



February 16, 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 third quarter and nine
months ended for the 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 February 10, 2026 on the Un-Audited Financial Results of the Company for the third quarter and nine months ended for the FY26.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For AARTI PHARMALABS LIMITED

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

Encl.: a/a.

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“Aarti Pharmalabs

Q3 and 9M FY '26 Earnings Conference Call”

February 10, 2026



DOLAT CAPITAL



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

MODERATOR: **MR. ZAIN – DOLAT CAPITAL MARKETS PRIVATE LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Aarti Pharmalabs Q3 and 9 Months FY '26 Earnings Conference Call, hosted by Dolat 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 Mr. Zain from Dolat Capital Markets Private Limited. Thank you, and over to you, sir.

Zain:

Hi. Good evening, everyone. I am Zain Gulam Hussain from Dolat Capital Market Private Limited. It gives me immense pleasure to hold 3Q FY '26 Aarti Pharmalabs Limited con-call.

From the management team, we have Mr. Rashesh Gogri, Chairman; Mrs. Hetal Gogri Gala, Vice Chairperson and Managing Director; and Mr. Piyush Lakhani, Chief Financial Officer. Now I pass it over to the management for their opening remarks. Over to you, sir.

Rashesh Gogri:

Good evening all, and welcome to Aarti Pharmalabs earnings call for the third quarter of the financial year '26. Thank you for taking the time to join us today. I will walk you through our Q3 performance and share key developments and provide insights into the steps we are taking to strengthen our growth going forward.

Let me start with the summary of our stand-alone financial year -- financials for Q3 FY '26. The revenue was INR425 crores, which was earlier INR471 crores a year back. The EBITDA was INR103 crores as compared to INR115 crores for the corresponding period of the previous year. The profit after tax for the Q3 FY '26 was INR44 crores as compared to INR74 crores a year back. I'm pleased to inform you that the Board has declared an interim dividend of INR1.5 per share.

Now let me present a few business highlights. Aarti Pharmalabs operates across 3 key verticals: Xanthine Derivatives, API and Intermediates, and CDMO/CMO services.

The Xanthine Derivatives segment contributed to 49% of our turnover in Q3. The volume split was 63% beverages customers and 37% other. In terms of geographical split, the export sales was 51% and rest was -- 49% was local sales.

The API and Intermediates business stood at 39% of the turnover. This subsegment-wise breakup is 52% regulated market, 34% ROW market and 14% non-reg market. The API business continues to see some margin pressure. While early indication of recovery are emerging, we remain vigilant and are directing all our efforts towards patent expiry over coming years.

The third segment, CDMO/CMO, has contributed to 12% of the revenue in this quarter. We are working with 21 customers and the number of active projects are 59, out of which 40 projects are in the commercial stage and 19 are under various stages of development, both at customer end.

Apart from Q3 reported sales, another INR49 crores worth of goods were in transit as of 31st December '25. These goods could not be booked as sales due to accounting norms. We are confident of meeting our CDMO revenue guidance for FY '26. However, exceeding that target, which was earlier a possibility, now looks difficult due to certain project deliveries getting pushed by a few months.

Let me now discuss the update of the expansion projects. Atali plant started production of qualifying batches in Q3 FY '26. While ramping up Phase 1, we have encountered some starting hiccups, which impacted the production plan. We have taken corrective actions in place, and we expect the resolution by end of the current quarter.

The Xanthine expansion is progressing as planned, and we are targeting the mechanical completion by end of March '26. The incremental capacity will become available for the production in Q1 FY '27. However, utilization will increase progressively over subsequent quarters in line with the operational scale up and the order inflows.

Forward outlook: Looking ahead for the full year FY '26, we expect EBITDA to be largely in line with last year with only marginal growth. This revision is mainly due to the delay in Atali plant stabilization and relatively softness in API and intermediate business. While this reflects the near-term pressure, but our fundamentals remain strong. I'm confident of mid to long term growth trajectory of Aarti Pharmalabs. Our efforts are dedicated to drive operational efficiencies and scale each business segment prudently to create long-term shareholder value.

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

Moderator:
Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Ahmed Madha from Unifi Capital.

Ahmed Madha:
My first question is, if I look at the CDMO business, the number of projects, the commercial has gone from 33 to 40 in the last 9 months. Does that give you any visibility for FY '27 growth? I mean, next financial year, what sort of -- considering the way the projects have shaped up, would you like to give some comments, how is the outlook for the growth shaping up?

Rashesh Gogri:
Yes. I think as you have seen, the number of projects have increased on the commercial side, and we are working with our customers in the starting of the year to work on this number. I think we will be able to give that guidance of CDMO/CMO growth post our budgeting exercise, which we will do in next month. But we are looking at good growth. I think we have strong pipeline of projects with these 21 customers, and we are confident that we will be moving forward with a very good growth.

Ahmed Madha:
And in the incremental projects that have come, are those products already commercialized and scalable and we are being added as a secondary supplier or some of these products are getting launched probably a year down the line or next year?

Rashesh Gogri:
It is a mixture of everything. We are getting added. In certain projects, we are primary source, in certain projects, we are getting added as a secondary source. It is more that products are getting

launched or we are getting qualified in these projects as an approved source. So with this happening, I think we will have -- the number of projects, which are adding meaningful value to our sales, are increasing every year.

Ahmed Madha: Sure. And on the API side, I understand we had few good launches last year and the pricing pressure is the nature of the business. But going forward, for the new launches on the diabetic side, the gliflozins, and the onco side, do we have any new launches in the pipeline or for the next year, we have to rely on the existing portfolio?

Rashesh Gogri: No, no, we have new launches.

Hetal Gogri Gala Yes, we are validating quite a few APIs on oncology side, and also improving our manufacturing processes on diabetic side. However, some of these APIs will have the patent expiry somewhere around '27, '28. And we will see more and more customers getting into our kitty with the validation completion in current quarter and in the next quarter as well. So 2026 also, we will have a couple of new launches for the onco APIs as well. Also, we have the new CSO who has joined. We are working very aggressive on revisiting our strategy and working to capture the oncology pipeline early on.

Ahmed Madha: Sure. Sure. Got it. My follow-up question on that is, does that mean FY '26-'27 -- this year, obviously, we'll have degrowth. But FY '26-'27, do we consolidate or we can grow from that base?

Rashesh Gogri: See, what we are doing is that we are trying to debottleneck the steroid line so there we can add more sales. Of course, we have space in our general block, where we are trying to get more projects validated and that validation has been done in this year. So those will get commercialized. These are some of the old products that we have taken up because we had space.

In 2026, we have a few launches like Apixaban and a few other anticancer products that are getting launched in 2026. So with those launches, we will see 2026 to be a better year -- 2026-'27 to be a better year overall in terms of API.

And also API business numbers also consolidate the numbers of intermediates. So there are a few intermediates that we supply from our range of intermediates for these newer launch drugs also. So those are also going to increase significantly going forward.

Ahmed Madha: Sure. Sure. That helps. Thirdly, on Atali, you spoke about the operational challenges. Can you just elaborate a bit what sort of issues we are facing? And when we say they're resolved by Q4 end, does that mean that we can shift some of our current intermediates from Vapi to Atali from Q1 and ramp up the utilization?

Rashesh Gogri: Yes. Basically, see, we were trying to validate several products there. And in the validation, there were certain challenges that the company faced at Atali site because of the newer staff and newer nature of the plant. So those issues are getting settled, with the operational team getting strengthened and the process team also being stationed there because all the entire new set of

reactions and the equipment that we have commercially started in Phase 1 are all large equipment. So that's where we are taking much larger batch sizes.

Those challenges we anticipate to get over in the current quarter and the batches have progressed well now. So overall, that has led to some delays in the certain validation quantities that were supposed to go for the CDMO projects in the current fiscal, but they will get pushed a little bit to next quarter from Atali

Hetal Gogri Gala Yes. And in FY '27, we will have more products range getting validated from Atali and this will definitely help our intermediates capacity to increase.

Ahmed Madha: Sure. A couple of questions on the number side. So gross margin...

Moderator: Sorry to interrupt you, sir, but if you have a follow-up question, please rejoin the queue. The next question comes from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Sir, first question is with regards to the impact of this consignment which is in transit, where roughly we have cost to the extent of INR30 crores and INR49 crores could have been the revenue value. So just to understand, what exactly is the impact on the numbers which have been declared for December? How is that been accounted? And what is the impact in the December quarter with regards to same? And what can be the impact in the next quarter coming in?

Piyush Lakhani: This is Piyush Lakhani. The impact is essentially what we have given in our note. So if we had been able to book the revenue in quarter 3, then our top line would have been higher by that amount, INR49 crores, and the PBT would have been higher by the same amount, INR19 crores.

Rahul Jain: So currently, how is it accounted? Is there some impact in the current numbers?

Piyush Lakhani: Yes. So currently, it is being shown as a stock, stock in transit. So that's why it is carried at INR30 crores -- INR30-point-something crores, which otherwise would have been INR49 crores if we had been able to book the revenue.

Rahul Jain: Okay. So do I understand, in the coming quarter, what would happen is this INR30 crores stock, that will be sold at INR49 crores. So that INR19 crores will be booked in quarter 4, correct?

Piyush Lakhani: Correct, correct, yes.

Rahul Jain: Okay. And secondly, sir, with regards to the Atali capex, what kind of cost -- incremental cost we have incurred with regards to this Atali capex underway till now? And what is the further cost expected? And how do we see the ramp-up in the coming quarters?

Rashesh Gogri: No. So we have done the capitalization of around INR300 crores and the total project outlay is around INR450 crores. So that balance, certain second phase is getting completed. And we will have that completion happening in next couple of months.

Rahul Jain: I was asking also about the opex, which has been -- because I can see some increase in other expenses and depreciation. So what kind of opex has already been accounted in, say, quarter 3, which has been flowed through the P&L?

Rashesh Gogri: Yes, yes. So we had taken the complete depreciation as well as the opex numbers of Atali have also been accounted for this validation program, whatever that we had undertaken.

Piyush Lakhani: The depreciation on the entire INR300 crores of capitalization has come in. And on top of it, about INR1.5 crores of monthly opex that we are running at.

Rashesh Gogri: Quarterly will be around, say, 5.25 depreciation on INR300 crores. So, it will be INR15-16 crores, depreciation in a year. Once the additional gets capitalized, then the depreciation will increase.

Rahul Jain: Sure. And last question, sir, with regards to Xanthine ramp-up. So how do we see the Xanthine ramp-up over, say, next year with this mechanical completion?

Rashesh Gogri: Yes. See, currently, as I have informed all of you in the last call that we are currently running at around 500 tonnes per month capacity and slowly ramping it up. With the new capacities coming up, we are adding close to 300 tonnes per month additional capacity. So, we will have that available.

But I think quarter-by-quarter, we will have, in the first quarter, maybe 300, 400 tonnes manufactured. Second quarter, we will manufacture more. And then in a year, we should be at least able to utilize close to 50% to 60% of that capacity overall.

Rahul Jain: So the exit rate will be 50%, 60% or overall average could reach to 50%, 60%?

Rashesh Gogri: Overall will be 50%, 60%.

Rahul Jain: Okay. Average for the year could be in the range of 50% to 60%.

Rashesh Gogri: Yes.

Rahul Jain: Sure. That's quite helpful. Sure, sure. And sir, just last thing with regards to the API. So you mentioned in your initial commentary also and in the press release also -- presentation also. Just to understand, where are we in this cycle of -- so on one side, you have mentioned there are some green shoots which are visible. At the same time, the margin pressures continue. So, is it that the demand has started picking up, but the price realizations have not yet moved up? So, how do we look at forward now?

Rashesh Gogri: See, generic API business, the prices never increase. They always go down only. Ultimately, the game has to be played where you increase the capacity. In our generic block also, we have put the Block 5 expansion a couple of years back. That is available with us. And then, we have also mentioned that, in this year, we are also going to do the debottlenecking of the steroid block. For our oncology block also, we will do the debottlenecking eventually.

Once we have more capacity and more products get off patent -- and to supplement our usage, we have also undertaken a few older projects where we have our own raw materials, produce intermediate produce in-house, which are large volume drugs. So those also have been sold for the validation quantity. So all these efforts, we see that gaining more customers for newer products or the older products, we will be able to do the growth in next year.

Moderator:

Our next question comes from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta:

The first question is on the CDMO segment. So -- and 2 parts to it. Sir, if we look at the number of molecules that we have been working on, although we have seen a significant jump in the number of commercial molecules from around, let's say, 28 to almost 40, and most of them have transitioned from under development to commercial, but overall, our -- the molecules that we have been working on has remained in the range of around 55 to 60 over the past 6 to 7 quarters. So if you can elaborate how do you see this pipeline increasing? And -- that was the first part on the CDMO.

And second part was on -- if you look at our CDMO revenues currently, they are largely concentrated on 2 to 3 molecules. So when do we see other commercial molecules, which have increased from 28 to 40, contributing to our revenues and scaling up to \$5 million, \$10 million kind of thing over -- so when do you see that thing happening? And especially with Atali coming in next year in a full-fledged manner, how do you see this happening?

Rashesh Gogri:

Yes. The list that we are maintaining is a dynamic list of 60 projects. So we are reducing the number of projects which are not getting us through an approval. It's a dynamic list. What is important is how many are commercial and whether they are increasing or not because those who are not getting approval are getting off the list also.

And we are getting newer projects in the commercial range where we are quite hopeful that, in future, we will have revenue ranging -- meaningful revenue will come from these projects in future. Whatever you are able to track is only export data, right, largely. That also quarter-on-quarter - I don't know how much that tracking is being done.

This year, largely in first 3 quarters, we have not done too much shipment. So we have had total of only INR120-130 crores, plus, of course, the INR50 crores. So in the last quarter, we'll have bulk of exports also happening, which will have these newer commercialized products getting exported. So you will see that in the data.

We are putting people on ground - we have someone in Europe and someone getting shifted to U.S. I think with the newer customers that we have been able to approach, I think -- and with our new enhanced strengthening of our R&D team, I think, in future, we will have much more opportunities, and you will see this list to grow.

Ankit Gupta:

Sure, sir. And sir, for some of the products which -- one of our products which got regulatory approvals in this financial year, and one which is expected hopefully should get approval in Europe in second half of this current year and U.S. FDA approval next year, so how do you see this molecule scaling up for us? Now at least one of them has been commercialized. The other

one is also expected to be a blockbuster drug. So if you can tell us whether -- what kind of projections or what kind of indications some of our innovators or our CDMO partners are giving for these 2 products?

Rashesh Gogri:

See, we are not speculating on these names. We are bound by the confidentiality agreement with our customers. But the projects' success depends on how well they are marketed and how well they are getting penetrated because, for the same segment, there are many drugs which may be there. But luckily for us, the drugs which are there have a very differentiated segment where there are not too many competitors operating in this space.

We are keeping our finger crossed and hoping that our innovator partners can grow these products. And of course, we are there to support them. In future, we could see healthy growth in all these projects, which we are doing with our partners.

Ankit Gupta:

Sure, sure. And sir, second question was on the API part. Last year, in second half, we had touched almost a quarterly run rate of INR200 crores. We had, in fact, exceeded that. And this year, we have been in the range of INR150 crores to INR160 crores. Of course, you have alluded the reasons.

Given the launches which are happening in the coming financial year, how do you see we might end up this year around INR650 crores, INR660 crores -- INR660 crores, INR670 crores kind of run rate for the full financial year, given how the trend has been for the past 3 quarters? And last year, we were almost around INR770 crores.

So next year, should we be looking at going back to that INR770 crores, INR780 crores kind of run rate? Or we should also see some growth on that number? Or at least at this juncture, we are just looking to go back to the FY '25 API numbers?

Rashesh Gogri:

Yes. I think the first milestone is, as you rightly mentioned, quarterly INR200 crores. And then the next milestone will be higher than that, quarterly. These are the milestones. I think -- yes, so that is what we will try to scale it up to.

Ankit Gupta:

But when do you see this happening, let's say, going back to INR200 crores quarterly run rate on API?

Rashesh Gogri:

As we get more and more commercialization of our products and the new launches happen. So that will happen across next few quarters. It's not going to happen in next quarter, but I think it will take a couple of more quarters to come to that.

Ankit Gupta:

Sure. And sir, just last question on the gross margin part.

Moderator:

Sorry to interrupt you, sir, but if you have a follow-up question, please rejoin the queue. Our next question comes from the line of Madhav Marda from FIL.

Madhav Marda:

On the Xanthine derivatives business, if my understanding earlier was correct, we had 5,000 tonnes capacity. And I think you -- if I heard it right, you said you're running at 500 metric

tonnes per month run rate right now. So just trying to clarify, like, that would be 6,000 tonnes volume. So what is the -- basically, what is the current installed capacity and sort of volume run rate that we have in Xanthine today?

Rashesh Gogri: Yes. So basically, in Xanthine segment, we are running 2 manufacturing sites. So what we have done is the current mother site that we have, there also, we did some debottlenecking exercise. So that capacity increase has happened as Phase 1. And the new site, that is 300 tonnes per month, that is getting installed, mechanical completion by end of this financial year by March. And next quarter, we'll start the trial production. So that's how the production will reach to 800 metric tonnes per month. So that's why we are saying that currently, we are at 500 tonnes because that's what we are operating in.

Madhav Marda: Okay. So effectively, sir, you're saying we are at 500 metric tonnes per month, including the debottlenecking. And at peak, including the expansion, we can get to 800 metric tonnes of volume from...

Rashesh Gogri: Yes, yes. That is 9,600 tonnes, our installed capacity -- around 9,000.

Madhav Marda: Okay, okay. Got it. Understood. And how is the pricing trend right now in Xanthine across -- in the various end markets which we sell? And the incremental volume, would we be selling it more in pharma grade or will it be more beverages, or any market mix you can give us? Because pricing can vary, so I just wanted to check.

Rashesh Gogri: Yes. So I think there is an interesting development is that China has announced that they will withdraw the benefit -- rebate benefit on caffeine and its salts. With that rebate withdrawal, overall 13% benefit that is getting accrued to the Chinese manufacturers when they export the API, that will go away. And we are hoping that this will push the prices of the product up by at least 8% to 10% in future.

We are seeing some increase in the pricing overall. I think, in the spot market, we have seen around 5% increase in the price from lower level. So we are seeing that the overall pricing has bottomed out.

Secondly, for the U.S. market, now with the overall trend, I think there is a duty of 20%, which is applicable on Chinese product, whereas India is a duty-free status currently because the caffeine doesn't attract the -- caffeine is in the annexure list, which is free from this Trump tax.

So with this, I think we are in a favorable position to do the exports to U.S. Imports will -- and the other markets also, we will have a higher -- overall pricing should improve, I think, going forward.

Madhav Marda: Understood. Is it a fair assumption that, in FY '28, we could run at full capacity on the -- like the 9,000 metric tonnes will be full capacity for us?

Rashesh Gogri: I think the efforts are going to basically achieve to 85% to 90% of that capacity by that time. We always want to have some free capacity.

Hetal Gogri Gala: Yes. And we wanted to reach top 3 in the world with this kind of capacity, to have a good position across.

Madhav Marda: Understood. And in the API business, although the reported revenue, obviously, seems like there's a decline, but just wanted to check, until last year, we had a subsidiary where the revenue used to be booked in the top line. Now it's moved to the associate line item, the JV, which we had. So is the decline in API business because of that change in the reporting -- because of that? Or there has actually been a decline...

Rashesh Gogri: See, you have to look at the stand-alone business and stand-alone to stand-alone, what is the gap, that is what is important overall. See, in this current quarter, we have added INR5 crores PAT below the line for that entity - which had negative numbers in last 2 quarters have become positive. And this quarter, it has added INR5 crores in these results -- consolidated results. And we are hopeful that in the future also, we will see similar positive numbers from that joint venture that we have.

Madhav Marda: Sure. Just want to clarify this INR167 crores approx API intermediate business which you booked in quarter 3. What was the like-for-like number last year, if I compare apple-to-apple for this business?

Rashesh Gogri: That number, I think, in the percentage, you will have to see. Last year, Q3 was 40% of -- No, the breakup was around 44% in the...

Madhav Marda: Okay. On what top line is it? On what top line?

Rashesh Gogri: I think it was around INR180 crores.

Madhav Marda: Yes. So the decline is more like 5%, 6%, right, rather than larger number which comes because of the...

Rashesh Gogri: INR180 crores has become INR160150 crores, yes.

Madhav Marda: Okay. And sir, last question on the CDMO business. I know that it's...

Moderator: Sorry to interrupt, but if you have a follow-up question, please rejoin the queue. There are a couple of participants waiting in the queue. Our next question comes from the line of Shikha Mehta from Time & Tide Advisors.

Shikha Mehta: Congratulations on a decent set of numbers. I wanted to understand the gross margins a little better. So of course, this quarter, we've seen superior gross margin. So is this something we can maintain going forward? Is this sustainable? Or is there some kind of one-off? And along with that, on our other expense side, there is a significant rise. So is that just the Atali operational expenses that we were mentioning earlier? Or is there anything else part of it?

Piyush Lakhani: Yes. The first one, I think quarter-to-quarter, the gross margins will vary a little. But if you see 9 months, it's basically trending at the same -- almost the same level. If you look at gross margin

as well as EBITDA, we are around the same level. And second question about the expenses, yes, mainly the increase is contributed by the Atali site.

And there is one more site that we have taken on rent -- on lease, where we are paying conducting fees. So there also, there is some contribution also coming in and there is corresponding some expenses also that is getting booked. So that particular disclosure we had given in the Q1 that we have entered into a conducting agreement with one of the players who had some extra capacity and empty plant.

Shikha Mehta: Understood. So the other expense should broadly normalize once we start seeing revenues coming in from Atali, etcetera, right? It should move back to that 21%, 22% of sales that it used to be.

Piyush Lakhani: Yes, yes, it will move more in tandem with the growth in the top line. And as you rightly said, it will move -- basically, it will increase once the operations are stabilized and ramped up at Atali.

Shikha Mehta: And, another thing, sir, in our presentation and in our opening remarks, we've mentioned that we're looking to end FY '26 on a flat to moderate growth on EBITDA basis for FY '26. So that would suggest a very large quarter-on-quarter jump in the Q4 numbers for EBITDA. It would lead to almost 50% to 55% of an EBITDA jump quarter-on-quarter. Is that understanding correct? And are we geared towards doing that?

Rashesh Gogri: Yes. As you -- as we have mentioned in the today's presentation also that one revenue we had to defer, the INR49 crores sales that we had to take at INR30 crores COGS, so with that and the normal increase, I think whatever that we are projecting -- because a lot of CDMO sales are still going to happen in the last quarter, so with that, we are anticipating good growth in the last quarter.

Shikha Mehta: And sir, lastly, on the API side, I understand a lot of participants have asked this earlier as well, but I'm just looking to understand, so last year, Q3 and Q4, obviously, were tremendous quarters for us. In the near future, maybe Q1 or Q2 in FY '27, can we expect that kind of revenue and margin? Or is that something to look at as a one-off and might not happen going forward?

Rashesh Gogri: No, we are increasing the capacities. Now which quarter we'll be able to grow will be ...

Shikha Mehta: No, sir. I'm just trying to understand that, was Q3 -- we had margins of -- EBITDA margins of almost 27% last year Q3 -- sorry, last year Q4. So is that margin a one-off? Or is that something that, in the imminent future, we can expect at some point in FY '27?

Rashesh Gogri: I think Q4 margin was driven by the CDMO/CMO as well. So in the Q4, we had CDMO/CMO almost going up to 27% of the sales. Overall, I think the last year, Q3, Q4, both, we had good API sales overall as well. But, the bump was largely due to CDMO/CMO.

Shikha Mehta: Understood. So again, as that continues to grow at this 30%, 40% rate that we planned for, it should possibly come back.

Rashesh Gogri: Yes, yes.

Moderator: Our next question comes from the line of Ahmed Madha from Unifi Capital.

Ahmed Madha: Yes. A few questions on the numbers. So did we have any forex loss in quarter 3? Last quarter, we had some.

Piyush Lakhani: Yes, yes. So basically, that gets parked in the other income. We have gain on the exports, and we have loss because the rupee is depreciating, obviously. So loss on the imports. And on top of it, the part of the interest on the foreign currency loan, which is over and above the normal rate of borrowing in India also gets net off against the export gains. So, the net impact which you are seeing in other income is because of that.

Rashesh Gogri: Total will be INR5 crores?

Piyush Lakhani: Yes, INR5 crores.

Rashesh Gogri: INR5 crores is the total impact that...

Piyush Lakhani: So whatever gain we had, almost similar kind of loss we had.

Ahmed Madha: Okay. Sure. And in terms of the capital structure, how much gross debt we have 9 months ending?

Rashesh Gogri: INR650 crores.

Ahmed Madha: INR650 crores. Okay. And post all the capex are done, I mean, the balance of Atali and Xanthine, everything, what number should we end by Q4?

Piyush Lakhani: I think we should look at net debt to equity of around 0.3 -- between 0.3 and 0.35, depending upon how Q4 goes.

Ahmed Madha: Got it. Okay. And on the Atali, you spoke about INR450 crores capex, of which INR300 crores is commercialized and INR150 crores is the balance remaining. For Xanthine, how much will be in your block, which will be capitalized?

Rashesh Gogri: Xanthine in total, the project that we have approved is around INR150 crores, with both the sites together.

Ahmed Madha: Lastly, on the...

Moderator: Sorry to interrupt you, sir, but if you have a follow-up, please join the queue. Our next question comes from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: On the Xanthine side, we will have the entire capacity of 9,000 tonnes per annum by end of Q4. And we -- as you have been indicating that we are looking at -- we should end FY '27 with a

decent capacity utilization of the incremental of the new plant as well. So -- new capacity addition as well.

So are we looking at a scenario next year and that our volume growth in the Xanthine should be -- can be around 25% to 30% plus? Given how things are there on China because of this anti-involution thing, we should also have some 5% to 10% kind of jump in realization in Xanthine?

Rashesh Gogri: Yes. Overall, as I have indicated that the new plant will start up, and we'll see how that goes, overall target we have set of what we want to commercialize from that. But what we did is that, from the current site itself, by debottlenecking, we are anyway operating at 6,000 level today for this quarter.

So that gradual thing also helps us in pushing the number because we are not taking a sudden shock of increase from 5,000 to 9,000. We already are at 6,000. So it's easier to reach 7,000 or 7,500 going forward. Yes.

Everywhere, we don't compete with China. Wherever we are competing with China, definitely, we will have this advantage of margin. But I don't think that will have a substantial because we have certain contracts which have locked in on the pricing. But rupee depreciation definitely helps us.

Ankit Gupta: Sure. And sir, on the capex part for FY '27 and FY '28, we were also looking at incremental blocks coming in Atali. So given some visibility on the CDMO part, are we looking at some expansion coming in for the new block at Atali in FY '27?

Rashesh Gogri: Yes, yes, we will have at least one block coming up in Atali in next year. So we will get that capex approval going forward.

Ankit Gupta: Okay. And it should not be a large capex, given all the...

Rashesh Gogri: No, it won't be a large capex.

Ankit Gupta: Okay. So does it also imply that the huge capacity is coming up and we are also looking at new block coming in for the CDMO, we have very good visibility on how CDMO should ramp up, post the first phase comes in -- the first block comes in?

Rashesh Gogri: Yes, yes. We have good visibility. Of course, we have to keep our finger crossed. We -- our partners have to make sure that their launch drugs are being successful and they don't have any hiccups. So everything is contingent to how they are performing, post launch. That's what we are waiting to see.

And everyone prepares for the launch. The first year, there is always a dip, post launch. And the second, third year, again, it picks up because they are certain about the market targets, and they are actually trying to expand the market. So that's where, we will be in different phases with different drugs.

Moderator: Our next question comes from the line of Vikas Sharda from NT Asset Management.

Vikas Sharda: One question, that you have pointed out what are the goods in transit. What would be the normalized goods in transit, like every quarter, so that we can know that how much higher it is this quarter?

Rashesh Gogri: INR8-10 crores, I think -- INR10-12 crores will be normal.

Piyush Lakhani: This was a specific case of an incoterm being a DAP, delivered at place. We deliberated the possibility of booking it in the last quarter itself. But then, we had deliberated with the auditor also and internally also, and it was -- basically, as per the accounting terms, it gets booked at the time of delivery itself. But normally, we do not have too much sales with this incoterm. So normally, it is not that high as far as FG is concerned.

Rashesh Gogri: Yes. It will be around INR10-12 crores typically, which is at the dock.

Vikas Sharda: Okay. That's helpful. And secondly, so you have revised down the EBITDA growth guidance from last quarter to this quarter. So besides some pushout in the CDMO sales, any further negatives that you -- headwinds do you see for this year?

Rashesh Gogri: I think, as I have mentioned, API overall growth that we were seeing that there would be some growth, but there has been degrowth, okay, in the API sales segment that we have seen. So that is also one of the reasons why, overall, we have not been -- but the Xanthine segment has done as what we were targeting. CDMO/CMO, a little bit of pushback and API is a little slow. So I think these are the 3 factors.

And then we had capitalized the Atali and then all the expenses have started coming in. So we have depreciation and all that also. The running expense opex have also come in. So -- whereas the initial hiccups that, of course, will get solved going forward.

Vikas Sharda: Yes. And in the API segment, is the pricing pressure across the board? Or how is it? Like a few specific molecules? And how is the volume growth overall, let's say, for API and intermediates?

Rashesh Gogri: I think we are seeing pricing degrowth happen. That is the nature of API business. I think, overall, there is always a pricing degrowth. We had few launches last year, which have -- the partners with whom we launched, they took significant quantities. And this year, they are a little bit slow in taking up more quantities from us. So that's one of the reasons.

Second thing, in terms of intermediate capacities, we did not have too much intermediate capacity because we were running the CDMO operations in our intermediate and CDMO combined facility. With Atali coming in, I think we will again focus on these intermediates.

Of course, as the launches happen of the APIs which are getting expired, we'll start supplying these intermediates. Those sales also will get added into the API segment. Both these will happen. That will drive the number towards growth.

Moderator: Our next question comes from the line of Shubham Aggarwal from Burman Capital.

Shubham Aggarwal: Sir, I just wanted to understand that Bayer got an approval -- U.S. FDA approval in October of 2025 for one of their key products in the menopause and hot flashes category and repeatedly categorized that as a blockbuster opportunity with EUR 1 billion of sales. What we understand is that there are some key intermediates that you are supplying. So just wanted to understand how are you looking at this opportunity? Can it become a \$15 million to \$20 million kind of opportunity for you?

Rashesh Gogri: Yes, we are not commenting on specific molecule because of the CDA that we have with various customers. So unfortunately, I won't be able to answer this question.

Shubham Aggarwal: Understood. No problem, sir. Sir, just wanted to understand, on the general CDMO part, from the time you ship a product from India to the receipt of goods at the customer's end, what is the general time lag between that shipment as well as the revenue recognition?

Rashesh Gogri: Generally, most of the products which are more than INR 1 lakh a kg, we do mostly air shipment. This is being delivered in 5, 7 days, whereas the sea shipment takes 30 to 40 days, if it is going to Europe, or if it goes to U.S., then it will be 60 days, by sea shipment. But by air, it is 7, 8 days. But I think the shipment was sea. So that's where the issue came up.

Piyush Lakhani: And in most of the cases, we are able to book the revenue as of CIF -- at the time of shipment itself.

Rashesh Gogri: So this is the one-off. That's why we had to disclose and it moved the number significantly for this quarter because it's a very large shipment that we did for one of our customers.

Shubham Aggarwal: Sir, but you said earlier, right, that there were a lot of shipments that might be similarly exported or there -- but that usually happens later on. So just understanding from that perspective, is there like a 1 million -- sorry, 1 month average kind of lag between shipment to revenue recognition?

Rashesh Gogri: Not really, because most of the shipments are air shipments. So I think there is only a few days of delay, but not all are DAP terms. So only some of them are DAP. Most of them are CIF, FOB etc. So it depends on the incoterms.

Shubham Aggarwal: Understood. Understood. Sir, just one last question, if I can squeeze in. Usually, sir, when you -- when an innovator is kind of receiving a U.S. FDA approval, is there like a buildup of an inventory that they would see on their end? And then, obviously, that will follow a normalization period, possibly destocking of that in that 1 year kind of range, or usually, it's more stable? Just wanted to understand that perspective.

Rashesh Gogri: So I think every innovator has a different plan. And if they are getting approval of different market at a different date, then anyway, the launches are deferred. But once they have key approvals in key markets of Europe, U.K. and U.S. and other important markets like Japan or whatever, so then I think they are at a full potential of sales, and that's where it depends on how

they have prepared for each launches. So they don't get a day 1 approval for all the markets. So all the regulatory agencies have a different clock for approval.

Moderator: Our next question comes from the line of Mohammed Patel from Edelweiss Public Alternatives.

Mohammed Patel: Sir, my question is related to the CDMO business. So the number of customers were 21 at the start -- at the end of FY '25, and the number is same currently in the 9 months. So are we expecting addition of customers in the near term?

Rashesh Gogri: Yes, yes. We expect this customer number to go up in calendar year '26.

Mohammed Patel: Okay. And a follow-up question on that. So can you give some color on the current CDMO inquiries pipeline?

Rashesh Gogri: I think starting this year, we are having a good number of new inquiries that have been generated by our BD team. And our team is really responding to these inquiries, and we hope to win a few of these RFPs going forward.

Mohammed Patel: Okay. We are expecting INR1,000 crores of CDMO sales. So then we should expect FY '27 growth also to be similar to FY '26 number?

Rashesh Gogri: That is the target that we have, yes.

Mohammed Patel: One bookkeeping question. So what was the net debt? You mentioned the gross debt. What was the net debt Q3?

Piyush Lakhani: Net debt around INR650 crores. We don't keep too much cash.

Mohammed Patel: Okay. Last question. On the Xanthine, one of the previous participants, where you were discussing the lock-in thing. So I just wanted to understand, what percentage of our business will be lock-in?

Rashesh Gogri: No, no. So basically, we have certain commitments, which are quarterly and annual in nature. So our percentage of locked-in may differ for customer to customer for different quarters.

Mohammed Patel: On an average, what would that number be -- on an average? Any approximate number is fine.

Rashesh Gogri: See, the capacities are increasing. The sales is also increasing. So that number is a dynamic number. I wouldn't like to comment on that.

Mohammed Patel: Okay. Not even directionally?

Rashesh Gogri: Around 50%.

Moderator: Our next question comes from the line of Madhav Marda from FIL.

Madhav Marda: Sir, I just wanted to check on the CDMO business. I think this year, you've guided a 30%, 40%. I missed the comment, so you said FY '27 also could be similar growth. Is that what you indicated in one of the earlier questions?

Rashesh Gogri: No, I think we will formulate -- we will have the budget prepared by March. And I think once we have the results of this financial year, we'll be able to do the proper guidance. But there will be good growth.

Madhav Marda: Okay. But, sir, our CDMO business, the base is small. So if we get like 1 or 2 good commercial opportunities, the growth can be pretty substantial, which is why I was just trying to understand if we had good projects in the pipeline.

Rashesh Gogri: Yes, yes. Now January, February, March is a good time to understand what customers will buy in the current calendar year. And that's what will get projected in the numbers. And that's how every year it works. So that's why we gave the guidance last year also that this is what it looks like

Madhav Marda: Got it, got it. Fair. Just last question. In quarter 3, versus the reported margins, you did allude to some initial opex that we booked for Atali, maybe for the Xanthine plant also maybe some costs would have come in. So any cost which is upfronted in quarter 3 for some of these new expansions, if you could clarify how much that is, so we have some sense on the base business margins, excluding new expansions?

Rashesh Gogri: I think we may not have that breakup. Probably, we can get you that breakup later.

Moderator: Our next question comes from the line of Deep Gandhi from i-Thought PMS

Deep Gandhi: The first question is on the CDMO side. So as you have indicated in the past that you've been trying to increase wallet share and even in this call, you made a comment that some of the new commercial products are going to be significantly larger in the pipeline. So can you, I mean, broadly help us explain that in, say, last 2, 3 years, how the wallet share has improved with the innovator partners, if you can try to quantify that?

Rashesh Gogri: Yes. I think -- see, we have good 5, 7 projects where there are multiple number of intermediates, which are meaningfully adding the gross turnover of this business and others are shaping up basically in future. So that's how the current nature of the business. The 80% sales is anchored by these few projects -- 7, 8 projects. And the balance is by the other projects that we have.

Deep Gandhi: Sure. But sir, can you quantify? Say, for example, can a single product -- do we have such products in the pipeline where a single product can be more than INR100 crores, INR150 crores turnover? I mean that has happened and even much larger for other CDMO companies -- single product scale. So do we have such products in the pipeline, which gives you the confidence also to reach the INR1,000 crores turnover from CDMO? Is that a fair understanding? And if you can help us quantify?

Rashesh Gogri: Yes. See, we have got single POs, which are in millions of dollars. In single-digit millions of dollars. So we are in that range of products.

Deep Gandhi: Sure. And sir, second question I have is, I mean, in the past, you've tried to explain that you are also trying to bypass -- I mean you are trying to directly work with the innovator companies in the CDMO and bypassing the partners. So how has been that journey in the last 1, 1.5 years, if you can give us some explanation? I mean are we seeing any new products where we are directly working with the innovators now instead of, say, working with the innovator partners?

Rashesh Gogri: See, I think we are working with whoever wants to work with us. We are agnostic. We have a lot of chemistry strength where we can do the regulatory starting material, key starting material, GMP intermediates and API. With different partners, we are working with different things. And we have innovators also, we have CDMO partners also, and we have some traders also -- not largely, but I think smaller biotech companies also, with whom we work on APIs as well.

It's a mixed basket, but there are -- there is no deliberate attempt to bypass any of the CDMO partners. Because in the early phase of patent, I think all the innovators which work on these blockbusters have to have the supply chain secured in the U.S. and Europe. And they have to work with -- those who don't have their own manufacturing capacity have to work with CDMO partners. And we don't have capabilities of doing this production in these geographies. So we have to work with the large CDMO partners.

Deep Gandhi: Sure. And sir, just last question, just again coming back to the wallet share question. I mean if you can't quantify in terms of value, but can you help us understand, sir, are there any new products where you are doing almost, say, 60%, 70% of the intermediates for innovator partner? I mean are you taking wallet share more in that sense? Is that a fair understanding in the last 1, 1.5 years compared to what it was in the past? If you can quantify that, even that will be helpful.

Rashesh Gogri: Yes, yes. We have few projects where we have that kind of wallet share

Deep Gandhi: 70%, 80%?

Rashesh Gogri: You stick to one number. 60%, 70%, we may have.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I would now like to 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 and joining the call. Good evening. Thanks.

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