May 16, 2025

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

SCRIP CODE: 543748

To,
Listing/ Compliance Department
National Stock Exchange of India Limited
"Exchange Plaza", Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
SYMBOL: AARTIPHARM

Dear Sir/Madam,

Sub: Transcript of Q4/H2 FY25 Earnings Conference Call
Ref: Regulation 30 of the SEBI (LODR) Regulations 2015

Please find enclosed herewith the Transcript of Earnings Conference Call held on May 12, 2025 on the Audited Financial Results of the Company for the Q4/H2 FY25.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For AARTI PHARMALABS LIMITED

Jeevan Bhargav Mondkar
Digitally signed by Jeevan Bhargav Mondkar
Date: 2025.05.16 14:25:14 +05'30'

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

Encl.: a/a.

Aarti Pharmalabs Limited
Q4 FY2025 Earnings Conference Call
May 12, 2025

Moderator: Ladies and gentlemen, good day and welcome to Aarti Pharmalabs Limited Q4 FY2025 Earnings Conference Call hosted by Valorem Advisors.

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

I now hand the conference over to Ms. Nupur Jainkunia from Valorem Advisors. Thank you and over to you, Ms. Jainkunia.

Nupur Jainkunia: Thank you. Good evening, everyone, and a very warm welcome to you all. My name is Nupur Jainkunia from Valorem Advisors. We represent the Investor Relations of Aarti Pharmalabs Limited. On behalf of the Company and Valorem Advisors, I would like to thank you all for participating in the Company's earnings conference call for the 4th Quarter as well as for the financial year 2025.

Before we begin, let me just mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management beliefs as well as assumptions made by and the information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Rashesh Gogri, Chairman; Mrs. Hetal Gogri Gala, Vice Chairperson and Managing Director and Mr. Piyush Lakhani, Chief Financial Officer of the Company.

Without any further delay, I request Mr. Rashesh Gogri to start with his opening remarks. Thank you and over to you, sir.

Rashesh Gogri: Good afternoon, everyone. Thank you for joining us today on Aarti Pharmalabs' earning call for the quarter Q4 & Full Year FY25. I appreciate your continued interest in our business. I shall take a few minutes to walk you through our performance for the quarter and year ended 31st March 2025, highlight some key achievements, and provide a future outlook.

Consolidated financial highlights for Q4 & FY'25 were as under:

- I am pleased to report that FY'25 has been a landmark year for the Company. Q4 served as a strong finish to a year defined by business expansion and operational excellence.
- Revenue for Q4 FY'25 stood at Rs. 564 crores representing an 11% YoY growth. On a full year basis, the revenue came in at Rs. 2,113 crores, a 14% increase YoY. This reflects an upward growth trajectory supported by strong execution and healthy demand across all the business segments.
- EBITDA for the quarter was Rs. 146 crores, a 24% increase YoY. EBITDA margins expanded to 26% up from 23% in Q4 FY'24. For the full year FY'25, we achieved an annual EBITDA of Rs. 464 crores growing by 20% YoY and underscoring our strength of our operating leverages and efficiency measures.
- Profit after tax for Q4 FY'25 rose sharply to Rs. 88 crores marking a 35% YoY growth and setting a new record for quarterly PAT. For the full year FY'25 the profit after tax reached Rs. 272 crores, a 26% increase over FY'24, driven by both topline growth and margin expansion.
- In FY'25, our net cash from the operations remained strong at Rs. 332 crores, providing us the financial flexibility to reinvest in capacity expansion in R&D.
- In line with the strong financial results and our commitment to enhancing shareholder value, the board has declared a dividend of Rs. 2.5 per share for Q4 FY'25, the final dividend, bringing total dividend for the full year to Rs. 5 per share.

Let me now present the business performance highlights:

The Company operates in three separate segments in the pharmaceutical industry – 1) Xanthine derivatives, 2) API intermediates and 3) CDMO/CMO:

- Xanthine derivatives contributed to 34% of the turnover in Q4. There was no significant change in pricing. The Xanthine facilities operated at almost full capacity in Q4.
- The API & Intermediate business recorded the highest ever quarterly sales and stood at 39% of the total turnover in Q4. The sub-segment-wise breakup is 52% in the regulated

market, 38% in RoW, and 10% non-regulated market, which aligns with our long-term focus towards the regulated market.

- The CDMO/CMO segment has contributed 27% of the turnover in this quarter and we are currently working with 21 customers. The number of active projects is now 61 projects against last quarter's 56, out of which 33 projects are at the commercial stage and 27 are under the different stages of development, both at customer's end.

Let me share the progress updates on key growth initiatives:

- For our Xanthine derivative business, the capacity expansion to 9,000 metric tons is progressing as planned, with phased commissioning estimated in H2 FY'26. As promised in Q3 earnings call, we have completed the filings for regulated approvals of USDMFs and CEP for the pharmaceutical market. The pharma market sales is likely to yield higher realization on a per kg basis. In the long term, we anticipate the beverages market to continue as the largest segment for the Xanthine business.
- The greenfield project at Atali, Gujarat is in final stages of completion. The mechanical completion is expected to finish around the end of this current quarter. It's planned to get operationalized in phases and the full ramp-up is expected by the end of this financial year.
- I would like to update you about our sustainability achievements. Recently, we earned EcoVadis Gold Rating ranking among the top 5% globally in sustainability. Another milestone has been the approval of GHG emission reduction targets by SBTi. With this, we have become the sixth Indian Pharma CDMO player to earn SBTi approval for all the three scopes.

Let me now speak about the forward outlook:

Looking ahead towards the future, we are confident of building on this growth momentum. Long-term relationships and repeat order from pre-customers remain the cornerstone of our stability. Our business strategy continues to be centered around growth, backward integration and financial discipline.

- On a standalone basis, we are guiding an EBITDA growth of around 12% to 15% in FY'26 over the higher base of FY'25. This should be supported with an increase in contribution from higher margin products and improved process efficiencies and volume growth.
- The Xanthine capacity of 9000 MT is likely to be operationalized fully by Q1 FY'27. In the next 3 years, we aspire for capacity utilization of 80%-90%, with 50% sales targeted to beverages and regulated customers.
- For API & Intermediate segment, we are continuously working towards product innovation and focusing on new molecules with patent expiry in the next 3 to 5 years.

- On the back of strong manufacturing capabilities and sound R&D setup, the CDMO/CMO revenue is estimated to grow around 30% to 40% in FY'26.

To conclude, FY'25 has been a record year for us with the highest ever EBITDA and PAT, driven by strong performance across all the three business segments. This performance is a testament to our team's hard work, strategic focus and resilient business model.

I want to express my deepest appreciation to all business stakeholders for their outstanding contribution and to our investors for their continued belief in the growth journey of Aarti Pharmalabs. We have entered FY'26 with a strong fundamental, clear strategy and a solid platform for sustained value creation.

I now request the moderator to open the floor for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Ahmed Madha with Unifi Capital. Please go ahead.

Ahmed Madha: Thanks for the opportunity and congratulations and good set of numbers. I had a question on the CDMO of business. Just to understand the CDMO business model better, I have two questions. One, in most of the products which we have in a pipeline are already commercialized, are we the primary source suppliers, the first or second source supplier? Are we the third, fourth or rather the secondary supplier? And could you quantify in whatever projects about 30 of them commercialized? How many, can you quantify them into two different buckets, whether we are primary or secondary?

Rashesh Gogri: Currently we are primary and secondary in different projects. We are currently not quantifying them. However, each project is important and the commercialized products are being sold as commercial products by innovator in the market. That's why, wherever we are a second source, we have represented Aarti as a viable option, creating our value proposition and allowing them to shift from their other source to us. So those businesses are also as important as the first source opportunity.

Ahmed Madha: Got it. And from the total 33 commercial projects, how many of them contributed to revenue in FY'25?

Rashesh Gogri: Yes, that number we will have to work out that exactly how many we have in FY'25. I think we should have worked on at least 75% of the project roughly exact number we will have to double check but roughly 70-75%.

Ahmed Madha: Got it. And on the CDMO business side, we have set 30% to 40% growth. Going forward for the Atali project, we see we have pushed the timelines for about 3 quarters. Last quarter, you spoke about Q1 2026 commercialization. Now, FY'26 end commercialization. So if you could give some light on

when you see the project ramping up in terms of revenue contribution? And secondly, on your website, we see that you have mentioned about ramping up the capacity to, I think, 1,200 KL incremental in a few years. So if you will give some guidance beyond FY'26, how do you plan to see the capacity addition in the Atali?

Rashesh Gogri: We would like to correct that the mechanical closure of Atali phase-I will happen by end of this quarter. Atali being also the facility from where we will do GMP intermediates supply, we have to go through the qualification. So those things will happen over next 3-4 quarters, where we take the validation batches and conclude. So that's what we have given. And that was also originally the target; all these things were anyway going to take time. However, we may be able to get a few products commercially out, early stages out from this site and we are very hopeful that we will be able to utilize the asset for continuous production of some of the products and we may shift some of the intermediaries also at the Atali site and wait for the qualification.

Secondly, regarding this 1,100 KL capacity is our overall capacity currently which we have in all the multipurpose plants that we run, whereas we are adding 450 KL additional capacity with Atali. This is over and above the capacities that we have in the dedicated assets that we have. Post this Atali project getting completed, we will have almost 1,500+ KL capacity, which will be available with us. And subsequently, annually we will add capacities because Atali then being a brownfield expansion, we will be able to add additional capacity much quicker and we should be able to do that in a 12-month timeframe whenever we require additional capacity at Atali.

Ahmed Madha: Alright. I have a few more questions. I will join back in the chat. Thank you.

Moderator: Thank you. Next question comes from the line of Deep Gandhi with ithought PMS. Please go ahead.

Deep Gandhi: Hi sir. Congratulations on a very good financial year. So sir, my first question is on the CDMO side. So in our past interactions, you always explained that we have shifted from a pre-clinical model to a commercial project model. But now it seems that some of the molecules which are scaled up recently for us are such molecules where the innovator is still going ahead with the FDA approval. So, just wanted to understand more about this that, is it fair to assume that such products which we are catering to, will make our CDMO business much more lumpy? And secondly, could you comment on how the shipments will work here? Will it be a recurring shipments or will it be lumpy? And are we going to target more such opportunities or was this like a one-off opportunity for us?

Rashesh Gogri: Yes, see, first of all, we have 21 customers with 60 product basket. So we have a very wide basket and very wide number of customers. Secondly, we are specializing and pitching ourselves as a manufacturing specialist. We would like to pick up the projects for CMO opportunities in and around phase-3. I have explained to everyone earlier also that, the manufacturer or the innovator would like to change and make their sources more efficient and the products, RoS also more efficient and

that is where we try to push our expertise and get those projects. So that is where our target is and I think phase-3 to final approval if you see the chances of those are also almost more than 50% generally in the small molecules. So with that, we have a very high probability of product getting success. I am not saying that we don't have any products in clinical phase or early clinical phase, phase 1, 2. We have some products there also. However, we have a large basket of commercialized products where we have just delivered some initial quantities for their validation. We expect them to commercialize in coming years and the innovators do not take campaign every year. Some campaigns are alternate year. And then depending on their API manufacturing locations also, they also have schedules. So it takes little time. But once we are in, I think it's a long-term business and that's what we like. So instead of volatility, I think this business is going to give us more stability overall.

Deep Gandhi: Sure. So is it fair to assume that the products which have contributed significantly for this quarter, you think should remain sustainable going ahead or there will be some lumpiness, if you can clarify that?

Rashesh Gogri: No, they will be sustainable. The products that we have in this quarter, large products will be sustainable.

Deep Gandhi: Sure. That was helpful. And sir, secondly on the API side, so if I look at from the export side, could you comment a bit on the pricing of some of our key products, particularly on say corticosteroids side where I see some of the products like Ciclesonide are at very high realizations. So do you think the FY'25 growth and realization for some of these products are sustainable or were there some factors like some shortages which helped our business?

Hetal Gogri Gala: The corticosteroid product range is very stable. There could be some pricing correction, but however, these products go in very limited quantities, so it is very difficult for our customers to change the source also. This would remain a continuous business for us.

Rashesh Gogri: So pricing will be stable more or less. Maybe tad lower but quite stable.

Deep Gandhi: Sure, and sir just one last question regarding this only. So, know, our top 5 products in API in terms of exports contributed 70% of our revenue in FY'25. So could you comment on the outlook about this product for FY'26 in terms of growth? And are this product itself expected to grow quite well or are you expecting some new products also which should start contributing well say in FY'26, particularly in the API side?

Rashesh Gogri: No, our top products, though we have not specified which are all top 5 or whatever are top 10, but we know for sure that these products are great products and we are continuing to build our strategic position in them and we are continuing to grow this market. We don't see any product under threat

currently. And definitely, we have a few new launches also coming up in next couple of years where we see good anti-diabetic products or anti-cancer products for which we see that there would be a good scope for us to grab market share.

Deep Gandhi: Sure. That was helpful. I will join back the queue. I have a few more questions.

Moderator: Thank you. The next question comes from the line of Prakash Kapadia with Spark PMS. Please go ahead.

Prakash Kapadia: Thanks. Couple of questions from my end. If the CDMO segment is expected to grow 30% plus in FY'26, shouldn't the 12% to 15% EBITDA growth be higher? And should we expect, is it right to expect 25% kind of EBITDA margins on a standalone business?

Rashesh Gogri: Currently, we are on significantly high base of FY25 because we have grown over last year by almost 23%-24% on EBITDA. So, over and above, I think we should be happy with the good growth.

Prakash Kapadia: And just to get some more direction on the revenue side of the Company. So, with commissioning of the new plant for Xanthine sometime next year, what is the kind of growth we would expect in that segment?

Rashesh Gogri: The Xanthine capacity will get fully operationalized by Q1 FY'27 and capacity utilization will happen over 90% over three years. It will be a gradual growth there but we hope to consolidate our position with our large buyers and this segment will grow in terms of overall quantum of revenue for sure. There will be good growth in this along with CDMO growth as well.

Prakash Kapadia: Okay. And on the API intermediate segment, we have seen a big growth this financial year. So what kind of a growth we would expect on this base in 26 and if you could give some insight into again, the growth will be led by regulated markets or rest of the world because we have grown pretty well this year? And lastly, on the CDMO side, you said 30% plus growth. So again, there, if you could help us understand the driver in terms of products or certain geographies, that would be helpful. That will give us more insights in the kind of potential revenue we are looking at.

Rashesh Gogri: Yes, I think overall growth in API is driven by regulated markets and growth in export market or export backed market basically. Even if we are giving to India but ultimately the customer is exporting the products to regulated markets only, so that is where our focus has been and that's where we have been more and more successful in pushing our product and in future also the same will continue. In terms of the CDMO/CMO growth, we have given guidance of 30-40% and we expect this to be achieved by our current product mix of almost 60 products that we have with 21 customers. We plan to grow it. In last one year we have added almost 20 new products with 6 new customers. You have seen the growth of customer addition as well as the number of projects that we have done over a period. I think we continue to maintain a strong R&D position, time bound

commitment to achieve the turnaround of the product inquiries that we receive and grow the overall CDMO market in a very fast pace.

Prakash Kapadia: And lastly, if you could quantify the US share in exports and any impact of the current uncertainties given whatever US pharma is talking or whatever US is trying to do? Any impact on that part of the business?

Rashesh Gogri: Yes, overall direct US export is not very significant as such in overall total revenue, but API is exempt from all these duties. We don't anticipate APIs will come under duty because if there is any impact I think it will be more on the formulation front not on the API front and then there will be shifting from supplying these APIs to Indian players who ultimately end up exporting there directly to US players who will ultimately buy our API and then supply in the US market. So we don't feel as of today any threat to our API current situation of the business.

Prakash Kapadia: Okay. That's helpful. And any CAPEX number you could share for FY'26?

Rashesh Gogri: Yes, I think FY'26, overall the CAPEX number is around Rs. 400 to 450 crores total capex that we will end up doing in FY'26. There is a remainder of current CAPEX of the Atali and then there are Xanthine expansion CAPEX which will also be spent. This year we ended up spending almost Rs. 400+ crores and next year also it will be the similar number, plus or minus 10%.

Prakash Kapadia: Understood. That's helpful. I will join back if I have more questions. Thank you.

Moderator: Thank you. A reminder to all the participants. Please restrict yourselves to two questions. Next question comes from the line of Mohammed Patel with Edelweiss Financial Services Limited. Please go ahead.

Mohammed Patel: Yes, hi. Sir, can you give approximate share of US in all three segments, direct and indirect?

Rashesh Gogri: Yes, I think we will have to work out that number and get back to you.

Mohammed Patel: Okay, and sir what is the breakup of this CAPEX Rs. 400 crores-Rs. 450 crores?

Rashesh Gogri: Yes, total CAPEX is broken into the remainder of Atali CAPEX, which is almost around Rs. 200 crore remaining there and some CAPEX of Xanthine product around, we have to spend close to Rs. 100 crore plus there and then other maintenance CAPEX and other R&D CAPEX. So all this put together, we will have close to this number.

Mohammed Patel: Okay, and if you can just reiterate the CAPEX commercialization timeline, so separately for Xanthine brownfield CAPEX as well as Atali project?

Rashesh Gogri: All will be commercialized in this current financial year.

Mohammed Patel: And my last question, any comments on Xanthine pricing especially in the US market and any comments on how Pharma grade caffeine can contribute to our volumes and improve overall realization?

Rashesh Gogri: Overall, the Xanthine derivative prices are stable. Of course, they are low but stable and we understand that the prices have bottomed out. And the pharmaceutical market of course is a regulated market where we require to communicate with the FDAs and the medical agencies of different countries. That's why the pricing is little different and it is definitely higher. Now we are continuing to get newer inquiries and the focus is towards selling the products in the regulated markets so that we can accelerate our position in this segment.

Mohammed Patel: Okay. Thank you.

Moderator: Thank you. The next question comes from the line of Madhav with Fidelity. Please go ahead.

Madhav: Yes, just wanted to check on the caffeine Xanthine prices currently. Do you expect prices in the next year or so to be at similar levels or to move a bit higher? And what are the key factors to watch out for price recovery from currently, you know lower levels? And second part of the question is how different are spot versus contract prices for us? If you could give us some sense that will be helpful.

Rashesh Gogri: Yes, Xanthine derivatives are sold in different markets, and different markets have different pricing dynamics. So of course, for confidentiality reasons, we can't explain all that. But overall, we are quite confident that the low-end prices of Xanthine, which are prevalent in certain market segments, they have bottomed out. The higher end prices will come down a little bit and lower end prices will go up. So I think it will be a balance which will happen. And with the expanded capacity we are still going to see the expansion in the overall profitability of this business for next few years to come.

Madhav: Alright. And should we assume that volumes in the Xanthine segment for FY'26 will be flattish because we are running at full utilization. So volume growth is more in FY'27, is that how we should think about it?

Hetal Gogri Gala: Yes.

Rashesh Gogri: Yes, basically what we have earlier also guided from a 4,500 to 5,000 plus capacity, so we will have that increase in the overall volumes of Xanthine, I think we will do phase wise commissioning so there also we will get certain capacities for last quarter also. So with that I think the overall case, Xanthine, I think that will produce much higher than last year but of course it will not touch the capacity. But on an annualized basis, it will be higher.

Hetal Gogri Gala: FY'27 we will have higher capacity.

Madhav: So essentially you're saying 3 years to ramp up the new Xanthine capacity. So FY'27 if we start Q1, so you're saying by FY'29, it should be fully utilized? That's how we should look at it.

Rashesh Gogri: Yes, you see basically 80%-90% we can always place the product in the spot market. But our idea is to get 50% targeted sales in the beverages and regulated customers. So to achieve that, it may take a little longer.

Madhav: Okay. And my last question was in the CDMO business, where we have about Rs. 200 plus crores sales, could you give in a very broad sense in terms of how much of the revenue comes from commercialized molecules versus those which are in, phase-I, phase-II, phase-III kind of stages?

Rashesh Gogri: So bulk of our sales is coming from phase-III onwards, you know. So currently, Phase-III and commercialization product would constitute to be 75% to 80% of overall value of sales and smaller amount from the early phases.

Madhav: Okay, got it. And, say, is there any of our, let's say, phase-III or like late stage molecule which has like a clinical readout in FY'26? Is there something like that which is lined up for us?

Rashesh Gogri: Yes, we expect certain products to get launched in the next couple of years.

Madhav: Next couple of years? Okay.

Rashesh Gogri: Yes, this current year and next year. So probably depends on the approval when the FDA is approving. But I think next 2 years, we expect a few products to move and be big products for us.

Madhav: Okay, thank you.

Moderator: Thank you. Next question comes from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity and congratulations for a good set of numbers. So my first question was on the CDMO side, sir. So if we look at over the last two years, I think there are primarily two molecules which have contributed to the overall scale up that we have seen in the CDMO revenues. And given how our pipeline has increased over the past 12 to 18 months, do you think we have a few molecules lined up which have a potential to turn out to be a Rs. 1,500 crore kind of contributor to our sales over the next year or two?

Rashesh Gogri: I don't know about which two products you are mentioning but we have good products which have grown bigger and I think we are going to have much more products which will grow still bigger.

Ankit Gupta: Sure, and given you know our pipeline has increased significantly both the number of customers and our molecules. So the scale up from this newly added molecules is expected to happen over the next 2-3 years?

Rashesh Gogri: Yes.

Ankit Gupta: Okay, and sir, when do you expect the Atali phase-I to be, let's say, optimally utilized at the 70%-80%, will be starting this year and hopefully ramping up in FY'27 from Q1 onwards. So when you expect that, the Atali phase-I will be fully ramped up and we will have to go for the second phase of Atali because we have a lot of land and we do have plans to build more blocks there.

Rashesh Gogri: Yes. We don't want overall occupancy to go much higher. We will build newer capacity, as we will commission additional blocks in Atali. That is what the current plans is. And we are very hopeful that every second year that we commission the manufacturing facility, say for example now we are commissioning in FY'26, by FY'28 we will completely exhaust that capacity and by '27 we will have another capacity up and running. We always have one capacity which is available, one block available as spare to meet the increasing demand of the customers. So that is how we are going to keep up with the pace at which we keep the production capacities built up.

Ankit Gupta: So what you're saying is, as we have guided earlier that for the phase-I, Rs. 400 crore is the amount we are spending, which will have some common infrastructure for other phases also. And that should give us in 0.9x, 1x or 1.2x kinds of asset turnover. So that we should expect that most of that revenue we can come by FY'28?

Rashesh Gogri: Yes, see ultimately that complete revenue breakup on the final sales may not be that faster but it will overall contribute towards the sales growth in our Aarti Pharma's intermediate as well as CDMO business because this plant is configured towards meeting the demand of intermediates and CDMOs, it's a common facility which we will be utilizing for both the businesses. Initially, we will shift the early stages in this site and get additional capacity freed up with the approved site which we have currently. And then we will get Atali also approved for the newer projects that we have. Atali will also have cyanation capabilities and other capabilities which will be unique, like how in the current CSD Vapi plant, we have hydrogenation and cyanation capability here. We will have cyanation capability along with our cyanation capacity that we have in these Xanthine plants that's where we are adding up.

Ankit Gupta: Sir, my last question was on the guidance of EBITDA of 12% to 15% for FY'26. So things like, are we being conservative here frankly because CDMO you are guiding for 30%-40% growth in revenues for this financial year. API also despite the kind of growth we have seen last year, last concall you were confident that we still have decent capacities available for good growth and we do have a lot of new products coming up especially on the anti-cancer front which will be getting launched and the existing products will also ramp up in this in FY'26. Xanthine also the added capacity will contribute a little bit towards growth for FY'26 as well. So, like, are we being conservative in our guidance of 12% to 15% in FY'26?

Rashesh Gogri: Yes, along with whatever you mentioned, once we commercialize over Atali, the expense will also start adding up there and it will not add any meaningful revenue or contribution in the initial phase. For the second half of this year, I will have to expense that out also, so we have considered all that and then we have given the guidance. I think we prefer to meet the guidance and be realistic.

Ankit Gupta: Given all this, FY'27 then is expected to be a very big year for us, Xanthine will have all the phases coming in. Atali phase-1 will have validation and all approvals done. And hopefully API also, the de-bottlenecking project that we were talking about in last concall should also be done. So FY'27 should see a significant growth for us is what we can assume.

Rashesh Gogri: Yes, in FY27. Of course it depends on the way in which the approvals come from the CDMO market and how we are able to shift and get the newer projects for which the approvals are expected from the FDA. So on that basis I think the CDMO business will grow and I think other two businesses are anyway going to grow organically as mentioned earlier in my speech that both the businesses will have organic growth with the capacity addition in API as well as the intermediate and the Xanthine.

Ankit Gupta: Sure sir. Thank you and wish you all the best. I will come back in the queue.

Moderator: Thank you. Next question comes from the line of Dhwanil Desai with Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good afternoon, everyone, and congratulations for a very strong set of numbers. Sir, most of the questions are answered. Two questions, one on Xanthine. So I think we are doing around Rs. 180 crores to Rs. 200 crore quarterly numbers on Xanthine. So Rs. 720 crores to Rs. 750 crores topline. So with increasing capacity by 80% and the product mix changing towards more regulatory pharma side where the realizations are higher, and then when it gets optimally utilized at 90% plus, should we expect Rs. 1,300 crores-Rs. 1,400 crores kind of a revenue? Is that a right number to look at?

Rashesh Gogri: Yes, as you rightly mentioned, the current number is around whatever you stated probably plus or minus here or there. But we have to see how fast we are able to push the product to the regulated customers and the additional market share from the beverages customer. It all depends on that. I think the range would be from Rs. 1,000 crore to Rs. 1,200 crore in any number, would be the growth area of Xanthine. I think we can go up to 1,000 to 1,250 depending on how fast we are able to get commercial and how the price is sustained for the other market.

Dhwanil Desai: And second question on CDMO side. So, what we have observed is that if you look at some of our data on the product side, some of the products where which are in 4^{th}-5^{th} year after patent, so maybe we are second or third core supplier in that. And off lately, probably we are also supplying two products which are going to be launched and maybe there we are primary supplier. So in terms of maturity of our business model of CDMO with customers, how do we see this progression happening over the last 3-4 years? And are we seeing incrementally more projects coming to us

where we are primary suppliers or where we are working on lot of products which are going to be launched, henceforth in the next two years? Is that proportion rising?

Rashesh Gogri: Yes, as you rightly mentioned that we have good products, we expect them to get launched in next couple of years. We are quite comfortable doing the products which are commercial because we know how big the market is and where we have a value proposition where the innovator is transitioning this product from other vendor to us, I think that's a very, very big step. And as we pride ourselves that we are the manufacturing specialists for these products. So we give them a value proposition. I think there a lot of products which are shifting from China to India and getting entry into the new product also is quite a challenging task. I think shifting if we are able to get as a 3rd-4th source also, but we are part of this commercial product gives us a clear viability and visibility of what we will be able to do there. That's what we like. We like both kind of projects actually and because we like the stability and we like to be part of the newer age drugs which will get launched in next few years. We like both the products. We don't differentiate between them.

Dhwanil Desai: Okay, sure. Sir, just a follow up on that. So I think, some of these newer drugs may be requiring slightly more evolved capability like peptides, etc. And I am sure last one of the calls you had mentioned that you guys are kind of preparing yourself in terms of the R&D setup, etc. to kind of get into peptides and all. So where are we in terms of that process? And, are we kind of building that capability? Are we still far away from that? Any thoughts on that?

Rashesh Gogri: Yes, I think we are, clearly we understand peptide is where the entire market is going to grow. Biotech products, peptide products, anti-cancer products. We like those areas. And of course, we currently do more small molecules. But we are attempting to do more higher molecular weight products, which are not very large molecular weight peptides but relatively mid-size peptides. We have started attempting them and we have a few projects which we are going to get ourselves getting a shot at those projects as well. So we have started that journey. Eventually we will do more solid phase products and then see how we take it up.

Dhwanil Desai: They're very good to hear. Thank you and wish you all the best.

Moderator: Thank you. Next question comes from the line of Nitesh Dutt with Burman Capital. Please go ahead.

Nitesh Dutt: Thanks for the opportunity. My first question is on Xanthine. I think you had previously mentioned that you are doing the expansion in two phases, first to 7,500 metric tons and then to 9,000. I just wanted to confirm that will we reach the 9,000 number by Q4 that you mentioned and in which quarter do you expect the first phase of the 7,500 metric ton to start?

Rashesh Gogri: It will be mostly in second half only so it will be in the last four months, I think. Something will come November-December-January and something will come by March. Basically, it will be in the second half where the capacity addition will take place.

Nitesh Dutt: Got it. And sir next question on API intermediates. So we have been around RS. 190 crores-Rs. 200 crores quarterly run rate since the last three quarters. So do we have enough capacity available to drive growth in API intermediate segment in FY'26? And what are our current utilization levels? And can we quickly add capacity if required?

Rashesh Gogri: Yes, as mentioned earlier, the Atali site will also have intermediate manufacturing facility. So that is where we will add newer intermediates and in our API site at Tarapur Unit-4 also we are deep bottlenecking our current new block. We are adding one additional line. With that, our capacity will go up by almost 15% to 20% of the current capacity that we have in overall general products that we do. Of course, we are also looking at the plans to enhance our capacities for steroids as well as the anti-cancer product in future. We will come out with those announcements also in future. We will have enough capacities to meet the demand in future.

Nitesh Dutt: Correct. On CDMO/CMO, in this financial year, were there any products, basically revenue from any products which might not get repeated in FY'26 and hence, do you see any kind of risks on the 30% 40% guidance that you have given?

Rashesh Gogri: No, 30%-40% guidance we have given based on the orders that we have and the visibility that we have. In CDMO/CMO, we are already in May and most of the businesses are in Q3-Q4 deliveries. We already know what we are supposed to make and what we are supposed to give. We have large part of this number already booked in the system as orders. There will be certain products which will not repeat, but depending on the innovator preference of doing annual campaign or multi-year campaign depends on that and depends on how we qualify with one of their sites or the second site and all that. It's a complex thing but we are confident to meet and beat this number.

Nitesh Dutt: And lastly sir on Atali, you mentioned that there will be certain cost in second half of FY'26. So possible for you to quantify the fixed cost that will come in this financial year? And also, how should we think about expected utilization or ramp up from FY'27 onwards, assuming FY'26 revenue would be negligible?

Rashesh Gogri: So overall I think it's a large manufacturing site and of course we have the budgeted number, but it will be I think we will have to really look at the number and give you some number guidance on that, at this position we are currently not ready to give you that number but there will be expense we have run this kind of size facilities in past in customs synthesis division and other sites. So there will be significant expense. But of course in FY'27 and FY'28, as I mentioned that the year that we commission next year and the year after that we should turn positive on the Atali asset that we ramp

up. And then by that time we will have newer asset also. So in Atali, we will continue to invest in newer and newer block and we will build up. That's our investment program that we will do there and we will try to meet. I think in totality we have to look at the integrated business because initially we will be only able to transfer our certain project from our current site to Atali. Overall if you see the growth of CDMO and intermediate business, I think that it will really mirror the Atali utilization and the way in which it is going to go ahead.

Nitesh Dutt: Understood. Sir, one just last book keeping question. Aarti-USA, is there zero business coming by this entity you had mentioned last quarter that you are going to wind it up, and also if you could provide FY'25 CAPEX breakup of roughly Rs. 400 crore that you have signed. That will be really helpful.

Rashesh Gogri: Piyush, you want to answer? Aarti USA?

Piyush Lakhani: Yes. Basically, we never said we are winding up. The business is likely to go down because whatever business Aarti USA was doing for Aarti Industries, that's going to decrease. If I have to give you number, in last quarter Q4, the topline was around Rs. 7 crores or so. It is definitely coming down, but it's not going to wind up.

Rashesh Gogri: Yes. And on the CAPEX also, we have given the number at Rs. 400-450 crore, kind of a number of overall capitalization that we will have in FY'26. And I think it will be a mix of remainder of projects that we have for Atali and for Xanthine and there will be certain new projects which will have certain CAPEXes over the current year.

Moderator: Thank you. Mr. Dutt, please rejoin the queue for more questions. Next question comes from the line of Yash Sinha with MIPL Family Office. Please go ahead.

Yash Sinha: Yes. I had 2 questions, first around Xanthine. I just broadly wanted to understand the difference in realization between the pharmaceutical usage of Xanthine and the more consumer focused usage of Xanthine?

Rashesh Gogri: Pharmaceutical and consumer, there would be 20% difference.

Yash Sinha: And volume wise, what volume did we do for consumer and what volume did we do for pharmaceutical usage in FY'25?

Rashesh Gogri: We have given the breakup this time that how much we have done with the beverages. I think we have done around 54% of our total volume and other is all pharmaceutical and unallocatable volume. In pharmaceutical also the regulated is different, spot is different. So it's a mixture. So the beverage is 54% this last financial year.

Yash Sinha: Got it. And on the CDMO side, I just wanted some color on the late stage projects. If you are allowed to release the name of some of the larger clients that you have and what specific drug usage the late stage projects are for, that would be very helpful.

Rashesh Gogri: We are bound by confidentiality. We can't reveal the names of the newer products.

Yash Sinha: What are the products if we can talk about?

Rashesh Gogri: Yes, they are lifestyle products. Some of them are lifestyle, some of them are anti-cancer kind of products that we have currently.

Yash Sinha: So lifestyle includes things like skincare, weight loss, is that understanding correct?

Rashesh Gogri: Yes, all kind of lifestyle. Antihypertensives and all, you know.

Yash Sinha: Okay, got it. I think that's it from my end. Thank you and congratulations on a good set of numbers.

Moderator: Thank you. Next question comes from the line of Neha Kharodia with Abakkus Asset Managers. Please go ahead.

Neha Karodia: Hi. Thanks for the opportunity. My first question was on the CDMO business. So just wanted to understand that industry-wide CDMO business is more skewed towards H2. But for us, at least for this year, it was significantly skewed. So let's say 10% in H1 and then 90% in H2 kind of distribution. So just wanted to understand going forward, let's say in FY'26 or FY'27, do we expect this to more of normalize this as in about 40% in the H1 or 60% or maybe some normalization versus the current skewedness?

Rashesh Gogri: No. It will be volatile, because if we have large volume customers buying at certain period of quarter, we are helpless, we have to supply them then. But we are confident about the growth that we have anticipated. But there will be no linearity in the numbers.

Neha Kharodia: Understood, sir. And sir, also wanted to understand why the other income was negative for the quarter versus the run rate of about Rs. 4 crores to Rs. 5 crores per quarter?

Piyush Lakhani: Yes, that's because of the forex losses. When we started, at the beginning of the quarter, it was heading in one direction, rupee against dollar. But towards the end of it, it came down. So it's basically the forex loss.

Neha Kharodia: Understood. And just lastly on the Ganesh Polychem business, so we did about Rs. 14 crores EBITDA in last quarter from that business and this quarter it has significantly come down. So just wanted to understand how should one look at it going forward and like is it more, the business itself is more skewed towards Q3 and Q4 is usually low or how should one look at it?

Rashesh Gogri: Yes, for the Ganesh business that we have, there have been some slowdown in overall demand and what we have done is produce a significant quantity in earlier quarter and then we are actually upgrading our facility to move to a lower cost production route of synthesis for these products and that's why we have a shutdown which is ongoing for that site, which is almost 3-4 months. That's why you will see in the current Q4 as well as Q1 of this financial year the numbers will be impacted. But then once we start, I think we be able to make up the, you know, we will be able to come back to the normalization of numbers.

Neha Kharodia: Sir, since you mentioned that it will be lower cost, so going forward should one expect margin expansion over this Ganesh Polychem business?

Rashesh Gogri: No, we will be able to be a competitive source and we will try to get, so once the market recovers, you know, we will definitely be able to garner more market share of certain products, whereas we are trying to expand other product that we have and which has aerospace application. That product is being used for jets and all kind of drones and stuff like that. So that product we are trying to expand our volume and that also will happen in coming year where we are doubling the capacity from earlier year. With that, I think a couple of quarters of pain, but ultimately overall in future it looks sound.

Neha Kharodia: Understood. And sir lastly on our guidance, so we have guided for medium term to grow about 15% for next 3 years. So any change in that or like over the medium term, are we more bullish or any change in the guidance?

Rashesh Gogri: So out of the 15% guidance in 3 years, we have achieved 24% in first year. But still, are guiding for 12% to 15% growth in current year. And I think we will grow faster it looks like.

Neha Kharodia: Understood. Thank you so much sir.

Moderator: Thank you. Next question comes from the line of Ankit Gupta from Bamboo Capital. Please go Ahead.

Ankit Gupta: Thanks for the opportunity again. Sir, on the margin front, in one of the earlier calls you had stated that the margin difference between CDMO and API segment is not as what analyst committee used to expect and it's around 4%-5%. And how much will be the margin difference between, let's say, APIs and the Xanthine business? Will that also be like 4%-5% or lower?

Rashesh Gogri: We are not giving the absolute margin difference between both the businesses or any of the businesses. CDMO is higher margin business and Xanthine and API, are reasonable margin business.

Ankit Gupta: Sir, you also stated about entering into peptides and weight loss drugs. So is it on the API side or generic side or on the CDMO side as well?

Rashesh Gogri: CDMO side. Not weight loss, but we are attempting to get into however if we become successful then we will be attempting newer drugs also.

Ankit Gupta: It's still in the pipeline not something that we have got in our it's still in the works and not something which we have in our pipeline is what we can understand?

Rashesh Gogri: Yes.

Ankit Gupta: Okay, thank you.

Rashesh Gogri: We end up developing 20-25 products every year and these products are in different categories and different, so we have done fewer large molecular weight products also there which are part of the peptide manufacturing.

Ankit Gupta: Okay. Thank you.

Moderator: Thank you. Next question comes from line of Aman Madrecha with Augmenta Asset Manager LLP. Please go ahead.

Aman Madrecha: Hi sir, thanks for the opportunity. Sir, I just wanted to understand as you mentioned that the margins in CDMO is higher than maybe the API and the Xanthine business. But if we see the quarterly contribution, we recorded somewhere around 20% to 23% EBITDA margin on the overall basis wherein your CDMO portion was higher, Xanthine was lower**.** But the sense we are getting is that, CDMO is somewhere diluting the margin, correct or this we are wrong over here?

Rashesh Gogri: I don't know from where you are getting this margin data. I don't know what numbers you have because whatever I stated is that the CDMO overall gross margins are reasonably higher than the API and the other two businesses.

Aman Madrecha: Okay. Thank you.

Moderator: Thank you. Next question comes from line of Kumar Saurabh with Scientific Investing. Please go ahead.

Kumar Saurabh: Hello, thanks for a good set of results. So my question is on the margin side, like in the last 3-4 years, we have done very well to improve the margin from 17% to 22% despite of a tough scenario on Xanthine. And given Xanthine margins are at bottom, how sure we are that we will be able to retain this 22% margin despite of whatever margin pressure comes on API or the CDMO side?

Rashesh Gogri: You rightly stated that the Xanthine prices are at bottom for the spot market. Okay, so they are different in our averages still healthier overall and I think we are just expecting a growth in overall EBITDA. You know the margins may move 1% here or there, but I think we are quite confident that

we will be able to grow the EBITDA. Of course, there could be some volatility depending on the product mix and what we are doing because the topline we don't too much bother about the topline. We bother about more bottomline growth and that's what we are guiding basically.

Kumar Saurabh: Sure. And sir, on the CDMO, I know you don't want to talk about the customer or molecules, but from a competitive side, can you elaborate, like with whom do we compete on the CDMO side? Do we have an advantage?

Rashesh Gogri: Yes, we are competing European, Indian and Chinese, all three. In different products, we have different competitors. And that's how overall basket is lined up.

Kumar Saurabh: Are these competitors of similar size or they are bigger advantage compared to them?

Rashesh Gogri: Yes, some of them are bigger size. However, we have also grown and our overall topline and all that we are close to $250 million company. Others may be higher than us also.

Kumar Saurabh: Is it possible if you can name your top 2-3 competitors for studying?

Rashesh Gogri: We compete with all the large who's who of China, India and Europe.

Kumar Saurabh: Okay, sir. Best wishes for the forthcoming quarter. Thank you.

Rashesh Gogri: Thank you.

Moderator: Thank you. The next question comes from the line of Keshav Bagri with Manyavar Family Office. Please go ahead.

Keshaav Bagri: Sir, my question pertains to the API segment, where for FY'25, we have grown by 28%. So is it possible for you to bifurcate this growth into price, product, timing, volumes, and new launches?

Rashesh Gogri: I think we had few good products in FY'25 and certain products have done very well in FY'25. And we have exciting launch coming up in FY'26 and '27 also. So we have new products and we have to see whether our partners are able to get the market share and how it goes with our partners because completely the model that we have is wherever we are primary source there we have to rely on the partner's ability to retain the market share. And secondly, what we do is where we are very strong and where we have backward integration, we try to get into these companies as a second source. So there are certain such opportunities also which we are targeting and with those approvals, I think we will be gradually in certain products that we already have commercialized. We work with both these strategies in our API division.

Keshaav Bagri: Okay. So sir, can the growth of FY'25 be extrapolated to FY'26? I am talking particularly for this segment given the fact that we have some new launches coming up and we have the new transition

with the innovators, of course it is contingent on the fact that your partners, they get or they retain the market share, but just to get an overview?

Rashesh Gogri: I think we can't say pinpoint depending on how it goes. But overall, I think we are confident about the EBITDA growth overall of the company and that's what we generally guide for. Individual businesses, I don't want to give a guidance because overall I think it averages out when we grow our EBITDA. That's what the goal is that how do we grow our bottom line. Thanks.

Moderator: Thank you. Mr. Bagri, please rejoin the queue for more questions. The next question comes from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: My question on the CAPEX side, we spend about Rs. 400 crores in FY'25 and you're guiding to Rs. 400 crores to Rs. 450 crores for the FY26. So cumulatively Rs. 800 crores-Rs. 850 crores, can you please break it up for us in terms of segment wise for Atali how much, for Brownfield and Xanthine expansion how much, for solar plant how much and for any other purpose is how much, so just we can understand the break of that?

Piyush Lakhani: So, Atali cumulative would be about Rs. 400-425 crores out of Rs. 800 crores that we are talking about. Solar was around Rs. 85 crores. Xanthine expansion would cost us anywhere about Rs. 150 crores. And then there are other smaller projects, so that's how it adds up to 800.. Then there is R&D also we are doing about Rs. 40 crores every year.

Ahmed Madha: Capitalization.

Piyush Lakhani: Yes.

Ahmed Madha: And solar plant, what will be the savings for us? Already done for Q3-Q4 if we can quantify the amount and what kind of savings you expect from the full year next year in this solar plant?

Piyush Lakhani: I think what we have begun with was a payback period of around 3.5 to 4 years and we are on track to basically have that kind of payback so you can do the math.

Moderator: Thank you. Mr. Madha, please rejoin the queue for more questions. Next question comes from the line of Rakesh Banerjee with RAP Capital. Please go ahead.

Rakesh Banerjee: Sir, in the recent past there is a bit of selling by the promoter group. So is there any further plan for offshoring the promoter stake in the Company and if you can give some color on that?

Rashesh Gogri: Different promoter groups have different appetite to and long term plans. So I think there will be minor selling here or there, but it will not affect overall control of the company or anything. So I don't expect very large change in the promoter holding.

Rakesh Banerjee: Okay, and regarding the total borrowings that we have currently we're having around Rs. 400 plus crores of borrowing. So what do we see the borrowing in the next one year from here? And yeah, if you can just give color on this?

Piyush Lakhani: So next year in current year, think the borrowing is likely to go up by about Rs. 100 crores to Rs. 125 crores, which would basically mean debt equity of roughly in the range of 0.23 to 0.25.

Rakesh Banerjee: That's great. And so you have guided for 15% growth in revenue and 30%-40% growth in your CDMO business. Going by that, I mean, we just calculated that it comes around 15%-16% of the total revenue. Is my interpretation correct that in the next year, you're looking for a CDMO revenue contributing around 15%-16% of the entire revenue?

Piyush Lakhani: No, we have not guided for the revenue. So we have guided on the EBITDA, whereas we have guided on the topline growth of CDMO.

Rakesh Banerjee: Okay. Got it. Thanks a lot.

Moderator: Thank you. The last question comes from the line of Jay Shah with J.S. Family Office. Please go ahead.

Jay Shah: As previously I have connected and I was asking that you mentioned that over the next 3 to 5 years, a lot of molecules are going to go off-patent. What I want to know is how does the management basically look at entering into new molecules and is it via backward integration that you choose the molecules apart from the chemistry that you already are in. And what is the amount of backward integration even you have currently in terms of your top 10 API molecules? And second question is, as you keep on increasing your wallet share in API, do you think there is in future an overlap possibility of one of your API intermediate clients getting into the CDMO basket as the comfort of the client increases?

Rashesh Gogri: No, largely there will be certain products which will, for which the patent expiries will happen. As earlier mentioned, we have almost 8 to 10 APIs which are constantly under development and then we are able to commercialize some of them every year. And we have more than 50 DMFs already filed and with those different forms of and different formulations also keep on expiring in future. So with that we get a chance to grab additional market share from the generic market perspective.

Now in case of overall the strategy that we have backward integration on almost 60%-70% of our overall portfolio, barring I think some of the steroids at current situation because most of the steroids intermediaries we have to source because of the fermentation based product unavailability in India. And those are the only products where we don't have backward integration. Most of the other products, we have at least a good amount of backward integration and as a model, we also sell our intermediaries in some of these products. We have almost our intermediate basket of more than 100 plus products also, which we offer to the other generic manufacturers who are vertically

integrated. That gives us overall additional market share for these large products where the integrated players will win the market. That is how the strategy works and that's how we expect the growth to happen.

Jay Shah: Understood. And on the second question, is there any possibility of an overlap between the existing API, intermediate clients and the CDMO clients?

Rashesh Gogri: I think first what happens is that innovator has to lose exclusivity and then only they become generic. So I think it will be reverse. You know, it will be first CDMO, CMO and then once it becomes generic, we enter the generic space. And I think that is mostly unlikely to happen because the innovator still continues to be in the market and the market once the product expires also still there are so many countries where difficult to reach by the generic players, so that market share still remains with the innovator and that's where the current market of the innovator still continues and once innovator decides to sell off the product or do something with the product life cycle management, that's where the product can move from innovator driven to the generic space. Whereas, the CDMO business that we are focusing largely on, it's more for the newer products and not for the older products. So there are certain older products which have been and still innovator wants to buy and they add us as a source. But our model is towards better and protected products largely.

Jay Shah: Understood. Thank you so much for answering the questions.

Rashesh Gogri: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and answer session. I would now like to hand the conference over to the management for closing comments.

Rashesh Gogri: Yes, I would like to thank everyone to take the time out and attend our FY'25 final conference call. Thank you.

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