Aarti Drugs Limited
Manufacturers of : Bulk Drugs & Chemicals

Corporate Office : Mahendra Industrial Estate,
Ground Floor, Plot No. 109-D, Road No. 29,
Sion (East), Mumbai - 400 022. (India)
Tel .: 022-2407 2249 / 2401 9025 (30 Lines)
Fax.: 022-2407 3462 / 2407 0144
Email: admin@aartidrugs.com
website: www.aartidrugs.com
CIN No.:L37060MH1984PLC055433

Ref: ADL/SE/2025-26/72
February 10, 2026

To,
Listing/ Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
BSE CODE: 524348

To,
Listing/ Compliance Department
National Stock Exchange of India Limited,
"Exchange Plaza", Plot No. C/1,
G Block Bandra - Kurla Complex,
Bandra (East), Mumbai – 400051
NSE SYMBOL: AARTIDRUGS

Dear Sir/Madam,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of Q3 FY26 Earning Conference Call

Please find attached herewith transcript of Q3 FY26 Earning Conference call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

FOR AARTI DRUGS LIMITED

RUSHIKESH VIVEK DEOLE

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

“Aarti Drugs Limited

Q3 & 9M FY26 Earnings Conference Call”

February 04, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on 4th February 2026 will prevail

MANAGEMENT:

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

Moderator: Ladies and gentlemen, good day, and welcome to Q3 and 9M FY '26 Earnings Conference Call of Aarti Drugs Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Before we begin, a brief disclaimer. This call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantee of future performance and it may involve risks and uncertainties that are difficult to predict. I now hand over the conference to Mr. Adhish Patil, COO and CFO from Aarti Drugs Limited. Thank you, and over to you, sir.

Adhish Patil: Thank you. And good morning to all our stakeholders. We appreciate your participation in Aarti Drugs Q3 and 9M FY '26 Earnings Conference Call. Joining me today are Mr. Harshit Savla, Joint Managing Director, Mr. Harit Shah, Whole-Time Director; Mr. Vishwa Savla, Managing Director, Pinnacle Lifesciences, along with our Investor Relations Advisors, SGA. We trust that you had the opportunity to review our financial results and investor presentation for the quarter and 9 months ended 31st December 2025, which have been uploaded with stock exchanges and are also available on our website.

I will begin by outlining the key operating and business highlights for the period, following which we will discuss financial performance. On the business side, it is important to note that several factors weighed on this quarter's performance. Utilization levels remained low, impacting overall performance and operating leverage.

First, weaker antibiotic demand reduced overall market pull, leading to lower capacities being utilized and creating margin pressure. Secondly, we faced delays in shipments from China that disrupted supply chains and extended lead times, straining production schedules and added to cost pressures.

Third, a one time voluntary shutdown was undertaken in one of our plants for refurbishment ahead of the European audit, which temporarily constrained production. Finally, the new greenfield facilities operated below optimal utilizations as they are in the initial ramp-up phase. That also put pressure on profitability.

Now on the positive side, on year-on-year basis, we witnessed 7% volume growth in standalone business segment and a negative rate variance of around 5%. Export markets, especially formulations emerged as a key growth driver, supporting overall business stability and contributing positively to margins. Our diversified product portfolio continues to play an important role in navigating such category-specific demand fluctuations.

The facility of Sayakha, which operationalized in September '25 has transitioned into the scale-up phase. It has achieved nearly 30% utilization in its first quarter of operations, and we expect to ramp this up to nearly 50% by March and April 2026 and upwards to that in the following quarters.

Importantly, the facility is currently meeting only 10% to 15% of our captive requirements for critical intermediates used in our antidiabetic portfolio. But going forward, it will significantly enhance supply reliability and reduce dependence on external sourcing in line with our backward integration strategy.

We expect to become fully self-reliant for these supplies in coming couple of quarters. Our salicylic acid facility at Tarapur also achieved an important milestone as of now, scaling production to above 300 tons per month currently. However, the overall December '25 quarter utilization for this product was still lower than expected.

The facility has achieved improved operational stability in terms of quality parameters and solid waste management with further improvements planned in the technology. In terms of the business segments, our formulations business showed encouraging traction during the quarter, particularly in exports market.

The increasing contribution of formulations with a higher share of exports aligns with our strategy of moving towards higher-value offerings and improving overall business quality. As new markets and products scale up, we expect formulations to play a progressively larger role in our growth trajectory.

On the regulatory front, certification and approval processes are progressing as planned. Audit observations are under review and inspections were conducted at one of our facilities as a part of ongoing regulatory initiatives, including preparations for European approvals. This forms a part of our broader road map to expand presence in regulated and semi-regulated markets.

After several quarters of pricing pressure, we believe the business has reached an inflection point supported by stabilizing realizations and improving volume momentum. January month sales shows a trend which is encouraging and providing confidence in a more positive trajectory for coming quarters.

Going forward, our focus remains firmly on capacity ramp-up, operational efficiency and margin improvement while maintaining strict capital discipline and regulatory compliance. We remain committed to executing our growth projects efficiently and building a stronger, more resilient platform for sustainable long-term growth.

Now let's talk about financial performance. At consolidated level for Q3 FY '26, revenue stood at INR602.9 crores as compared to INR557.1 crores in Q3 FY '25, reflecting a growth of 8% Y-o-Y. EBITDA stood at INR56.3 crores versus INR62.3 crores in Q3 FY '25, down 10% on Y-o-Y basis, with EBITDA margin at 9.3%. PAT stood at INR40.5 crores as compared to INR25.7 crores in Q3 FY '25, up by 58% on Y-o-Y basis, translating to a PAT margin of 6.7%.

For 9 months FY '26 revenue stood at INR1,846.6 crores as compared to INR1,713.4 crores in 9 months FY '25, reflecting a growth of 8% Y-o-Y. EBITDA stood at INR215.0 crores versus INR196.9 crores in 9 months FY '25, up 9% Y-o-Y with EBITDA margin at 11.6%. PAT

stood at INR139.7 crores as compared to INR94.0 crores in Q3 FY '25, up by 49% Y-o-Y, translating to a PAT margin of 7.6%.

With respect to standalone business for Q3 FY '26, revenue stood at INR530.0 crores, contributing 88% to the consolidated revenue. Exports contributed 37% to this revenue. Within the API business, the antibiotic therapeutic category contributed 35.1%, antiprotozoal 19.8%, anti-inflammatory 12.9%, antidiabetic 16.6%, antifungal 12.2% and the rest contributed 3.5% to the total API sales. For Formulation segment, revenue from formulations stood at INR76.6 crores in Q3 FY '26, up 58% Y-o-Y. Exports contributed 67% to this revenue.

Now with this, we would like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vishal from Systematix.

Vishal: So my question is on the formulation business. So just wanted to understand whether on the formulation business, the primary intention is to do all the formulations of the existing APIs that the large capacities for or we would also do other formulations beyond our APIs that we are traditionally strong at?

Vishwa Savla: So currently, we are doing both. We are working on formulations of APIs that Aarti drugs is manufacturing in-house, but we are not restricting to that, especially on our pipeline. We are focusing more on niche categories into the oncology and cardio-diabetic range. Wherever Aarti has an API, obviously, that is a priority, but we are not restricting only to drugs where Aarti Drugs is manufacturing the API.

Vishal: Okay. So oncology specifically would need dedicated capacity. So those would be like separately created for oncology?

Vishwa Savla: Yes. So within formulation, we have a dedicated oncology U.S. FDA approved manufacturing site.

Vishal: Right. And if you want to break up the formulation capacity between oncology and non-oncology, like in terms of the investment, how would you do that?

Vishwa Savla: Firstly, the oncology is still pre-revenue. We have not started commercial sales from the oncology side yet because the products are still in pipeline and filing stage. The first product will be commercialized in this quarter, in Q4. In terms of the capacities, in absolute terms, in terms of tablets, about 90% of the capacity is in the general plant. But in terms of the potential revenue over the next 3 years, about 40% of the revenue can be generated from oncology.

Vishal: And in terms of the investment, would that be in the same proportion, the revenue proportion?

Vishwa Savla: Yes, it would be slightly higher because on the product development part also, we are investing more into the oncology. So the investment would be probably about 40% to 50% on oncology.

Vishal: And we'll primarily do contract manufacturing on both the fronts or we'll kind of have -- so we'll have the dossiers owned on both these categories and then partner?

Vishwa Savla: Yes. So we do both for -- primarily for the domestic market, we do contract manufacturing, whereas for international markets, we develop our products and dossiers and then we out-license them. So we hold the IP and we work with local partners for the marketing and distribution.

Vishal: Okay. And just one, on metformin, so the backward integration capacities for the methylamines that we are creating, would that also be used for gliptins also or that's only for metformin?

Adhish Patil: No, that is dedicated to metformin API.

Vishal: Okay. And any sense on metformin in terms of what would be India's share in the total metformin capacities across the world?

Adhish Patil: Yes. We have to do the current analysis, but a couple of years back, we were roughly around 12%, 13% of the Indian capacities. But right now, we have increased our capacities in last 1 year. So with that increased capacity, probably it might have gone upwards of 15%.

Vishal: Okay. And we have INR180 crores sitting on CWIP. Is that for the oncology block?

Adhish Patil: No. So part would be the oncology dossier development and part is related to big 25 tons boiler, which will be going onstream in this quarter. It is a cogen boiler, big boiler, so it will be also generating power along with the steam. And it is part of one of the greenfield projects.

Vishal: Right. And finally, if you can quantify with the backward integration projects, so the methylamine backward integration projects and all the other cost saving investments that you've done at peak utilization, if we are able to kind of use it entirely 100%, what would be the savings that we'll generate in the numbers?

Adhish Patil: Yes. So I understand. It's slightly difficult to give a projection because with additional capacity coming into picture, the prices will definitely move. The margins of that product will slightly change going forward as the new entrant has come in. But it will definitely help us in improving the gross contribution further, plus it will also help us in improving the sales of a couple of specialty chemicals, which has already increased in this quarter as well.

And it will further increase in March quarter. And then the next couple of quarters, we'll be further ramping up the production at the Sayakha facility. So overall, what we expect is that it should give a boost of, say, at least a couple of percent in gross contribution at the company level when it runs at full scale.

Vishal: Like if we assume current prices and not assume any volatility going forward, if there is an absolute number you can share if prices remain raw material and end product prices remain same?

Adhish Patil: It's a very rough number. It run at full-scale potential, the EBITDA can be slightly upwards of INR50 crores.

Moderator: The next question is from the line of Resham Jain from VVD Asset Managers.

Resham Jain: So I have three questions. So first one is, if it is possible to quantify all the things which you have mentioned in your opening remarks with respect to shut down and some of the new facilities coming up. I assume there will be losses related to that. So each of these items, if you can just quantify how much impact would be there in this quarter because of all the things?

Adhish Patil: Yes. Now we don't have any issues at the Sayakha facility like we had in salicylic plant because Sayakha facility, this is the first quarter of ramp-up, and we have already ramped up to 30%, and it is going very smoothly as far as the ramp-up is concerned.

So both these included, probably at the EBITDA level, it could have created a drag of roughly INR8 crores, INR8.5 crores. And at the PBT level, probably it would be around some INR14 crores, INR15 crores. But that is -- it will change soon for the Sayakha facility. For the salicylic facility, it will change gradually in this quarter and the June quarter.

And as far as the other lower production capacity utilization, I don't have an exact number, but what has happened, we have sold a lot from the FG stock in this particular quarter. So if you see the numbers, around INR30 crores of sales has come from the existing stocks and not because of the fresh production.

And because of that, we have estimated that roughly it would have impacted around 1% in the gross margins because when we sell from stock, the inventory valuation typically has 80% raw material content and 20% overhead component. So that 20% would be amounting to INR6 crores. So that has created a drag in gross margins, which we see for the December quarter.

So definitely, there have been multiple factors. So all put together, it has created a drag in the parent company, the standalone business, which is the API and the spec chem company. Whereas the formulation department, the division has done quite well in December quarter. But the good part is in January, for both the segments, we are seeing good traction in the business. So hopefully, this trend has already reversed and we should see some positive numbers in the March quarter.

Resham Jain: So what I understood is that INR8 crores drag at EBITDA level, which is almost like INR30-odd crores full year annualized number and could be more in the earlier quarters. What we could see next year is not just breakeven, but possibly as we move in the quarters, it will become positive. So the overall impact at EBITDA level should be much positive in FY '27. Is that understanding correct?

Adhish Patil: Yes, that is very true.

Resham Jain: Okay. Understood. The second question is with respect to the capex. This year, I think you mentioned earlier last quarter that we will have close to INR200 crores capex this year, and

that will bring an end to our overall INR600 crores capex, which we have planned earlier. So what is the capex, let's say, in FY '27 beyond what we have earlier planned for?

Adhish Patil: Yes. So what we had planned earlier, except for one project, we are almost done with the other projects. The one project which was left out in this was the expansion of metformin facility to almost around 2,500 to 3,000 tons per month. That was our long-term strategy. However, because of some land issues, initially, we ended up doing the brownfield expansion.

So we already have reached around 1,450 to 1,500 tons per month. We'll be scaling it up to 1,800-1900 tons per month in the existing facility. Plus we are seeing some positive signs on the land side. So that will also happen. And the main idea is to forward integrate in the metformin.

The first step is that we are going for U.S. FDA approval for the metformin. We have already prepared a U.S. DMF. We are in the process of filing it, and we'll try to trigger the audit in the coming year and take it from there. So that should improve our regulated sales of metformin. And definitely, it will give a very good EBITDA margin from those markets.

Plus the plan would be for the U.S. market, through Pinnacle, we might be launching ANDA as well for the metformin tablets. So forward integration of metformin is on cards. So that was the one project which was left out from the initial plan, which we will take up in the coming couple of years.

And apart from that, there are certain expansion of cardiovascular products from our existing lines. Plus we have seen some increased demand for our antifungal products. So for that, we are expanding capacity. Plus, we are thinking in the lines of doing some level of CDMO in the chlorosulfonation chemistry, where we are already strong at.

We are already doing contract manufacturing for a few MNCs as far as a few spec chem products are concerned. So we want to expand in that line as well. Plus the methylamine chemistry, which was newly introduced through Sayakha plant, we are looking at exploring the options of various derivatives, which will be a part of that chemistry itself.

So there will be synergies in the further expansion. So that should help us reduce cost also and plus get some value addition.That is the overall plan for the coming years for the capex. And plus we are identifying new molecules as far as API and other specking segment is concerned. That process is also on, and we will announce soon as soon as something is finalized.

Having said that, I would still maintain that around INR150 crores to INR200 crores of capex you can expect for the next 2 years each, considering the formulation, oncology expansion and all the ideas I just spoke about.

Resham Jain: Understood. Very clear. And what is the current debt on books?

Adhish Patil: Current debt is roughly around INR540 crores total debt at the consol level. On the standalone level, it would be around INR392 crores. And in both the divisions, the debt is equally split between long-term and short-term. It's almost 50-point-something percent each.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Adhish, my first question is that you said that January seems promising, and we are at the inflection point where the negative price variance is kind of coming to an end. So earlier, we were expecting 15% kind of a volume growth coming through in H2. So do we see similar trend? And should we expect those kind of volume and hence, value growth going forward into FY '27 also?

Adhish Patil: We can expect that and the main reason is the growth which we expected in FY '26 hasn't come to that extent. So which means that the growth will be pushed right into FY '27. So probably we can expect around 12% to 15% volume growth in FY '27 with both the projects going smooth, the greenfield projects I'm talking about.

Dhwanil Desai: Okay. So is it fair to assume that large part of volume growth will come from the new projects and existing basket of products there we are not expecting much of a volume growth or maybe single-digit volume growth. Is that a fair way to look at it?

Adhish Patil: Yes. So the existing product basket should give a single-digit volume growth. But main growth driver for the volumes would be the new projects, both salicylic acid and the Sayakha amines -- the methyl amines.

Dhwanil Desai: Okay. Second question is on the gross margin side, even if we adjust for the 100 basis points because of the inventory challenges, that is still below that 36-37% mark that we wanted to hit. So how should we look at this margin trajectory going into FY '27? And because a lot of backward integration, that will also come into play, chlorosulfonation also will kind of pick up specialty part of it. So how should we look at that number going forward?

Adhish Patil: Yes. So for this particular quarter on a consol basis, what we can see it is roughly around 35.9%. As I was talking about, we have sold from inventory, that has also impacted the gross contribution by around 1% is what we feel. Another thing is the export content of the standalone business in December quarter was slightly lower.

And typically, the export market yields better selling prices. So when the export percentage is higher, the gross margin is automatically a bit higher. So penetrating more into export market is also one of the very critical strategy of ours, along with that, pushing our existing product basket into the European markets because we are already strong in those products.

And we are in the process of getting European approvals for those products from our regular volume plants. So from there, if we supply to Europe markets, that will definitely add to gross margin. Backward integration, definitely, yes. As I was telling that currently in December, we were only able to achieve around 12%-odd of backward integration for the antidiabetic I'm talking about specifically.

So that will go to almost 90-100% in two, three quarters. So that will also definitely help to improve the gross contribution. And along with that, the formulation business will impact gross contribution positively probably from second and third year, may not be in FY'27 immediately, but as the oncology starts flowing into the sales, then that should also definitely improve our gross contribution.

Dhwanil Desai: Okay. So a follow-up on this. So on a standalone API FY '27, should we expect 35-36% kind of a gross margin or should we pencil in lower number?

Adhish Patil: No, I think 36% gross margin is fair to assume. It is not that tough to achieve 36% gross margin.

Dhwanil Desai: Okay. And when you are saying 36% is achievable, what are the underlying assumptions that we are building in salicylic acid plant will kind of stabilize? That's a major assumption or the European supply picking up is also a part of it?

Adhish Patil: Yes. Overall one is the regulated market sales plus the sales pickup from our E22 plant, which is U.S. FDA plant and the backward integration which is improvement in salicylic acid will definitely give a lot of impact on the overall gross margin. So these are the main assumptions.

Dhwanil Desai: Got it. And last question. So you said that we should expect INR150 crores to INR200 crores of capex for every year for next 2 years. While we have just come out of a large capex cycles where plants are still scaling up, translating into gross margin and EBITDA numbers are yet to take place. So why is it that we don't want to kind of first stabilize and get to the good operational efficiency level and then do the capex rather than getting into newer projects where we will again continue to hit our margins?

Adhish Patil: You're absolutely correct in that analysis. So there are a couple of factors to that. One is the Sayakha plant that has operationalized very smoothly. So we have scaled up very smoothly. So we haven't seen any issues and plus that is a captive consumption, mainly, more than 50% is captive consumption from that plant.

So scaling up of that project will happen very quickly, we are talking more from 24 months. And this Sayakha results will start coming in 6 months itself. So we'll come to know whether one of the Greenfield capex is fully operationalized or not. So that will give us one comforting factor after 6 months.

And salicylic acid, we are towards the end of improvement. And one more thing that INR150 crores to INR200 crores, a part of that will also go for oncology dossier development. So that is also important because we have already oncology approved formulation plant, U.S. FDA approved plant in Baddi.

So we want to capitalize on that. Plus we got European approvals for our OSD facility in Baddi. So we also want to capitalize on that by having more dossiers on regular therapies for formulation. And plus, this will also include the maintenance capex plus the incremental expansion what we do, brownfield expansion. That will also be the part of this. And plus, we

are doing a bit of capex both in that solar power plant also and some energy-related improvements, what we want to do. So that will also be taken care of in this capex.

Moderator: The next question is from the line of Yash Doshi from Unifi Capital Private Limited.

Yash Doshi: In the salicylic acid plant, if I remember on last quarter, you said that we break around 800 metric tons per month. And we also talked about Chinese dumping. So has the realization stabilized or they are still -- the dumping is still on and the realisations have come down?

Adhish Patil: Yes. Harit sir, can you answer the salicylic selling prices trend?

Harit Shah: Yes. So Chinese dumping is still on. But due to dollar rates going up, we are getting a little better realization than last quarter. But we are also trying to apply antidumping duty from beginning of next year against Chinese imports, which will take up 6 to 8 months, 9 months, whatever time after April because we are not eligible as of now. So maybe from April onwards, we are eligible to apply for antidumping duty also. On the operational side, we are improving our overall efficiency so that we come out of this breakeven for next year.

Yash Doshi: Just for confirmation. So the salicylic acid plant and Sayakha plant, both combined reported INR8.5 crores of EBITDA loss this quarter or it's a single plant?

Adhish Patil: It's combined.

Yash Doshi: Okay. And regarding next year, if you look at the EBITDA margins, like this quarter, because of multiple headwinds, we reported 9%. So next year, steady state, what EBITDA margins will be at around?

Adhish Patil: See, first of all, initially, we would like to hit the target of 12% to 13% because right now, it was struck down well below that. Right now, it is around 9.3%. But just previous quarter in September, it was around 12.9%. So first we'll come there, 12% to 13%. And then from there, the ideal steady-state margins when everything starts going smoothly, should be somewhere in 14% to 15% range.

Yash Doshi: And on the Sayakha plant what we are targeting next year? This year, I think Q4 exit rate will be around 50%. So next year, what is our target?

Adhish Patil: Yes. So Sayakha first quarter, we were able to do around 30% utilization. Immediately in this current quarter, March quarter, we are planning to ramp up to around 50% utilization. And then in the subsequent quarter, we are planning 75% utilization of the facility. So the ramp-up should be pretty fast. Hopefully, within 12 months, we should be almost there till 80%, 90%.

Yash Doshi: And same for the salicylic acid plant next year, we are targeting around 800-1000 metric tons?

Adhish Patil: Yes. So salicylic acid, we are going slightly slowly. There have been a lot of changes. So what happened, the story is like this. We started the plant in about April '24. And around 1 year back, we saw there were drastic changes in the specifications of salicylic acid since the time we commissioned the plant.

So we had to take care of that quality parameters as well. So we had to tweak our processes a little bit. And currently, what we are observing is that -- I'm talking about the industry and the competitors. The physical chemistry, the organic chemistry has been same, but for the physical chemistry the new technology is coming in for salicylic acid.

So we are also exploring that part to adopt that technology in our plants so that is important for us to be competitive going forward. So that is the only reason why salicylic acid, I'm saying still we are going a bit slowly. But within 12 months, probably we should try to hit that 1,000 tons per month mark. That should be our target. But we are also cautious about the new technologies which are coming in, which haven't been adopted yet, but they are in the discussion of getting adopted at planned scale. So that also we are exploring.

Moderator: The next question is from the line of Aditya from Sowilo Investment.

Aditya: I just wanted to understand like the API pricing as such a couple of quarters ago, there are discussions that, that could be the bottom. But it looks like dumping is going on and prices also there has been pressure. So what kind of trajectory are we seeing especially for API?

Adhish Patil: Yes, what we have observed is that overall negative rate variance in December quarter with respect to September '25, that is quarter-on-quarter, it is roughly around 2% to 2.5%. But having said that, the entire reason for that is the antibiotic segment.

The other segments, frankly speaking, in some of the other segments, we have seen positive growth as well in the prices. So it is product specific. So we will still maintain the stance that the prices have stabilized from September onwards. Just product-specific variations are there a little bit. But more or less, the prices have already stabilized. So we don't see any reduction of prices from this point.

Aditya: Okay. I'm just trying to understand whether that affects us or no. This recent, we had the government established MIP for penicillin, right? So would that have any kind of bearing in terms of our input costs?

Adhish Patil: Not now. Right now, we don't deal in that segment. But the concept of MIP, we are trying to explore that in few of the cases, which will help us benefit to get better realizations for the products which we sell as import facility.

Moderator: The next question is from the line of Shashi Ranjan from Shashi Ranjan Hospitality Private Limited.

Shashi Ranjan: I would like to understand the molecule that was banned on 31st December 2025, talking about nimesulide. So how it's going to impact up to 100 milligrams. So how it's going to impact our revenue in future?

Harit Shah: Yes. Basically, the recent ban was for nimesulide more than 100 mg. And typically, in India, all formulations where we are selling is less than 100 mg. So we are not affected as far as demand is concerned. These are for very high dosages, which only 2 or 3, 4 companies were

doing it actually. So all our customer base are within the range. And so there is no problem with the demand for that molecule as of now.

Shashi Ranjan: Just a clarification on that. Can you quantify the revenue that we get from nimesulide from the below 100 milligram formulations?

Harit Shah: Most of our sales in nimesulide is less than 100 mg.

Shashi Ranjan: No, I'm asking about the revenue, sir?

Adhish Patil: Okay. Look, we don't have that number right now. probably we can get back to you later on.

Shashi Ranjan: My next question, if you may allow, what is the capacity utilization currently in API and FTF? Is it 30%, 50%, which you answered right a while ago?

Adhish Patil: Yes. I was talking about that in the opening remarks that this particular quarter even when we compare to our capacity utilization for the first 2 quarters of this current year, that is H1 FY '26, we were almost down by 4% to 5%, even from what we achieved in the first two quarters and we also highlighted the reasons why it happened. So most of the reasons are behind us. So going forward, we don't see such disruptions for coming quarters at least.

Shashi Ranjan: Coming to the last question, what is the gross margin and the revenue that we are getting from CDMO? And are we going to use the backward integrated products in the CDMO products that we are currently operating?

Adhish Patil: No. Whatever products we are doing in spec chem, I mean you can call it CDMO or CMO. So they are chlorosulfonation chemistry, we are already backward integrated in chlorosulfonation. So these are all derivatives of that chlorosulfonation chemistry. So we are that way backward integrated already. I cannot quantify in terms of percentage because right now, it is not that big for us. So that is the reason why we still club it under Spec Chem segment as of now.

Shashi Ranjan: Okay. So now coming to the last question, the European approval that we got from product in Baddi, is it related to oncology or any other?

Vishwa Savla: Yes, it's for the general Talvin capsule facility as well as the oncology facility. So it was in joint inspection for both the facilities. And now we have EU GMP for both the oncology as well as the general oral solid side.

Moderator: The next question is from the line of Vishal from Systematix.

Vishal: Can you share what would be the total investment, including the dossier development cost we'll be making in the oncology business?

Vishwa Savla: The facility capex in both phases, what we initially did and we have a brownfield expansion going on would be about INR50 crores. And in terms of the product development and regulatory related, it would be about, again, INR50 crores to INR60 crores every year for the next 3 years. That is what we're spending on the product development.

Vishal: So broadly INR200 crores, right? Including...

Vishwa Savla: Correct. Yes, INR200 crores spread over time, yes, including capex as well as product development and regulatory.

Vishal: Okay. And can we expect an asset turn of 1.5 here?

Vishwa Savla: Yes, we can expect about 1.5 to 1.75 peak capacity.

Vishal: Okay. And do we already have partners for the dossiers that we are filing?

Vishwa Savla: Yes. Usually, in most of the territories, we are having B2B partners before we file.

Vishal: And our capacity roughly would be 300 million pills for oncology?

Vishwa Savla: Yes, that's right, 300 million.

Vishal: Okay. And just one on salicylic acid. If you could give some sense on why we chose salicylic as an import substitute option. While there were so many, you could have also chosen a backward integration project for metformin. And why did we go for salicylic acid?

Adhish Patil: Yes. So we studied pricing trend of salicylic acid for the 5 to 6 years when we selected that product. That time, no one was manufacturing that product and the technology what we had developed, it showed very high profit margin and IRRs of the project were upwards of 20% for that product.

But what happened was when we entered the market, that is the time when China started crashing the prices probably because they were fearful that the new entrant will come. So if they keep the prices to rock bottom for the initial period, that will discourage us from going ahead with salicylic.

So we foresee that as a, you can say, entry barrier or a temporary entry barrier what they're trying to create. Fortunately, this also becomes the case of antidumping because they crashed the prices when the Indian manufacturer came in. So if we get that benefit even for the first few years, we are sure that we will turn it up because the same thing had happened for metro and ciprofloxacin also in past.

We had got antidumping duties for 4, 5 years. And by the next round when it came, we were so profitable that we did not qualify for antidumping duty. So we feel this will turn around. And the thing is salicylic acid also opens up a big opportunity for us to enter into cosmetic and health care line of business and not just restrict ourselves to API. So that is another advantage what we have through salicylic acid. It is a base product we used to manufacture salicylate, which goes in flavor and fragrances industry as well.

Vishal: So we'll do downstream products from this?

Adhish Patil: So right now the situation is such that we are compelled to do. We have already developed technology for that. We have done piloting also for the downstream products. So we are coming up with salicylate block as well very recently in a quarter or two. So let's see how that picks up.

Vishal: Sir, have you made an application for antidumping duty?

Adhish Patil: So as Harit bhai was pointing out that earlier we did not qualify. But now I think by April or so, right, Harit bhai, we will be filing for the?

Harit Shah: Yes.

Harit Shah: So April onwards by first quarter, or end of first quarter.

Adhish Patil: Okay. First quarter.

Vishal: Okay, sir. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over the conference to management for closing comments.

Adhish Patil: Thank you. Strategic investments and initiatives we have implemented over the past year is beginning to align setting the stage for a new phase of growth for Aarti Drugs. We anticipate a more pronounced impact on our financial performance in the upcoming quarters as capacity utilization scales up and our enhanced product mix begins to deliver, drive higher profitability. We appreciate your continued support and trust in Aarti Drugs. Should you have any further questions, please reach out to SGA, our Investor Relations Advisors. Thank you, and have a nice day.

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

****