August 20, 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 Q1 FY26 Earnings Conference Call
Ref: Regulation 30 of the SEBI (LODR) Regulations 2015

Please find enclosed herewith the Transcript of Earnings Conference Call held on August 13, 2025 on the Un-audited Financial Results of the Company for the Q1 FY26.

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: 2025.08.20 10:36:22 +05'30'

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

Encl.: a/a.

"Aarti Pharmalabs Limited Q1 FY '26 Earnings Conference Call"

August 13, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th August 2025 will prevail.

MANAGEMENT:	**MR. RASHESH GOGRI – CHAIRMAN, AARTI PHARMALABS LIMITED** **MRS. HETAL GOGRI GALA – VICE CHAIRPERSON AND MANAGING DIRECTOR, AARTI PHARMALABS LIMITED** **MR. PIYUSH LAKHANI – CHIEF FINANCIAL OFFICER, AARTI PHARMALABS LIMITED**
MODERATOR:	**MR. SHRIKANT AKOLKAR – NUVAMA WEALTH MANAGEMENT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Aarti Pharmalabs Q1 FY '26 Earnings Conference Call hosted by Nuvama Wealth Management Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity 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.

I now hand the conference over to Mr. Shrikant Akolkar from Nuvama Wealth Management Limited. Thank you and over to you, sir.

Shrikant Akolkar: Thank you and good day, everyone. On behalf of Nuvama Wealth Management, we welcome you all to Q1 FY '26 Earnings Conference Call of Aarti Pharmalabs Limited.

From the management side, we have with us Mr. Rashesh Gogri – Chairman; Mrs. Hetal Gogri Gala - Vice Chairperson and Managing Director and Mr. Piyush Lakhani - Chief Financial Officer.

I would now hand over the Conference Call to Mr. Rashesh Gogri for his 'Opening Remarks'. Thank you and over to you, sir.

Rashesh Gogri: Yes, good evening, everyone and welcome to Aarti Pharmalabs Earnings Call for the 1st Quarter of the Financial Year 2026. I appreciate you taking the time to join us today as I walk you through the performance of Q1 FY '26 and share key business developments.

Let me start with an overview of our standalone financial for Q1 FY '26. The topline in Q1 FY '26 was Rs. 375 crores, which was Rs. 394 crores a year back. The EBITDA was Rs. 95 crores as compared to Rs. 84 crores in the corresponding period of the previous year. This is an increase of 14% Y-o-Y. The profit after tax in Q1 FY '26 was Rs. 51 crores as compared to Rs. 47 crores a year back, which was an increase of 9% Y-o-Y. Even though the revenue has slightly dipped year-on-year, EBITDA and the PAT have grown reasonably well. I remain confident that the underlying fundamentals and the long-term drivers of the business are intact.

Now, I will talk about the consolidated financials for Q1 FY '26:

The topline was Rs. 386 crores against Rs. 555 crores in Q1 FY '25. The reported consolidated topline of Q1 FY '26 is not actually comparable to that of Q1 FY '25 because this does not include the proportionate share of the Ganesh Polychem turnover. Following the amendment in the Subscriptions and Shareholders Agreement, GPL (Ganesh Polychem) is a joint venture from Q1 FY '26 onwards. Accordingly, in the consolidated financials, a single line of share of profit is added following the equity method of consolidation. Basically, the consolidated turnover for Q1 FY '26 onwards will not include GPL's contribution and hence will look optically lower year-on-year. However, the EBITDA and PAT will continue to include GPL's share and will be comparable year-on-year. The EBITDA was Rs. 95 crores as compared to Rs. 97 crores in Q1 FY '25. The profit after tax for the quarter was Rs. 50 crores as compared to Rs. 56 crores a year back.

Additionally, the revenue of Aarti USA Incorporation in Q1 FY '26 has significantly come down and this was communicated in past earnings calls. This is due to limited business activities in the subsidiary which were earlier carried out for Aarti Industries' distribution business which has now shifted to the Aarti Industries subsidiary in the US.

Now, let me present the business highlights:

Aarti Pharmalabs continues to operate in three key verticals – Xanthine Derivatives, API and Intermediates, and CDMO-CMO Services.

The Xanthine Derivative segment contributed to 50% of our turnover in Q1. The volume split was 65% for beverages customers and 35% for others. In terms of geographical split, the export sales was 57% and the rest of 43% was local sales.

The API and Intermediate business stood 41% of the turnover and subsegment-wise, the breakup is 49% regulated market, 43% in ROW market, 8% in non-regulated market, which aligns with our long-term focus towards regulated market. We are continuously working towards development of new molecules with patent expiry in the next 3-5 years and the number of US DMFs has gone up to 53 from 50 in last quarter and the CEPs have gone up to 35 from 31 in last quarter. Also, the number of commercial APIs is now standing at 60.

The third segment, CDMO-CMO, has contributed to 10% of the revenue in this quarter. We are presently working with 21 customers and the number of active projects are now 60, of which 33 are in commercial stages and 27 are in different stages of development, both at the customer end. Based on the current order book, we are on track to achieve our target of FY '26 CDMO sales.

It is important to mention that one of our sites which supports Xanthine Derivative business was under extended plant annual shutdown and upgradation in this quarter. This is partially the reason for decline in our standalone topline.

For the last couple of months, there have been a lot of geopolitical turmoil and globally there has been a business uncertainty due to US tariffs. However, the current tariff rule do not impact our pharma products and even Xanthine Derivatives like caffeine are under the exempt list and I see minimum impact on our sales.

Lastly, I will share the progress updates on the ongoing Capex:

Our brownfield expansion for increasing Xanthine derivatives from 5000 MT per annum to 9000 MT per annum is progressing as per our plan. The commissioning will be done in a phased manner across H2 FY '26. The greenfield project at Atali, Gujarat is in the final stages of completion. The mechanical completion of Phase-1 has been done. Commercial production will commence towards the end of Q2 FY '26.

However, it will take us until the end of FY '26 to ramp up and operate the plant at an optimal utilization.

In conclusion, I remain confident in our strong fundamental strategic initiative and dedicated team driving Aarti Pharmalabs forward. Our strategy remains firmly intact, and we are focused on navigating any near-term challenges with agility and discipline. We are well positioned to achieve our targets for the year and continue delivering sustainable growth and our values to all our stakeholders.

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

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question comes from Rahul Jain with Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Am I audible?

Rashesh Gogri: Yes.

Rahul Jain: So, just given the top-line degrowth, sir, and also the scenario, we have delivered some good set of numbers. So, just to understand, sir, you mentioned about two things on the impact of sales and also one is the Ganesh Polychem numbers which are not included in the sales. So, what amount of, because in standalone sales, I think the plant shutdown has impacted the sales. So, what is the impact in terms of sales with regard to this plant shutdown?

Rashesh Gogri: The plant shutdown sales impact would be around Rs. 15-20 crores.

Rahul Jain: And sir, when I look at API Intermediate sales, that has come down on a year-on-year basis from about 170-150 currently. And in fact, in the previous quarters, we were averaging around Rs. 200 crores for the last 2 quarters prior to this June quarter. Or in fact, even in the earlier quarter, we were around Rs. 190 crores. So, this quarter is down to around Rs. 155 crores. So, do we read anything into this?

Rashesh Gogri: No, if you see in this quarter, we have had higher inventory because the shipments were little impacted towards the end of the quarter due to unavailability of shipping space. And I think that would have some impact of some amount of sales. But overall, API business, we have been able to have good pace. Whereas in intermediate business, it shares the asset with the CDMO/CMO. So, there, we are progressing more with the CDMO projects in the current quarter. So, the intermediate sales are a little bit on the lower side purposefully.

Rahul Jain: Sure. With regards to margins, our gross margins are at the highest level for this quarter around 57% which were around 51% in the previous quarter and even on a year-on-year basis, it is up from 48%. So, typically now, how do we look at the gross margins going ahead? And if you could understand that there is some impact on the Ganesh Polychem side, what could be there? And this, I am talking about standalone, sir, I am not talking on the console?

Rashesh Gogri: Yes, I think in terms of margin, of course, this year was a higher margin. Because this inventory had an impact. And overall, the products that we have sold were more into regulated markets, beverages customers and export markets. That has yielded us better pricing than the lower price market on the Xanthine segment. Overall, I think, it is the product mix that we have played and which has yielded better margins.

Piyush Lakhani: And there is one addition to this also. Earlier, there has been some disclosure change in the financials that we have published. Earlier, some of the consumables that we normally consume in the plant were getting clubbed in the cost of materials. These are consumables like filter cloths, valves and those engineering items, as we say. From this quarter onwards and including the previous earlier quarter also, we have now shown it as under other expenses. So, now, the cost of material consumed consists of only raw material, packing material and fuel. So, these engineering consumables that we are saying are now clubbed under other expenses.

Rahul Jain: Last question. Sir, with regards to the guidance, we have maintained guidance both on CDMO growth and also on EBITDA growth. Given the current quarter has been almost flattish on EBITDA, on console basis. And if we need to maintain this 12%-15% guidance, then the next 3 quarters, the kind of growth in EBITDA will be around 15%-20% if we want to meet our guidance of 12%-15%. And given the expense of new plant coming in, Atali and also Xanthine, and probably they are not contributing much to the revenue, what gives us this confidence that we will achieve this EBITDA growth?

Rashesh Gogri: Basically, the EBITDA guidance that we had given was on a standalone basis. So, this time, anyway, we have a standalone basis EBITDA increase of almost 14% Y-o-Y. And looking at overall, the quarters are not going to be linear in the performance of EBITDA or topline because of the nature of business, CDMO-CMO turnover may get topline and bottom-line may get concentrated in a particular quarter, which may result in a bump. Overall, we have to look at a few quarters and then see how the overall growth trajectory is to really consider. Because there will be certain quarters where due to multiple stages of processing that we are doing, we may end up doing more earlier stages processing and the invoicing may happen in the later quarters, which may impact the topline and the bottom-line growth.

Rahul Jain: Thank you, sir. Wish you all the best. Thanks a lot.

Moderator: The next question comes from Aejas Lakhani from Unify AMC. Please go ahead.

Aejas Lakhani: Yes, sir, just a clarification on the Xanthine. Sir, you mentioned that Rs. 15-20 crores was on account of plant shutdown. So, just wanted to understand that X of that, has there been any impact of pricing, volume, seasonality, if you can expand?

Rashesh Gogri: No, there have been no impact on any of these things. Basically, as we have disclosed the product sales mix that we have done, we have done more sales to export as well as the beverages market in the current quarter. And that has resulted in better performance in this current quarter.

Aejas Lakhani: Understood. And sir, just could you also call out in the API business, we understand the quarterly volatility and you mentioned that there was a shipping space impact and you had higher inventory. How do you expect the full year ramp up to be for this segment?

Rashesh Gogri: Yes, in the API business also, we are looking at reasonable growth, I think, going forward. So, EBITDA growth will be at least more than 10%.

Aejas Lakhani: And sir, we understand that there is a shift on the gross margin front, but like to like, if one were to compare it to the previous quarter in the old format, where were gross margins today?

Piyush Lakhani: For the standalone, so the impact of this change in the cost of material consumed has been given for the earlier quarters also. So, now it is like to like, if you compare what we have published.

Piyush Lakhani: On the presentation that was there.

Aejas Lakhani: And sir, in Ganesh Polychem, when do we expect to break even? When will it start contributing to the bottom-line? And what are the key challenges today we are facing?

Rashesh Gogri: In Ganesh Polychem, last year, we had good EBITDA of around Rs. 60 crores. And this year, we took a plant shutdown to modify and do some modification at our plant. So, post that, I think we have restarted our plant in July. And I think in the current quarter, we will reach to normalcy of volume and demand.

Aejas Lakhani: And finally, sir, CDMO has started off to a good start. And we thought that this is more of a second half story. So, could you comment a little bit on what is driving CDMO?

Rashesh Gogri: As mentioned in my opening remarks, I have already told that we have order book of the guidance that we have issued 35%-40% growth. So, we are quite confident about achieving the same.

Aejas Lakhani: Understood. Thanks a lot.

Moderator: The next question comes from Ankit Gupta with Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity. Sir, you highlighted about the reason for decline in revenue on the Xanthine part. But on the API front, sir last year, we had seen a very good growth because of the expansions we had done prior to last year. So, we had seen almost a growth of around 42%. And I think there was some, we still had some room on the capacity available for growth in the API segment. So, given how the 1st Quarter has panned out, do you think we can still grow at least 10%-15% on the base of almost Rs. 770 crore of API in FY '25 for this Financial Year ‘26?

Rashesh Gogri: Yes. See, what has happened is that last year, last quarter, we pushed a lot of sales. So, we could achieve very higher sales on the last year, last quarter, whereas in this quarter, we were constrained by shipping space availability and also that resulted in an inventory stock increase in particularly API. And of course, basis on every year, 1st Quarter, normally the API sales are higher, because at the start of the year, customers may like to cover some volume. So, I think there is some seasonality also.

Ankit Gupta: So, at least compare like?

Rashesh Gogri: As I have mentioned, we will be able to grow this business.

Ankit Gupta: Sure. And sir, on the Xanthine part, we have new capacities coming in, additional capacity of 4000 ton coming in, let us say, in the second half. So, for this segment, we have had very good volume growth for the past 2-3 years. But because of the fall in realizations, the overall revenue has actually remained in the range of around Rs. 780-Rs. 800 crores. How do you see this Xanthine segment panning out for us over the next 2 years, FY 26 and 27? 27 will have the full year benefit of the expansion coming in. So, do you think the additional capacity we can utilize at least 70%-80% next year? And for this year, how do you see growth for this segment?

Rashesh Gogri: Yes. Overall, I think 2 years down the line, we are looking at Rs. 1,000 crore plus topline for this segment. And I think we are quite confident with the increased capacity, we will be able to achieve in 2-3 years’ time good optimized capacity utilization.

Ankit Gupta: So, at least FY '27, we should be able to reach Rs. 1,000 crores of revenue from Xanthine?

Rashesh Gogri: No, in FY’ 27 or 28, in one of the years. Of course, it depends on the raw material prices, final price, all that. So, we have given that in 3 years, we will have the capacity utilization of 80%-90%, with 50% of sales going to beverages and regulated customers. So, that is what is the target. So, ultimately, out of 9,000, we may optimally utilize 7,500-8,000 out of which 50% will go to the beverages and export customers.

Ankit Gupta: And that will be a better margin plus more regular sales kind of business for us?

Rashesh Gogri: Yes, the products are different. So, the product for beverages is a different product and the product for API pharma requirement is different.

Ankit Gupta: Any comments on the pricing, how the Xanthine prices are currently? Have we seen the prices bottoming out? And has there been any increase in the pricing for the Xanthine products?

Rashesh Gogri: No, I think prices are stable on spot market also. Yes, we are seeing stable pricing, we have not seen any further drop of pricing. And overall, I think raw material costs have also come down. So, overall, that is what has resulted in the pricing pressure in past, but now I think everything is stable.

Ankit Gupta: Sure. And last question was on the CDMO segment, we are expecting to get around 35%-40% kind of growth for this year, given how the pipeline is shaping up. So, can you talk about how do you see given how the pipeline is currently and we have seen significant increase in our molecules both on under development as well as commercial stage as well as we have added new customers also over the past 2 years, there has been significant jump in that. So, 27-28, do we see this segment continuing to grow at least 30-40 or even higher growth rates with new capacities that Atali coming in later half of this year?

Rashesh Gogri: As I mentioned, in 3-4 years, we want all segments to grow up to USD 100 million or Rs. 1,000 crore, whichever reaches faster, so that is what the target is. So, it depends on the year and how the approvals come and how our customers are doing. We have seeded the project, we have 60 projects which are ongoing and how the approvals are coming and how commercially the products are faring in the marketplace. And how fast we are able to get approvals as additional source in the current commercial product for the regular requirement. So, all these factors are in the hands of our customers. We are doing hard work in terms of supplies and development work, but ultimately, we will get there because all these products are currently in the patent phase. So, customers have fair bit of idea of how the growth is and how it is going ahead.

Ankit Gupta: So, let us say, in FY '29, we can expect at least Rs. 800-1000 crore of revenues from CDMO segment?

Rashesh Gogri: That is the target. Yes.

Ankit Gupta: Thank you and wish you all the best.

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

Dhwanil Desai: Hi, good afternoon, everyone. So, my first question is, you have mentioned that by Q2, our Atali project mechanical completion will be over and by Q4, the commercial revenue will start. So, will 2 quarter time be sufficient to do validation and everything? And even if I assume asset turns of 1.3-1.4 times, essentially we are looking at Rs. 500 odd crore kind of a revenue from the Phase-1. So, from start to reaching that kind of a number, what is the timeline that we are envisaging?

Rashesh Gogri: Yes, whatever we are going to do, there is going to be earlier stages of production as well as the products which will shift from our current manufacturing site to this site where we are having additional orders. All these together will be able to fill up the plant slowly. And overall, I think we expect the plant to get utilized. We have earlier mentioned that every second year after 2 years, we will put up additional blocks. So, with this block optimally getting occupied, we will put up a newer facility. And we are basically not tracking topline to that extent. We will ensure EBITDA growth due to this addition of manufacturing facility.

Dhwanil Desai: So, when we say that we will move some of the existing products or production from existing site to new site, does it mean that the revenue generated from new site will not be incremental in nature? That is how we should look at it?

Rashesh Gogri: We have multiple sites which ultimately feed into the CDMO business as well as the intermediate business. And I think you will see an increase in both. So, anyway, as we have projected growth in CDMO-CMO this year and next year also going forward, we expect growth to happen. That will be driven by the additional capacities that we have put up in Atali. That will help us achieve those growth targets.

Dhwanil Desai: And sir, our aspiration to reach let us say, Rs. 1,000 crores number in a given timeline. So, to reach that number, do we see the visibility based on current commercial and in pipeline products to reach that number? Or you think that we need to get many more projects to actually get to that number?

Rashesh Gogri: It depends on how our customers are doing and when they are getting approval. Anything can happen. We are currently doing hard work of getting more customers, more projects, and every year we will add those. And I think a combination of both will work towards achieving growth in future.

Dhwanil Desai: And lastly, if you can talk more in terms of what are the white spaces in terms of our capability on the CDMO side, which either we on our own or from the slight feedback from the customers that we are trying to develop or work upon, which can help us in the longer term if you elaborate on 2-3 such areas where we are spending money and effort on the CDMO side?

Rashesh Gogri: As mentioned in the presentation, we have given the broad capabilities that we have. We have cyanation also as a part of our CDMO business. We are also doing continuous manufacturing, which we have added, which we can offer for CDMO. All these are newer offerings that we have added. We can also do cryogenic reactions and hydrogenation. We can do HPAPIs, so basically anti-cancer kind of finished products also. All these capabilities have enhanced our profile and offering for the innovators.

Dhwanil Desai: Anything new that you think is going to be more relevant that more futuristic, but you are spending time and effort on?

Rashesh Gogri: I think as in past,I think the world is moving towards peptide biologics. And I think we would like to attempt that in future going forward.

Dhwanil Desai: Thank you. That is it from my side.

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

Madhav: Hi, good evening. Thank you so much for your time. Sir, first question on the Xanthine business. Just wanted to clarify, you said that our capacity will be going from 5000 tons to 9000 tons. So, we are adding roughly 80% capacity. And even on the 5000 ton run rate which we are at, we are tracking about Rs. 700-Rs. 720 crores topline. So, if the capacity here is going up by, let us say, 80%, why does the peak revenues be only Rs. 1,000 crores? It can be higher, right? Like, especially since we are targeting some better priced contracts as well in like regulated markets or maybe the pharma beverages, like you mentioned. So, just wanted to understand, like, if on a fully utilized 9,000 ton block, what could be the peak revenue potential like ballpark on current prices maybe?

Rashesh Gogri: Yes, Madhav. We have guided. Currently, in Q1, our revenue from export and beverage is 57% and 65% respectively. And going forward, we have guided that revenue from beverages can go up to 50+. Currently, we are on a higher side of that, but that will normalize with the additional capacity. Still, it will grow from the current base. That has one impact. And depending on how fast we are able to secure more pharma customers, it depends on that and that will define the topline because the spot price and the pharma prices, of course, there is a differential also. If we are able to capture a reasonable market of, say, 10%-15% of our total demand in pharma, then of course, we can expect a higher topline. But if we have to offload the product in spot market, then it can be a little bit on the lower side. It all depends on how the approvals are coming to. Luckily, Xanthine and caffeine are in the Annexure 2 of the list. We are not impacted by the tariff which is a good thing that we had.

Madhav: So, could you clarify what is the pecking order for prices like, is it beverages is the best price, then pharma and then spot like that? Or is it pharma, beverages and then spot?

Rashesh Gogri: I think pharma has the best price and then I think beverages and then spot. The spot used to be higher. But now the spot is lower. It is a market where, of course, the approvals also matter. And the distribution network that we have now established over a period of time, also helps us push the product and there are certain geographies where we can enjoy some better pricing.

Madhav: Sir, just to clarify, you are saying that in the current mix that we plan to sell into pharma, beverages, spot, the total 9000-ton capacity, we expect Rs. 1,000 crores of topline. That is the way to think or it could be a bit higher or lower?

Rashesh Gogri: Rs. 1,000 Crores plus, so it can be anything. Yes.

Madhav: Got it. Then the second question I just wanted to check was on the CDMO business. Did I hear it, you are saying that by FY '28 or '29, this current Rs. 200 crores, there is potential to be Rs. 800-Rs. 1,000 crores, is that right? Did I get that?

Rashesh Gogri: Yes. 3-4 years.

Madhav: And sir, is it from the existing commercial, the 33 molecules we expect like very good scale up or is it the pipeline which makes us more sort of bullish on the segment? Like if you could, whatever color you can share on the growth drivers that would be helpful?

Rashesh Gogri: I think it is going to be effect of both. And I think we have more promising under development pipeline also. And that is why it depends on how the growth happens in the approvals, once the customers get approval. And of course, there are a variety of factors depending on the competing therapy and how they are effectively able to capture the market share.

Madhav: Understood. And sir, of the 27 projects in development, how many would be in Phase-3 or late stages of development? Could you give some sense there?

Rashesh Gogri: So, we do more Phase-2, Phase-3 work. So, I think Phase-1 will be very limited. More Phase-2, Phase-3 only. Otherwise, you would have seen a much higher number of projects that we would have done. But we are marketing ourselves as a manufacturing specialist, which does good manufacturing optimization and cost optimization, route of synthesis selection and having large capacity to match the requirement of customer's needs in case the product hits jackpot. So, all those things are giving us a good customer base.

Madhav: Sir, just last question, like in case if you are able to get to this mix of, let us say, Rs. 1,000 crores plus topline in Xanthine, CDMO reaching, let us say, Rs. 800-Rs. 1,000 crores and API growing at a reasonable pace. Like, how does the margin profile of the company move like from the current 25%? My sense would be that the margins should improve.

Is that the right way to think or you think margins could be stable, if this business mix plays out the way we are thinking?

Rashesh Gogri: Yes, I think, EBITDA should grow reasonably. I think the topline is all dependent on the foreign exchange and raw material prices and all that. Ultimately, we try to tag per kg margin we try to maintain in most of the products. That is how it works. I think, margin should be from the current level. It can go plus or minus 2%-3%.

Madhav: But CDMO is probably the highest margin segment than Xanthine and API, is that?

Rashesh Gogri: Yes.

Madhav: Thank you.

Moderator: The next question comes from Vivek Gautam with GS Investment. Please go ahead.

Vivek Gautam: Yes. Sorry, sir. I joined the conference late. So, if you can just, if it is repetitive, then please excuse me. How much is the exposure we have to the US and what would be the tariff impact for our company and pharma sector in particular?

Rashesh Gogri: Yes, currently our US sales would be around 8%-10%. But I think we don't have any tariff impact currently.

Vivek Gautam: Only 8%-10%. And how come no tariff impact, sir? Basically, the pharma is exempted by the US government.

Rashesh Gogri: Yes. Pharma and Annexure 2.

Vivek Gautam: So, any risk profit being a temporary sort of a thing and CDMO is also sort of covered under that only, sir?

Rashesh Gogri: I think CDMO work more, of course, we have US based customers also, but largely US, Europe, it is multi-geographical. There also, I think our US concentration is not very high.

Vivek Gautam: And what about our CAPEX plan, sir? And so H2 will be much better, especially with respect to high margin CDMO business?

Rashesh Gogri: Yes. The CAPEX plan, as we have mentioned, is that in the second half of this year, we will have the Atali new site operationalized. And also in the second half of this year, we will have the caffeine capacity addition also. Next year, of course, we will have much higher capacities to produce more products. Of course, this year also, in the second half also, we may have partial impact of this.

Vivek Gautam: And a few words about your Xanthine and API business, please, sir. Basically, Xanthine, we are facing competition from China and much more and API comparatively less because China is strong in both the segments?

Rashesh Gogri: The APIs that we are doing are more complex APIs and they are only targeted towards the regulated markets. The China presence in those products is a little limited. Whereas in Xanthine, of course, China has large capacities and they compete. But our value proposition to our customers is that we are the only backward integrated source independent of Chinese, from India who can offer them Xanthine products at a reasonable price. With that, we are able to get market share in Xanthine.

Vivek Gautam: Any plans for us to reduce the exposure to US market due to the overhanging risk by Trump administration? So, are we looking at other geographies to diversify our risk?

Hetal Gogri Gala: So, we don't have any major exposure in USA. 8-10% is very reasonable. And that too pharma being exempt on the list, I don't think. We are largely present in Europe and all the other geographical locations.

Vivek Gautam: Thank you, ma'am.

Hetal Gogri Gala: Thank you.

Moderator: Thank you. The next question comes from Shubham Aggarwal with Burman Capital. Please go ahead.

Shubham Aggarwal: Hi, sir. Thanks for the opportunity. Can you give us some quantitative context over the segment-level margin across the 3 segments? And sir, where do you see the company-level margin shaping up in the medium and long term as the CDMO revenues spike? Thank you

Rashesh Gogri: We are not giving the segmental margins. But as I mentioned in past, the margin profile in CDMO-CMO is the highest, followed by Xanthine and then API. They are closely neck and neck whereas overall, I think we have guided for the EBITDA growth, and I think we are maintaining the current guidance.

Shubham Aggarwal: Thank you.

Moderator: The next question comes from Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Yes. Thanks for the opportunity. In the past, we have spoken about some of our molecules reaching a scale of $20-$30 million for us in the CDMO segment. Given we have 33 commercial molecules as of 1st Quarter, do you think some of these molecules over the next 2-3 years themselves have a potential of reaching this scale of let us say, $20-$30 million? Or some of the underdevelopment projects or molecule projects have those potentials, so if you can talk about that?

Rashesh Gogri: It will be a mix of both. We shouldn't pin only to these because it is ultimately the final molecule that requires multiple products. So, we may supply all the chemistry also to the innovators. So, combining all the chemistry for a single product, finally, we may be able to reach, in some product that kind of a number.

Ankit Gupta: And it will be a mix of both. Some of the commercial molecules also that we have currently have those potential over the next 2-3 years?

Rashesh Gogri: Yes.

Ankit Gupta: In these 33 commercialized molecules, will there be some molecules where we will be the largest supplier? And will our market share in those molecules will be, let us say, 40%-50%? And there will be some other CDMO companies who will be the second supplier? Or we are mostly the second or the third source suppliers in the CDMO sector?

Rashesh Gogri: Yes, I think later is more true because I think a lot of products have shifted from China to us. And that is where still the validations are happening. And once we become a full-fledged supplier, each innovator also has multiple partners to manufacture this product. And they have multiple partners from China. So, the market share starts from 20%-25% and then it can go up to 50% also.

Ankit Gupta: So, a lot of these molecules are still under validation and the scale-up will happen?

Rashesh Gogri: Every year, the campaign may not come. It depends on the size of the product. So, suppose certain products may be regular. Certain products may be a campaign product for the API manufacturer of innovators.

Ankit Gupta: Sure. And sir, this segment has largely been second-half heavy. Every year, we have seen significant scale-up in our CDMO revenue. So, is that expected to continue? Is that lumpiness expected to continue?

Rashesh Gogri: Yes, it will continue. I think more sales will come in later quarters.

Ankit Gupta: And it will continue after Atali starts operations and contributes significantly, let us say, from FY '27-'28 onwards as well?

Rashesh Gogri: Overall, we can guide for the business. Atali is a capacity. Basically we are increasing from 1100 KL to 1500 KL. Where we are going to manufacture what - will be dependent on overall supply chain planning that is being done and how the approvals are achieved. If any product has 5-7 stages, we may shift 3-4 stages at Atali and do final stages there (existing sites), if the customer is not giving us the approval to shift. Whereas the new products will directly go to Atali. But of course, we will have multi-site flexibility. That is a good thing. So, it will also have risk mitigation overall.

Ankit Gupta: Thank you and wish you all the best.

Moderator: The next question comes from Dr. Neha Kharodia with Abakkus. Please go ahead.

Dr. Neha Kharodia: Hi. Good evening, everyone. Thanks for the opportunity. And my question was on the API and intermediate piece. So, just wanted to understand, sir, you mentioned in the initial remarks that in this business segment, it was more of a conscious decision about the intermediate business that we had more focus on the CDMO side. So, probably the decline which is seen is because of the intermediate business coming down. But just wanted to understand why was that as in were we facing any capacity constraints?

Hetal Gogri Gala: Yes. That is the reason why we are going to start the Atali site so that we can have our intermediates also validated. And now the intermediates which require for captive consumption can be validated faster so that we can free up our older capacity to start catering to the customer along with the CDMO earlier stages, which Rashesh mentioned earlier.

Dr. Neha Kharodia: So, on that, just to understand it more qualitatively, so if we talk about the capacity being free on that and so in Q4 combined revenue of let us say, the API intermediate and CDMO business was about Rs. 350 crores and this quarter it is significantly low. So, I did not understand that part, like how exactly is it?

Hetal Gogri Gala: Yes, as we mentioned earlier that for our CDMO businesses, we have a lot of stages to be manufactured. So, we start a little early, and the early stages are under production and that is still continuing in the current quarter also. And most likely in H2, you will see the bump of sales going in.

Dr. Neha Kharodia: Bump in the CDMO segment?

Hetal Gogri Gala: Yes, overall.

Dr. Neha Kharodia: And so is it fair to assume that going forward, let us say, Q2 onwards in API and intermediate business, the growth will again catch up or will it again be, let us say, more of a filter towards H2 in terms of the API segment?

Rashesh Gogri: So, I think year-on-year, there will be growth in both the segments, API intermediate as well as the CDMO-CMO. CDMO-CMO, we have, anyway, specifically guided the growth. And I think we are quite positive with the new capacity coming in. I think there will be growth in the API intermediate segment as well.

Dr. Neha Kharodia: Understood, sir. So, if one assumes, let us say, mid-teen kind of growth, will that be a fair assumption still in, let us say, FY '26 or maybe on a FY '26-'27 CAGR basis in the API intermediate segment?

Rashesh Gogri: So, basically, topline, see what happens is that, as I earlier also mentioned on earlier conference calls, is that we have regulated market customers, we have rest of the world customers and non-regulated customers. So, if we don't get the capacities available, then we cut the non-regulated market. But we still cater to high margin regulated market as well as the ROW customers. So, basically, practically, you have to see the EBITDA growth overall, which really makes the difference in the API segment as well as the Xanthine segment also, I can cut the spot sales. If the capacity goes down by 10%, still the profit may not go down by the same amount. The profit may go down by only a few percentage points and vice versa is also true because we are anyway capturing all the high margin markets. Even if I have much higher capacity, the growth may not come significantly higher because we are currently capturing all the important profitable markets and then we go after the non-reg market.

Dr. Neha Kharodia: And so in terms of capacity utilization for the quarter, can we give some color on that? Like how was the capacity utilization for intermediates in CDMO capacity?

Rashesh Gogri: Yes, we were 80% plus utilization, 80%-85%, which is optimally utilized because we are doing so many products at a time. So, we are fully occupied.

Moderator: The next question comes from Yash Lahoti with SOIC Research. Please go ahead.

Yash Lahoti: Yes, good evening. So, my question was related to the CDMO part where we are guiding like 30%-40% kind of growth. So, first of all, will the margin this year expand on the console level? And also, like what is our vision for the CDMO segment for the next 3-4 years? Can it be 30%-40% of the overall business for the company?

Rashesh Gogri: Yes, I think we have guided 30%-40% growth this year on the CDMO part. And I think overall, we aspire to do the numbers that I mentioned earlier in the call where we want to reach in 3-4 years. So, I think overall, it depends on how the whole market plays out and how we are able to ramp up the other products. So, it can go anywhere between 25% and 33% of our sales.

Yash Lahoti: And the other question was related to the solar plant that is coming. So, what kind of cost savings can we get from that?

Rashesh Gogri: Yes, I did mention earlier that annually it will have Rs. 25-30 crores cost saving for the current plant that we have operationalized. And then, of course, we have one more plant which is coming up, which is going to be the plant with the power purchase agreement that we will have with the joint venture. That will also have more savings.

Yash Lahoti: And the last question was related to the base business. How we are seeing the growth this year in the base business? We are almost near to the full utilization level and also, the newer capacities that are coming up into even Xanthine side and API side, later in this year?

Rashesh Gogri: So, I think second half is not far, yes. In second half, we will have the capacities and that will allow us to grow further. And we are also adding one additional de-bottlenecking of API line. There is a lot of, I think, de-bottlenecking which keeps on happening in the existing sites also. Overall, we will have additional capacities which will get freed up in the second half of this year or maybe towards the last quarter, which will allow us to grow this year and of course, next year as well.

Yash Lahoti: That is it from my side. Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Kumar Saurabh with Scientific Investing. Please go ahead.

Kumar Saurabh: Hello, sir. My question is regarding the new CAPEX which will be coming live in next 6-12 months. So, usually, whenever a new CAPEX comes live, some of the expenses are front-loaded. And then once we reach maybe 40%, 50%, 60% capacity, then the operating leverage may happen. So, coming to these two businesses where we are coming with CAPEX, how does it look like? Do you feel it will impact some margin for 1 year and then we will have an operating leverage? Or do you feel there should not be enough margin impact given the existing business picture of that?

Rashesh Gogri: Yes, I think the two CAPEXs are of different types. So, one of the CAPEXs is greenfield CAPEX, where I think whatever you said is true whereas the second CAPEX is brownfield. And in brownfield, I think the cost will not go up as much. So, we will have an advantage that with the higher capacity also, costs remain low. Whereas in the greenfield, we will have more OPEX which will have to be covered over a period of time with the utilization. So, I think we are going to have a mix of both. The Xanthine will be more brownfield and the Atali project is going to be more Greenfield of nature. And there also we have done almost Rs. 150-Rs. 200 crore of infra spend, which is for future. So, currently we have just started with Block 1, for which mechanical closure we have done. Still with the other blocks coming in, we have capacity to do 10 blocks. Also once we have more and more blocks, it will go more in the brownfield expansion mode. So, I think we have to bite the bullet once. So, that is what we will do in Atali.

Kumar Saurabh: Got it. And second question is on, if you can give some visibility in terms of the granularity of revenue in terms of the API and CDMO business, how granular it is? I know there could be restrictions in terms of competitive reasons, but if you can give some color to it that how granular these businesses are?

Rashesh Gogri: So, in the API business, we have in the next 2-3 years, good patent expiries, which are coming in. And with the products that you can see our website and the expiries. We will have good potential if our partners are able to gain the market share. So, it is all depending on the partner's ability to gain the market share and how competitively we are able to support partner in manufacturing the products that they desire. But we have good pipeline. I think in that Anticancer and some of the general products have promising sales. I think I see a lot of billion dollar plus products in our pipeline, multi-billion dollar products, which are going to expire. So, we expect if we are able to get 10%-20% market share in these few of these products, we will be able to get a good growth in API. So, I think intermediate segment also same to basically where we are seated with multiple vertically integrated players, we end up supplying intermediates to multiple 5-7 customers in each product. And even if one or two of them are successfully able to get their products launched in the US and Europe, we can get good volumes. And even the validation quantities and all that also can be meaningful. There again, the game is how competitive you are remaining in total and that is where the constant efforts to remain cost effective, create capacities for meeting the customer's demand and all that is important. So, that is why we have proactively invested in Atali to have that possibility of growth in this segment.

Kumar Saurabh: Got it. And sir, either now or in future, do you see any of these API intermediate products having more than 20%, high double digit revenue share of their segment?

Rashesh Gogri: Yes. That is what our overall aspiration is that any product that we do should be at least 10% plus of market share of the global.

Kumar Saurabh: Sir, I am not asking for market share. In the API intermediate, our revenue mix, are there products which are contributing in high double digit? Like 20% of overall API intermediate revenue or 20% of API intermediate revenue, do we have such products? Just to gauge how granular our revenue is?

Rashesh Gogri: No, we have more than 140 products that we offer as API intermediates. Of course, some of them are very big. So, few products have $5-6 million sales also. And of course, we have captive sales, internally consumption also. So, with that, I think overall, these products are larger products, but not very heavily dependent on any few products. So, it is a mixed basket of many products that we do.

Kumar Saurabh: That is all I had. Wish you all the best. I am looking forward to the next few quarters.

Moderator: Thank you. The next question comes from Abhishek with Padmaja Investments. Please go ahead.

Abhishek: Am I audible, sir?

Rashesh Gogri: Yes.

Abhishek: My question is on the Ganesh Polychem, like since the capacity is now running from July, is there a possibility for larger profit potential from the joint venture? That is my question?

Rashesh Gogri: I think longer term, the capacity we have grown and I think overall the plan is to the modification that we carried out was to enable ourselves to meet more demand of the customer. So, that is what is the endeavor. It may not happen in this year, but I think longer term, we will have higher capacities, which will be able to meet more customers and more markets. So, there are multiple products that we have and few of them have applications in aerospace also and which is growing quite nicely. With that, we will have good growth possibilities.

Abhishek: As of now, the profit contribution from the joint venture is close to Rs. 40 crores or Rs. 60 crores?

Rashesh Gogri: Piyush, can you answer this?

Piyush Lakhani: Sorry, what is the question? Can you repeat?

Abhishek: The joint venture contribution to the profit because now, we won't be adding it to the revenue and straight to the profit. How much is it going to be following this year or next year?

Piyush Lakhani: So, there will not be any impact on the profit per se. It will still be counted as part of the profit after tax. There will be an impact only on the revenue and the expenditure.

Abhishek: Yes, I got that part. I am asking that what was that number last year? Was it Rs. 40 crores or Rs. 60 crores?

Piyush Lakhani: It was Rs. 60 crores EBITDA. EBITDA was Rs. 60 crores. So, our share was 50% of that.

Abhishek: Thanks. That is all.

Moderator: The next question comes from Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia: Yes. Most of the questions are answered. I just had one question. On the CDMO side, obviously, we have seen good growth, and you commented the trajectory will continue. So, given that growth in CDMO shouldn't EBITDA trend higher than the 12%-15% which we have I think mentioned at the PPT.

Rashesh Gogri: Yes, I think as we mentioned with the new plants coming in, we will have higher OPEX also and all that. So, with that, I think we have to see how our overall utilization happens and next year, we can definitely have higher growth. But this year, with the half year, we will have to see how it grows.

Hetal Gogri Gala: And also, along with CDMO, we have other businesses also growing. So, overall, there will be combined if we see. It will be as guided earlier.

Prakash Kapadia: Thank you, sir.

Rashesh Gogri: Thank you.

Moderator: The next question comes from Avneesh with Varkaria. Please go ahead.

Avneesh: Yes. Hi. Good evening. Thanks for taking my question. I just have a quick one. This is regarding the CDMO business where you make products for the big pharma, the on-patent products. I just wanted to know that the APIs or the intermediates that you make, are they getting exported to the formulation plant in the US or are they getting to Ireland? Which is your major export country right now for that business?

Rashesh Gogri: I think they are getting exported all around the world. So, largely, I think Europe is quite concentrated for manufacturing of API and formulation. And of course, some goes to US as well.

Avneesh: But the goods that are getting shipped to the USA, as I understand, API doesn't form in the definition of pharmaceutical as it applies for the tariff. So, are your APIs that are getting shipped to US, are they getting tariffed right now?

Rashesh Gogri: No, they are not getting tariffed.

Avneesh: So, basically, API are also exempt from tariffs as of now?

Rashesh Gogri: Yes.

Avneesh: And let us assume for a second that Section 232 investigation does lead to some tariff. Is there an understanding on how that might impact our business? Who is going to take on these tariffs? What are the contracts like? Are they FOB or are they DDP? Can you give some color on that?

Rashesh Gogri: Some of the contracts are FOB, I think largely FOB.

Avneesh: Is that an understanding that whatever number that comes from the investigation, whatever that number that would be, is it like partly absorbed by us and the customer or fully absorbed by the customer? Is there any clarity on that?

Rashesh Gogri: I think 50% tariff, if it becomes applicable, I don't know what will happen. But currently, anyway, we are safe from this. We are not speculating what will happen. Currently, they are under the exempt list. We hope that the things resolve and we have a much better tariff situation in future. And even if something were to come, I think, if it comes to 50%, I think there will be some impact. Because even if we directly may not sell, I think our customers will eventually sell to the US market because US is the biggest market of formulation, of generic products. And what is the stance of President Trump on the generic, whether they want to apply tariffs or not, and how he wants to take it. It is more speculative. I think today, the tariffs are not applicable. That is what we can say.

Avneesh: So, basically, when that number comes, that is when you start having discussions with your customer on basically, how this gets split or whether the customer absorbs it or not?

Rashesh Gogri: Yes, because a lot of customers are India based also, which ultimately end up exporting the regulated market API customers. These could be basis India, and they ultimately export. There are a few customers which are US based, but largely the manufacturing has shifted to other countries from US.

Avneesh: Yes, just one clarification here. Some of the other players have said that the APIs are actually not exempt from this Section 232 and it applies to only the final formulation. So, you are indicating that you are paying the tariff on the API exports to the US?

Rashesh Gogri: I think the products that we are exporting, our sale condition is CIF. So, we are not paying any tariff. And of course, the Xanthine is under

Annexure 2 list. So, it is under exempt, the caffeine and its source are under the exempt list.

Avneesh: Understood. Thank you.

Rashesh Gogri: I would like to thank all of you for attending the call. Thanks.

Moderator: Thank you. This concludes the conference call. On behalf of Nuvama Wealth Management Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.