



June 01, 2026

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

SCRIP CODE: 543748

Dear Sir/Madam,

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

**Sub: Transcript for the Q4 FY26 Earnings
Conference Call**
**Ref: Regulation 30 of the SEBI (LODR)
Regulations 2015**

Please find enclosed the transcript of the Earnings Conference Call held on May 26, 2026, regarding the Company's audited financial results for Q4 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.

AARTI PHARMALABS LIMITED

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“Aarti Pharmalabs Limited Q4 FY2026 Earnings Call”

May 26, 2026



Management: Mr. Rashesh Gogri - Chairman
Mrs. Hetal Gogri Gala - VC & Managing Director
Mr. Piyush Lakhani - Chief Financial Officer

Analyst: Mr. Sidharth Jain - Yes Securities Limited



*Aarti Pharmalabs Limited
May 26, 2026*

Moderator: Ladies and gentlemen, good day and welcome to Aarti Pharmalabs Limited Q4 FY2026 earnings call hosted by Yes Securities Limited. Please note all participants are currently in listen-only mode. There will be an opportunity for you to ask questions following the conclusion of the management's opening remarks. Please note that this conference is being recorded. I now hand the conference over to Mr. Sidharth Jain from Yes Securities. Thank you and over to you, sir.

Sidharth Jain: Good evening everyone. I am Sidharth Jain from Yes Securities Limited. It gives me immense pleasure to hold the Q4 and FY2026 Aarti Pharmalabs Limited Conference 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. Before we proceed with the call, I would like to mention that some of the statements made at today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website. Without further ado, I would like to hand over the call to Rashesh sir for his opening remarks, and then we can open the floor for Q&A. Thank you and over to you sir.

Rashesh Gogri: Good evening, everyone. I would like to welcome you to the Aarti Pharmalabs earning call covering the fourth quarter and the full financial year concluded in March 2026. I appreciate your participation today. I will start with a high-level review of our financial health followed by an update on our key business development and brief look at our growth outlook for the coming quarters.

Let me start with the summary of our standalone financial for Q4 FY2026 and full financial year FY2025-2026. The revenue was Rs.580 Crores for Q4, which was Rs.530 Crores a year back, an increase of 9% Y-o-Y. On a full-year basis, FY2026 revenue came in at Rs.1798 Crores versus Rs.1771 Crores in FY2025. The EBITDA was Rs.134 Crores as compared to Rs.141 Crores in the corresponding period of the previous year for the Q4. For the full year FY2026, we achieved the annual EBITDA of Rs.406 Crores versus Rs.428 Crores a year back. The profit after tax for Q4 FY2026 was Rs.62 Crores as compared to Rs.89 Crores a year back. And for the full year FY2026, the profit after tax stood at Rs.176 Crores versus Rs.257 Crores in FY2025. It is noteworthy to mention that profit and loss account for the financial year FY2026 there was a net foreign exchange loss of Rs.33 Crores. I am pleased to inform you that the board has declared a final dividend of Rs.2 per share and this brings a total dividend of FY2026 to Rs.3.50 paisa per share.

Now let me present a few business highlights for each business segment.

The Xanthine derivative segment recorded the highest ever quarterly revenue and contributed to 43% of our turnover in Q4 FY2026. The volume split was 74% beverages customers and 26% other. In terms of geographical split, the export sales was 63% and rest 37% was local sales.

The API and intermediate business stood at 28% of the turnover. The sub-segment wise breakup is 53% regulated market, 30% ROW and 17% non-reg market. Looking ahead to FY2027, we anticipate Y-o-Y growth for this business. However, it is important to recognize that persistent competitive pressure and market headwinds affecting our product portfolio.

The third segment CDMO, CMO has contributed to 29% revenue in this quarter. This segment also locked the highest ever quarterly revenue of Rs.155 Crores. As of FY2026 end, we are working with 21 customers and the number of active projects is 54 out of which 35 projects are in the commercial stage and 19 are under different stages of development both at customer ends. For the full year FY2026, the CDMO, CMO segment has shown a robust revenue growth of 32% Y-o-Y. Nearly all of our revenue came from phase 3 and commercial molecule reiterating our clear focus on late phase projects.

The impact of ongoing war, geopolitical tension in West Asia has caused significant environmental shocks, including logistics hurdles and rising energy costs. These inflationary pressures have strained profitability and supply chain operations, particularly in the intermediate segment where competitive pricing makes cost passing difficult. However, our two other business units have reasonably been able to pass cost hike in our customer pricing.

Let me now discuss the updates on the expansion projects:

We have invested approximately Rs.400 Crores capital during the financial year 2026. And we plan to maintain a similar level of spending for the FY2027. The budget includes ongoing Xanthine expansion, debottlenecking at Tarapur Unit-4 and a possible new production block at Atali.

Atali is now largely past startup issues which were encountered during the ramp-up of phase 1. With the corrective actions majorly in place, we are progressing well with the production scale up and phase 1 is likely to become completely operational by the end of this current quarter. Having cleared the customer audits, the site is well positioned to support CDMO and intermediate production in coming months.

The phase 1 of Atali, which comprised of 440 kL of reactor capacity, it is a multi-purpose block. Given the current visibility within the CDMO segment, we are assessing to put up a dedicated

manufacturing block tailored to a specific project. These dedicated assets offer superior operational efficiency and require lower capex. Currently, we are in preliminary design and planning stage of this block and the completion timeline could be expected 12 months from the construction commencement being a brownfield project.

The Xanthine derivatives expansion is progressing as planned. With current capacity being 6,000 metric ton per annum and the incremental capacity will be available for production at the end of the current quarter and the ramp up to 9,000 metric ton per annum in next few quarters gradually will happen.

Recently, the steroid block at Tarapur Unit-4 has undergone the debottlenecking resulting in capacity increase by about one-third of existing capacity. Similarly, there are a few more brownfield expansion initiative plan at our Tarapur Unit-4 US FDA-approved API facility in the financial year 2027 to increase the capacity of anti-cancer and other blocks.

We have decided to invest in R&D of tides, that is peptides and oligonucleotides and this investment done in new R&D technologies will not yield immediate results, but has a good potential in the future and we would like to explore these newer technologies.

Looking forward we are confident that our recent investments and expanded capacities will drive significant momentum across our businesses. Based on current project visibility and the operational ramp-up, we are targeting 15% to 18% growth in both revenue and EBITDA for next three, four years. For immediate FY2027, we expect the CDMO/CMO business to lead the growth with a projected sales growth of 40% to 50% per annum.

Moving forward, we remain focused on driving operational rigor, our market reach and investing in the talent and technology essential to our long-term success. The moderator may now open the forum for Q&A session. Thank you.

Moderator:

Thank you so much. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participants tab on your screen. We request participants to restrict to two questions only and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We will wait for a few minutes until the question queue assembles. We have our first question coming in from the line of Ankit Gupta of Bamboo Capital. Ankit, please go ahead with your question now.

Ankit Gupta: Thanks for the opportunity, sir. Few questions on the CDMO side. So, if you can elaborate on this dedicated block that you are planning for the CDMO project at Atali. So, is it for the molecule which has recently got approval for hot flashes or is it for the molecule which is under phase 3 and for lowering LDL or some other new molecule. If you can elaborate a bit more on this project and upon completion, what can be the revenue potential from this new block and when do you expect to reach that.

Rashesh Gogri: We are exploring putting up this dedicated block, which can manufacture several of these potential long-term projects for us. And we are working on overall capacity and working with the customers on what kind of visibility they are able to give us in the coming quarters. And once we have some strong understanding of that, I think in the future quarter, we will let you know. We have very strong pipeline of these products. And these products can have very good revenue in future. And that is how we have projected line of sight of close to USD 100 million in CDMO segment going forward.

Ankit Gupta: And what can be the potential from this block and this molecule when we start the operations from them or from this new block?

Rashesh Gogri: I think we are assessing all the possible options and working with the customer over their demand basis, which I think of course the current block at Atali can manufacture it in a multipurpose block, but, in future, dedicated block would be prudent so that we keep on freeing our multipurpose capacity for the newer projects. That is how we are going to work in all the projects which enter this commercial phase, post phase 3 or launch and the customers have higher visibility. Those products will move to a dedicated block where we have 5 to 10 year visibility of this project. We will start with this kind of approach and that is what all the larger CDMOs also do. And that can give us higher visibility. I think depending on how we configure this, it can have potential of close to Rs.250 Crores to Rs.300 Crores topline also from a single block.

Ankit Gupta: And sir, on overall guidance for the CDMO, if you look at our FY2026 performance, we also had some spillover of CDMO revenue from Q4 2025 with Atali commencing operations in a full-fledged way by June 2026, audits have been completed. So should not we expect higher growth in FY2027 given our lower base in FY2026. And overall in the CDMO segment, that we are starting dedicated blocks, are we on track to reach Rs.1000 Crores revenue from the CDMO segment in FY2028 or max by FY2029 as you have been highlighting in the earlier calls?

Rashesh Gogri: Basically, the traction is to reach this goal as soon as possible. Of course, it depends on the customer projections and how the products get launched. We have some visibility on approved products, but I think there are a few products, which are still going to get this approval. And that is why we do not

have a firm number how we will reach and when we will reach this number of USD 100 million. We are pretty sure that we will reach that number going forward. That is what I can share with you for now.

Ankit Gupta: And just one last question on the API segment before we come back in the queue. The API segment last year, we saw significant degrowth, you had highlighted about price erosion and inventory destocking, which was happening for some of our newly launched products in FY2025. And we have some decent launches in the oncology side in FY2027. And you did highlight about growth in the segment in FY2027. So, what kind of growth are we looking in the API segment? And if you can also elaborate a bit more on the launches planned for FY2027 and FY2028?

Rashesh Gogri: For FY2027, I think, you rightly mentioned that FY2026 was a soft year. And of course, it was marred by inventory issues and the issues at our customer's end. We are looking at growth in FY2027 going forward, because we actually de-grown in last quarter, last year or earlier year. So, I think we will be definitely able to surpass that number in FY2027 and further grow our API business beyond FY2025 number. That is what we are looking at.

Ankit Gupta: So we will be surpassing the FY2025 numbers that we did.

Rashesh Gogri: We will be able to surpass the FY2025 numbers of API / Intermediates.

Ankit Gupta: We were around Rs.770 Crores, so we should be able to surpass that in FY2027?

Rashesh Gogri: I think it was 700. That is what the split I have. In FY2026, we did 600.

Ankit Gupta: Okay. Thank you. I will come back in the queue.

Moderator: Thank you. We will take our next question from Meet Katrodiya of Niveshaay. Meet, you can unmute your microphone.

Meet Katrodiya: Good evening sir. Rashesh sir, my question is on let us say our EBITDA guidance is of 15% to 18% right sir but say if I reconcile the EBITDA, the math right, so you are guiding your CDMO vertical will grow 40%, 50% next year then thing is also ramping on, so can we expect a much higher growth in FY2027. I am not asking for a specific guidance just directionally if you can share anything on this.

Rashesh Gogri: We do not want to give a pointed guidance for each year. We are giving a general guidance of 15% to 18% because the projects keep on shifting by a quarter and that can really hamper our numbers.

And as you rightly mentioned that there are a lot of different plants, which are going to do the ramp up and those costs we will have to absorb, whereas the production ramp up will take some more time. I think we have to be a little patient about overall, how the profits will ramp up in future.

Meet Katrodiya: Got it, sir. And sir, another question on the Xanthine part that crude prices have gone up, right? So, just want to understand, are we able to pass on the prices? Is there any lag? Secondly, China is also removing the rebates, right? So, pricing of the Xanthine is increasing. So, just want to understand how much peak revenue we can do from Xanthine as from new total capacities that is going to be live?

Rashesh Gogri: Yes, as you rightly mentioned, the costs have gone up because of the Middle East conflict and we have been pushing our customer for the price increase and we have had some success on that. And it is quite logical that we cannot absorb the full cost of the Middle East conflict, which for certain products was quite heavy. And in terms of overall revenue we feel that with this current new capacity expansion, it can be well beyond Rs.1000 Crores from the Xanthine newly added capacity and already whatever that we are doing. And in this current quarter only, we have been able to do over Rs.200 crores. Significant percentage of sales has happened in the current quarter also. Rs.227 Crores was what we did in the current quarter.

Meet Katrodiya: Got it. Sir, on the CDMO position as compared to our peers, the most of Indian CDMOs works on maybe early phase molecules also, right? So our model is a little different. We work on a more commercial stage molecules, right? So I will just want to have some understanding. Let us say, how does our margin profile differ as compared to our CDMO peers? Their revenue is lumpy, right? Quite lumpy because they have only 2-3 commercial CDMOs and are structurally good and less lumpy. So just want to have your view on lumpiness plus margin profile as compared to our peers.

Rashesh Gogri: Yes, basically, Aarti Pharma, entire Aarti group is having the focus on chemical manufacturing and pharma manufacturing. So our genesis is manufacturing and that is what we specialize on and that is where we get the core value. Of course, now we have R&D centers, which can do much complex R&D also. And as I mentioned in the opening remarks during my speech also that we are going to enter into this newly, the peptides and oligonucleotides, linkers, this kind of chemistry going forward. That is where we will also try to do early phase work with our customers. Currently, there was a lot of traction towards moving away from China because of the US customers wanting the products to be coming from a differentiated geography. And that is where we found a lot of opportunities. And that is how we could get a lot of projects from our customers. That is where we have been concentrating till now, but we are open to doing work even at early phases and we have certain projects, which are also bit of early phase or phase 1, 2, moving to 3 kind of projects as well.

- Moderator:** Thank you. We have our next question coming in from Yash Doshi of Unifi. Yash, please go ahead with your question now. Yash, please go ahead.
- Yash Doshi:** Regarding Xanthine if I am not mistaken, we have done a turnover of around 227. In Xanthine business, we have done around 227 Crores turnover in this quarter. So, whether it was more of volume led or price led, since the prices have gone up for Xanthine in last 2-3 months. And just along with that, what has been the capacity utilization for Xanthine this quarter?
- Rashesh Gogri:** See, currently we are operating 6,000 metric ton per annum capacity before the current new block comes into the operations. And we are fully utilizing this capacity. And current, I think, overall sales were led by both. I think quantity as well as the overall rate changes.
- Yash Doshi:** Another thing was regarding, we said that we will surpass the FY2025 numbers for API intermediate. So which product gives us the confidence that we will be able to surpass it? Any product pipeline specifically?
- Rashesh Gogri:** We operate in steroid space where we have recently de-bottlenecked our capacity by almost 30%. So that will also show some growth. We also have certain products which are getting expired in this financial year in the general category, as well as the anti-cancer, and these kind of products and certain products have been launched by our customers in US and Europe markets. So, all these will give us higher sales than the last year.
- Yash Doshi:** Last thing, on the Atali project which has just been commercialized, can you just quantify the OpEx hit which we have got?
- Rashesh Gogri:** I think we are not sharing these granular details now.
- Yash Doshi:** And there are not any one-offs, right, in the OpEx? It is all basically cost of the Atali project being commercialized?
- Piyush Lakhani:** Yes, there is no one-off from the Atali plant.
- Yash Doshi:** And have you got approval for US FDA and new GMP for the Atali plant?
- Rashesh Gogri:** No, Atali plant is going to supply the intermediaries. So, it is not getting any inspection for the FDA. But I think we have started doing the work for innovators there. For which we have got several innovators come and approve our site.

- Yash Doshi:** I will join back in the queue.
- Moderator:** Thank you so much Yash. Requesting all participants to restrict to two questions only and then return to the queue for more questions. We are taking a next question from the T Manish of Crisil Limited. Manish, please unmute your microphone so that you can ask your question now. Yes, please go ahead. Manish, we are unable to hear you. Please go ahead with your question.
- T Manish:** Thank you for the opportunity. Rashesh sir, I want to ask you if the EBITDA margins have been marginally contracting this quarter so is it largely because of the rise in raw material prices and logistical issue due to the West Asia crisis or anything else and if it is due to that how are you seeing the things for the Q1 of fiscal 2027 because only three months have.
- Rashesh Gogri:** On the overall expenses have been nearly similar to what we have got in previous year, Piyush, you want to answer.
- Piyush Lakhani:** Quarter-on-quarter, the EBITDA margins have remained almost flattish. So are you asking compared to the last year?
- T Manish:** Yes.
- Piyush Lakhani:** Last year, obviously, we have added a few facilities. So those will take time to ramp up. But then the cost, we are basically incurring at full capacity. So that is where the cost has gone up a little compared to last year. And that is what is impacting the margin.
- Rashesh Gogri:** On this West Asia, I think you mentioned about the cost increase also?
- Piyush Lakhani:** Margins.
- T Manish:** Okay.
- Rashesh Gogri:** Okay. Anything else you would like to have clarification?
- T Manish:** The pricing costs, are you planning for any pass through of these costs to your buyers for the API and intermediates or for the CDMO players? Because the cost increases significantly.
- Rashesh Gogri:** Yes, as I mentioned in my speech, already we are able to do some pass on in CDMO as well as the Xanthine segment. In API / Intermediates segment, on the already orders which we have on hand, it is difficult to change those orders because these are all high value drugs. In the future, we will try to

get some increase going forward. Of course, it depends on the competitive scenario for each and every product, but there are a few strong products which we have, where we can get price increases.

Moderator: Thank you. We will take our next question from Rahul Jain of Credence Wealth. Rahul, please go ahead.

Rahul Jain: First of all, since the CFO is also here, there is some confusion on the numbers, which have been spoken in the current con call by you and also based on the numbers which are there in the PPT. So if I take the PPT itself, the standalone numbers which are mentioned in the PPT and the percentages, and we have always said that these percentages are to be applied on the standalone revenues. So based on that, the FY2025 API number is Rs.772 Crores, which has come down to Rs.650 Crores, roughly Rs.647 Crores to be precise. So when to a previous participant, you said we will come back to our FY2025 revenue in FY2027 in API intermediates. Are we talking about going back from Rs.647 Crores to somewhere around Rs.770 Crores or you mentioned Rs.700 Crores. So a bit confused on that, number one. Another confusion also is on the CDMO and Xanthine side, again based on the PPT proportions and the numbers given, the Xanthine Q4 revenue is roughly around Rs.244 Crores and the CDMO revenue is about Rs.169 Crores. For the full year it is Rs.296 Crores. The PPT mentions Rs.276 Crores and Rs.155 Crores for CDMO and just now I think you mentioned about Xanthine being Rs.227 Crores. So if you can first clarify this or there is some confusion on these numbers sir.

Rashesh Gogri: Yes, I think there are some undistributable certain sales, which is some trading activity sales or some other number which gets knocked off. The CDMO sales for this quarter is Rs.155 Crores and for the entire year it is Rs.276 Crores for your clarification. In Xanthine, sales for this financial year is Rs.792 Crores and for this quarter is Rs.227 Crores, so please note these numbers here.

Rahul Jain: Then can we get that what is the kind of trading turnover or if we say?

Rashesh Gogri: It is around Rs.50 Crores which changes this percentage but that is not very significant that has an impact of few crores here and there.

Rahul Jain: Okay, so just to understand sir, we mentioned that Rs.1000 Crores of Xanthine revenues we can do in the current year FY2027 and we have already spoken about 40%, 45% growth on the revenues in CDMO and also with regards to API you mentioned so if I try to sum these numbers up then and also based on the capex which we have done in last 2, 3 years do we feel that the guidance, which we have given both for revenue and EBITDA is a more conservative number as far as FY2027 is concerned?

Rashesh Gogri: First of all my guidance is for 3-4 years. In FY2027, annual number pinpointing becomes difficult because of the CDMO/CMO nature and the kind of approvals which our customers will get. Depending on that, the revenue can move from one quarter to other, or first half year to second half year. That is why we decided to give longer term guidance. I think looking at the current scenario it is possible on the top line growth. Definitely, we will be able to grow the top line. Of course, on the EBITDA, I think we have to look at overall West Asia crisis and how war situation moves ahead and how things normalize in future, what will be the Rupee fx going forward; all these factors have a lot of bearing on overall EBITDA. We will have to wait and see what happens. Thanks.

Moderator: We have our next question coming in from Dhwani Desai of Turtle Capital. Dhwani, please go ahead.

Dhwani Desai: Yes. Sir, two questions. So, if we look at historically, in last three years, we have spent Rs.1300 Crores to Rs.1400 odd Crores of capex and, as you mentioned, FY2027, including FY2027 and, we are kind of catching up in terms of ramp up? It will take its own sweet time, so should we look at our company going forward from next year onwards, capital intensity coming down and more ramp-up revenue catching up and hence EBITDA to PAT conversion getting better? Is this how we should think or we will continue to invest this kind of capital going forward?

Rashesh Gogri: See, I think last year we spent Rs.400 Crores and we spent Rs.200 Crores last to last year, so total Rs.600 Crores spent. This year we plan to spend another tentatively Rs.400 Crores going forward and of course, these are for the projects. Whereas, this entire Atali capex itself was close to Rs.450 Crores and also the capex for the Xanthine expansion was also, so these two were very large capex, which we had to do. Of course, Atali being greenfield, we had to do a lot of first time capex. Now, looking at newer blocks, which can double the capacity, will be at much lower cost going forward. We had to bite in the first round of higher capex in Atali. As far as other capex are concerned, we are trying to do more brownfield where we did, expansion of our API facility in steroid block expansion and anticancer block coming in future. We have earlier mentioned on our call that, we want to do every year one block at Atali going forward and we will stick to that. As our projects move to commercialization phase, we will have more and more manufacturing move to Atali in future. Overall, to meet our long term revenue growth of 15-18%, we have to grow the manufacturing footprint, for which we have to do the availability of reactor volumes beforehand and so, we are doing appropriate expansion to manage the overall capacity.

Dhwani Desai: Got it. Sir, my question is that I understand the need to expand, but I am saying because most of this expansion going forward will be brownfield. Generally, the ramp up is faster and, the capex outplay

is lower. So, the depreciation amortization is much lower. So is that how the equation will pan out from FY2028 onwards? Is that how we should look at it?

Rashesh Gogri: Yes. From FY2028 onwards, that is what will happen but we had to do more capex greenfield in this year. And capacity of Xanthine also required some greenfield and some brownfield, so which we had to.

Dhwanil Desai: Got it. Got it. So the capex intensity will come down from FY2028?

Rashesh Gogri: Yes.

Dhwanil Desai: Yes. And Sir second question, so we have guided for next three to four years 15% to 18% revenue, 15% to 18% margin but in the previous commentary, we have talked about CDMO being the highest margin followed by Xanthine, followed by API and if I look at the capexes that we have done, the large ones that we have done are mainly on the CDMO and Xanthine side. So, of course, the proportion of revenue from Xanthine and CDMO will go up in the overall pie. So, ideally, that should lead to margin improvement and hence, much better EBITDA growth than revenue growth. I mean, that's on a conceptual level. So, what am I missing here?

Rashesh Gogri: So in Xanthine, currently we are capturing all the marquee customers. As our higher capacities will come, we will have to go after more spot market, where of course, we have to fight with our competitor and get that volume. That is where definitely the top line growth will come. But overall, I think EBITDA growth will not catch up to that level. I think in CDMO/CMO also as we commercially ramp up the products, I think the volume can grow faster. Value can grow faster, but of course, we have to get lower margin expectation as we increase our sales for the commercialized products and of course, slowly, I think once we catch up on this manufacturing and commercializing the benefits of that is why we are doing, looking at doing, for purpose expansion for this kind of project so that the plants are designed for what they are manufacturing so which can get more years, more recycling of solvents and stuff like that in future, and then the cost efficiencies can come in, in future. So that is to be seen but overall, that is where we are in terms of EBITDA and the top in the revenue.

Dhwanil Desai: Got it. Very clear. Thank you. I will come back in the queue.

Moderator: Thank you so much. We will take our next question from Preet Jain of Niveshaay Investment Advisors. Please unmute your microphone, Preet.

- Preet Jain:** Sir my question is on the Atali plant capex. So, Sir, Atali I want to know the block level economics of Atali plant and now that the common utilities are in place, what is the incremental capex and timeline for additional blocks at Atali? Should not we expect the asset turns to step up in the subsequent phase? Earlier, your guidance was 1 to 1.2x for Atali. I want to know that, any revision to that or are you intact on that guidance only?
- Rashesh Gogri:** I think for the dedicated blocks, we anticipate capex turn of 1.5x to 2x. Of course, it depends on the number of stages that we are doing, if we are doing quite a bit of stages, then this capex turn can reduce, but the margins can grow. So I think for the near future, whatever the current visibility that we have, we are looking at 1.5x to 2x on the capex turnaround.
- Preet Jain:** And Sir, another question is on impact of RM cost on margin. First, for Xanthine and sulfur urea RM impact and second, API RM cost, pass through, logistics cost. What margin impact? Can you quantify this in value terms?
- Rashesh Gogri:** No. So overall, I think, as you rightly mentioned, in Xanthine, we have several raw materials, which are urea and methanol and methanol based derivatives. So all these prices have gone up by 2x of whatever they were earlier and in certain other raw materials, of course, the prices have also gone up by 30% to 40%. We are requesting our customers to take a proportionate price increase for this. In case of API, I think largely the impact has been because, as, we are into high value, low volume API. I think largely the impact is on the solvents and Aarti Pharma has a lot of solvent recycling capabilities. So, that is being fully utilized. Even our Atali plant also has solvent recycling facility. So wherever permissible as per GMP, we try to recycle this solvent so that this impact can be minimized. But still, I think this impact remains. Also, of course, the logistics impact also remains. I think anywhere between 5% in raw material, we are seeing this overall impact of solvents and other cost escalation 5% to 7%.
- Preet Jain:** And my last question is on your active CDMO customer has stayed at 21 for last five consecutive quarters, I want to know that which players are shifting from China-plus-one value chain. So, could you please help us understand, are you in active engagement? Are you speaking with any new customers that simply have not translated to any commercial project yet? And on the new business funnel, what does your inquiry pipeline look like, like today versus 12 months ago?
- Rashesh Gogri:** No, I think in year 2025, we had overall slowdown because of the global uncertainties and the tariffs, how and where the manufacturing should happen. I think that situation has stabilized a little bit and we are seeing some inquiries, more inquiries getting generated now. In case the number of customers which are 21 currently but of course, we are engaging with the same customers on the newer projects

as well. We are also engaging with more newer customers as well. I think in future we will see this number grow in this current financial year.

Preet Jain: Sir thank you.

Moderator: Thank you, Preet. We will take Yash Sinha of MIPL with his question now.

Yash Sinha: Sir I just wanted to understand this quarter we saw a slightly muted performance in the intermediaries business because of the feedstock inflation that you mentioned. Just wanted to understand how has that evolved so far in Q1 for FY2027 given that those key raw materials are still inflated? What kind of communication have you had with your clients about potentially at least passing on some of this expense this quarter or do we expect that for the rest of this financial year performance in the intermediaries business to be kind of muted?

Rashesh Gogri: Yes, I think as you rightly mentioned, there was a lot of price increase due to Middle East crisis and for the orders which we had already on hand, I think the customers have resisted giving the price increase because these are all high value and low volume projects that we have. I think, however, they remain committed that for future, they will be able to give us some increase in future. Normally, these projects on which we have these orders are campaign driven, so we have once in a year or once in every two quarter order from this customer. So, this is not a regular item. So, we have to see what will happen in the future and how the raw material pricing will remain in future going forward and how much price escalation that we can get from these existing customers but however, any new inquiry we are able to quote at a revised cost basis where, the new orders that we will accrue will be of a little bit of improved pricing over last price.

Yash Sinha: Got it. Got it. Lastly, just a book question, a bookkeeping question from my side. This quarter we saw that Rs.33 Crores one time forex led loss do we have any other forward contracts currently on our books that can potentially lead to a one time hit like this in the FY2027?

Rashesh Gogri: I think everything has been accounted for. Going forward, I think we do not have anything unaccounted which is beyond six, eight months forward.-

Piyush Lakhani: Of course, we have term loans. So basically, Yash, this Rs.33 Crores comprises of what the gain on the operations that is export minus imports. Okay. So that is a gain of about Rs.22 Crores and Rs.33 Crores is the foreign currency loss or notional loss that I incur on my foreign currency loans.

Yash Sinha: Got it. This is not a cash loss, right?

- Rashesh Gogri:** No not a cash loss.
- Yash Sinha:** That is it from my end. Thank you so much.
- Moderator:** Thank you. We will take our next question from Shubham Aggarwal of Burman Capital. Shubham, please go ahead. We will wait for the connection.
- Shubham Aggarwal:** Hi Sir, thank you so much for the opportunity. Sir, I just wanted to understand that your OpEx costs have obviously gone up by 43% year-on-year and about 13% quarter-on-quarter? I just wanted to understand what is the largest driver of this increase and should we expect the OpEx cost will remain at this level going forward and therefore your margins can come under pressure in FY2027?
- Rashesh Gogri:** We have operationalized additional almost 440 KL capacity at Atali plus another 250 KL at our leased site. Combined coming on our books almost 700 KL from the FY2027 Q1. So, which is a very large multipurpose capacity as against our earlier capacity of around 1000 KL. It is almost a 70% increase, which has happened from the previous year's numbers to FY2026 number and going forward also. This increase and overall our man hours which have been logged in over previous year have also increased significantly almost 50% to 60% over and above the earlier year man hours. As we expand our manufacturing footprint for these multipurpose projects, I think the costs are increasing and of course, as the ramp up happens, the revenue increase will also come.
- Shubham Aggarwal:** Sir you mentioned that your capacity increases have largely gone in Q1 as well. So like, should we expect another step jump in your operational costs from Q4 to Q1 FY2027?
- Rashesh Gogri:** Yes. Yes. So I think not Q1, but I think from Q2 we will have a step jump because as we mentioned, we are just finishing our Xanthine expansion also in Q1 for final product capacity. And also we are completing the Atali phase 1 completion whatever the small block that remained, that will also get completed and fully capitalized. So with this both coming in, I think next quarter onwards, we will have full operations on all the expanded assets.
- Shubham Aggarwal:** So Sir, due to this, other increases, in happening from Q2 onwards, like can we expect the margins for the company to like go below 20%, where we can see large pressure coming in?
- Rashesh Gogri:** No, no.
- Shubham Aggarwal:** Okay, okay understood. Sir lastly on the Xanthine prices can you just help us out with how much price increases have we seen so far due to the Chinese rebates going away and because of the war conflict if you can just quantify that part.

Rashesh Gogri: I think Chinese rebate was close to 11% or 13% and that is what I think overall the price has increased due to that. Apart from that, I think in US there is a 20% tariff, also 25% tariff on China. So, considering those benefits that we have, we have been able to get those price increase particularly for the US market from our end.

Shubham Aggarwal: Sir can you just help us with the numbers like?

Moderator: Sorry about that. Shubham, we have other participants waiting. Can you rejoin the queue please? Thank you so much. We have Tushar Raghatate of Omega Portfolio Advisors. Tushar, please go ahead with your question now.

Tushar Raghatate: Yes, thank you for the opportunity. Sir I just wanted to understand like in terms of if you convert our revenues in the dollar adjustment term for the 55% of your export revenue, we see that there is a 5% of degrowth in the revenue and I just wanted to know in terms of your view on the API front and also the pass on of the prices. So how do you see the growth when coming in, adjusting for the dollar terms for the next one to two years that would be our first question. Secondly, in terms of, you said that the capex costs are front loaded. So when can we expect that balancing figure in terms of the EBITDA contribution from the capex from which quarter or at least from which half to start materializing in terms of the margin expansion or at least maintaining that?

Rashesh Gogri: Overall, the foreign exchange rupee dollar has moved significantly over the last couple of quarters. I think earlier part of the year was not that big change. Overall, I think the rupee adjusted, anyway, we have mentioned that API intermediate, there was a degrowth definitely on that segment and that has resulted in overall muted growth in rupee terms in our top line and in terms of the overall capacity and the EBITDA catch-up, I think it will take at least one year from now for the current capexes, which are coming on stream in Q1 to meaningfully contribute to the EBITDA and normalization to happen.

Tushar Raghatate: And so this post CDMO scale up, do you see the working capital to increase and if yes, then by what number?

Rashesh Gogri: We have to work out the working capital increase because most of these projects have, one time or two time deliveries in a year and as we grow the sales of single projects that we have, and if they are large projects, we end up getting a lot of inventory and manufacturing across our facilities for many quarters till we deliver this. So we have to see how it goes in the future. Unfortunately, these large customers do not pay us advance. So we have to finance this inventory ourselves.

- Tushar Raghatate:** Fair enough. I will get back in the queue. Thank you.
- Moderator:** Thank you, Tushar. We are taking our next question from Bhavika Singhvi of CJ Shah. Bhavika, please unmute your microphone.
- Bhavika Singhvi:** Thank you for the opportunity. Sir, my first question is I want to understand that in Q4 CDMO mix was very high. Still our gross margin was less Q-o-Q. So, is it one kind of event or did you experience any major or material pricing pressure in any division?
- Rashesh Gogri:** No. This quarter, we had Rs.155 Crores consignment of last quarter moving to this quarter in terms of revenue getting increased in this quarter. Otherwise, last two quarters would have been Rs.100 Crores each of CDMO sales. As we mentioned over previous quarter, previous year, we have more operational assets to digest in and which has resulted in higher manufacturing costs and I think in moving, going forward as we do more meaningful production from these assets, revenues will increase and they will compensate for the cost increase in future.
- Bhavika Singhvi:** Okay and other I want to understand from the evaluation point of view, when global innovators shortlist CDMO partners, does Aarti Pharma, like Aarti's financial strength specifically because we have a very unique balance sheet as we self-fund capex from the Xanthine cash flow. So, just want to understand that how the evaluation work does it pay in our favor? And also for the Atali unit specifically, do you have full customer commitment in place for the capacity being built right now? This is just to understand our broader capex philosophy that do we only commit to build capacity after a customer is signed or do you sometime build it speculatively and then fit it, if you can help me understand please?
- Rashesh Gogri:** Yeah, overall for the CDMO, we are definitely doing the capex keeping long term plan in mind. I think there is a mix of multipurpose capex and custom built manufacturing facilities that we plan to do in future for several projects that we have. We have long term, near long term understanding from the customers what kind of volumes these kind of drugs, once approved, can reach and once we have this greater visibility, we are putting up these kind of assets to meet our innovator customers' demand going forward. Largely, I think custom-built facilities are on the basis of sensible forecast that we have from these customers. Of course, these customers cannot be held at gunpoint if they do not buy from us, but we have to use our judgmental call, for our capex. These custom-built facilities, of course, have the starting reactors, which can also be made multipurpose also in future, if there are any issues with these customers, but largely, I think we are following with their guidance and as long as we continue to work and meet the customer's expectations on quality and the deliverables, I think we will continue to get more revenue from these customers.

- Bhavika Singhvi:** I think you missed the first part of the question, that does our unique balance sheet help us shortlisted by our CDMO partners?
- Rashesh Gogri:** Yes. I think why we get shortlisted, a few things - our manufacturing capabilities, unique ability to scale up the production from kilo lab and put up the assets, unique ability to do a very backward integrated play where the China dependence is reduced. I think apart from the balance sheet, these are the other factors which play. Of course, the chemistry also plays a big part now with the R&D and the addition of our CSO also along with the other team members have also been one of the factor why we can get more projects.
- Bhavika Singhvi:** Thank you so much.
- Moderator:** Thank you. We are taking the next question from Deep Gandhi of iThought PMS. Deep, please go ahead with your question now.
- Deep Gandhi:** Sir the first question is on the capex side as you have guided that this year will do Rs.400 Crores capex but I do not have shared a break up so can you give us a broad break up in what areas this Rs.400 Crores going to be spent and does this also include capex for dedicated development?
- Rashesh Gogri:** Yes, I think it is a mix of capex where we will be completing the Xanthine in this current quarter. So there are certain projects which are ongoing on the Xanthine front. Also, we will be finishing our capitalization of the Atali earlier phase 1. We are starting phase two there also, so, all these projects and of course, debottlenecking. I think these largely three buckets were and fourth bucket will be, I think, normal capex that we have the replacement capex. So, more or less equally spread out among all four largely, plus or minus 20. And of course, we will also spend on R&D.
- Deep Gandhi:** And does this include the capex for dedicated block or will that be a separate number which you will share later on once it is decided?
- Rashesh Gogri:** That has been factored in.
- Deep Gandhi:** So, how much will be the capex for dedicated block?
- Rashesh Gogri:** We are still working that out. So, once we have some number, we will try it.
- Deep Gandhi:** Okay and Sir, on the Xanthine side, can you broadly call out what was the volume growth and value growth for this quarter on a Y-o-Y basis, the growth which you have seen?

- Rashesh Gogri:** I think we will have to look at the Y-o-Y numbers, but as we have mentioned, we are operating fully. So we are utilizing our plant at 500 tonnes per month and we have given you the revenue now.
- Moderator:** Next, we have Vikas Sharda of NT Asset Management. Vikas, please go ahead with your question now.
- Vikas Sharda:** Yes. One clarification on the foreign currency loss. So in the P&L there is a line item of Rs.17 Crores and in the table below in the notes it says Rs.13 Crores. So are these overlapping numbers and how does the overall the foreign exchange impacted the results this quarter or let us say going forward?
- Rashesh Gogri:** Yes, so Rs.17 Crores is the total forex loss for the quarter and the Rs.13 Crores is on one of the contracts. So that is where the difference is. The Rs.17 Crores, as I mentioned earlier also, it comprises of my gain on the operations that is my receivable on exports less payable on the imports and then there is the loss on the contracts, the foreign currency contracts that we enter into and then there is a third portion, which is the increase on my foreign currency loans, which a part of it under foreign currency loans. So, that is basically, net effect of that is Rs.17 Crores.
- Vikas Sharda:** Got it. And when you look at say EBITDA or when you guide for EBITDA, you exclude this line item or you include that?
- Rashesh Gogri:** Yes. Exclude.
- Vikas Sharda:** Perfect. Yes. Thank you very much.
- Moderator:** Thank you. Requesting all participants to remain in the queue. So, ladies and gentlemen, due to paucity of time, we will take that as the last question for today. I will now hand it over to the management for their closing remarks. Over to you, management.
- Rashesh Gogri:** Yes, I would like to thank everyone who could take their time out to attend this call. Thank you.
- Moderator:** Thank you so much. As there are no further questions, on behalf of Aarti Pharma Labs Limited, this concludes today's conference call. Thank you all for joining us and you can now click on the leave icon to exit the meeting. Thank you all for your participation.