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CIN No.:L37060MH1984PLC055433

Ref: ADL/SE/2025-26/13
May 12, 2025

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

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

Dear Sir/Madam,

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

Sub: Transcript of Q4 FY25 Earning Conference Call

Please find attached herewith transcript of Q4 FY25 Earning Conference call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

FOR AARTI DRUGS LIMITED

RUSHIKESH VIVEK DEOLE

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

“Aarti Drugs Limited

Q4 FY '25 Earnings Conference Call”

May 07, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 07th May 2024 will prevail

Management: Mr. Adhish P. Patil – Chief Operating Officer & Chief Financial Officer, Aarti Drugs Limited
Mr. Harshit M. Savla – Joint Managing Director – Aarti Drugs Limited
Mr. Vishwa H. Savla – Managing Director, Pinnacle Life Science Private Limited
SGA, Investor Relations Advisor – Aarti Drugs Limited

Moderator: Ladies and gentlemen, good day, and welcome to Aarti Drugs Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that, this conference is being recorded.

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

Adhish Patil: Thank you. Good morning, everyone. It is my pleasure to welcome you all to the earnings conference call of Aarti Drugs Limited. We thank you for taking the time to join us today to discuss our financial and operational performance for the fourth quarter and full year ended 31 March, 2025.

Joining me on this call are Mr. Harshit Savla, Joint Managing Director; Mr. Vishwa Savla, Managing Director of Pinnacle Life Science Private Limited; and our Investor Relations Advisor, SGA. We hope that you have had the opportunity to review our financial results and investor presentation, both of which have been uploaded on the stock exchanges and on our company's website.

In Q4 FY '25, revenues grew by 9% to INR679 crores with EBITDA margins improving to 14%. During the quarter, we witnessed strong global demand for APIs, driving a 15.5% growth in volumes, primarily led by exports, benefiting from improved operating leverage and stable input cost, we achieved around 14.5% EBITDA margins in the stand-alone business. This is a great improvement over the last few quarters wherein margins have remained between 11% to 12%.

We expect our consolidated margin of 14% to further improve in the coming year with our new facilities up and running in FY '26. PAT stood at INR 63 crores, a growth of 33% year-on-year with PAT margins at 9.2%. For the full year FY '25, it was a challenging year, beginning with muted global demand, elevated raw material costs, which impacted overall performance.

Greater-than-expected market volatility, particularly to the falling input prices lead to a 5% year-on-year revenue decline. Despite the challenges, the company improved cost efficiency and operational discipline over the year, which helped maintain our EBITDA margins at 12.6% on an annual basis.

Margin performance improved significantly in second half of FY '25, driven by stabilization in input cost. For FY '25, the decline in revenue from the API business of 4% is not indicative of structural weakness, but rather reflected a transient correction in global pricing and inventory cycles. Despite this, the company successfully maintained operational momentum and continued to focus on strategic execution across all segments.

For the full year, one of the most significant positives for the year was marked the improvement in gross margins, which improved over 200 basis points to 35.8%. This improvement is primarily attributed to the normalization of input cost during the second half of fiscal year, following a period of inflationary pressure in raw material procurement.

Looking forward, as mentioned earlier, we anticipate further improvement in gross margins driven by multiple factors. This include an expected uptick in selling price realizations as global API demand normalizes, enhanced capacity utilization and higher value export opportunities.

Also, I would like to highlight 2 important strategic developments that signify our focus on the regulatory compliance and sustainability. During the quarter, the company entered into a share subscription and shareholders agreement with Prozeal Green Power Private Limited and Pro-Zeal Green Power Nine Private Limited.

Through this agreement, the company will acquire 26.25% equity shares and voting rights along with compulsorily convertible debentures in Pro-Zeal Green Power Nine Private Limited and SPV that will develop and operate 24.4 megawatt peak solar power plant. This plant will partially supply the company's power needs, both in the state of Maharashtra and Gujarat, reinforcing the commitment to renewable energy.

The total investment committed amount to INR8.05 crores to be invested in a phased manner. We are also pleased to share that company received letter from USFDA on 14th February 2025, which has officially removed our API manufacturing facility located at Tarapur from import alert 66-40. This development allows us to resume exports to the U.S. market from this facility.

The key APIs cleared for export include ciprofloxacin hydrochloride, Zolpidem tartrate, raloxifene hydrochloride, Celecoxib and Niacin. This marks an important regulatory milestone for the company and is a testament to our unwavering commitment to global compliance and maintaining high-quality standards across our manufacturing operations.

Now, we'll give update on the ongoing capital investment. The capex incurred during full year of FY '25 amounted to INR177 crores. Recently, through our long-term strategy of deepening backward integration and enhancing cost competitiveness, the company has made substantial progress on its greenfield project at Saykha, Gujarat dedicated to backward integration of our antidiabetic product, along with a few more intermediates, has commenced trial production, which is expected to stabilize soon within the current quarter.

This is anticipated to contribute meaningfully to the company's profitability over a long period of time. This development is expected to meaningfully reduce our reliance on external raw materials, improve supply chain reliability and drive incremental margin expansion through internal sourcing of key inputs.

The Tarapur Greenfield project had certain initial operational challenges, which have now been largely resolved. The company remains focused on a gradual production scale-up, targeting over 700 tons per month by the month of June 2025 and aiming to reach a cumulative capacity of approximately 1,600 tons per month by the end of FY '26.

These initiatives are expected to reduce the cost along with the expansion in the profit margins and the top line growth. The broader operating environment continues to present some geopolitical challenges, and the company remains focused on improving profitability through disciplined cost control, efficient supply chain management, these initiatives are expected to collectively strengthen the business' operational resilience and position it for sustainable long-term growth.

With this, we can now begin Q&A session. Thank you.

Moderator: The first question is from the line of AM Lodha from Sanmati Consultant.

AM Lodha: Sir, I have 2 questions. One is relating to export and second is relating to expansion. Now I am coming, sir, to the first question, export. As per your letter dated 14th February '25, the USFDA has removed the alert of 66-40. And from your presentation, I could guess that you have 11% export to USA, North America. So just I wanted to know North America. 11% export to North America.

Just I wanted to know after removal of this import alert, can the company improve the export performance from your Tarapur plant. Another question relating to the export, sir. From presentation, I could guess that you are in top 10 countries, the Pakistan also includes. Recently, the government of India has prohibited the export to Pakistan directly and indirectly.

So what is the percentage of export to the Pakistan? These are the 2 questions relating to exports, sir?

Adhish Patil: Okay. Yes. So your first question was, yes, our North American exports are around 11%, but that includes 3 countries, Canada, US as well as Mexico. Now with the clearance of USFDA, the sales -- the API sales to US should ideally increase. However, it will have some gestation period of, say, 12 to 24 months because all the projects have been reinitiated. There are a couple of clients who are already active and they will also launch their product using our API.

Another thing is this clears out the stigma among the European buyers. We have a very big potential for selling our APIs to European market, which was withheld because of this import alert issue. So definitely, clearance of USFDA import alert will give us a lot of impetus in improving our regulated sales. Having said that, it will take some gestation period, but it will improve for sure. And it will be a high-margin business as compared to our current ROW export sales.

And regarding the question of Pakistan that is a very relevant question as of today. So our exports to Pakistan is a little less than around 2.9% or so. Definitely, we are keeping a close watch on the progress of the trade ties between India and Pakistan. That will impact this 2.9% of the sales, which we will try to route to some other countries because as we see that the market is quite big and sometimes we fall short of production capacity. So we will be able to divert that material to some other countries.

AM Lodha: Second question is relating to expansions.

Moderator: Sorry to interrupt,

AM Lodha: Madam, that the first question only relating to export. Now I am asking about the second question related to expansion. Thereafter, I will go in queue. No problem. Sir, second question, you invested in Saykha plant -- how much money has been invested in Saykha plant and on full capacity utilization, how much that plant can generate the sales? Similarly, we have invested in Tarapur Greenfield plant.

How much money has been invested and how much sales can be generated over a period of 2, 3 years on full capacity utilization. And out of that INR600 crores capex, which we have undertaken in 2022, how much money is still to be spent? That is the only second question, sir.

Adhish Patil: Okay. So both Saykha as well as the Tarapur Greenfield projects, both the projects are ranging between INR180 crores to INR200 crores each. However, having said that, currently, both these projects are only in their Phase 1. So when I say Phase 1, we are utilizing only two-third of the land parcel. So one-third of the land parcel will still remain empty for future expansion for future production lines.

And initial capex, Greenfield capex always take more money because we have to do plot development, all the ancillary activities like ETPs, utilities. So all these things, warehouses. So all these common investments have been done already in the Greenfield phase. So the second round of expansion, which will come in this area in these locations, we have much higher asset turn.

Having said that, the current the Phase 1, Saykha, we expect somewhere around INR200 crores, but then I would say around 50% of it would be our captive consumption. So that will improve our gross margin rather than improving the sales. Whereas the Tarapur one, that has a full-scale potential of around INR250 crores to INR300 crores, depending upon the prices of the API, which changes dynamically. So that range is around INR250 crores to INR300 crores per annum.

AM Lodha: What about the capex of the INR600 crores announced in 2022, how much is still to be pending?

Adhish Patil: Yes, most of it is done. However, the one antidiabetic expansion line, which we are planning that INR600 crores, that capex was deferred, and we might take up that maybe probably next in a couple of years.

AM Lodha: Okay. Thank you. I will re-join the queue.

Moderator: Thank you. The next question is from the line of Rashmi Shetty from Dolat Capital. Please proceed.

Rashmi Shetty: Yes. So Adhish, one line antidiabetic is deferred. So what will be the capex guidance for FY '26? And then how should we look at it in FY '27?

Adhish Patil: Yes. So this year, we were able to complete around INR177-odd crores of capex. So what we are foreseeing -- so going forward, on a consolidated basis, we are also looking to invest into registration of oncology products in the formulation division. And we are also planning for a probable another block -- production line expansion, which will cater to export market in formulation. And apart from that, for stand-alone companies also, we have visibility of around roughly around INR200 crores of capex. Not everything will be taken up in this 2026 itself. So I would say roughly around INR150 crores to INR200 crores would be the range of capex, which we might do in FY '26. And then again, similar kind of amount probably in FY '27 when more newer products are identified.

Rashmi Shetty: Okay. And how much it would be dedicated for this antidiabetic line out of this INR150 crores to INR200 crores?

Adhish Patil: So antidiabetic line, that project, if we include in this, it should be roughly around INR100-odd crores. Exactly, we don't have the estimate now, but roughly around INR100 crores or so.

Rashmi Shetty: Okay. And now if you can also say like in FY '25 as a whole, what was the rate variance versus FY '24? And what was the volume growth on an annualized basis in FY '25 versus FY '24 in the API segment?

Adhish Patil: Okay. The volume -- the entire annual volume, I don't have it right now. But as far as the quarter is concerned, year-on-year March quarter, what we saw that the volume growth in domestic market was relatively stable. It wasn't that much. However, we had a very high -- almost to the tune of late 20% growth, volume growth in the export market. That is what led the entire volume growth of around 15% in this quarter. And the first half of this financial year, FY '25, we saw that the export demand was very weak. As we had pointed out, due to the elections, the tenders were less. So in general, our export API demand was very weak in the first half of FY '25.

Rashmi Shetty: Correct. And what about the rate variance?

Adhish Patil: Rate variance, we have seen around minus 4% to 5% year-on-year for the quarter.

Rashmi Shetty: For the quarter. And quarter-on-quarter, it is stable.

Adhish Patil: Quarter-on-quarter is almost stabilized, almost stabilized, hardly 1% or 2% maybe.

Rashmi Shetty: Okay. So API segment, basically, we have seen some sort of decline in FY '25. In FY '26 with the capacity utilization picking up and also with the demand revival, what kind of growth can we anticipate for the entire year?

Adhish Patil: So going forward, we are definitely aiming for a double-digit growth. And we are hoping that almost entirely everything should come from the volume growth, not the rate growth. And mainly it will be on the account of the new expansion of the new product line, the new capacities what we have put up that should drive the growth.

Rashmi Shetty: Okay. And the rate variance is more or less likely to be stable or it is likely to be in a declining stage only versus FY '25?

Adhish Patil: So with respect to FY '25, probably only the first 2 quarters, first 2 quarters, that is the first half, I would say, we might see roughly around -- it's a rough estimate around 3% to 4% negative rate variance. The second half should not see any negative rate variance.

Rashmi Shetty: Okay. Got it.

Adhish Patil: But this quarter -- It all depends if the raw material prices again start going up, if there is a movement in crude, then that negative rate variance won't come.

Rashmi Shetty: Okay. And my second question is on the specialty chemicals. There also, we have done brownfield expansion and all. And earlier, we anticipated that the sales potential to reach is around more than INR200 crores to INR250 crores in 2 years. So where are we now, we have done around INR130 crores for this year. So in next 2 years, will that number be achievable? Or you feel there are some challenges over there?

Adhish Patil: So we should be able to achieve that. Now what happened in FY '25 in the mid of the year, we took a call -- we were manufacturing one particular chlorosulfonation product in match manufacturing mode. We had shifted that to a newer process. But even though the quality parameters are matching, but the performance in the performance test, what you call the user test, there were some issues in the final application of that product. So that is why we reverted back to the batch manufacturing process.

In fact, we were making a lot of losses in the new process, which were reverted in the mid of FY '25. And that also led to the increase in the margin in the second half of FY '25. So -- but now we have gone in the batch manufacturing. We have already scaled up to 100. And in this -- by June quarter, we will be scaling up to 200 tons per month.

So it is on track. So we will be improving on the spec chem segment going forward. And what we feel is that in the view of ongoing tariff war between U.S. and China, it is a spec chem line probably where we might have some -- we might get some benefit as far as exports to U.S. is concerned. So we would like to explore that area as well.

Rashmi Shetty: Okay. Got it. And lastly, on the margins, any guidance, we have already reached now 13.8% in this quarter. So for FY '26, we will be able to sustain this 13.8%, 14% and thereafter expansion in FY '27? Or you feel that this quarter is more like an aberration benefiting with the multiple factors, and we would probably in the range of 12% to 13% in FY '26?

Adhish Patil: Yes. So we did not observe any such specific outlier in this particular quarter. It was purely based on good demand volume growth on the API side. So in API side in the stand-alone, API plus spec chem and plus intermediates, we were able to clock 14.5% EBITDA margins. So we are hoping that in the stand-alone company, we'll be maintaining that at least around 14% to 15% -- between 14% to 15%, we'll try to maintain.

And with the scale-up of our salicylic acid plant and reducing the losses over there, it should be relatively, I would say, easy to maintain EBITDA margin of 14% to 15% at stand-alone level. And for the formulation level, I will -- Vishwa will throw some more light on that. Vishwa, can you explain the margins in the formation trend.

Vishwa Savla: Yes, sure. So on the formulation side, that the Pinnacle side also in FY '25, we had a dip in sales because of lower production volumes available since we were doing some brownfield expansions and also ramping up regulatory audits. But in the current financial year, as we are expecting higher volumes and increase of sales of about mid-20% level. So with that, our EBITDA level should also be in the range of 14% to 15% in Pinnacle as well.

Rashmi Shetty: So on consol level, we can assume 14% sort of in FY '26 for consolidating both the segments?

Adhish Patil: Yes, we'll try to achieve that.

Rashmi Shetty: Okay. And like you mentioned in formulation, you are saying that you are targeting around 20% growth. Is it correct, what I heard?

Vishwa Savla: Yes, yes. So we are targeting about between 20% to 25% of revenue growth in formulation.

Rashmi Shetty: Okay. I have more questions. I will join back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please proceed.

Nitesh Dutt: Hi. Thanks for the opportunity. I have a question on the ongoing trade war between U.S. and China. Just wanted to understand what kind of benefits can it bring for us in terms of increasing volume and both better realization for APIs? And have we already started seeing some of these trends in terms of increasing prices that you can pass to customers?

Adhish Patil: Yes. So it is, frankly speaking very uncertain because even the U.S. administration is changing the policies by making newer and newer deals. So as of now, it is very uncertain to pinpoint that where it will be headed towards. But our general sense is that, if Chinese products have relatively more tariff than India, let's just say even 10%. So that gives us clearly 10% advantage for the pricing of our products. So we become more competitive by 10%, which is quite a big margin, frankly speaking, for Indian manufacturers.

Having said that, what trend what we have observed is that for most of the old age molecules, the API is being sold to the USFDA formulation facilities, which are outside USA. So it is not the API which will face the tariff, but the formulations which will face the tariff. So -- and because of that, for API manufacturers, it won't make much of a difference, frankly speaking.

However, the chemical line of business, the spec chem products, maybe some intermediates, which are going from China to U.S. directly, there we can have some benefit in terms of competencies, and we can get more market share.

Nitesh Dutt: Sir, on the last part, do you -- are you referring to intermediates, KSM, etc? And in that case, these might also get supplied to, let's say, API manufacturers outside U.S. who would in turn supply to formulations manufacturing units outside U.S.?

Adhish Patil: No, no. I'm talking about the customers within the U.S. itself.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please proceed.

Dhwanil Desai: Yes, hi. So my question, Adhish, is that I think in the last call and previous calls, we have guided 15% plus volume growth in FY '26 and 4%, 5% of negative rate variance in the first half because of the higher base in the first half in FY '25. So question here is that this quarter, we have done 15% volume growth, and we are scaling up both in Saykha and Tarapur in -- going forward. So should we assume that we will continue to grow on a Q4 base from the next quarter onwards throughout the FY '26? Is that the right way to look at it?

Adhish Patil: Yes. Ideally speaking, we should be able to. Q2 would be even easier for us because by that time both the facilities should ideally go in full swing. So Q2 will be easier. Q1 also, frankly speaking, should benefit from it, because though half of the Q1 is gone, today we are like on 7th of May. But definitely, the second half of Q1, we'll have the benefit of that expanded production from the greenfield projects.

Dhwanil Desai: Okay. So my question is, should we consider Q4 as a base in terms of API sales and then continue to grow from here quarter-after-quarter as we ramp up?

Adhish Patil: Yes. The first target would be to maintain such volumes for -- as far as our normal API markets are concerned. And the addition of new production lines, the new products itself, that will give a further impetus in growth -- overall growth of the company.

Dhwanil Desai: Got it. Second question is on the gross margin. So our gross margins have actually not expanded or even maybe flattish or slightly lower Q-o-Q. So it's around 35-odd percent. So how do we see gross margin trajectory going into FY '26 with all the backward integration and better product mix coming in?

Adhish Patil: So as far as the standalone is concerned, yes, definitely, we saw some dip Q-o-Q on gross margin front, but that was mainly because we get annual discounts from a few of the vendors that was accounted in December quarter. So if I remove that, the gross margins are more or less maintained. Definitely, there is a difference of around 0.5% or so, but that also depends on product mix and all.

So more or less, it has stabilized is what we are seeing. And the further way of increasing gross margin would be twofold. One is on the sales side, that is by increasing more regulated sales. And on the input side, it would be the backward integration, which is happening now. So both these factors will also help us improve the gross margins further.

Dhwanil Desai: So one thing, Adhish, I'm not able to kind of add up is that we are thinking that next year, our gross margin will improve and the sales volume will kind of -- again, capacity utilization will improve, volume will go up. So operating leverage will flow through. So ideally, FY '26 our margin should be better than what we ended FY '25 -- Q4 FY '25 with. Isn't that the right way to look at it?

Adhish Patil: Means, you're talking the annual number what we have achieved in terms of margin or just the Q4?

Dhwanil Desai: No, Q4 also I'm saying.

Adhish Patil: As far as the annual number is concerned that is 10 or 12 or something percent that will definitely improve by a couple of percent is what we anticipate. So we are targeting around 14% to 15% and that will be our internal target to -- for EBITDA margins on a console basis.

Dhwanil Desai: Got it. Thanks. That's it from my side.

Moderator: Thank you. The next question is from the line of Aman Goyal from Axis Securities. Please go ahead.

Aman Goyal: Good morning, sir. Congratulations for great set of numbers. My first question is related to the revenue guidance. Can you guide the revenue for FY '26 and '27?

Adhish Patil: Yes. So frankly speaking, we just taking into account that there might be some 3%, 4% negative rate variance in the first half of FY '26. We still are optimistic of achieving a double-digit growth as far as revenues are concerned on a CAGR basis for next 2 years at least. The thing is initially -- our initial target would be to cross INR3,000 crores on an immediate basis. And then from there, we will try to reach INR3,500 crores. That is purely based on volumes and we are not considering any rate improvement in that.

Aman Goyal: Okay. So sir, basically, this growth will be majorly coming from the API, right?

Adhish Patil: It will come from API as well as it will come from formulations as well.

Aman Goyal: Okay, sir. And the EBITDA margin guidance, if you could -- 14% to 15%, right?

Adhish Patil: 14% to 15% is the stable guidance what we are giving here.

Aman Goyal: Okay, sir. Thank you. That's all from my side.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please proceed.

Ankit Gupta: Thanks for the opportunity and congratulations on good set of numbers. So my first question was on, Adhish, you said that the INR622 crores kind of base that we have on the standalone basis for the next few quarters, we will try to grow on that because normally Q4 is our best quarters if we see historically, it has a relatively high base?

Adhish Patil: So the thing is Q4 is definitely one of the best. And Q2 is also quite decent. So our first target would be to maintain this base going forward. Maybe for the existing products and existing line, there might be a slight dip here or there, but then the new products will be added, which should also give a lot of growth on the overall basis.

Ankit Gupta: Sure. Okay. And I was just reconciling the numbers. If you see next year, we are expecting a good double-digit volume growth in our existing business. Our new plants will start and hopefully, specialty chemicals will also ramp up. Formulations, we are saying 20%, 25% growth. So on a consolidated level, do you think we can target at least 20% kind of revenue growth next year?

Adhish Patil: No. Actually, the formulation as of today is around -- roughly around 10%, 12%. So it will mainly be on the 10% to 15% kind of growth, 10% to 15% on an overall basis.

Ankit Gupta: So on an overall basis, we're expecting 10% to 15% kind of growth despite new products also coming in as well as the expansions also coming in?

Adhish Patil: Yes.

Ankit Gupta: Okay. And the second question was on the margins front. You're saying, hopefully, we should start seeing some improvement in gross margins also and with volume growth and revenue growth coming in. Do you think there can be some benefit of operating leverage, which can flow through next year and our margins can be higher than 14%, 15%?

Adhish Patil: Yes. So gross contribution we don't see much of a movement from here on, except there are two factors like regulated sales and the backward integration, which both will happen in due course of time. So that will -- but that is a little longer. Backward integration will happen much quicker in two quarters itself. But the regulated sales, that is a little longer proposition.

As far as the manufacturing, the other expenses are concerned, which play a big role in EBITDA, there in power and fuel we envisage that we might be able to gain around 0.5% benefit in EBITDA margins because of improvement in power and fuel because we will be going in for renewable electrical units from solar power plant that will drastically reduce our power cost.

And plus we are also going in -- we have already gone for this cogen boiler. So wherein we will be producing some amount of electricity, which will be captively consumed. So all put together on overall -- on a full year basis, the potential is somewhere between INR25 crores to INR30 crores of saving in power and fuel. However, for FY '26, we feel around INR10 crores to INR15 crores might -- of benefit might come in this year itself. And from next year onwards, it should be around INR25 crores to INR30 crores.

Ankit Gupta: Okay. And the last question was on you said that on an immediate basis, we want to reach INR3,000 crores kind of revenue. So FY '27 is the year that we can safely assume that at least we should...

Adhish Patil: We will target to that point.

Ankit Gupta: FY '26 seems a bit difficult to achieve is what you're saying, INR3,000 crores revenue?

Adhish Patil: FY '27.

Moderator: The next question is from the line of Bhumika Jain from Desvelado Advisory.

Bhumika Jain: Sir. So my question was that you have mentioned that product under development under the product under pipeline. So can you explain which products are you planning to launch in FY '26 or in the first quarter of FY '26?

Adhish Patil: Yes. So the major products where we see that our new volumes will come from, one is antifungal product, fluconazole. Then we foresee volume growth in metformin as well because of the increased production. Plus we see volume expansion in metronidazole because we have increased the production from around 245 tons to 330 tons per month.

Then the new products which we are launching, salicylic acid, which we have launched last year, but the meaningful contribution is -- will come only in this year. And then there are 2 other products in methylamines, Monomethylamine and DMA, which we'll be selling outside. DMA would be captively consuming. So -- and in formulations, Vishwa, can you highlight some of the oncology products?

Vishwa Savla: Yes. So in formulation, we are expecting a few approvals on the diabetic and cardiac products in Q1 and Q2 of FY '26. So, on the diabetic like DPP-4 Inhibitors, as well as some of the anticoagulant drugs we would be launching. And in the later half of the financial year, we would be getting approvals for at least 2 oncology drugs. So we would also plan to launch those in -- by end of the financial year in regulated markets.

Moderator: The next question is from the line of Rashmi Shetty from Dolat Capital.

Rashmi Shetty: On the working capital, it can be seen that there is an increase in your receivables days and inventory days and creditor days. So if you can explain on that and whether it will remain at the same level in next -- for next 2 years?

Adhish Patil: Inventory days actually have improved that way. But debtors definitely looks inflated. If you -- the main reason is the increase in the sale in the last quarter. Our debtor cycle is typically around 90 days. So if we sell more in the latest quarter, then -- and if you take the first 4 quarters revenues, then on that number, it looks higher. But if we multiply the Q4 into 4 and take that as an annualized sale, then it will look in line.

Rashmi Shetty: Okay. And it would remain more or less at these levels only if you want to model in for next year or so?

Adhish Patil: If we are able to maintain this level of sale, like the stand-alone sale of INR624 crores and the consol of INR678 crores per quarter, if we continue that, then it will remain same.

Rashmi Shetty: Okay. And one question on the Gliptins. What is the update on that? Earlier, we were focusing on Vildagliptin exports and Teneligliptin more India-centric. So what is happening over there, whether we are able to pick up the sales or not?

Adhish Patil: No, we are not completely able to pick up the sales of Gliptins yet. Whatever Antidiabetic growth, what we are showing in our numbers is accounted because of metformin pioglitazone. Teneligliptin, we are selling into local markets. Vildagliptin, we are in the process of making DMF.

We are further improving the cost, the process of the Vildagliptin, because if we have improved process, then we should be able to quickly grab the market of Vildagliptin in export market because the pricing has corrected quite a bit in those products. So we have to be very much cost competitive to capture the market.

Rashmi Shetty: Okay. And on -- lastly, on the metformin, currently, I think we are just selling in the other emerging markets and India. So in that particular molecule, are we going to target regulated markets that is US? And what about -- what is the update on European markets also?

Adhish Patil: Yes. So in metformin, we do have European approval. We have CEP for the product. However, the European sales hasn't picked up much. But there are a few other geographies in the world, which is semi-regulated. There, we just have got into those markets and the sale is improving on a quantity basis for metformin for us in those markets.

So the next target is Europe, because we already have the approval at the plant level. And the second target would be making our plant USFDA approved. Our first target was to clear our import alert of Tarapur facility, which we have this year. And that gives us a lot of confidence to file for USDMF. We are already in the process of making USDMF. So very soon, we'll be filing the USDMF and trying to -- and we will try to trigger the USFDA audit for the facility.

Moderator: The next question is from the line of Sanika from Sapphire Capital.

Sanika: Yes. So in one of our interviews, we had said that we are targeting INR4,000 crores of revenue by FY '27. So are we still on track for that?

Adhish Patil: No. Actually, yes, we had a target of INR4,000 crores. The only thing is because of the price variation, we have revised down that target. So right now, on a pessimistic level, we are hoping that we will first reach INR3,000 crores plus by FY '27. And from there on, we will try to achieve more and then try to reach INR3,500 crores.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Adhish Patil: Thank you, everyone, for joining us today on this earnings call. We appreciate for your interest in Aarti Drugs Limited. If you have any further queries, please contact SGA, our Investor Relations Advisers, or us directly. Thank you.

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

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