February 12, 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 Q3 FY25 Earnings Conference Call
Ref: Regulation 30 of the SEBI (LODR) Regulations 2015

Please find enclosed herewith the Transcript of Earnings Conference Call held on Friday, February 07, 2025 on the Audited Financial Results of the Company for the Q3/9M FY25.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For AARTI PHARMALABS LIMITED

Jeevan Bhargav Mondkar
Digitally signed by Jeevan Bhargav Mondkar
Date: 2025.02.12 16:08:17 +05'30'

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

Encl.: a/a.

Aarti Pharmalabs Limited
Q3/9M FY25 Earnings Conference Call
February 07, 2025

Moderator: Ladies and gentlemen, good day, and welcome to the Aarti Pharmalabs Limited Q3 and Nine months FY2025 Earnings Conference Call hosted by Valorem Advisors.

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

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

Nupur Jainkunia: Thank you. Good evening everyone and a very warm welcome to you all. My name is Nupur Jainkunia from Valorem Advisors.

On behalf of Aarti Pharmalabs, I would like to thank you all for participating in the Company's Earnings Call for the 3rd Quarter and Nine Months of Financial Year 2025.

Before we begin, let me mention a short cautionary statement:

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

Let me now introduce you to the Management participating with us in today's earnings call and hand it over to them for "Opening Remarks". We have with us Mr. Rashesh Gogri – Chairman; Mrs. Hetal Gogri Gala - Vice Chairperson and Managing Director; Mr. Piyush Lakhani – Chief Financial Officer of the company.

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

Rashesh Gogri: Good evening everyone, and welcome to Aarti Pharmalabs Earning Call for the 3rd Quarter of Financial Year 2025.

It is a pleasure for us to speak to you today and share an overview of our recent business progress and financial highlights. I am extremely pleased to announce a record breaking quarterly performance. In this quarter, we have achieved highest ever quarterly profit in the company's history, on a standalone as well as well as consolidated basis. The performance demonstrates our execution capabilities and effectiveness of our strategic initiatives. It is a testament to the progress that we have made in the growth and we have been striving for.

Here are the highlights of Consolidated Financials for Q3 FY25. The consolidated top line was Rs.538 crores, which was a 20% increase on Y-o-Y basis. The EBITDA was Rs.129 crore as compared to Rs.96 crore on the corresponding period of the previous year and it was an increase of 34% Y-o-Y. The profit after tax for the Q3 FY25 was Rs.74 crores as compared to Rs. 53 crores a year back, indicating a surge of 40% Y-o-Y.

Now let me present a few “Business Highlights”:

The company operates three separate segments in the pharmaceutical industry that is:

Xanthine derivatives, API Intermediates and CDMO/CMO business. Notably, all the three segments have done reasonably well this quarter.

The Xanthine derivative recorded highest ever quarterly volume sales and it contributed to 44% of the turnover in Q3. The competition from China continues to be a headwind. In fact, the prices for the spot market have further declined by over $1 per kg. Despite this long term customer relationships and world scale capacity helped us thrive in this market. And similar to last quarter our Xanthine facilities have operated almost at full capacity in this Q3.

The API and Intermediate business delivered the best quarterly revenue performance and contributed to 42% of the turnover in Q3. The sub segment wise breakup is 48% regulated market, 40% ROW market, and 12% non-reg market, which is aligned with our long term focus towards regulated markets.

The third business segment CDMO/CMO has contributed 13% of the turnover in this quarter. We are presently working with 21 customers adding two customers in this quarter. The number of active projects is now 56 of which 28 projects are in the commercial stages and 28 projects are at different stages of development, both at customers ends. Even our strong manufacturing capability and global tailwind in CDMO business, we are confident of delivering significant growth in medium to long term.

Let me also oppress you about the temporary shutdown of our Vapi plant in first week of January. The unit had stopped operation because of the notice from the State Pollution Control Board, and the necessary steps were taken and unit was successfully restarted in about two weeks. With no long term impact we anticipate that disclosure may push some of the CDMO/CMO sales, which was originally scheduled in Q4 by one quarter.

Let me share the progress updates on key growth initiatives:

Our Brownfield expansion for the increase of Xanthine derivatives capacity from 5000 metrics tonne to 9000 metric tonne per annum is progressing as planned. As per our plan, we will be filing for the regulatory approvals and the EUGMP CEP for the pharmaceutical market from our Tarapur unit three plant in this current quarter. The greenfield project of Atali, Gujarat for CDMO/CMO and Intermediate manufacturing is progressing with minor delays, and we expect Phase-1 of this Atali to be commissioned in Q1 with a ramp up expected towards the end of FY26.

The Phase-1 will have about 450 KL reactor capacity, and has been specially designed to facilitate pilot to commercial scale up in the same block. As communicated previously, our solar energy project of 21 megawatt DC at Akola, Maharashtra was commissioned in Q2 FY25 and is operating as expected. Moreover, we have signed up with another captive solar energy project of nine megawatt DC for our units in Gujarat. The second project is likely to get commission in Q2 FY26. A non-operational both these projects combined are estimated to generate more than half of our total electricity requirement. This highlights our continuous commitment to cost optimization as well as sustainability. Lastly, we will be starting to solid multi fuel boilers capable of using bio briquettes as possible fuel. At two of our plants in Maharashtra in Q4 FY25 in the current running quarters. These are expected to completely fulfill the same requirement of these respective plants using this kind of fuel. And this initiative will not only result in fuel cost reduction, but also lowering our carbon footprint.

In conclusion:

We are hopeful to continue the growth momentum and remain focused towards driving revenue growth, optimizing cost and enhancing operational efficiency. Given our current trajectory, we are optimistic that we may exceed our previously provided guidance of 10% to 12% of EBITDA growth for FY25. And the business prospect look bright and we will discuss the long term outlook in Q4 FY25 Conference Call.

Thank you for your continued trust and support, and we are committed to delivering strong results and creating long-term value for our investors. The moderator may now open the forum for Q&A. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may enter "*", followed by "1" on their touchstone telephones. If you wish to remove yourself from the queue, you may enter "*" and "2". Participants are requested to use only 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 Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: Yes, thanks. A couple of questions from my end. So, Xanthine contributes around 45% of our revenues. And, caffeine prices have seen a 4%, 5% correction in the last three months. And in the opening remarks, you alluded, there is some more downfall in the prices. So, what would you expect in the coming months and if you could highlight some sensitivity profile as to, what impact can it have on falling realizations for this segment, because that's a large segment for us. And secondly, in the CDMO segment, we are seeing number of products which are in the commercial stages increasing to around 28 from around 19 last year. Yet, we have not seen any major growth in revenues from the CDMO segment. So on an annual basis, what could the contribution of CDMO be like and this would be a higher margin business for us. So, as this contribution increases what could a margin trajectory be for the company as we scale up the CDMO business. Those are my two questions.

Rashesh Gogri: Yes, the Xanthine overall, the caffeine prices as I mentioned have softened little bit, overall for the spot market. However, there is a different profile of customers where we are offering different kind of price proposal, and due to which we are able to now focus as mentioned we will be filing the EUGMP CEP from our Tarapur unit three plant. So we are trying to change the profile of the customer and making it more regulatory oriented customers. And with that, we will be able to focus on higher customers who can pay higher price to us. So that way, we are trying to ensure that we are not selling more spot volumes for our customers. Secondly, the lower prices are compensated by higher quantity production also. So overall, we have seen from last year to this year a growth in overall production of our Xanthine portfolio. And with that we are able to grow our overall absolute pie of the contribution in gross profit for this segment. For your question on CDMO, you rightly mentioned that, we have increased the number of projects from 19 to 28 on the commercial side. And overall, the number of customers have also increased to 21 customers, with 56 current running projects that we have. And as mentioned, we see good opportunities in future for this and of course this current year also, as earlier we had guided that we will be increasing our top line from last year, and we are hopeful that we will still be increasing, because till now we have only done around 76, 78 crores of sales of this CDMO segment, but we will be exceeding last year's number which was 170 crores. So, that will happen in the current quarter, and we hope that next year, we will be able to do significantly better sales of CDMO products.

Prakash Kapadia: With this scale, what could be the margin trajectory be like, because I am guessing CDMO would be a higher margin business as compared to Xanthine. And Xanthine if you could, give some more insights into the changes which you talked about supplying to regulated markets. What does it take to get more visibility from these kind of customers who are willing to pay us more and what that reduce volatility look in terms of sensitivity to our margins or this can affect margins in the Xanthine segment also, if you know regulated markets don't buy more from us, what could be the contribution of customers from regulated markets if you could give some color that will be helpful.

Rashesh Gogri: Basically, for Xanthine currently we may be in spot for 30%, 40% of our total volume currently, and with increase in the capacity, our capacity will go up from 5000 to 9000 tonnes. So we are hopeful that we will still maintain contractual, not contractual but spot price number to that restricted level of 30%, 40% only. So that our better price, customer base will grow with the higher capacity that is what is the anticipation. And currently with the DMF and CEP filing that we are doing from second location, which is currently used for the spot market, so we will try and get these customers to validate us and as soon as our capacities are up and running, we will be able to commercially supply these customers in future.

Prakash Kapadia: Okay. And then the CDMO margin.

Moderator: Sorry, to interrupt Mr. Kapadia, could you return to the question queue please?

Prakash Kapadia: Sure.

Moderator: Thank you. Participants it's a request. Please limit your questions to two questions per participant. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity and congratulations Rashesh and the team for a wonderful set of numbers. So just to have a follow up on CDMO apart, so you mentioned that your fourth quarter you plan to exit for the full year numbers. So that is quite heartening to know, at the same time, you have pushed some sales to quarter one of next year. So how do we look at growth for CDMO in FY26 given there will be some spillover of the current year to the next year. So overall, what kind of growth numbers should we look at for FY26 for CDMO business?

Rashesh Gogri: As we mentioned, we will be doing the entire budgeting exercise and all guidance revision also, because normally we end up giving yearly and a three yearly guidance. So once we, on the next concall, next quarter we will be able to guide you in more detail so, but we will see significant growth in this segment and we would like to let you know that, the 2025 number will be better than 2024 numbers. So, currently we have just done 75, 77 crore and then so to better it, we have to do more than 100 crores. So that is what we are anticipating that in current quarter we will be able to do significantly more than what we have done in first three quarters as sales.

Rahul Jain: Sir on the API side last year our quarterly run rate was around 150 crores and this year that run rate has jumped to 170 then 190 and now 203 crores in this current quarter. So typically, as we speak today, at 200 crores what kind of utilization we are working it on the API, and is there any bunching of any of the orders in one quarter, or do we feel that with this 200 crores, the run rate could further increase going ahead and how do we look at the growth for FY26?

Rashesh Gogri: So basically.

Rahul Jain: Atali expansion ramp up will happen somewhere in probably the fag end of the next year?

Rashesh Gogri: See the Atali plant we will be utilizing for CDMO/CMO program, as well as the intermediate manufacturing. And overall, the numbers of API have remained, have been increasing and we are seeing that we will operate at these kind of numbers, or higher numbers in future. Our overall utilization would be around 75% of our capacity. However, we are going to add one more line in our new block, so that will also get debottleneck. So with that, we will add another 10% additional capacity. So with that, we will get growth there as well. And of course, in Atali we have completely new site where we will have more than 58 reactors with 450 KL so that itself will give us lot of boost, but primarily that will come to intermediate and CDMO/CMO business, and not to API, because API will only manufacture on the risk mitigation basis there.

Rahul Jain: So, Atali could contribute to what kind of revenues from the next year onwards in FY26? This month's revenue from Atali?

Rashesh Gogri: No, Atali will take two years plus to ramp up. And so we are anticipating those numbers, we will clarify in next call, we are just in the process of quantifying the same.

Hetal Gogri Gala: But then typically, in a pharma space for it to become commercial we will have to trigger all the regulatory audits and everything. So that will happen in FY26 primarily.

Rahul Jain: Sure. I have some more questions I will come back.

Moderator: Thank you. The next question is from the line of Meet Katrodiya from Niveshaay. Please go ahead.

Meet Katrodiya: Thank you so much for the opportunity. I have one question on the part of CDMO and CMO. So we have a active project around 56. So, I want to know the molecule side, any molecule can contribute significant 100, 200 crores going forward from a single molecule, or every molecule is like 40, 50 crore per molecule. What is opportunity size for the CDMO, going forward?

Rashesh Gogri: In the CDMO/CMO we have 56 ongoing projects, out of which this 28 are commercial. And few projects have this kind of possibility in future. And of course, they are in the launch phase and once they get launched, then the significant volumes can get triggered. So we are quite hopeful that we will have those volumes, and that's why the entire new manufacturing at Atali is being set up by us to meet the customers enhance requirement in this segment.

Meet Katrodiya: Okay. So, I have read somewhere that we are targeting a 500 crore in CDMO so by which we are hopeful that CDMO will touch to 500 crores?

Rashesh Gogri: I don't want to give you any futuristic number without waiting. So, we will give the guidance next quarter.

Meet Katrodiya: Got it. Thank you.

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

Dhwanil Desai: Hi, good afternoon sir, and congratulations for very strong set of numbers. Sir my first question is, we were aiming for 20% kind of a growth on CDMO this year, and whatever slippages that will happen now because of the plant shutdown. So, are we still aiming at those 15%, 20% kind of a growth. So maybe 130, 150 crore kind of a number from Q4 or are we looking at a more like almost same number as last year?

Rashesh Gogri: Number will exceed last year's number, that is what I mentioned to what level we will see how we are able to push the product out of how the dispatches happen from India. So, it's a speculative number, but we will definitely exceed last year's numbers.

Dhwanil Desai: Got it sir. And so from your commentary currently, we are at 200 crores r run rate on API and with 75% kind of a utilization and you are saying that you are putting one more reactor. So, with the current capacity API can reach +1000 crore number, is that a safe assumption to make and since we will be utilizing Atali largely for intermediates and CDMO beyond one year, how should we think about growth are we looking for any greenfield expansion over there. How should we think about that?

Rashesh Gogri: Basically, these segment can give 800 to 1,000 crore depending on the product mix and what we are able to produce at that site. So that kind of capacities are available. And, further we have land there to expand further, and we can actually put up additional 300, 400 KL capacity there as well. So there is always a possibility to further increase capacity at the same site, and which can be done in a one year time. So, as we plan for that. Normally, what happens is that once we occupy around 80% of our capacity, then we do one round of expansion, and then we want to make sure that we are at 75% kind of utilization, and then we have always spare capacity available to plan newer validations and take up newer projects and stuff like that. So that's how we are planning the expansion. So we have space for that, and which can last us for another two, three years at the same site, three years.

Dhwanil Desai: Okay. Then on Xanthine sir, we are doing this CAPEX so in terms of ramp up, how should we think about, we are doing that in two phases. So when the first phase will get completed and you mentioned in last call that, it will not take very long time to kind of pick up the capacity, given the demand environment in our contracts. So, how should we think about growth on the Xanthine side and feeding up of the new capacity in Phase-1, in terms of timeline?

Rashesh Gogri: In the first half we will be able to do first phase of the Xanthine, and the second phase will happen in the second half of next financial year. Whereby we will reach this 9000 metric tonne capacity for Xanthine. And in the subsequent year, we are hopeful that in FY27 we will be able to achieve 90% of the capacity utilization of this overall capacity that we are going to put up. So basically, in next financial year, and a year after that we will achieve the 90%.

Dhwanil Desai: Okay. I have more questions, I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Rupesh Tatia from Intel Sense Capital. Please go ahead.

Rupesh Tatia: Thank you for the opportunity and congratulations on a good set of numbers. Most of my questions have been answered. One questions on API margin profile, it looks to me that our APIs are slightly differentiated and the margin seems, 20% it's my guess, it's like +20% kind of margin. So is that a fair assumption and do you see any risk to the margin, currency depreciation, maybe import prices going up. Do you see any risk to the API margin?

Rashesh Gogri: Yes, so basically we are doing almost 50% of our sales happens to the export market and that is across segment. Also our API is basically are targeted towards regulated and semi regulated market, so where the change from us to some other supplier becomes not very, very easy, and then we are in this niche product portfolio which are anticancer and steroids which are not offered by many. So all these factors together allow us to operate at a reasonable margin in this segment as opposed to the other API, pure play manufacturers and we are backward integrated also, in case of this most of the API is almost 70% of our portfolio is backward integrated where we have our own intermediate manufacturing happening internally. So regulated wise we are insulated from any China related issues and stuff like that. So that's how we have a robust model for API business and we are hopeful that we will be able to grow this with a newer anticancer and general block product that we have which are going to get launched in next year. And we are quite hopeful of this.

Rupesh Tatia: Okay, sir and other question sir is, we supply to these toll manufacturers in Europe, who eventually supply to innovators one of the account has scaled up very, very well to $25 million, do you see that account let's say scaling to $50 million in two, three years and then maybe some other toll manufacture going to $25 million in two, three years. Existing account scaling up and new account coming up to level of $25 million in two, three years. I don't want the guidance directionally.

Rashesh Gogri: Those numbers that you have needs some verification, because those numbers are not correct numbers that you have mentioned. We have several projects at several stage of development, and we have invested almost significant amount in new facility so you please understand what kind of growth prospect that we are seeing, that we are investing almost 300, 400 crore for a new project. So, it's a exciting business area where we have successfully delivered and customers have come back to give us more projects and we work with direct innovators as well, and we work with the partners of innovators but of course, innovator would know what our value is with their partners also. So in a way, it is a very close knit supply chain and once the innovators understand our value we can of course move up because, we have internal capabilities of doing API as well in-house, and we are doing few of API products projects also with some of the innovators, some midsize innovators.

Rupesh Tatia: Okay. Sir one question.

Moderator: Sir sorry to interrupt you, could you please return to the question queue.

Rupesh Tatia: Okay.

Moderator: Thank you. The next question is from the line of Ankur Padhikar from ULJK Financial Services. Please go ahead.

Ankur Padhikar: Hi, sir thanks for the opportunity. So a couple of questions from my side. So the first question is regarding the Vapi plant which was shut down due to pollution issues. I just wanted to understand the quantum of impact on the numbers going forward, say in Q4 like, if you could just give some light on that part?

Rashesh Gogri: Yes, basically there is no material impact. So the impact is going to be lower than 5% of the turnover and 2% of the profit. So that's why, we have not given the number on stock exchange, so it's going to be a minor impact. Only you know what is going to happen is that it is going to delay certain shipments, production and everything. So we don't see significant, impact overall company wide, but there is an impact. But however, I would like to reassure that, we have convinced the authorities that everything was fully compliant and now we have successfully been able to get this revocation within record time, because otherwise they take too much time for revocation as well. So, that shows that, overall, we focus on compliance and make sure that we are very careful on these kind of situations in future as well.

Ankur Padhikar: Okay. Sir my second question was, so in the CDMO segment, how much growth has come from the commercial molecules, and how much is from the development phase molecules if you could give any ballpark number?

Rashesh Gogri: Basically commercial, it will be difficult for, because overall growth will come from commercial only the smaller projects, whatever that we are running may not contribute significantly because they are in early phases and the quantity required would be smaller value. So that's why mostly the growth is coming from the projects which are getting commercialized.

Ankur Padhikar: Right. So lastly, currently your gross margin.

Moderator: Ankur, could I ask you to return to the question queue?

Ankur Padhikar: Yes, sure.

Moderator: Thank you. The next question is from the line of Aryan Bansal from Hillview Global. Please go ahead.

Aryan Bansal: Congrats for the good set of numbers. Sir, I wanted to know that, how are we differentiating our CDMO offering from another CDMO companies in India, particularly for innovators?

Rashesh Gogri: Yes, basically we are late phase and strong manufacturing backed organization so, what we are good at doing basically, is providing manufacturing services and partner with the innovators for long term supply security of their advanced intermediates as well as the KSM, RSM, APIs long term. So that is the differentiation that we have. We have strong chemistry skill sets and engineering skill sets which allow us to operate different kind of difficult to do reactions and difficult to do solvent recovery, difficult to do catalyst recoveries and stuff like that. And then we have a manufacturing setup which has good volume availability, so that we are able to scale up quickly, as against some other suppliers which may not have this kind of volumes to offer to them. Also, we can do backward integrated work also so, we can do four, five, six stages in-house. So we are able to give a proposal to innovators that we will try to do maximum steps in India only and having least dependency on China. So these are the differentiating factors that we would have over others.

Aryan Bansal: Okay, sir and can you tell me that how much of our CDMO business is in form of innovators, like is from innovators?

Rashesh Gogri: The entire number is going to innovators only, directly or indirectly.

Aryan Bansal: Thank you sir, got it.

Moderator: Thank you. The next question is from the line of Deep Gandhi from iThought PMS. Please go ahead.

Deep Gandhi: Good afternoon, sir. Congratulations for very good number. Sir my first question is on the ranking side. So, if I look at the nine months data, the export business has grown at almost 15% and this is despite you mentioning that there was a price reduction in Q3 by $1, $2 and you are already operating at full utilization. So you can correct me if I am wrong, but is it fair to assume that the export business is mostly long term contract business for you and that is why you are able to grow the revenue despite the price correction which you are seeing in the market is better fair assumption?

Rashesh Gogri: See, we have long term partnership with our large customers, and that is allowing us stable business, and we are able to grow our volume with our offerings that we have with them. Also, we did increase in last year, our capacity was 4000 tonne which we increased to 5000 tonne. So basically, there was an increase there also, so that 20%, 25% increase has happened, so which allows us to operate at that level. And further in first half also further we will enhance this capacity. So with that, we are slowly, slowly doing the debottlenecking and having more products and offering to customers which are more regulatory focused in future. So with our CEP filing and EUGMP filing, we will be able to penetrate in those market from our Tarapur unit three plant as well in future.

Deep Gandhi: Sure. And sir two more questions. So second is actually on the API side. So, if I just see the revenue breakup and for nine months FY25 and compare it with nine month FY24 so, most of the growth which is coming is from the rest of the world markets, and the regulated market share is actually reducing. So, if you can broadly explain us, how are the margin difference in both the markets, and is there some kind of risk that, because you are focusing more on the top line, there might be some margin compression because of this change in the revenue structure going ahead?

Rashesh Gogri: Yes, largely the regulated market business is sturdy. And there could be one quarter where the business we may have shipments in ROW, and one quarter we may have shipped, but the price points in both the markets are similar only, the regulated and ROW market. ROW market is largely Brazil and Russia and China where the prices are in fact sometimes better than the US and European prices. So, in a way to differentiate between both may not be a good idea. Non-reg should be the lowest, and that's what we are focusing on, and trying to put everything to the regulated market itself and we have had good launches in last couple of years, and we have a good pipeline of products which will get commercialized in next two to three years in future. And we have built up capacity to cater to the customers for these products.

Deep Gandhi: Sure, that was helpful. Just one last quick bookkeeping question.

Moderator: I am sorry sir, could you return to the question queue?

Deep Gandhi: Sir it's just a book keeping question, if you can it won't take more than a minute. So, sir you had mentioned in the past that the asset turn from Atali will be around 1.25 times initially from 400 crores CAPEX, but to the previous participant you mentioned almost on a 400 crores CAPEX, 900 crore is revenue. So are you budgeting increased asset terms from the Atali project now?

Rashesh Gogri: No, that was for the Tarapur unit four I said, that up to what level we can do on API side. So, those numbers have been mixed up, but we will be at that 1x plus asset turn on Atali. So 1 to 1.25 asset turn in Atali, once we occupy significant capacity.

Deep Gandhi: Okay, sure.

Moderator: Thank you. The next question is from the line of Ajay Surya from Niveshaay. Please go ahead.

Ajay Surya: Thank you for the opportunity. Sir my question is on API intermediate, our share of revenue, if I look around then from FY23 it has gone from like 37% to now in nine months 46% for API and intermediates. So sir I wanted to understand like with from our Atali CAPEX being completed and post one, two years of commercialization. As a company, how do we see the share of this segment going forward? Like, do we see this share to increase to maybe 60 odd percentage, where we can have maybe incremental margin as well. I just wanted to know your thoughts on that?

Rashesh Gogri: Yes, basically as you know we are operating in three business segments, API intermediate segment, Xanthine segment, as well as CDMO/CMO segment, and we are seeing as mentioned in Xanthine segment also we are increasing the capacity almost by 1.8 times of what is current capacity is available. In API intermediate also, API we have current facility where we are further expanding and in intermediate and CDMO/CMO use common facility where I have fungibility of changing the product mix overall. So overall, we see good growth in everything and this percentage revenue mix will ultimately depend on how much we are able to crack projects in CDMO/CMO. Of course Xanthine derivative will remain steady in terms of absolute percentage it would be. But as API intermediate and CDMO/CMO grow, overall the Xanthine number as a percentage point will reduce. And the profit margin profile of API intermediate, CDMO/CMO of course CDMO/CMO being little bit higher, but not very, very different 5% point difference between both, since we are doing multi stages in CDMO/CMO, as well as API intermediate so, that's how these percentage differences may not mean too much. Overall, we will see a good growth in future the way in which we have invested in the newer facilities, and as they come on stream and as a patent expiry happens in future of this generic product that we have in our portfolio we see good potential going forward.

Ajay Surya: Got it sir. And sir my next question is on CDMO. Sir you mentioned that for this year as well, we are expecting to exceed the numbers for FY24, wanted to understand with the lower and all this like, how do we see the growth in FY26 with our capacities and all like the inquiries and the significant traction we are seeing from customers with the product pipeline also getting more commercial and on the CDMO, how do we see the growth for FY26?

Rashesh Gogri: Yes, we are in the process of making budget, and once we form it up and once we have the next concall with the complete set of PPCR, one by we will be able to but we see good, significant growth possibilities and good traction in this business segment, and we have also sizable order book on this business segment already for next financial year.

Ajay Surya: Okay. And sir one last one.

Moderator: I am sorry sir, please return to the question queue. Please return sir we have many questions waiting. Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Hi. Sir thanks for the opportunity. So we have delivered around 24% EBITDA margin at standalone level, which is 200 to 300 basis points higher compared to previous two quarters, even though CDMO contribution was at 13% or so. So what drove the margin expansion, it primarily seems to be from increased contribution of API. And is the 24% space sustainable for future quarters now?

Rashesh Gogri: Yes, overall this quarter we had significant CDMO/CMO sales, as in the previous two quarters, those numbers were not as much. Also, our solar energy project also got activated, and so we did some savings there also. We had overall 7 crore dividend income which got accrued in this quarter. So all these factors put together we got record quarter results in this quarter, and we are hopeful that we are able to replicate these kind of performance in future quarters as well. But of course, we can't have a certain linearity there will be ups and downs, but overall, we will see a growth going and so whatever the earlier guidance of 15% over three years so we are working on those lines, and we are hopeful that all our strategies are working well, as I mentioned in my opening remarks. So with that, we will have good growth possibility.

Nitesh Dutt: Got it. Sir second question is on API front, so we have seen really good growth in the first nine months we have seen 27% growth on Y-o-Y basis. Just want to understand what is driving this from a demand side. And also you mentioned that you can potentially increase capacities in Tarapur, and you have a good pipeline of products. So will be helpful if you just give some flavor around what kind of pipeline do you have, what visibility, et cetera do you see, and how do you see API business specifically ramping up over next couple of years, two to three years?

Hetal Gogri Gala: So, typically what has happened is, the expansion that we did in Tarapur API site, where we added a block five, currently is running at full capacity and that is the reason why we are able to see this kind of a growth. And also, as Rashesh mentioned earlier we are adding one more finish line in that particular block to be able to cater to additional product line. And the last block that we added we wanted to have a large volume in product from our existing product portfolio to be shifted to run as a more or less kind of a dedicated production. So that has given us some benefit definitely and overall, in API and intermediate, there is a very exciting product pipeline, which is getting generate sized in next couple of years and up to we are targeting various products up to 20, 30 generalization. So both, what we do is we are present in key intermediate, which is like n minus two, where we are supplier to all the regulated API and formulation manufacturers of India. And then we are also present in some of those APIs as well. So we are looking at a good growth opportunity there as the product becomes generic we will be present for the launch and typically, since we are backward integrated, in fact we start from maybe n minus four, n minus five, in some cases even further back end. We are very good choice for our customers, for their regulatory support and every, to reduce the dependency from China. So that's where we have positioned ourselves, and we feel that we will be able to grow in the steady in API and intermediate space.

Nitesh Dutt: Got it. Thanks I will get back in the queue.

Moderator: Thank you. The next question is from the line of Devesh from Finterest Capital. Please go ahead.

Devesh: Congratulations on a good set of numbers sir. Sir my first question is on the API front. So which molecules are getting the most revenue in the API front?

Hetal Gogri Gala: We have not yet giving that information, because we manufacture 50 ML molecules, and we have 100 intermediates in our portfolio. So, the spread is very good and very difficult to come.

Rashesh Gogri: Yes, so we have some anti-hypertensive and several products which are large products in our portfolio generally.

Devesh: Okay, okay. Sir my second question is on Ganesh Polychem in your previous call, you have mentioned that this subsidiary will be transferred to Aarti Industry. So what's the update on it sir?

Rashesh Gogri: No, we have not mentioned about the subsidiary getting shifted to Aarti. What we did mention was that, there was some trading activity business which was ongoing with Aarti Industries and Aarti USA Incorporation. And Aarti USA Incorporation was earlier jointly doing pharma and chemical business in Aarti Industries, where Aarti Industries was 100% owner of Aarti USA. But when we split the business Aarti USA Incorporation ownership we took in Aarti Pharma because we had some licenses and businesses investment from that entity. And Aarti Industries till now has been using Aarti USA Incorporation, but now they have incorporated one subsidy in USA, so the entire trading business will get shifted there. So instead of doing, using Aarti USA incorporation which was a stock of arrangement from next financial year, mostly Aarti Industries will use their own 100% subsidiary to do the distribution in USA.

Devesh: Okay, sir correction there the subsidiary name is Aarti USA not Ganesh.

Rashesh Gogri: Yes, Ganesh is a joint operation company, 50:50 joint venture between Aarti Pharma Labs and the Bandodkar family and which operates a manufacturing facility at Dombivli and Vapi. So that's a different entity.

Devesh: Okay, okay sir thank you that was helpful.

Moderator: Thank you. The next question is from the line of Shubham Jain from NV House. Please go ahead.

Shubham Jain: Hi, I just wanted a clarification on the CDMO capacity that we have put we have done a CAPEX of about 350 crores, correct?

Hetal Gogri Gala: Yes.

Shubham Jain: And what is the revenue that we can get out of this, it is 1.2 times asset count on the whole 350 or only on the plant and machinery?

Rashesh Gogri: No, so basically we have in longer term we will be able to get that kind of number from it, but in future also we will add more blocks so current investment that we have done there includes the infrastructure investment that we have done there and which is in excess of 125 to that kind of a number which includes the admin, QC, pollution control, pollution warehouse and roads, all that stuff, but manufacturing blocks, as we add more and more there the asset turn could be in that proportion at 1.25 but we will add more blocks there. Basically this is just the first block we have capacity to add more than 10 blocks there. So in future, we will have more investment, and these kind of blocks will be done at much significantly lower investment and much quicker also. We will be able to put a block within a year.

Shubham Jain: Got it. And the 450 KL currently can do a revenue of about 200, 300 crores?

Rashesh Gogri: Yes.

Shubham Jain: Okay. So it's a onetime asset right now, but given we will do ground field for 10 more blocks, it can be much better?

Rashesh Gogri: Yes, yes. And it also depends on the product profile and how many stages, where we are doing, but this is possible.

Shubham Jain: Got it. And on the API front, like you mentioned that this seems to be a steady sort of run rate that we hope to achieve going forward. Just wanted to understand, what are the top three, four therapies that we are doing and how much of this delta from last year to this year has given by volume and versus pricing, given we finished up our regulated market share in the business?

Rashesh Gogri: Currently we have three large categories, anti-hypertensive steroids and anti-cancer that we operate in. And of course, anti-hypertensive is the large business area that we have which has grown and we had few successful launches in that segment. One significant successful launch in that segment which has given us lot of growth. We also operate in CMS therapeutic areas so these are large four therapeutic segment that Aarti Pharma operates on. And overall, these are mostly lifestyle kind of APIs, and that's why, we are able to have sustained market on these products. Also, overall top line and the prices always fall so you have to make it up, because in the generic market, I have never seen prices go up even in rupee terms, except the product become extremely genericized, and you are at the rock bottom, and then you have to pass on the raw material in this but, in our set of products, there is constant R&D and savings that you have to do, and that's what we end up doing in our products to remain a significant player in these products. So that's a constant innovation and cost saving exercise that we end up doing every couple of years in each of the products.

Shubham Jain: Understood and what kind of pipeline do we have?

Moderator: Sorry to interrupt sir, please return to the queue.

Shubham Jain: Sure, thanks.

Moderator: Thank you. The next question is from the line of Neha Karodia from Abacus. Please go ahead.

Neha Karodia: Hi, good evening everyone and thanks for the opportunity. Sir, I wanted to understand regarding the console minus standalone EBITDA, so which basically comes from the subsidy business and maybe the Ganesh Polychem. So, just wanted to understand that the kind of growth that we have seen in the current quarter versus last quarter, so that additional EBITDA this quarter is about 14 crore versus 9 crore. So just wanted to understand that more in a granular manner?

Rashesh Gogri: Piyush can you reply?

Piyush Lakhani: Can you repeat the question, so you are saying that the console EBITDA compared to standalone is higher by 14 crores, is that the question?

Rashesh Gogri: Yes, 129 and 115.

Neha Karodia: At 14 crore, this is 9 crore for last quarter.

Piyush Lakhani: Yes, so basically it has come from Ganesh. So Ganesh has contributed about, so Ganesh, we consolidated 50% of their EBITDA, and their EBITDA was about.

Rashesh Gogri: This quarter was in excess of 25 crores total. Neha, we will get back to you with the numbers.

Piyush Lakhani: 13 crores. So basically, most of it so 15% of the EBITDA share that we have got from Ganesh comes to 13 crores. So that's basically explains the increase in the EBITDA on console basis as compared to the standard basis.

Neha Karodia: Understood. So going forward, do we see it as a sustainable number, how should we look at this number?

Rashesh Gogri: Yes, Ganesh has traditionally been operating at 15 to 20 crore EBITDA every quarter, and largely that number should continue on a 100% basis, and then depending on how as we are consolidating, we can add 50% of that in our EBITDA, so that number will be around 8, 10 crore every quarter.

Neha Karodia: Understood sir. And also regarding the

Moderator: Sorry, to interrupt ma'am, can you return to the queue.

Rashesh Gogri: No, let her ask one question.

Neha Karodia: Yes, so just wanted to understand on the CDMO part. So since we have shifted, some orders got shifted to next year. So do we expect to see higher growth for FY26 let's say we are guiding for about 25% to 30% growth for FY25 initially. Do we expect 25% or similar kind of growth in FY26 from CDMO business?

Rashesh Gogri: See the order shifting the 25% may become 15% over and above last year in this year, so practically around 10, 12 crore order may get shifted. That is what we are trying but in last minute the number can go little bit up or down. So overall, that number is not going to be significantly driving next year number, but next year's number, independent of this shifted number also is going to be significantly higher number in the CDMO/CMO segment because of the way in which the pipeline is shaping up and the kind of pipeline that we have, the number will look much better.

Neha Karodia: Understood, thank you so much.

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

Kumar Saurabh: Hi, thanks for the opportunity. So my first question is around Xanthine I joined late, sorry if the question is repetitive. In terms of realization, do you think we have bottomed out, that is one and we are coming up with expansion. So how confident we are that the new capacity will be consumed. So how the client contracts work in the Xanthine site?

Hetal Gogri Gala: So Xanthine business, the contracts are on annual basis. However, as a part of continuity we have certain customers who have been we are discussing about increasing their share with us, purchasing share with us, and we are very confident that significant part of increased volume will go to contractual and the high margin business of pharma, where we are applying for US DMF and European CEP, and we are targeting to cater that market which once we acquire will be a very steady state business, and we would want to reduce and keep our spot business to current numbers of 30% to 40% only.

Kumar Saurabh: And the realizations have we seen the worst or how do you see the trend?

Rashesh Gogri: Yes, we see that now, with the current cycle, the kind of pricing that we are seeing have bottomed out and the margins have bottomed out basically. So, any raw metal reduction will trigger a reduction in prices. But otherwise, we see that we are operating on the spot market, not at a very thick margin.

Kumar Saurabh: That's great to hear, the second question is, you have lot of patents you have applied, for a lot of patents. Also the part of the 600 crore CAPEX the 40 crore is going in R&D. Can you give some qualitative insights in terms of where the business, where we are investing in terms of R&D, what kind of chemistry or molecule and how it is going to commercially impact our sales and margin numbers?

Rashesh Gogri: Yes, so basically we have filed 58 patents. We are having three R&D centers currently three R&D centers are operating for different businesses. One R&D center is exclusively for the innovators and then we have one R&D center which is focused towards the API business. The third R&D center does largely scale up and also the product raw material saving idea generation from that R&D center. So these three R&D centers, as you rightly mentioned we are almost spending close to 2% to 3% over revenue. 3% over revenue is getting, not 3% last year it was 6% of R&D spend overall. And this basically supports all the three businesses. And as you already know that, we have a pipeline of products in our API line also. So 12 new APIs are under development, and they also require constant R&D. And as I also mentioned that, every second year we also do a cost reduction exercise which also requires R&D. So basically, the API and intermediate business and CDMO/CMO require constant research and development.

Kumar Saurabh: Great, great thanks and wish you all the best, sir.

Moderator: Thank you. The next question is from the line of Yash Chandolkar from Vaibhav Commercial Limited. Please go ahead.

Yash Chandolkar: My all questions are answered, but just one, are we increasing our given guidance for this year, and how do we expect quarter four vision?

Rashesh Gogri: Yes, basically as I already mentioned on the call that we will be able to meet our guidance and exceed our guidance number that we have mentioned earlier, and Q4 we are fairly optimistic, of course this was a record quarter we will see how it goes. And future guidance we will give next quarter, once we have the budgeting and overall strategic review of our all businesses, then we will be able to guide you in future.

Yash Chandolkar: Okay, thank you.

Moderator: Thank you. The next question is from the line of Milind Doshi an Individual Investor. Please go ahead.

Milind Doshi: Sir, thanks for the opportunity and excellent set of numbers, most of my questions has been answered. And on Xanthine, as you have reiterated that margins have bottomed out. So irrespective of the price deduction, the margins will remain intact. Is that understanding correct?

Rashesh Gogri: I would like to say that the spot business, prices have bottomed out. Of course, we are not operating 100% on spot business. So that is what we have, but overall we are fairly optimistic that we will be able to grow the absolute number with the expanded capacity that we have, even if there is competition, Aarti Pharma Labs is positioned in such a way that it has a global size, it has a risk mitigation strategy, which doesn't depend on China at all, and all these factors are put together. And also you might have heard that 10% additional duty was put by US on Chinese goods, and that will get implemented on caffeine as well. So with that, we are fairly hopeful that we will be able to expand our absolute number with the higher capacity that we have upcoming in next financial year.

Milind Doshi: That's great to hear, and just little bit longer, from three to five year perspective with US bio secure and we are hearing from lot of companies, that there are lot of inquiries, and the things are adding in the direction where, after three to five years for most of these companies things will look much better depending how they execute. So are you also seeing the similar direction?

Rashesh Gogri: Both in terms of, overall traction towards India and CDMO/CMO has increased. And overall, the capability that Indians have built, also recently in significantly more a lot of focus has come to this business area, with the capabilities and the newer capacities getting added, and with that, there will be a lot of traction with the bio secure also, and also the 10% additional duty on Chinese goods. Overall, India will get definitely benefited by all these factors in future.

Milind Doshi: Thanks. Thanks a lot sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor over to the management for any closing comments.

Rashesh Gogri: I would like to thank all the participants for joining the call. Thank you.

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