And actually, our expansions that we have done is we are taking care that we are not impacting the current running capacity, even though they are brownfield expansion. So, actually we are getting capacity released. And we are doing higher and higher capacity than the earlier months.

**Ahmed:** Second question was on the CDMO business. We have seen some changes in the commercial projects in first half of 2026 from the under development project. Does that give you any contractual visibility for next year? And it seems management is confident about the current year's guidance. Can you give some sense of new projects and how do you see the visibility for FY '27?

**Rashesh Gogri:** Yes, actually, I think the number of projects which are getting into the commercialized space is a good thing. And we have actually shifted almost seven, eight products there. And which have resulted in basically launches or approvals which have come in this last couple of quarters. So, which is really encouraging. And now that variability of whether that project will pass the approval of FDA and EDQM and other agencies is away and we are likely to see good potential sales of this product.

And what happens is that once you are into this approved list from the Phase-2, Phase-3, and you are plugged in as a source, long-term visibility gets created. Of course, the first couple of years, there will be a little bit of uncertainty related to launch and how much market share or how big the brand becomes. But once the brand sales stabilizes, then we have really good visibility going ahead of these kind of projects that we do.

**Ahmed:** And just on the API business, there was, of course, Rahul asking questions earlier, right? So, we have seen some weakness in first half of 2026 compared to last year. We had a very strong last year. Can you give some outlook for the API business in second half of 2026? Considering Atali CAPEX is already on, so will you be able to utilize that? Or how do you see the trajectory of API business in second half?

And I think we had two, three very good products. Couple on hyper-intensive side and one on the respiratory side. So, do you see those products again coming back with high volumes or with the growth will be driven by new launches?

**Rashesh Gogri:** I think we have a portfolio of the API business that we say is comprises of API and Intermediate business both together. So, as I have explained earlier, we are selling commercial APIs, largely the APIs that we do are General APIs, Lifestyle APIs, we are also doing the steroidal APIs and we are also doing anti-cancer-based APIs. And we have been focusing more on Lifestyle and anti-cancer APIs off late and we have done a lot of R&D as well as the filings for the new projects. And this will get launched next, every year we will have a few launches, this kind of project. And as this launch is double-edge sword, so when you launch the product, you get a bump.

And if the second year is not as large as that year and other products don't support, then you see a little bit of dip.

So, if you see last year, we saw good jump earlier on the API business. But this year, earlier projections were there that the customers would buy. But there is a lot of competition and I think people have stocked up. And the prices have also come down for these few products, couple of products that launched.

Now, I think, of course, our regular products, which have been genericized for many products. So, we will have to wait for the new launches, and we have new launches and new products which will get factored. So, we will improve on our first half's performance in second half for the API business.

**Ahmed:** I have a few more questions. I will join back in the queue.

**Moderator:** Next question is from Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** So, sir, my first question was on the Atali project. I think that started in the first week of September. So, how should we, since it is a large CAPEX of around INR 450 crores, so how should we see its cost either on the employee costs, other expenses and finance, the cost and depreciation hitting our quarterly numbers in the coming two quarters? And hopefully, the ramp up starts from Q4, so it should start getting omitted.

**Rashesh Gogri:** Basically, see Atali project has close to 440 KL of capacity which will get added and out of which we have almost commercialized worth of capacity of almost 340 KL. And we have actually had trial batches of the projects, some of the CDMO project also, which eventually we wanted to strengthen our site's manufacturing ability for future.

So, that activity has already started. We had audits as well. And so, we are taking all the necessary steps to qualify the facility for future. And also we will transfer more and more intermediates also at the current site to fill up the capacity.

So, I think Q4, of course, we will do that. And then next year also, couple of quarters, we will still have to do this activity and then the ramp-up will come. So, that is what will happen. Of course, the expenses for that particular part of the block that we have commercialized, we will have to start expensing it out. And it will start hitting the P&L also. So, I think in next quarter results, you will have a fair bit of clarity about the number. Of course, we know the estimate, but we will give you more clarity then.

**Ankit Gupta:** So, Atali, we should see substantial increase in contribution happening only from Q3 of next year after all the validations plus qualifications are done. Is that the right understanding or we should start seeing jump from Q1 itself?

**Rashesh Gogri:** No, the jump will be overall this year to next year, there will be a jump overall in the Intermediate business plus the CDMO-CMO business which this site is going to support. And yes, so that is what will happen. And as you have seen from last year to this year, we have anyway given much higher forecast. So, our current Vapi site was excessively used for the CDMO projects which we want now Atali also to be utilized. And both the sites can then support the Intermediate as well as the CDMO business.

**Ankit Gupta:** Secondly, on your guidance of exceeding 30%-40% growth which will happen, which is expected for this year. So, we have seen the number of commercial projects also going up on a quarter-on-quarter we have seen a jump in that. Some of our innovator partners have also got approval during the last quarter.

So, given how things are on the CMO, CDMO side, how should we, overall, you have been talking about reaching, targeting INR 1,000 crore revenue in the coming two to three years. So, given how things stand currently, and with Atali also coming in, for '27 on the CMO, CDMO side, should we see a substantial jump in numbers even compared to the growth that we are seeing this year?

**Rashesh Gogri:** Yes, Ankit, see, CDMO-CMO business is a long-term business. One year here or there, but ultimately the numbers we will achieve and the numbers that we have targeted, we have mentioned earlier in our calls. It is always the launches and the strategy what innovators does. We have a few very large projects that we are doing with innovators, and it clearly depends on their strategy, how they are positioning and how they are planning to ramp up overall. Because all the innovators during the start of the project and approval, anticipated approval, they bulk up the launch quantities. And the first, second year, sometimes we have to be a little bit cautious.

So, I don't want to give any commitment. But I think longer term we see growth and there is a pathway really to achieve that number with the existing running projects that we have. And of course, anything additional projects that we get will also support us overall.

**Ankit Gupta:** And the last question on the API segment. Earlier in the previous calls, we used to talk about API achieving growth of around at least 10% this year also. But given how things are currently in the first half, do you think it is possible to achieve that kind of growth portfolio or achieving last year's number itself becomes a tall task this year?

**Rashesh Gogri:** Yes, I think we are going to see what happens on those. But I think growth will be a little bit more challenging, it looks like, because last year's launches, on which we had earlier promises, the customers are a little bit slow with higher inventory. And of course, they have the market position, but it is just an inventory correction. Last year, they bought 1.5 years' inventory, and now they are saying that, okay, you wait, and then the competition has also entered. So, that flux has to settle. We have partnership with the customers who had early launches of these kind of products. So, we will continue to have that advantage. It's just a blip on a couple of projects, but we have more range of products.

So, there is a product mix effect also in certain products like steroids etc, the product mix is really changing and newer products are getting more traction. For example, the newer salts of steroids are getting more traction. So, we are also forming a strategy to commercialize and manufacture these products in a much optimized way. So, that will also happen this year. Some validation batches have also taken up some capacity. So, once we get over this, I think, again, we will be back to the growth phase.

**Ankit Gupta:** And sir, we had some very interesting launches on the API side in the oncology segment in 27 and 28. So, with that happening, should we be back on our path to INR 1,000 crore in the API segment, let's say in FY '28?

**Rashesh Gogri:** Yes, actually, we are looking at debottlenecking our anti-cancer block as well in the second half of the, you know, later part of this year, early next year, which will be enabling us to further look at meeting the targets of these launches. And these are very good products that we anticipate good growth.

**Ankit Gupta:** And that will happen in ‘27 and ‘28, right? ‘27 launches are there.

**Rashesh Gogri:** Yes.

**Moderator:** Next question is from Vinayak Mohta from Buglerock Capital. Please go ahead.

**Vinayak Mohta:** So, I just had a couple of questions around the CDMO side. In your presentation, you have talked about some emerging work happening on the mid-size peptides. Could you elaborate a little on to that? Are you working on this from scratch with an innovator or how is it? And added to this, from the products that have increased on the commercial project segment to 39, are these all products which have come up from under development projects and they are ready for commercialization or these are fresh commercialization opportunities that you have picked up?

**Rashesh Gogri:** Yes, I think on the peptide we are preparing our R&D to have a look at peptides. I think we will start with the liquid peptide which has a little bit lower molecular weight and then eventually we will go up. And currently, it will take a little bit of time for us to do commercial projects on that peptide segment. But we have started discussion with this liquid phase work and we are trying to promote ourselves as one of the partners that innovator can do partnering with us for this segment.

Coming to this CDMO launches and commercialization, we have seen changes of almost seven, eight products have come to the commercial basket from earlier under development. And of course, we had two products which have dropped. So, this is basically part of the CDMO business, how it works. So, there will be certain products which will drop. There will be certain products that will move to commercial. And then we have to keep on increasing the overall pipeline to get the sustained growth of the business.

**Vinayak Mohta:** And so, is it fair to assume, I mean, from a trajectory standpoint, as and when the share of CDMO will continue to improve, and as we have seen in other companies as well, CDMO would be coming at higher gross margins. Thereby, your EBITDA margin from a structural standpoint should be on an uptrend itself. Would that be a fair assumption to have from a longer-term perspective, not near term or anything?

**Rashesh Gogri:** Yes, CDMO business has structurally higher margins. How it impacts the overall mix is depending on how other mixes are also growing and how much is the percentage of CDMO vis-a-vis the others. So, that, of course, is a math, which we will have to see how it goes.

**Vinayak Mohta:** And the last question on the Xanthine side, you said that you will be able to ramp up to 9,000 tons by the end of Q4. And the first two quarters have--

**Rashesh Gogri:** The capacity will become 9,000 metric ton.

**Vinayak Mohta:** Understood. By Q4.

**Rashesh Gogri:** In Q1 that we will take some time to increase it. See, we have increased capacity from 5,000 ton to 9,000 ton. And in year one, we don't expect to fill it up. So, there will be growth. There will be a ramp up of that. And I think in next two, three years, because see, we are taking up overall from the market share perspective also almost 25% of the market share, which is very large and now there to further grow and hold up , that is going to be quite a task going forward.

**Vinayak Mohta:** Yes, that was my clarification. And one last question. On the EBITDA side, you have talked about 8% to 12% growth. This is after considering all the costs from the Atali plan that will start hitting the P&L from this quarter onwards, right?

**Rashesh Gogri:** Yes, this is standalone guidance that we have given.

**Moderator:** Next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai:** Sir, my first question is on the CDMO side. If you can talk about what are the efforts that we are doing to increase the funnel because at least in FY '25, the total number of projects were 60 with 21 customers. And I think even at the end of H1 also it remains the same. So, I understand it is a long gestation thing and there will be a lot of things in the pipeline. But if you can highlight on what are we doing to increase our funnel for future growth, let's say, beyond 2-3 years.

**Rashesh Gogri:** Yes, good question. So, basically, in the CDMO-CMO segment, basically, we have started an office in Europe. So, we have a representative in Europe which is promoting Aarti Pharmalabs' CDMO activity in Europe. And now we plan to put one person exclusively for the CDMO BD in North America.

So, with this geographical ground presence, I think they will be able to meet customers and convince them. Of course, we keep on attending all the trade shows. And we are trying to take also overall analytics help to keep a tab on the new launches.

And see, the segment that we want to get after is Phase-2 to 3 when the Phase-2 approval comes and then it moves to Phase-3 clinical. So, we work jointly and with the customers that we have, we are trying to increase our wallet share also with getting additional products. So, these are the steps that we are taking to increase our overall reach within the CDMO industry.

**Dhwanil Desai:** Sir, second question, on the API side, we talked about last year being the first year of launch and hence better pricing. And this year, some pressure on couple of products. So, when we launch a new product, then most of the time for regulated markets, those products are mentioned as a source. So, in that case, how does the pricing agreement work? Is it on a spot basis or is there a pricing formula? And once you are there in other source, my understanding was that the pricing pressure is significantly less. So, is our understanding correct or if you can throw some light on that?

**Rashesh Gogri:** Yes, in a genericized product which is genericized five years ago, all this holds true that with the genericized product changes, unless there is a big delta, it doesn't happen. But when the product is launched, I think in particular market, which is a big launch, what happens is that overall, the margin, the pharmaceutical manufacturers, vie for this market share. And there is a lot of competition. And whoever wins this gets the lion's share of the market.

So, that happens. And during that, everyone thinks that we will keep significant market share and they keep stock. And then ultimately, if that doesn't happen, then they will have excessive stock which they have to correct. So, that is a standard thing. So, first two years of the launch are volatile. After several years, we had this kind of a mega launch of few products which saw this kind of up-down.

**Dhwanil Desai:** And sir, two clarifications, actually. So, one, we talked about 8% to 12% EBITDA growth. So, that kind of, in a way, says that H2 will be INR 300-odd crores EBITDA even after the Atali cost coming in. Is that a fair understanding?

**Piyush Lakhani:** Yes, Dhwanil. That is what we are basically targeting. And we are working hard to achieve it.

**Dhwanil Desai:** And our long-term target of 15% to 20% EBITDA growth for next three years, that remains intact, right?

**Rashesh Gogri:** No, no, 15% to 20% EBITDA growth is quite steep. I think that is the number that we have not stated. Overall, I think, profit growth, PAT growth or PBT growth, we can target a good number. But I think EBITDA growth can't be 20% unless we get very big launches and we are extremely lucky with certain things.

**Moderator:** Next question is from Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia: Just to get the growth perspective, you have mentioned 8% to 12% growth. So, that implies a 17% EBITDA growth in H2. So, for this, given whatever has happened in H1 in the API segment, CDMO has to grow substantially over last year's base and the last year H2 had a fairly decent base of CDMO.

So, what is going to drive growth in the near term? Is it just CDMO or API also normalizing, which will get this EBITDA growth coming in in H2? And directionally, what kind of a CDMO contribution is possible given that the Atali project will commence and be ready by the year end? Trial productions are obviously on. So, next two, three years, what kind of a mix should be possible from the CDMO segment? Those are my two questions.

**Rashesh Gogri:** See, the CDMO segment overall annual guidance we have given. And I think we have today on the call, we have mentioned that 30%-40% growth guidance that we had given earlier, we will be able to exceed that. So, that means that in the second half of this year, we will have substantial sales of the CDMO, which is going to be over and above I think the entire last year's value also, you know, so, full year value. So, that is what is going to happen. And we have orders in hand. Otherwise, we wouldn't have been able to give you such kind of certainty. And that have been planned that has occupied our current manufacturing blocks for this earlier stage.

What we are doing is, we are also doing, say, for a few projects, we are doing 8-10 stages in-house. So, if we have these kind of large orders, the plants get occupied over a period of time, over a quarter for this activity. And the invoicing only happens once we sell these goods to the final customer. So, that is what will accumulate the profit. And the way in which the accounting standard guidelines are there, all these we can't take it as WIP profit in the running quarter.

Secondly, I think, overall, we have guided that over last year, the growth will happen. And of course, we will see next year, depending on the projects that we have, what kind of further growth that we will be able to generate in our CDMO business. I think as we go to the last quarter or towards that, we will be able to do more guidance on that. But we are sure that we will be able to grow that number in future, long term.

Coming to API business, API business will normalize in 2nd half. So, the first half, whatever the slowness was there, I think in the second half of this year, we will ramp it up.

Prakash Kapadia: And lastly, sir, you mentioned capacity remains fungible. So, just wondering how easy or difficult it would have been given the kind of CDMO pipeline and order book which we have to do some of the CDMO sales at the cost of API? Because if API was slightly more margin dilutive and not so lucrative, so we could have avoided some of that sales to get certain CDMO also, or it was committed and we had to fulfill.

**Rashesh Gogri:** Yes, Prakashji, you know, the CDMO sales always get first priority. And then we look at the intermediate manufacturing. See, the API manufacturing has dedicated manufacturing blocks and that is where we continuously do the production. It is just a question of intermediate manufacturing, how it shifts, basically, because we are backward integrated in our intermediates that we manufacture for our API business.

So, now we are also taking steps to also qualify outside suppliers for these certain intermediates also, so that in such situation we can buy those intermediaries and take a commercial call, which makes more sense for the company in future. So, few products we will create a outsource model.

What has happened is that our current intermediate manufacturing capacity was quite occupied with all this. And now with the Atali coming in and with the validations getting shifted, we will see more space where we can basically do the backward integrated intermediate manufacturing as well. So, which will see growth also.

Prakash Kapadia: So, that should enable CDMO opportunities or further growth in CDMO if that opportunity comes.

**Rashesh Gogri:** Or intermediate will also grow.

**Moderator:** We have a follow-up question from Ahmed Madha from Unifi Capital. Please go ahead. Since there is no response from Mr. Ahmed, we will proceed with the next question from Jash from Dalal Broacha. Please go ahead.

**Jash:** Sir, my first question is on the CDMO front. Since 6 molecules have moved from the development phase to the commercial phase, and you have upgraded the guidance for the CDMO business this year, does this mean that a lot of that sales also comes in or is the 30% to 40%, exceeding the 30% to 40% guidance from the molecules that were approved earlier itself?

**Rashesh Gogri:** Yes, it is basically a combination of everything. So, we have done commercialization with more partners also on the existing products because as I had explained you earlier, each innovator product, there are multiple API suppliers for that innovator. And then depending on where we are plugged in as a supply chain supplier for their GMP or early stage intermediate, it depends on that. So, we have qualified ourselves with multiple API suppliers for that particular innovator's product as well. So, all these things are happening simultaneously, which creates opportunities for growth.

**Jash:** But then a much larger part would come in in FY '27. Is that a fair understanding of the new molecules?

**Rashesh Gogri:** New molecules, as I explained, launch quantities, we have created the larger growth that we are going to see in this year. We have to see how the innovators continue for the coming years. Depending on the success of the product, they will do the more forecasting and they will plan next quantities with the supply chain.

**Jash:** But you feel that you can grow on this base in FY '27?

**Rashesh Gogri:** Long term, the products that we are part of are part of the good growable therapeutic area. So, we are hopeful that these molecules will grow into good size.

**Jash:** And, sir, the next question is on the RFP and the pipeline that we are working on, on the CDMO front. So, you mentioned that we are looking at more of Phase-2, Phase-3 kind of molecules where we can enter in as a second source suppliers. How does this pipeline look? And what can we expect on the newer additions of any molecules that we can model?

**Rashesh Gogri:** Yes, basically, we are working on developing our pipeline and we are participating in several RFPs. It is for us to win those RFPs. So, it is a constant strategic call of the innovator which way they want to do, whether they want to outsource from India or U.S. or which product they want to outsource. So, we are participating in more RFPs and we are confident that in future we will get more projects.

**Jash:** And which therapeutic areas are we focusing on?

**Rashesh Gogri:** We are agnostic, we are doing small molecule CDMO.

**Jash:** I will take the other questions offline.

**Moderator:** Next question is from Vikas Sharda from NT Asset. Please go ahead.

**Vikas Sharda:** Two questions. One is regarding the Forex loss book in this quarter. So, what is it coming from? And I mean, this is particular to this quarter or what has happened? And secondly, on the Ganesh Polychem, the joint venture, the first quarter had a planned shutdown, but this quarter again, they reported a loss. So, what is the outlook looking like?

**Piyush Lakhani:** Hi Vikas, Piyush here. On the first question on the Forex loss, it is coming basically, as we all know, because of the sharp depreciation of rupee of almost more than INR 3 in this quarter, 30th September as compared to 30th June. And this is coming basically on the loan that we have foreign currency long-term loans that we have. We have 24 million of long-term loans.

So, basically, when I re-value it in rupee terms, the liability increases. And that is what has caused mainly the Forex loss. And on top of it, we have working capital loans also denominated in the foreign currency, mainly USD. So, there also, because when I re-value it on 30th September as compared to 30th June, because of the rupee depreciation, the finance cost goes up.

**Rashesh Gogri:** Yes, and basically longer term we feel that looking at the nature of business and almost 50% export that we have as a strategy, company has decided to keep these loans Forex open. Because longer term otherwise we will have to hedge it and sell more dollars. And by this, we are saving the hedging cost.

**Piyush Lakhani:** I don't remember any quarter where Rupee has depreciated so much in one particular quarter. So, that happens. So, now if Rupee stabilizes, then my next quarter interest cost would be lesser,. The second question on the Ganesh Polychem, it is still the plant is getting started.

**Rashesh Gogri:** So, basically in the Ganesh Polychem, the plant got started. Actually, earlier quarter there was loss, so this time there is no loss. What has happened in the consolidation, we paid INR 3 crore dividend, which had a negative impact. And the loss that we had in Ganesh Polychem prior to Q1 and Q2, Q2 is much lower. So, it is just barely a crore of loss or something like that. Not a big number.

Of course, accounting treatment as well as depending on the transfer of ownership of consignments that happens, so, CIF, if we are supplying by CIF, you know, those profits we have not been able to get in the books in the current quarter. So, it will still take, I think in this quarter, it will normalize.

**Moderator:** Next question is from the line of Dr. Neha from Abakkus. Please go ahead.

**Dr. Neha:** So, my first question is regarding the increase in the overall inventories as of H1 F'26. So, just wanted to understand, sir, as you mentioned about the CDMO business, as we book more sales from CDMO in H2, should we see more normalization there and thereby normalization in the overall working capital?

**Piyush Lakhani:** Yes. So, for the CDMO business, the inventory gets built up over a few months because the manufacturing is spread across many months. So, it goes up and then it comes down when the sales is booked.

**Rashesh Gogri:** Yes, it happens particularly if we have very large customer order which has got concentrated in these quarters, coming quarters. So, which has resulted in preparative manufacturing happening across earlier quarter and which has resulted in this increase and also impacting the overall results as well.

**Dr. Neha:** So, in line with that, should we also see a reduction in the overall debt because half of our increase in debt has come from the short-term debt?

**Piyush Lakhani:** So, it will depend. The idea, basically, we manufacture too many stages. So, we are fully backward integrated in most of the intermediate stages that we manufacture and those also get created or produced across multiple sites. So, there will be always a basic level of inventory that we will have to carry and you will always see on the financials. If you see last year, you know, March, it was INR 540 INR 550 crores. It has gone up to INR 625 crores. So, again, you will see that kind of change. But overall, the working capital in absolute term will remain almost around the same level. Because once my sale happens, then the debtor will increase correspondingly if I do a bigger sale.

**Dr. Neha:** That's helpful. And just lastly, on Ganesh Polychem, sir, you mentioned about the losses coming down, but how should one look at the Ganesh Polychem business, let's say, for H2 in terms of outlook and, let's say, the year ahead in FY '27?

**Rashesh Gogri:** Yes, I think the business will stabilize. Of course, not at the last year's level, but last year we had bumper year on that. And we actually pushed a lot of inventory in the last year, so that we can prepare for the shutdown of this one quarter shutdown that we had. Actually, there are some expansions where we have also planned the cost reduction process going forward. And that also will take another one quarter to get standardized. And once that comes in, I think the profitability again will come back. So, this 2nd half will be soft. But I think next year onwards, again, we will be back with reasonable profitability.

**Dr. Neha:** So, FY '27, should we expect that there should be a growth in the PAT versus FY '25 level?

**Rashesh Gogri:** Yes, at least it will be near FY '25 level. It will be 80% to 100% of FY '25.

**Moderator:** Next question is from Shubham Aggarwal from Burman Capital. Please go ahead.

**Shubham Aggarwal:** Sir, I just wanted to ask, so we have seen a sequential increase of about INR 13 crores from Q1 to Q2 in terms of our operational and employee costs. So, how much of this is attributable to the commencement of Atali business and how much incremental operational costs can we see in the second half of this year?

**Rashesh Gogri:** See, also one of the INR 13 crore. So, what is happening is that Q-o-Q, this Q2 is the weakest power generation because we have solar power, which almost gives us the annual saving of the INR 30 crore plus. This quarter is the weakest quarter. And the last quarter, Q1 is the strongest quarter of power production. So, that impact itself quarter-on-quarter is quite a large impact. And almost I think that impact was close to INR 3 crore only in this whole large generation dip that we happened over last quarter to this quarter.

Apart from that, we had one-off charges for certain manufacturing facility upgradation, which we did, particularly for Xanthine, what we have done is we have to keep ourselves approved with the large customers for both the facility fungibility we had created. For that, we had to spend a lot of money. So, which has accounted for and also in the earlier questions, there was a question where how are you keeping these manufacturing operations running while still doing the expansion? So, for that, we have to spend money, additional money on this activity to create operation stability. So, that has also resulted in some increase in the cost.

**Shubham Aggarwal:** So, sir, then net-net we would have seen like INR 5 crores to 7 crores of cost from Atali commencement, right, this quarter?

**Rashesh Gogri:** Yes, Atali, we did not have because it was just operated in the last week. So, we have not had any major expense that has come from Atali. So, Atali will have impact on the current quarter onwards.

**Shubham Aggarwal:** And sir, how much impact will that be?

**Rashesh Gogri:** So, we will have to see one quarter, I think, how much impact it comes to. It will have at least INR 4 crore, INR 5 crore impact every quarter. We still have to get the real numbers because we are just starting and of course, minimum power bills have started coming in and all those, how much we are able to apportion, it is an accounting call.

**Shubham Aggarwal:** My second question is on the depreciation part. Will Q3 be like a full consolidation in terms of depreciation of the new Atali plant or will that be Q4?

**Rashesh Gogri:** Q4 will be more because we have done part capitalization and I think more capitalization will happen towards the end of the year.

**Shubham Aggarwal:** And so then, sir, if you can also comment on what will be the stabilized run rate of depreciation on a quarterly basis at Q4?

**Rashesh Gogri:** We will have to work that number and get back to you.

**Piyush Lakhani:** That number we will have to work out. Yes, part of the project is still getting capitalized and there are some projects which are in capital WIP. So, we will have to see when those get also operational or capitalized.

**Moderator:** Next question is from Mr. Umang from Avener Investment Management. Please go ahead.

**Umang:** My first question was on the Xanthine segment. We have seen a decent performance in this segment in this current quarter. So, one is, can you share some light that how we expect to close on this segment in this particular year? And second is that this growth in this particular segment is largely volume driven. We have seen some better pricing also where margins maybe have moved to our favor. So, that is the first question on Xanthine.

**Rashesh Gogri:** Yes, basically one of the manufacturing plants that supports the Xanthine manufacturing that we are classifying as the Xanthine manufacturing revenue had a turnaround in last quarter and which was completed. And now this quarter we had sales which originated out of that asset.

Apart from that, of course, as we have mentioned that we are increasing from 5,000 to 6,000 manufacturing and slowly, slowly that increase has happened. So, that has resulted in increased production.

Also, with the qualification of both the sites that we have done for the large customers, overall pie and the margins have improved. So, all these cumulative effect we are seeing on the revenue jump that has happened in the Xanthine segment.

**Umang:** So, what we can understand is that this revenue jump has resulted in a decent margin and the pricing fluctuations are not affecting the margins and this segment should close on a growth for this year. Is that understanding correct?

**Rashesh Gogri:** Yes. So, I think CDMO and Xanthine segment, of course, in the first half also, they have grown. And they will continue to grow in the second half. API, of course, as you know, yes.

**Umang:** So, my second question was there only. So, since you mentioned and as per your comments on throughout the call, you have some expenses or maybe front-loaded because of this Atali plant coming in. So, is this a fair understanding that Q3 or Q4 onwards, the expenses should get normalized and this both API and CDMO growth that we anticipate, both should start growing hand-in-hand in conjunction? Is that a fair understanding?

**Rashesh Gogri:** I think it is not, see, everything can't get normalized because of the Atali coming in. I think Atali ramp up will happen in next year. What happens is that it creates a space for us to do more intermediate manufacturing and more CDMO manufacturing in future.

See, currently we are operating 600 KL at one Vapi site and this is 400 KL addition. It is a big addition that we have done. And then in future, if we feel that we require additional block, we will put one additional block which will be 200-300 KL additional. So, we are not going to shy away from that as well.

**Umang:** But the reason I was asking is that by next year onwards, do you see that this API segment should be back on the growth trajectory?

**Rashesh Gogri:** Yes. With the new launching anticipated on the anti-cancer segment, of course, it depends on how our partners are going to do. But we are hopeful. Of course, we have done the hard work. Now, partners have to deliver. They have to capture the market share and get us the API orders.

**Umang:** So, the last question. From my understanding, in CDMO segment, we are mainly a second or a third source supplier. So, do we expect in the near term, in the next one or two years, to become a single source supplier for any of the products that we have in the basket or maybe in the funnel that you anticipate?

**Rashesh Gogri:** No, no, no. API innovators will never keep a single source. We expect to become preferred source in future. But they always have couple of two, three sources as a supply chain security.

**Umang:** The reason I was asking that generally there is always a supplier who gets the majority share of the CDMO services, then it gets flowed to the second and third source. So, wanted to understand in that particular context.

**Rashesh Gogri:** So, we are trying to become preferred source. So, that is preferred source. Yes.

**Umang:** Those were my questions.

**Moderator:** Next question is from Shubh Mehta from ICICI Securities. Please go ahead.

**Shubh Mehta:** You mentioned previously that we have debottlenecked some capacity on the Xanthine side. Can you quantify what is the current monthly capacity over there? And also can you give us the pricing side?

**Rashesh Gogri:** We have debottlenecked the capacity in Xanthine, right?

**Shubh Mehta:** Yes.

**Rashesh Gogri:** Yes, so basically as we undertake the expansion of Xanthine, we have on the finish line side, we have done some debottlenecking. And that is why we have increased the capacity from 5,000 to 6,000. We are operating at 500 tons per month now, this month. So, yes.

**Shubh Mehta:** And how much on pricing side? Is it directional? Is there some revival of the Xanthine side or is it stable?

**Rashesh Gogri:** I think the pricing has bottomed out, basically. And of course, it has not moved from bottom significantly, but it has stabilized.

**Shubh Mehta:** So, second question was a clarification towards Ganesh Polychem side. So, earlier we used to do INR 50 crores to INR 60 crores of run rates per quarter. And post that we had revamped our facility. So, what kind of upgradation do we expect? First, is there going to be supposed to increase our production capacity and how much margins or profitability do we expect some improvement on that side as well?

**Rashesh Gogri:** Yes, see, Ganesh Polychem is present in few segments which are dual use kind of segments. So, the resins and the polymer intermediate that they produce have usage in dialysis based resins or they have usage in drone technologies also. So, we are positioning ourselves to these growth markets and also positioning ourselves with the lowest cost possible.

So, all those exercises we have done in this first half by taking a larger shutdown in Q1 and then stabilizing and standardizing the production from the newer plants, modified plants in this current quarter. And also, we plan to shift our Dombivli site also in future. So, that will also happen in this year.

So, with all these three events happening, new products, focus, cost reduction, as well as the shifting, I think this year we had anticipated that this year will be a rough year for us. But I think next year, once it is done, we will be back with reasonable numbers.

**Moderator:** Thank you very much. Participants, in the interest of time, that was the last question for the day. I would like to hand over the call to management for closing comments.

**Rashesh Gogri:** I would like to thank all the participants for joining our call. Thank you.

**Moderator:** On behalf of Emkay Global Financial Services Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.