



Aarti Drugs Limited

Manufacturers of : Bulk Drugs & Chemicals

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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 Q2 FY26 Earning Conference Call

Please find attached herewith transcript of Q2 FY26 Earning Conference call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

FOR AARTI DRUGS LIMITED

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



**“Aarti Drugs Limited
Q2 & H1 FY’26 Earnings Conference Call”**

November 10, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th November 2025 will prevail



MANAGEMENT:

- Mr. Adhish Patil – Chief Operating Officer & Chief Financial Officer, Aarti Drugs Limited
- Mr. Harshit M. Savla – Joint Managing Director, Aarti Drugs Limited
- Mr. Harit P. Shah – Whole-Time Director, Aarti Drugs Limited
- Mr. Vishwa Savla – Managing Director, Pinnacle Life Science Private Limited

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 & H1 FY26 Earnings Conference Call of Aarti Drugs Ltd.

As a reminder, all participant lines will be in 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

Before we begin, a brief disclaimer: This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performances, and it may involve risks and uncertainties that are difficult to predict.

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

Adhish Patil: Thank you. Good morning to all stakeholders and thank you for joining us today for Aarti Drugs Q2 & H1 FY26 Earnings Conference Call. Joining me on the call today are Mr. Harshit M. Savla – our Joint Managing Director, Mr. Harit P. Shah – Whole-Time Director, Mr. Vishwa Savla – Managing Director, Pinnacle Life Science, and SGA, our Investor Relations Advisor.

I hope you have had the opportunity to view our Financial Results and Investor Presentation for the Quarter and the Half Year ended 30th September 2025, which are available on the Stock Exchanges and our website.

Let me begin with “Some Notable Operational and Business Highlights before moving to the Financial Highlights”:

Q2-FY26 marked continued progress on our strategic priorities of backward integration, capacity expansion and strengthening cost competitiveness, even as the broader industry witnessed soft domestic demand trends, particularly in the antibiotic category.

Export demand, however, remained robust, offsetting the weakness in the domestic market and contributing to improvement in overall margins performed.

To begin with, our new manufacturing facility at Sayakha, Gujarat commenced commercial production on September 4, 2025 and is currently in its early operational phase. This facility manufactures Dimethylamine, Monomethylamine, Trimethylamine and their Derivatives, key intermediate use in the production of various downstream APIs and specialty chemicals, including anti-diabetic products, which are Metformin. The facility has already commenced operations and achieved expected performance benchmarks during initial ramp-up. Around 40-50% of captive

requirements are now being met internally and once the facility reaches full utilization at the end of FY26, we expect to achieve 100% captive consumption for our anti-diabetic series.

The MMA and TMA output are being monetized through external sales, further diversifying our revenues.

As this facility stabilizes, it will structurally enhance raw material security, improve cost efficiency and contribute meaningfully to margin expansion over the medium-term.

The plant is expected to scale up to fulfill the entire captive requirement over the next 6-12 months. At present, production is primarily catering to domestic demand; however, we aim to expand into the export market as volume scales and opportunities arise.

This facility marks a significant milestone in our backward integration journey aimed at reducing external raw material dependency, enhancing supply chain reliability and improving long-term margin revenue.

Looking ahead, our focus will remain on ramping up capacity utilization at Sayakha and stabilizing production of new intermediates, particularly those supporting our anti-diabetic portfolio. This is expected to bring structural improvement, cost efficiency and gross margin stability in the coming quarters.

Moving to the salicylic acid chain, our Tarapur facility continues to progress through its stabilization phase with consistent improvement in operational performance and capacity ramp-up.

Production visibility is improving with 300 tons per month achievable in the near-term and a targeted ramp-up to 500 tons per month for Q4 FY26.

We expect the plant to turn EBITDA positive once it crosses around 800 tons per month. This vertical will also supply for upcoming 400 tons per month salicylic line, enabling downstream integration, better overhead absorption and improved margin stability. Together, this project aims to convert India's import dependence into domestic supply, with the salicylic chain emerging as a key value driver.

Moving back to our "API Segment":

We are also witnessing early signs of stability in global API pricing, which should support both volume growth and price recovery in H2 FY26.

On the regulatory and compliance front, we are in the process to receive EU certifications for several key products from our large-scale plants, allowing us to ship EU-registered products to lower-cost facilities and thereby expand export margins.

We are targeting Metformin in the US market post FY26 once ongoing validation processes are completed, an important milestone in our plan to re-enter the regulated market with higher-margin products.

We are also advancing on our BIS standard approval, which will support domestic competitiveness and strengthen import substitution efforts.

During the quarter, we also received a voluntary closure direction from the Maharashtra Pollution Control Board for the chlorosulfonation process at our Tarapur T-150 unit following an isolated HCL gas leakage incident on September 8, 2025. Importantly, no injuries or casualties were reported. The closure was a precautionary measure under applicable environmental regulations, and we have already completed a comprehensive safety audit, and are working closely with the relevant authorities to secure the required approvals. This has no material, financial or operational impact as we have adequate inventory and alternate sourcing arrangements in place. And all other processes at the Tarapur unit continue to operate normally.

Additionally, CRISIL ESG ratings assigned an independent rating of CRISIL-ESG52 to Aarti Drugs reflecting the company's steady progress in environmental management, governance standards and social responsibility. Our broader ESG roadmap remains focused on energy transition to renewable sources, waste reduction and safety enhancement.

The upcoming solar project being developed through our JV with Prozeal Green Power is an important step towards reducing our power cost and carbon footprint while supporting our long-term sustainability commitments.

Now, let us "Discuss Our Consolidated Financials for Q2 FY26":

Revenue stood at Rs.652.9 crores as compared to Rs.599.8 crores in Q2 FY25, reflecting a growth of 9% YoY driven by favorable export volumes.

EBITDA stood at Rs.84.4 crores versus Rs.68.5 crores in Q2 FY25, up 23% year-on-year, with EBITDA margin at 12.9% versus 11.4% in Q2 FY25, an expansion of 150 basis points.

PAT stood at Rs.45.2 crores as compared to Rs.35 crores in Q2 FY25, up 29% year-on-year, translating to a PAT margin of 6.9% versus 5.8% last year, an improvement of 110 basis points.

The CAPEX incurred during Q2 FY26 was approximately Rs.45.6 crores.

For H1 FY26, revenue stood at Rs.1,243.7 crores as compared to Rs.1,156.3 crores in H1 FY25, reflecting a growth of 8% year-on-year.

EBITDA stood at Rs.158.8 crores versus Rs.134.6 crores in H1 FY25, up 18% year-on-year, with EBITDA margin at 12.8% versus 11.6% in H1 FY25, an expansion of 120 basis points.

PAT stood at Rs.99.1 crores as compared to Rs.68.3 crores in Q2 FY25, up 45% year-on-year, translating to a PAT margin of 8.0% versus 5.9% last year, an improvement of 210 basis points.

The total debt during H1 FY26 also reduced by Rs.41 crores to Rs.571 crores in total, leading to a reduction in our finance costs and a record low debt-to-equity ratio of 0.39.

With respect to “Standalone Business,” revenue stood for Q2 FY26 at Rs.578.9 crores versus Rs.543.1 crores in Q2 FY25, growth of 7% year-on-year basis. Standalone business contributed 89% to the consolidated revenue. 58% of the standalone revenue came from domestic market and 42% from the export market.

Within the API business, the antibiotic-therapeutic category contributed 36.1%, anti-diabetic around 15.3%, anti-protozoal 18.8%, anti-inflammatory 11.8%, anti-fungal 11.7% and the rest contributed 6.4% to total API segment.

“Let’s Discuss about Formulation Segment”:

Revenues from formulation stood at Rs.82.4 crores in Q2 FY26 compared to Rs.65.6 crores in Q2 FY25, up 26% year-on-year basis. Exports contributed 68% to this revenue.

For H1 FY26, formulation revenue was Rs.162.8 crores compared to Rs.136.6 crores in H1 FY25, up 19%, with exports accounting for 63% of total formulation sales.

With that, I would now like to open the floor for “Questions.” Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rehan Syed from Trinetra Asset Managers. Please go ahead.

Rehan Syed: Hi, good morning and thank you for giving the opportunity. So, my question is about just a bit understanding on your R&D pipeline, commercialization pipeline on your APIs. So, sir, you have mentioned developing complex APIs and formulations for regulated markets like the US and Europe. So, could you please highlight two to three key products expected to be commercialized in the next 12, 18 months and their potential contribution to revenue that we are expecting?

Adhish Patil: Yes, for the complex US and other regulatory market products, I would like to ask, Vishwa, to highlight a few of our R&D products and formulations.

- Vishwa Savla:** We will be commercializing first product in US in this quarter, which is Bicalutamide, and we are also expecting to commercialize a few anti-diabetic products in Europe, UK and other regulated markets, ex-US, between the next six to nine months. So, these new products combined should give us an additional top line of anywhere between Rs.60 to Rs.70 crores.
- Adhish Patil:** Definitely, this was a near term. We have a long pipeline for next two to three years. And as far as our standalone segment is concerned, so there we are in the process of formulating a new product portfolio for regulatory as well as for non-regulatory markets in the API segment, but this is not restricted to API segment, we are also focusing on the derivatives of the two main Greenfield projects which we have started, and we will try to identify a few key large derivative products from these two chemistry.
- Rehan Syed:** Okay. Just a bit a follow-up on this only on the domestic side. So, like, while export demand remains strong, so like what we are seeing in the domestic side, especially in antibiotics continues to stay, so, are you witnessing any recovery trends in the domestic API market in terms of the demand of key therapy?
- Adhish Patil:** Okay. So, as far as overall demand is concerned, it is fine. But in the antibiotic category, we did face issues in few of the products. Now, Q3 is typically a lean quarter anyways for the acute therapy. So, we hope that from Q4 onwards, there should be some slight pickup in the domestic demand. But we will come to know within two to three months.
- Rehan Syed:** Okay. Is there you have to put any margin guidance way forward, where is your EBITDA margin and PAT margin?
- Adhish Patil:** So, right now, on the standalone basis, we slightly crossed 13%, and pre-COVID levels, we were doing 15% to 16%. No doubt, industry has changed, the markets have changed, the competitors have changed over the past so many years. But definitely, we have certain drivers, which we are working on, which can help us to take this EBITDA margins on a consolidated basis back to 15%. It will take some time, maybe in sequentially quarter-on –quarter, we hope to see continuous improvements in this margin.
- Rehan Syed:** Okay. Yes. Thank you and best of good luck in the coming quarters. Thank you.
- Moderator:** The next question is from the line of Pramod Dangi from Ratnatrayi Investment Management LLP. Please go ahead.
- Pramod Dangi:** Hi. Thank you and congratulations for a good set of numbers in terms of recovery in the margin. My question is on the two firms.
- Adhish Patil:** Pramod, I am not able to hear you clearly.

- Pramod Dangi:** So, I'm just saying, on the pricing side, what we are seeing today is that price bottomed out or quarter-on quarter, year-on-year or they are flat on the API side. That is the first. Second, what is the volume growth in the API this quarter?
- Adhish Patil:** Okay. So, year-on-year basis, if we talk about the volume growth, so domestic was quite flat, frankly speaking, because of lackluster demand in the antibiotic category. In fact, there was a slight decline growth of around a couple of percent, but export did fantastic; we had more than 30% volume growth in exports. So, it got compensated. So, overall, we had around 9.33% volume growth in the API segment in this quarter.
- Pramod Dangi:** Okay. So, that means 2% around negative contribution from the pricing, if I look at from the seven and nine? And second, you said that our business environment has changed, but at the same time, we have integration. So, in terms of the margin, if I look at 12 or 18 months a year, should we be crossing the price?
- Adhish Patil:** Yes, as far as margins are concerned, so, on a standalone basis, we already just crossed 13%, not too much, just you can say 13%. So, a couple of percent, we still see no doubt, we are still absorbing around Rs.3.5 crores of losses in salicylic acid, plus, we just commercialized our Sayakha plant for just one month, and initially, always the capacity utilization would be low, and that expenses also we have absorbed. So, in spite of doing all this, the margin is 13%. So, we are quite confident that once we get all these things in order, on a quarter-on-quarter basis, sequentially, our margins should steadily keep on increasing, and our ultimate target should be somewhere between 15% to 16%.
- Moderator:** The line for the participant is disconnected. The next question is in the line of Candice Pereira from Dolat Capital. Please go ahead.
- Candice Pereira:** Hi, thank you for taking my question. So, I can see that the other income is very low compared to last year. So, will it be in this range only for the second half as well?
- Adhish Patil:** Okay. Frankly speaking, I cannot comment on that, but more or less, if you add up the other income for the entire year, it should be steady, sometimes, it might shift from one quarter to another, for the entire year, it should be steady, but I cannot comment, I do not have the number right now with me unfortunately.
- Candice Pereira:** Okay. And any tax rate guidance for FY26 and '27?
- Adhish Patil:** So, our tax rate will continue to be everything inclusive around 25% tax bracket. So, we have already gone into that tax regime. This year, for the first quarter, we had some tax refunds from the previous year. And that is the reason why for the first quarter our tax rate was so low. And we are

expecting a little bit more refund, but mostly that should be completed in this financial year only in Q3, Q4.

Candice Pereira: Okay. So, that will be in the range of 25%, correct?

Adhish Patil: For the next three years, it should be ideally in the range of 25%.

Candice Pereira: Okay, for next year. So, that is FY27?

Adhish Patil: FY27.

Candice Pereira: Okay. And in the overall revenue guidance range you are providing?

Adhish Patil: Actually, we had targeted in early teens in terms of volume growth when we started the year. Definitely, first quarter, the demand was quite low what we saw. In second quarter, the export demand picked up really well. But domestic demand still suffered a little bit, mainly on the account of antibiotic therapy. So, right now, means, for this quarter, we made around 6% value growth. For the H2, we will definitely aim towards , high single digit value growth for H2 FY26.

Candice Pereira: Okay. Thank you so much.

Moderator: The next question is in the line of Sanil Jain from Ambit Capital. Please go ahead.

Sanil Jain: Hi, sir. Good morning. Congratulations on a good set of numbers. I just have a couple of questions regarding the backward integration. So, how much is the capacity that you have added for this backward integration?

Adhish Patil: Okay. So, the total Methylamine plant is around 60 TPD. We can scale it up to 80 TPD as well. Yes, that is the Methylamine capacity.

Sanil Jain: And what is the total CAPEX amount that is spent on this CAPEX and what can be the asset turn?

Adhish Patil: The asset turn, so the thing is total, means roughly, I mean, just to be a ballpark figure, we had told earlier that for both our Greenfield projects, we had spent somewhere around Rs.200 crores each, but obviously, not everything in a Greenfield project goes towards the single product, there are a lot of common amenities which are developed as well. And for both the Greenfield projects, this is the phase one of the investments. So, until land parcel is a little empty, and we can still go for phase two investments, which will be at much lower CAPEX, but with much higher asset turn. So, for the first phase, I would say, the asset turn will not be great, it will be in the range of 1 to 1.5. But the thing is, the reason for that is, it is first phase. So, a lot of common facilities are being constructed, for which we require heavy CAPEX in the phase one.

- Sanil Jain:** Okay. Okay, understood. And will this capacity be fully utilized for captive consumption or will some things be sold outside?
- Adhish Patil:** So, our main idea was to go for captive consumption. But this chemistry has side chain products, which we will need to sell outside.
- Sanil Jain:** Okay. So, can you give a ballpark range, how much will be captively consumed, and how much will be sold?
- Sanil Jain:** Yes, yes, ballpark would be, roughly 50% we will try to consume captively.
- Sanil Jain:** Okay, understood. That is it from my side. Thank you so much, sir.
- Moderator:** The next question is from Jainam Ghelani from Svan Investments. Please go ahead.
- Jainam Ghelani:** Hi, sir. Thank you for this opportunity. In our earlier call, we had mentioned that we should be growing by 15% CAGR for FY26 and FY27 and now we are saying that around FY26 revenue growth should be in the single digit. So, do we expect that FY27 to be in the higher 20% range and maintain our guidance or we expect to decrease our guidance for the year?
- Adhish Patil:** Interesting question. So, the thing is, the negative rate variance is now behind us. So, there would not be any negative rate variance. So, going forward, if I compare with FY27 versus FY26, then we definitely feel that, we can try to hit those mid-teens of volume growth because on the account of newer capacities which are installed. So, it does put us in a very favorable position to achieve that kind of growth if everything goes well. The key challenge will remain would be the ramp up of salicylic acid. If that happens very quickly and very successfully, then it would be that much easier to achieve those numbers. Along with that, we are also, the Sayakha project is doing very well. The customer acceptance of the product is good. In fact, even for salicylic, recently in the last two, three months, we were able to sell quite a bit of product. So, the market acceptance of the product quality is now very good. Now, you require multiple batteries for a bigger tonnage plant. Because it was still under scale-up, we had done some modifications in one or two batteries and tried to check the quality and we have achieved that. Now that it is achieved, the quality, so we are just putting up the batteries and spelling up the plant. So, definitely FY27 looks promising. If everything goes well, then we can try for 15%-20% growth for next year.
- Jainam Ghelani:** So, what would be the utilization that we are aiming for the salicylic acid like if we were to meet our 15%-20% growth aspirations, what would be the desired utilization for it?
- Adhish Patil:** So, more than utilization, let say, what our total potential was, earlier what we had thought of, as compared to that, it should be at least 60% utilization roughly.

- Jainam Ghelani:** And, sir, any year by which we expect our 15%-16% margin guidance that can be achieved?
- Adhish Patil:** Which year you are asking?
- Jainam Ghelani:** No, sir, as you were guiding earlier that 15%-16% margins can be achieved, so, which year do you think that it can be FY27 or FY28?
- Adhish Patil:** So, the thing is, if we achieved all the volumes in FY27 as promised, then at least towards the end of FY27, we should start hitting that run rate of 15%, that is what we target internally, the rest depends on the market conditions, but then we can target 15% at the end of FY27, I am not talking about the entire FY27, but let us say H2 or something like that.
- Jainam Ghelani:** Got it, sir. That is it from my side. Thank you and all the best.
- Moderator:** The next question is from the line of A.M. Lodha from Sanmati Consultants. Please go ahead.
- A.M. Lodha:** I wanted a CAPEX plan to be incurred in FY26 and FY27. This is the question number one.
- Adhish Patil:** So, for FY26, we already incurred something not entirely, but near about Rs.100 crores for the H1 somewhere in late 90s, and we estimate around Rs.150-200 crores of CAPEX investing cash flows in this particular year.
- A.M. Lodha:** Total Rs.200 crores?
- Adhish Patil:** Total Rs.200 crores. And we have some expansion plans for Metformin as well for next year. If everything goes smoothly, then we might require around that much similar kind of investment in FY27 as well. And for next round of big CAPEX, we are in the process of developing a product portfolio, and as soon as we finalize the blueprint of that, then we will be announcing it to the investors that what kind of further CAPEX the company plans to achieve growth from long-term perspective... when I say long-term, more of like 5 to 10-year perspective.
- A.M. Lodha:** Sir, my second question is relating to debt. What is the present debt and how the company is planning to reduce the debt?
- Adhish Patil:** Yes. So, steadily means quarter-on-quarter, year-on-year, our debt-to-equity ratio has been coming down. As we said for standalone, it is 0.33, for consolidated, it is 0.39 debt-to-equity ratio, and the total debt as it stands on 30th September on a consolidated basis is around Rs.571 crores.
- A.M. Lodha:** Long-term as well as working capital, both?
- Adhish Patil:** Both included.

- A.M. Lodha:** What is the target of the company in reducing the debt in next FY27 and by the end of FY26?
- Adhish Patil:** Yes. So, historically, we had always maintained a debt-to-equity ratio somewhere between 0.5 to 0.7. Earlier it was much higher. But our target is to keep the debt-to-equity ratio between 0.5 to 0.7. The main reason for that is that it gives us a good leverage and it also helps us enhance the ROE. What we believe here is that we do give around 25% to 30% of our PAT back to shareholders every year, year-on-year. So, with that kind of shareholder payout in mind and with the higher ROE target, we like to maintain the debt-to-equity ratio at 0.4 to 0.7. Because if the debt goes down too less, then probably we will do a shareholder payout, something like that. So, our target would be in 0.4 to 0.7 range debt-to-equity ratio.
- A.M. Lodha:** That means the company is not planning any debt reduction -
- Adhish Patil:** No, because if we do not do shareholder payouts within 2-3 years, the debt would be wiped off. But then the thing is, we have always been for the last 41 years a dividend-paying company. So, we will continue to do that in the future as well.
- A.M. Lodha:** Okay. Thank you, sir.
- Moderator:** The next question is from line of Sajal Kapoor from Antifragile Thinking. Please go ahead.
- Sajal Kapoor:** Hi. Thanks for taking my question. Adhish, how satisfied are you with the current yield and purity profile of the output from both the Sayakha Greenfield and the Salicylic Greenfield compared to where the Chinese players are today, because basically, we are using these as import and substitution, right?
- Adhish Patil:** Okay. So, in Sayakha, we are doing methylamines. So, methylamines is not an import-substitute product. Definitely, salicylic acid, which we had done in Tarapur, that Greenfield is absolutely, as you correctly said, it is an import-substitute product. So, as far as yield and purity profile of salicylic acid is concerned as against the Chinese quality material, I would say in the start of this calendar year, we were a little behind, frankly speaking. But then, with great efforts from our R&D team, now, two months back, I would say, we were able to achieve the required purity profile for salicylic acid. Definitely, we still have to work a lot on the process improvement part, because right now, we are focusing on achieving the quality parameters. So, the quality parameters are met. Fortunately, now, the product is widely accepted in the market. We have sold to majority of the salicylic acid customers in India. So, the quality is very well accepted as of today. Now, we need to focus more on the cost improvement part for salicylic acid. And as far as the Sayakha project goes, which we just commercialized in September, two months back. Fortunately, there, the quality is spot-on right from the day one. Obviously, the derivative part, which we are captively consuming, I think we are pretty much there. So, Sayakha project would be online in a much faster way than

what happened to the salicylic acid project. And for the Sayakha project, we are not competing with the importers, but it is the domestic manufacturers with whom we are competing.

Sajal Kapoor: Yes, absolutely. So, the broader strategy at the Sayakha plant is to reduce dependence on the external suppliers and enhance the gross margins by integrating backward, correct?

Adhish Patil: Correct.

Sajal Kapoor: And when I look at the presentation, so I am on slide 7, our gross margins have shown a significant improvement of more than 300 basis points. The question really is what is the driver behind this improvement, is it backward integration or is it better realization, some sort of process improvement, what exactly is kind of contributing to this improvement in gross margins, and what could perhaps be a sustainable gross margin going into fiscal '27, if you can?

Adhish Patil: Okay. So, as you are referring to that particular slide, so what happened in the last two to three years, I would say, from FY'23 onwards, '24, '25, '26 now, because of that Russian war in January March quarter 2022, after that, the oil spike in the prices went up very sharply for the first nine months and then it started to cool off very sharply when India started purchasing oil from Russia, so, the prices cooled off. And since then, the prices of the raw materials have been coming down slowly and steadily, across the globe. Now, in that scenario, what happened, because we carry an inventory of around 90 to 100-days in total, including raw materials, WIP and finished goods, in the declining prices scenario, the gross margin always take a hit because of the FIFO basis of the accounting. And that was the reason why the margins were artificially compressed for the last financial year. Not that our efficiency was less or anything like that. But now that the decline has stopped since last nine to 12 months, the decline is so less, now the volatility has gone down. And because the volatility has gone down, the true margins of the products are now coming down. The price variation effect in the gross margins have now been going out. And that is why we can see there is a steady increase in the gross margin. However, I would like to point out that in spite of taking losses, means, you can say very little gross margin, salicylic acid kind of a product, still we are able to maintain this profit margin numbers. So, we are pretty much hopeful that once salicylic acid gets in line, then our P&L statement will improve drastically.

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

Aman Goyal: Thank you for the opportunity and congratulations on great set of numbers. So, my question is related to the next big opportunity in the pharma sector, which is GLP-1. So, we are already in the API for anti-diabetics through Metformin. So, are we seeing any potential in entering into GLP-1 intermediaries or API -- are there any internal discussion or early stage evaluation to entering into this opportunity?

- Adhish Patil:** Yes. So, just a few minutes back, we discussed that. Right now, as you pointed out, we are in the early phase discussion to put a new product portfolio, taking into account growth of next 5 to 10 years, not for next 3-4 years, because next 3-4 years, growth would be majorly driven by the capacities what we have already installed as of now with two Greenfield projects and other Brownfield expansions what has been going on in last year and even in this year. So, the next round of growth, let us say, for a company to grow from Rs.5,000 crores to Rs.10,000 crores of revenue, we are forming a product portfolio. We will consider these molecules as well, what you mentioned right now, into account and looking at our strengths and weaknesses and kind of markets, kind of client profile this certain molecule has and whether we are already dealing with those clients, based on all these factors, we will narrow down the list and start working towards that goal.
- Aman Goyal:** Okay, sir. Thank you. That is all from my side.
- Moderator:** The next question is in the line of Nilesh Ghuge from HDFC Securities. Please go ahead.
- Nilesh Ghuge:** Thank you, sir. So, my question is regarding our Sayakha amine facility. As you mentioned, it is a step in the backward integration, it will enhance your raw material security as well, and the margin resilience. So, what kind of benefit in terms of percentage or bps in your gross profit margin or at EBITDA level you expect because of this Sayakha once the plant is running at a full capacity?
- Adhish Patil:** As we all know that this particular product line, as of today, the margins look fantastic, no doubt about that. But as we scale up, the additional capacity which will come in the market, probably, it will be prudent to expect some bit of price reduction in this product. But in spite of that, the main reason for us going backward integrated was because we are heavily dependent on one of these raw materials and that is a big chunk of our overall business. So, easily, I would say it will be taking care of 10% to 13% of backward integration of the revenue, the product which we are contributing 10% to 14% of the revenues that will be further backward integrated by this particular facility, and plus, we will be selling the side chain products outside which are quite profitable as well. Definitely, the profit margin what we expect is much better than our current aggregate profit margin of the company. I am actually sorry because I cannot estimate exactly how much it will add on. If everything goes well, definitely the profit will be very high, but I would not like to point out that number because we do not feel that the things will remain as they are right now. Slowly, slowly the selling prices should come down. But what we still expect is from this project, at least, we should try to make around 18% to 20% EBITDA margins is what we feel from this Sayakha project.
- Nilesh Ghuge:** 18% to 20%, okay. And are we looking for a merchant sale of this product as well or just for the captive consumption, I mean, I am talking about the methyl derivatives?
- Adhish Patil:** You are talking about specific derivatives. So, if we are talking about specific intermediate, then the intention is not to sell that intermediate outside, the intention is to captively consume that. But

the side chain products, because to manufacture that product, a couple of side chain products are automatically produced. So, that we will have to sell outside, there is no option. And fortunately, one of the side chain products is going to a group company itself, they have a heavy demand for that product. So, fortunately, from the demand perspective, we have seen a very good response from the market. Two products are already secured because of captive consumption, second, because of group company sale, and the third one, we are seeing very good acceptance in the market. So, we hope that this project will do better, lot quicker than what we saw in salicylic acid.

Nilesh Ghuge: So, the second product, you mean the key raw material for?

Adhish Patil: No, no, no. What I am trying to say is that there are three methylamines which are being manufactured, MMA, DMA and TMA. So, what I was talking about the DMA derivatives that will go in anti-diabetic therapy. For MMA and TMA, those will be sold outside.

Nilesh Ghuge: And any, I mean, how much volume you were procuring earlier and how much is the replacement as of now?

Adhish Patil: I gave one number that, roughly around 40% of the captive consumption requirement as of today, we are satisfying. But we are trying to ramp it up very quickly. We have to resolve equipment-related issues. Once they are done, then we can ramp up pretty fast. But main thing is our Metformin capacity as of today stands at 1,400 metric tons per month. But we plan to expand that as well going forward. So, once we expand that, then our requirement for captive consumption will go up. And even that we have taken care of in the existing facility.

Nilesh Ghuge: Okay. Got it. All right. Thanks a lot, sir. I think that is all from my side.

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

Adhish Patil: Okay. Thank you. So, before we conclude, I did like to reiterate that Aarti Drugs is entering a key growth phase where multiple strategic initiatives undertaken over the last two years are starting to converge. We expect to see the impact of these efforts more visibly in the coming quarters as utilization improves, product mix strengthen, and new capacities begin contributing meaningfully to profitability. Our focus remains on disciplined execution, operational excellence, and continuous enhancement of technological capabilities across our value chains. Thank you for your continued support and trust in Aarti Drugs. For any further queries, please reach out to SGA, our investor relations advisor. Thank you and have a nice day.

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