

Aarti Pharmalabs

10 August 2026

Management: In emerging opportunities in the pharmaceutical sector and deliver sustained growth in the coming quarters. Now I request the moderator to open the forum for the Q&A session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of {? Dhruv ?} from {? Bioramara Capital ?}. Please go ahead.

Management: Yes.

Dhruv – {? Bioramara Capital ?}: Congratulations on the good set of numbers, and thank you for the opportunity. My first question is on the Xanthine business. Could you please share the current domestic versus export split in the business, how that trend is progressing as we have increased capacity, and where we stand in terms of global market share, if you can share that?

Management: Our current split in the current quarter is 80%, comprising 79% export and 21% local revenue share. Going forward, as we ramp up our capacity utilization, the local market will remain relatively smaller. Therefore, our share of exports will continue to be higher. In terms of utilization, as I mentioned, towards the end of next year, we will have more than 80% capacity utilization.

Dhruv – {? Bioramara Capital ?}: I also asked about the global market share, if you can share that.

Management: We are aiming for a 22–25% global market share with the enhanced capacity over the next 2 years.

Dhruv – {? Bioramara Capital ?}: My second question is regarding the primary competition within Xanthine. Is it largely China-based, or is it fragmented globally? Roughly what share of global capacity would you attribute to Chinese producers?

Management: China is the major competitor for Xanthine. The overall capacity for Xanthine chemistry in China is quite significant. Apart from a few producers in India and Europe, almost 80–90% of the overall competition is in China.

Dhruv – {? Bioramara Capital ?}: What would you consider to be a normalized business-cycle EBITDA margin range for the Xanthine business, and how much of that is structural versus dependent on raw material prices?

Management: We do not normally provide guidance on the EBITDA percentage because we generally have raw material pass-through, and you have seen that, amid the current volatility caused by the Middle East crisis, raw material prices increased, which we passed on to our customers. This skews the EBITDA percentage. Therefore, I would not like to provide guidance on that, but in general, at the company level, we are in the range of 20–25% EBITDA.

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Dhruv – {? Bioramara Capital ?}: Thank you very much. That was all from my side, and all the best for the next quarter.

Operator: Thank you. The next question is from the line of Raj Agarwal from {? Nivayshay Asset Management ?}. Please go ahead.

Raj Agarwal – {? Nivayshay Asset Management ?}: Thank you very much for the opportunity. My question was on the Xanthine side. Xanthine was roughly 57% of growth. I wanted to understand whether you can share the split between volume growth and realization growth.

Management: Over last year?

Raj Agarwal – {? Nivayshay Asset Management ?}: Yes, compared to last year.

Management: I will have to look at the numbers. I think it was probably 25%. I will have to look at the numbers and get back to you. Assuming that Q1 versus Q1 reflects 25% volume growth over last year's volume, I will have to check the value percentage from last year.

Raj Agarwal – {? Nivayshay Asset Management ?}: With supply chains now normalizing, do we expect realization to decline in the current quarter, Q2?

Management: Realization per kilogram will decline, but with the additional capacity, our sales will grow.

Raj Agarwal – {? Nivayshay Asset Management ?}: Last quarter, you had flagged that we have significant upcoming capex coming online. Xanthine has just come online, and now we have the Atali plant coming online. Therefore, the increase in expenses might affect Q1 or Q2. We have not booked those expenses yet, correct? We will be booking them in the next quarter.

Management: We have started booking the expenses for Phase 1 of Atali Block 1. The Atali Block 2 phase, which is the smaller reactor block, will be completed in the current quarter. The expenses for Atali Block 1 have started hitting the books in the second half of this year. Similarly, in Xanthine, the new brownfield additional site that we started, {? L-99 ?}, also achieved mechanical closure at the end of June, and we have now started trial production. Therefore, the expenses related to that site will also start hitting the books in the current quarter.

Raj Agarwal – {? Nivayshay Asset Management ?}: My last question is on the CDMO side. As you mentioned, we are putting up a dedicated block for a particular project. Do we have 2–3 projects in our pipeline on which, in the long term, we can put up dedicated blocks? Since we have just completed one large capex project, can we expect the Atali plant to contribute meaningfully from Q3 onwards?

Management: As we have mentioned, in Atali, our first block was a multipurpose block. Now we are trying to put up a dedicated asset that is tuned toward a few projects that are repetitive in nature every year. On that basis, we would always like to keep our multipurpose block free for newer projects in the initial phase. As the projects mature and we have visibility of these projects, we will move them to dedicated blocks. That is the theory we are using. We are happy to say that we have identified the products and projects that have this potential, and they will move to the dedicated

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block once we commission it next year.

Raj Agarwal – {? Nivayshay Asset Management ?}: From Q3 onwards, can we expect the Atali plant to contribute meaningfully to the top line?

Management: Atali will initially contribute partly to the top line and partly to early-stage manufacturing, for which final-stage customers would prefer to buy from the existing approved sites. However, Atali is already contributing from the current quarter.

Management: It will contribute meaningfully toward overall manufacturing capacity utilization.

Raj Agarwal – {? Nivayshay Asset Management ?}: Those were my questions. Thank you very much.

Operator: Thank you. The next question is from the line of {? [unclear] ?} from Unified Capital Private Limited. Please go ahead.

Management: Congratulations on a good set of numbers.

{? [unclear] ?} – Unified Capital Private Limited: Regarding your upcoming Xanthine facility, what would be the cost impact from Q2 onwards? Can you please quantify this?

Management: Regarding the cost impact of the new Xanthine production plant, we will be ramping up that facility quickly to the new installed 50% capacity. I think that should easily take care of the increased costs that will arise there. Therefore, I do not see a significant P&L impact on account of the Xanthine expansion that we have undertaken.

{? [unclear] ?} – Unified Capital Private Limited: Regarding Xanthine realization, prices have dropped from the peaks observed during the conflict in May–June, correct?

Management: Prices keep changing based on raw material movements. Currently, prices have come down from the peak to lower levels.

{? [unclear] ?} – Unified Capital Private Limited: Another question regarding the intermediate business, or rather the gross margins. Going forward, what would be the sustainable gross margin levels? I think we had flagged that there would be an impact from input and logistics costs on the API and intermediate business, which we would not be able to pass on easily. What would be the sustainable gross margin going forward?

Management: We have mentioned an EBITDA margin of 22–25%. Gross margin should be around 50%, plus or minus a few percentage points.

{? [unclear] ?} – Unified Capital Private Limited: 50%, correct? The last question is on the steroid block. I think we have completed debottlenecking, and the capacity has increased by one-third. Do we expect the capacity to be fully utilized? Is there any update on specific orders we have received for injectables?

Management: This is not for injectables; it is for the steroid business. We have already enhanced the capacity. Since we had a 1.5-month break in the current quarter, going forward, we are fully utilizing the increased capacity of 36%.

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{? [unclear] ?} – **Unified Capital Private Limited:** I will rejoin the queue. Thank you.

Operator: Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. Should you have a follow-up question, we request you to rejoin the queue. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta – Bamboo Capital: Thanks for the opportunity. In this quarter, the margin picture is very clear. As you mentioned, Xanthine had a significant impact. The price increase and realization increase we saw in this quarter resulted in gross margins touching almost 56% and EBITDA touching 25% or 25.4%. This is not sustainable in the coming quarters, given that realizations are already declining for Xanthine. Is that the correct understanding?

Management: That will be mitigated by the increased quantities that we will start producing. As I mentioned earlier, we were operating at around 6,000 metric tons of Xanthine production, and now the increased capacity of 9,500 metric tons is coming into operation. Overall, we will see higher sales, and absolute gross margin will be sustained.

Ankit Gupta – Bamboo Capital: You are saying that gross margin should be sustained?

Management: Absolute gross margin will be sustained.

Ankit Gupta – Bamboo Capital: Regarding Xanthine, we have seen pricing pressure from China, with the Chinese government reducing export rebates. We have also seen chemical prices across the board increase in China, even before the war. Has that been the case with Xanthine, and what long-term impact should that have on our business?

Management: Currently, Xanthine prices are at an elevated level and have not returned to the pre-war normal level. Although they are not at the peak, they are still higher than they were before the war because many raw materials remain much more expensive than they were in the pre-war situation.

Ankit Gupta – Bamboo Capital: Given China's anti-pollution policy, has there also been some impact on Xanthine?

Management: In Xanthine also, they have removed the rebate, due to which Xanthine prices have structurally increased overall because they are no longer able to obtain the rebate. That was one factor that helped us improve the overall margin in the spot market.

Ankit Gupta – Bamboo Capital: On the API segment, we have been in the 160–165 crore revenue range, and in the opening commentary you also mentioned that pricing pressure continues. We had some good launches planned for this financial year. How should we look at this segment going forward? Do you think we will be able to return to at least the 200 crore quarterly run rate that we saw in Q4 FY25? Should we return to those levels, when do we expect to return to them, and how are the margins in the segment? Of course, you do not provide the specific segment margin, but do you have any views on the margins in the segment, given the sharp decline in revenues?

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Management: The API generic and intermediate business has 2 parts: API and intermediate. As I mentioned, we had a shutdown in a block for debottlenecking, which resulted in some reduction in the current quarter. That will normalize going forward. We are also looking at debottlenecking our anti-cancer block, and we expect new launches from that block next year. Another key segment is intermediates. A few products in that segment have been successfully commercialized, and we have undertaken process-intensification exercises for these products. Those products will also meaningfully add to the top line and gross margin. Overall, we expect this business to perform well, or reasonably well, going forward from the current level.

Ankit Gupta – Bamboo Capital: On the CDMO side, I have a 2-part question. First, our CDMO revenues have always been weighted toward the second half, primarily Q4, although last year we saw Q3 as well. Should we continue to expect the same trajectory going forward, with H2 doing the heavy lifting for the 40–50% growth that we expect in the segment? Second, since FY25, we have not seen a significant increase in the number of molecules. There has been some improvement in the number of commercial molecules, but overall, in terms of molecules and customers, there has not been any material increase. Could you also discuss why that is the case, what our pipeline looks like going forward, RFP conversions, and your overall views on the CDMO pipeline?

Management: The CDMO–CMO segment continues to be a very important segment for us. That is why we have guided for 40–50% growth, and we are quite confident that we will achieve that growth in the current financial year. We currently publish the number of active customers and active projects, and we also deduct projects that have been dropped by customers because they have failed or because the customers have decided not to pursue them further. In this quarter, the overall number grew by 3 projects, and 1 additional customer was added. However, over the last 3 years, the number of commercial projects has increased from 21 to 37. That is the key point: we have been able to enter projects that have become commercial. The company is quite confident about the growth potential, which is why we are investing almost 149 crore additionally, over and above the 450 crore expansion we undertook in Atali, to ensure the availability of capacity for these 37 projects with the company. We are quite confident about the 1,000 crore target that we have set for ourselves.

Ankit Gupta – Bamboo Capital: Will CDMO revenues continue to remain weighted toward H2?

Management: As I mentioned in my speech, the current year will be H2-heavy, particularly the second half.

Ankit Gupta – Bamboo Capital: Thank you, and I wish you all the best. I will come back in the queue.

Operator: Thank you. The next question is from the line of Rishab Mehta from ICICI Securities. Please go ahead.

Rishab Mehta – ICICI Securities: My first question is a clarification on the revenue breakup that you have provided. I wanted to understand whether the breakup is based on standalone or consolidated numbers.

Management: Standalone.

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Rishab Mehta – ICICI Securities: Can you give us the breakup of the 6% contribution from the other segment? What exactly is the trading business?

Management: That comprises scrap sales and some other items. It also includes some group buying because we conduct group buying for the company, such as solvents and similar items. It does not contribute much revenue or gross margin.

Rishab Mehta – ICICI Securities: My second question is regarding Ganesh Polychem. How are the margins there, particularly on the PAT margin side?

Management: For the consolidation, we have added a 7 crore PAT number for Ganesh Polychem, after adjusting for 2.5 crore of dividend income that we received from the company. That is the overall position.

Rishab Mehta – ICICI Securities: As a follow-up, how is the business performing at that site?

Management: We had a strong quarter there, with good growth, and we are quite happy that the business looks strong in the current fiscal year.

Rishab Mehta – ICICI Securities: I will rejoin the queue. Thank you.

Operator: The next question is from the line of Aman Mangla from Avenue Investment Management. Please go ahead.

Aman Mangla – Avenue Investment Management: Thank you for the opportunity, and congratulations on a great set of numbers. I had one question on margins. Given that you mentioned Xanthine prices in the spot market have declined, and we also have pre-operating expenses on the Atali side, where do we see EBITDA margins heading for the full financial year FY27? Is it closer to 25% or possibly above that, or is it closer to the 22% range?

Management: It will depend on how quickly and easily we are able to operationalize the expanded capacities that we are planning to add during the year. However, we are still guiding for a standalone EBITDA margin of between 22% and 25% for the full year.

Aman Mangla – Avenue Investment Management: The reason I ask is that you do not foresee an impact from the war-related crisis and higher raw material prices on the business, correct?

Management: If you look at this year, we have given guidance of almost 40–50% growth in CDMO. That revenue will also be significant and will account for almost 20% of the company's overall revenue, which is where we have...

Management: ...gross margin. Therefore, they will average out the overall EBITDA and the sector.

Aman Mangla – Avenue Investment Management: My last question is on the API side. This business had a very strong year in FY25, while FY26 was relatively weaker. Do we expect to cross the FY25 revenue level of {? 780 crores ?}, or are we going to maintain approximately 30% growth over the FY26 revenue level?

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Management: The revenue target is to reach that number. However, looking at the overall environment, launches, and related factors, I think we will not be able to cross it, but we should be close to that level.

Aman Mangla – Avenue Investment Management: Understood. That is all from my side. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, I request you to limit your questions to 2 per participant. The next question is from the line of Rahul Jain from Equirus Wealth. Please go ahead.

Rahul Jain – Equirus Wealth: Thank you for the opportunity. First, congratulations on a great set of numbers. I wanted to understand the Xanthine business. Typically, in this quarter, we reported 305 crores of revenue. Given the capacity ramp-up and the further ramp-up in utilization of the newly expanded capacity, how should we look at Xanthine sales this year? We mentioned that there has been a slight decline in prices, but at the same time, prices remain above pre-war levels. Can we look at 300 crores, with some decline in prices being mitigated by increased production? Can we expect Xanthine sales this year to be around {? 1,100 crores ?}, plus or minus 50 crores?

Management: We have to wait and see how prices normalize, and that will affect overall pricing. However, I think it will be in the range of 900 to 1,100 crore. You can expect us to land in that range. Probably 900 to 1,000 crore.

Rahul Jain – Equirus Wealth: Can you define what kind of price increase has already occurred in the industry? You may refrain from commenting on our specific situation, but what has been the overall price increase in the industry?

Management: The price increase is coupled with the increase in raw material costs. Therefore, overall margins will have a marginal impact. However, if you look at the overall picture, we have also changed the product mix. We are selling more to regular customers because, as capacity is being added, we have a high commitment to provide these customers with greater volumes. As the new capacity comes online, more sales will be at spot prices. That is how the mix will evolve in the current quarter.

Rahul Jain – Equirus Wealth: Regarding the block you mentioned, {? PVMO ?}, where we have to undertake capex, along with the capex being completed in Phase 1 and the capex being completed in the current year, are these capacities being built to achieve our stated goal of around {? 2,000 crores ?} of revenue by FY28 or FY29?

Management: We have to see when we reach that level, but it could be 2029 or 2030. In terms of the current new block that we propose to install, the existing current block, and the manufacturing capacity that we will have at Vapi, I think these facilities will provide sufficient capacity to meet that stated objective with the current block. In the current block, we have currently approved only 400 KL, but we have the capacity to increase that by another 200 KL. That will depend on the new projects that we receive. We are going to maintain that readiness in the civil-construction portion of the project, and that has also been sanctioned by the board. However, we are installing

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equipment for only 400–405 KL, while the additional 200 KL of equipment can be installed at very short notice.

Rahul Jain – Equirus Wealth: My second question is regarding the dedicated block that you have now announced. There was one more dedicated block that you were planning, probably awaiting some approval. Is that the block that has now been announced?

Management: That is what we announced last year. I mentioned that we were considering this, and it has now been approved by the board. We have a few good CDMO projects with very promising future growth prospects.

Rahul Jain – Equirus Wealth: I am referring to 2 dedicated blocks separately. We are putting up 1 block, correct?

Management: Yes. However, we already have another 400 KL of multipurpose capacity available. For the current block that we are putting up, we have currently approved 405 KL, but we can still add another 200 KL. Therefore, with the existing 450 KL plus this additional 600 KL, we can reach a very large capacity. Rather than dividing it into smaller blocks, we are putting up a larger block.

Rahul Jain – Equirus Wealth: Understood. Thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, I request you to limit your questions to 2 per participant. The next question is from the line of Sajal Kapoor from IvyCap Ventures. Please go ahead.

Sajal Kapoor – IvyCap Ventures: Thank you for taking my questions. I have 2 questions. First, beyond revenue growth, how have the complexity and value of the CDMO segment changed over the years, and how is that progression reflected in the gross margins of the CDMO segment?

Management: Since we started our CDMO journey 5.5 years ago, we have grown almost 10 times during that period. Initially, we started with the supply of intermediates, regulatory starting materials, and KSMs, and then moved to GMP supply. We have always restricted ourselves to smaller molecules. Now, we have also undertaken certain projects where we supply API for initial toxicology batches and then for initial clinical batches.

In terms of capabilities, as I have mentioned multiple times, we have an approved R&D laboratory with equipment at our research and development center, where we can work on peptides and oligonucleotides. That is adding further capabilities to what the company can do in the near future. Apart from that, we are also doing more and more work in green chemistry, flow chemistry, and related areas.

Overall, where we were 5.5 years ago and where we are today is completely different. We are a much more mature company. We operate manufacturing sites that are all approved by large innovators. Two sites are also USFDA-approved for intermediate manufacturing.

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Overall, we have been able to build a good name in the CDMO market, where people have started recognizing what Aarti Pharmalabs Ltd. is capable of doing. The recent hiring of a CSO and a new R&D team has also helped us push that agenda overall.

Sajal Kapoor – IvyCap Ventures: Some of the larger Indian CDMOs report gross margins of approximately 85% in the development segment. When a molecule becomes commercial, they report 70–75% gross margins in commercial manufacturing, depending on the number of steps, complexity, and so on. As Aarti Pharmalabs Ltd.'s CDMO business scales from 7% of revenue today toward 1,000 crores and beyond, how should we think about the structural opportunity for consolidated gross margins? We have 3 segments: Xanthine probably has the lowest gross margins, followed by APIs, and finally the CDMO segment, which, in my view, has the highest gross margin.

Management: Overall, the 85% and 75% margins are achieved by companies doing very early-stage work, where gross margins are high but the work is more research-oriented and requires substantial R&D efforts. We specialize in manufacturing. If you look at how rapidly we have increased our commercial portfolio, you will see that not many companies have completed 37 commercial projects within such a short period.

We enter projects during the Phase 2-to-Phase 3 transition, and when the products are commercialized, we immediately have commercial sales. Our manufacturing specialization helps innovators reduce the cost compared with the early-stage suppliers they use for clinical batches. That is our area of specialization.

Therefore, we do not currently expect to achieve 70–75% gross margins unless we move into the peptide and oligonucleotide segments, where the work is more complex and research-driven. In small molecules, I think we are reasonably positioned at 60–65% gross margin on the commercial side. On the early-stage side, we also have slightly higher margins in some projects, but we limit ourselves overall.

Sajal Kapoor – IvyCap Ventures: That is very helpful. Even at 60–65% gross margins at optimal utilization, EBITDA margins can easily be above 30%. Again, it depends on the utilization level and the extent to which fixed costs are covered. However, I think 60–65% on a sustainable basis is a very healthy gross margin.

Management: Overall, we have 3 business segments. We are pushing all the businesses to grow significantly. As I mentioned earlier, we want all the businesses to grow beyond 1,000 crore. Xanthine will reach that number sooner. CDMO-CMO will take a few years, and API will also take a couple of years to reach that level. Once all 3 segments reach that scale, we expect the CDMO-CMO segment to exceed 25–30% of the company's overall sales going forward.

Sajal Kapoor – IvyCap Ventures: Very helpful. Thank you very much.

Operator: Thank you. The next question is from the line of Keval Mehta from AMC. Please go ahead.

Keval Mehta – AMC: On the CDMO side, given our aggressive growth ambitions and capex, could you elaborate on the talent-acquisition strategy driving this expansion? Specifically, what additions

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have you made to the R&D scientific leadership team and the global sales and business-development team over the last few years? What pedigree or domain expertise do these hires bring to Aarti Pharmalabs Ltd.?

Management: As I mentioned earlier, during the current year we have built a CXO model on the technical side. We have a Chief Scientific Officer, a CTO, and a COO to operate our manufacturing assets for API and intermediates, as well as the CDMO-CMO and R&D segments. We have hired the right people, and below that level we have also built a team.

We have dedicated R&D teams with expertise in small molecules. We have now also hired a few people in oligonucleotides and peptides. We also have a very good team in scale-up and process intensification. These are 3 very important areas in R&D.

We operate 3 R&D centers. We have an Innovation Center in Nerul, which is largely for innovators and where more than 100 scientists are based. We have an API R&D center in Dombivli, which we operate. We also have a scale-up and process-intensification R&D center in Vapi.

Across these 3 R&D centers, we have more than 250 scientists working in our organization. We have a healthy pool of scientists and a very good team. In terms of the BD team, we are also trying to strengthen it. We have a geographically distributed BD team for CDMO-CMO, with people assigned to different regions.

Management: We have leads for Europe, the US, and Japan. They work cohesively, and we also have a project-management team that supports them so that they can focus primarily on BD work. I think we have a good structure that is working well for us.

Keval Mehta – AMC: How many scientists did we have 3 years ago, and how many do we have now as the CDMO business has grown?

Management: We started the entire CDMO laboratory 3 years ago, and we have set up this entire team of 100 chemists specifically for the innovator work that we continue to do at our Nerul laboratory.

Keval Mehta – AMC: Understood. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Shubham Agarwal from Burman Capital. Please go ahead.

Shubham Agarwal – Burman Capital: Thank you for the opportunity. My first question is on the pricing trend for Xanthine. There are 3 different effects playing out. First, anti-dumping duties have been eliminated going forward from April 2024. Second, as we understand, based on information provided by one of your Chinese players in its RHP, there have been production-quota cuts in China in the domestic market. Third, there has been an increase in the cost of the raw materials you consume. Based on these 3 developments in duties and prices, can you help us understand where prices are currently and how many of these factors, in your assessment, will be temporary versus structural?

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Management: I think the elimination of the duty currently looks like a permanent structural change, at least in the near term. For the next few years, I do not see it changing significantly. The increase in raw material prices is temporary and is essentially linked to West Asia prices.

The quota tightening imposed by the Chinese government on manufacturers is intended to curb competition. All the companies in China were experiencing losses, so the government wanted to prevent that. I think this is structurally improving the overall margins of the Xanthine business for us.

With the capacity we now have, we will have the second-largest Xanthine capacity in the world. For each customer, we expect to have a share of their overall requirement because we are becoming a very large source of Xanthine. With that, our projected growth is from the current operating level of close to 6,000 tons to an anticipated 9,500 tons over the next couple of years.

Shubham Agarwal – Burman Capital: If prices have increased by any amount, how would you characterize it? Would you say 50% is structural and 50% temporary, or would the structural component be even higher, based on your assessment?

Management: It is very difficult to assign a number, but I think we can use a 50–50 split.

Shubham Agarwal – Burman Capital: I heard that we are expecting 900 to 1,000 crores of Xanthine revenue. We have already done 305 crores this quarter, which means the remaining 700 crores would come over the next 3 quarters. Would you expect a slight decline in Xanthine revenues over the next couple of quarters because temporary pricing will revert, or would you expect to maintain this quarterly average going forward?

Management: This quarter was exceptional in terms of the top line. In response to the West Asia crisis, raw material prices had practically increased by 50% to 100%. At the end of June and in July, they came down to a more reasonable level, from a 100% increase to a 25–50% increase. There has already been a change, which will be reflected in overall pricing because we largely have price pass-through arrangements with large customers, and spot-market pricing will also reflect the decline. With this change, where the top line will land is anyone's guess, so we are providing only a broad range.

Shubham Agarwal – Burman Capital: My last question is on CDMO. We have put up a 150 crore dedicated facility for some of our molecules. Is this dedicated CDMO block based on a customer booking capacity in advance or on one of the molecules being commercialized shortly? Or is it based on our own visibility regarding some of our molecules? Is it for one customer and one molecule in the near term, or is it fungible between 1–2 projects with different timelines?

Management: This block will be used as a dedicated block for manufacturing a few projects. I think 3–4 projects for multiple customers will be handled in this block, and we will have some flexibility between them because of the uneven nature of when customers may want to take certain quantities and when they may not.

We have good visibility of the combined requirements of these projects. Our current capacity would be multipurpose and insufficient to meet that requirement. It is not inefficient, but it would involve excess capacity because, for each project, we create multiple sets of flexibility that would

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not be necessary for this dedicated block.

Rather than creating additional multipurpose capacity, we decided to proceed with 1 block that can eventually be ramped up to 600 KL. We currently have visibility of 400 KL, but we will keep the civil construction ready so that we can add the additional 200 KL within 6–9 months. That is the advantage.

Shubham Agarwal – Burman Capital: Would we have visibility of a project reaching, say, 200–250 crores per molecule? Do we have some projects of that scale in the pipeline?

Management: I would not like to comment on the number, but we have visibility of the volumes.

Shubham Agarwal – Burman Capital: Thank you very much for answering my questions, and all the best.

Operator: Thank you. The next question is from the line of Abhishek from Padmaja Investments. Please go ahead.

Abhishek – Padmaja Investments: Regarding the new plant and the new capex that has been commissioned, when will the facility be audited by the USFDA or under EU GMP? Is this necessary or not?

Management: The Atali facility that we have started does not have a mandatory USFDA audit requirement. It has already been audited by our innovator customers, and they have approved the site for manufacturing.

In the case of the Xanthine facility, it is largely for our food-related requirements. We have enhanced the existing capacity at the brownfield site, and that also does not require USFDA approval. Overall, both sites that have become operational in the last 6–8 months do not require USFDA approval as such.

Abhishek – Padmaja Investments: Regarding Xanthine, will you allocate more capital to this division going forward? Since it is a commodity and you are trying to focus more on the CDMO business, I am trying to understand the broad capital-allocation strategy.

Management: With the current expansion we have completed, we will be the second-largest manufacturer of Xanthine in the world. We believe that this capacity should be sufficient for the next few years before we invest additional capital in it. However, we will not rule out cost-saving projects and similar initiatives with shorter payback periods.

Abhishek – Padmaja Investments: I remember your last presentation mentioned that R&D expenses would be 7% of API, intermediate, and CDMO revenue. Is the majority allocated to CDMO or to the API and intermediate businesses?

Management: It is split between both.

Abhishek – Padmaja Investments: The number looks high, so I am trying to understand whether it is for developing older APIs or something else.

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Management: It is more toward CDMO.

Abhishek – Padmaja Investments: Going forward, can we expect the same range, or will it increase to more than 5%?

Management: More than 50% of that will be for CDMO.

Abhishek – Padmaja Investments: Thank you very much.

Operator: Thank you. Ladies and gentlemen, I request you to limit your questions to 1 per participant. The next question is from the line of Pritesh Chheda from Lucky. Please go ahead.

Pritesh Chheda – Lucky: My question is with respect to CDMO. For this 149 crore dedicated project with 200 KL and another possible 200 KL expansion, can you tell us the ramp-up plan, at least for this dedicated project? My understanding is that you will have some visibility regarding the commercialization of the molecule. Overall, I believe you have now invested approximately 600 crore in capex—450 crore plus this 150 crore. What kind of asset turnover does this 600 crore of capex represent?

Management: The turnover is in excess of 1, or around 1. In terms of overall capacity utilization, the dedicated facility that we are putting up will start in the next financial year, toward the end of the next financial year. It should become reasonably occupied within 1–1.5 years after that. We expect this to help us meaningfully reach our 1,000 crore top-line target.

Pritesh Chheda – Lucky: You are referring to the entire 600 crore, and we currently have a 1,000 crore ambition. Would we then need to invest in additional capex?

Management: We already have our Vapi site, which has a 600 KL capacity, part of which is dedicated to CDMO. Currently, 450 KL is available, along with another 400 KL. For the current block, we have retained another 200 KL of flexibility, which will also require additional investment. Rather than building 2 blocks, we have decided to proceed with 1 block that can eventually be ramped up to 600 KL. We currently have visibility of 400 KL, but we will keep the civil construction ready so that we can add the additional 200 KL within 6–9 months.

Operator: Mr. Pritesh, I request you to rejoin the queue for a follow-up question. Ladies and gentlemen, I request you to limit your questions to 1 per participant. The next question is from the line of Julee Meheta from 361 Capital Market Private Limited. Please go ahead.

Julee Meheta – 361 Capital: Thank you. I had one question related to Xanthine and CDMO. Xanthine contributed approximately 67% of revenue, while CDMO declined to approximately 7%. We observed that margins remained stable year-on-year. Should we expect margin expansion to improve as CDMO revenue recovers, or does this mean that the profitability profile of Xanthine has improved enough to offset the lower CDMO contribution?

Management: Overall, if you look at all the manufacturing companies, their profitability in the current quarter appears slightly higher because raw materials were procured at lower prices while we were able to push up the sales rate. This resulted in a slightly higher margin in the current quarter, but it will normalize for the Xanthine range of products going forward.

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Management: As CDMO moves toward the second half, we will see a ramp-up in CDMO margins because we expect significant sales to occur there. Overall, this year we will see more stable quarters rather than greater fluctuations.

Julee Meheta – 361 Capital: Regarding the decline in CDMO, was it primarily due to project timing, lumpy commercial shipments, or changes in the front end? Could you provide some insight into this?

Management: For CDMO, we have guided for 35–50% growth over last year, and we continue to maintain that guidance. Last year, the previous quarter also had significant CDMO sales. In the current year, due to the accounting standard, some sales were postponed because of non-release-related reasons and similar factors, although they could have occurred in this quarter.

Overall, we are not concerned about the lower sales in this quarter. Over the next 3 quarters, we will pick up the pace and achieve that growth number.

Julee Meheta – 361 Capital: When it comes to API, where are we seeing the strongest traction? In which areas—oncology, steroids, respiratory, or hypo products?

Management: We are positioned to produce anti-hypertensive products, steroids, and lifestyle-drug products. We anticipate new anti-cancer launches in the coming years, which can drive growth. That is why we have expanded Block 3, our anti-cancer block, where capacity will be ramped up significantly.

In lifestyle products, we are also adding a few more products, primarily anti-diabetic products, which have been commercialized and will ramp up going forward. However, as you know, launches create significant pricing pressure. As I mentioned in my speech, we are targeting process intensification, operational intensification, and cost-optimization exercises going forward. That should result in positive margins and improve our ability to sell these products in greater quantities.

All of this should result in positive developments over the next 6 months, and we should be able to grow this business going forward.

Julee Meheta – 361 Capital: What kind of margins should we expect for the API business on a blended basis? An approximate range would also work.

Management: At the gross-margin level, we are at approximately 45–50%.

Julee Meheta – 361 Capital: Understood. Thank you very much.

Operator: Thank you. Ladies and gentlemen, I request you to limit your questions to 1 per participant. The next question is from the line of Abhijeet Singh from Shreyas Capital. Please go ahead.

Operator: Yes, sir. You are audible. Please go ahead.

Management: I think that was from the management side, management's idea. Please take the next question. We can probably take that as the last question. If we have 1 question, we can take it.

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Operator: The next question is from the line of Ashish from Leo Capital. I request you to limit your question to 1 per participant.

Ashish – Leo Capital: On the API business, what is the share of our top 5 or top 10 molecules in overall sales? Are we supplying them to the domestic or international market? What kind of global market share do we have in these molecules?

Management: The top 10 products would account for approximately 60–70% of our API sales.

Ashish – Leo Capital: What are the top 10 products?

Management: This is for API, and the sales are in both international and domestic markets.

Ashish – Leo Capital: What kind of market share would we have in these top 10 molecules?

Management: The market share for the top 10 products would be between 10% and 50%.

Ashish – Leo Capital: 15%, sir?

Management: 50%, 5–0.

Ashish – Leo Capital: Understood. Thank you.

Management: Yes.

Operator: Thank you. The next question is from the line of Varun Desai from Tortoise Capital. I request you to limit your question to 1. Please go ahead.

Varun Desai – Tortoise Capital: Good afternoon. My question is on the API side. You mentioned a closure related to the debottlenecking of Block 6, I think. We are currently at {? 160 ?} or crores of API revenue this quarter. Do you think we should be able to achieve 180-plus once the debottlenecking is behind us? With the debottlenecking on the steroid side and the debottlenecking planned for the anti-cancer side, will we have enough capacity to reach 1,000 crore in API revenue, or will we need additional capex?

Management: We will not need additional capex for that. We should be able to achieve 1,000 crore-plus with the debottlenecking exercise completed for steroids, the ongoing exercise for anti-cancer products, and Block 5, where an additional line has also been added. With these 3 initiatives, we have sufficient capacity for now to achieve 1,000 crore-plus revenue.

Varun Desai – Tortoise Capital: Regarding the debottlenecking, if it had not taken place, would we have achieved {? 175 }?

Management: We should be in the range of {? 170 ?} to {? 190 ?} going forward.

Varun Desai – Tortoise Capital: Thank you. That is all.

Operator: Thank you. Due to time constraints, we will take that as the last question. I now hand the conference over to management for closing comments.

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Management: I would like to thank all the participants for taking the time to join us today. Thank you.

Operator: On behalf of 361 Capital Market Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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