

**Company Name:** Aarti Pharmalabs Limited

**Quarter under review:** Q4-FY26

**Aarti Pharmalabs Limited – Q4-FY26/FY26 Concall Highlights:**

Aarti Pharmalabs Limited (Consolidated)								
INR In Mn	Q4-FY26	Q4-FY25	Y-o-Y	Q3-FY26	Q-o-Q	FY26	FY25	Y-o-Y
Operational Income	5,826	5,638	3.3%	4,323	34.8%	18,194	21,151	-14.0%
EBITDA	1,301	1,456	-10.6%	1,023	27.2%	4,024	4,644	-13.4%
EBITDA M (%)	22.33%	25.82%	-349 bps	23.66%	-133 bps	22.12%	21.96%	16 bps
PAT	611	883	-30.8%	470	30.0%	1,747	2,724	-35.9%
PAT M (%)	10.49%	15.66%	-517 bps	10.87%	-38 bps	9.60%	12.88%	-328 bps
Diluted EPS	6.74	9.74	-30.8%	5.18	30.1%	19.25	30.04	-35.9%

**Operational Highlights:**

- Atali audits have been completed and full-fledged operations are expected to commence by June FY27, marking a major scale-up in CDMO operations.
- The company reiterated long-term visibility of nearly USD 100 million revenue opportunity in the CDMO segment driven by innovator partnerships.
- Commercial-stage CDMO molecules are expected to transition into dedicated manufacturing blocks to improve scalability and free up multipurpose capacity.
- A dedicated CDMO block at Atali is being evaluated with potential topline opportunity of around INR 250–300 crore from a single block.
- The company plans to continue adding one block every year at Atali to support long-term CDMO growth and manufacturing expansion.
- Future Atali expansions are expected to be more brownfield-oriented, resulting in lower capex intensity and faster ramp-up from FY28 onward.
- Nearly 700 KL of additional multipurpose manufacturing capacity is being added from Q1 FY27, including around 440 KL at Atali.
- Full operationalization and capitalization of Atali Phase-1 assets along with Xanthine expansion is expected during FY27.
- The Xanthine business is currently operating at full utilization of 6,000 MTPA capacity before the new expansion comes online.
- Newly expanded Xanthine capacities have potential to generate revenues exceeding INR 1,000 crore over time.
- Steroid API capacities have been debottlenecked by nearly 30% to support future growth and improve operational throughput.
- API business is expected to recover in FY27 and surpass FY25 levels supported by oncology launches, customer product approvals and easing inventory destocking.
- The company plans to expand into peptide and oligonucleotide linker chemistry while also targeting more early-phase CDMO opportunities.

**Key Questions & Answers discussed during the Concall:**

- **With Atali operations commencing fully by June FY27, should we expect stronger CDMO growth in FY27?** Atali is expected to become fully operational by the end of Q1 FY27 after successful completion of customer audits. FY26 also had some spillover CDMO revenues from the previous year, but the larger scale-up is expected going forward as capacities ramp up. Additional manufacturing infrastructure is being added and customer projects are gradually moving toward commercialization. Therefore, the growth trajectory for the CDMO business remains strong over the medium term, although quarterly revenue timing may depend on customer approvals and commercialization schedules.
- **What is your outlook for the API business after the weak FY26 performance?** FY26 was impacted by inventory destocking and pricing pressure faced by customers, which affected API growth. However, FY27 is expected to be a recovery year and the API business should surpass FY25 levels. The recovery is expected to be supported by oncology launches, products going off-patent, customer launches in the US and Europe, and additional capacity created through debottlenecking initiatives.
- **What is the current status of Xanthine capacity utilization and growth potential?** The current 6,000 MTPA Xanthine capacity is operating at full utilization before the new block becomes operational. Both higher volumes and price increases contributed to the recent growth in the segment. With the newly added capacities coming online, the Xanthine business has the potential to generate revenues exceeding INR 1,000 crore over time. The market environment also remains supportive because of China-plus-one supply chain shifts and pricing benefits arising from changes in Chinese export incentives and tariffs.
- **Can you explain your positioning in the CDMO business compared to peers?** The core strength lies in manufacturing and chemical process capabilities because the broader group has historically focused on large-scale chemical manufacturing. Unlike some peers who focus primarily on early-stage R&D, the focus has been more on commercial-stage manufacturing opportunities. At the same time, advanced R&D capabilities are now being developed in newer chemistries such as peptides and oligonucleotide linkers, which should gradually allow participation in earlier-stage development opportunities as well.
- **How is the China-plus-one opportunity benefiting the company?** Many global customers are actively looking to diversify supply chains away from China, especially in the pharmaceutical and specialty chemical sectors. This shift has created meaningful opportunities because customers want differentiated manufacturing geographies. Backward integration capabilities, chemistry expertise and manufacturing scale-up abilities have helped secure several new projects. Inquiry levels have also started improving again from both existing and new customers.
- **What kind of capex intensity should investors expect going forward?** Atali and the Xanthine expansion involved significant greenfield investments over the last few years. Atali alone involved capex of around INR 450 crore because a complete manufacturing ecosystem had to be created from scratch. Going forward, future expansions are expected to be more brownfield-oriented, which means lower capex intensity and faster scaling. Therefore, from FY28 onwards, the capex burden should reduce relative to the earlier investment phase.
- **How much additional manufacturing capacity has been added recently?** Nearly 700 KL of additional multipurpose manufacturing capacity is being added from Q1 FY27 onward. This includes approximately 440 KL at Atali and another 250 KL at the leased manufacturing site. Relative to the earlier manufacturing base of around 1,000 KL, this represents nearly a 70% increase in capacity.

- **How is working capital likely to evolve as CDMO scale increases?** Working capital intensity could increase because many large CDMO projects involve campaign-based manufacturing with one or two large deliveries annually. This requires inventory to be built and production to be managed over multiple quarters before final delivery. Additionally, large innovator customers generally do not provide advances, which means inventory needs to be financed internally. Therefore, working capital requirements are expected to remain elevated as the CDMO business scales further.
- **What are the key reasons global innovators shortlist Aarti Pharma as a CDMO partner?** Manufacturing capabilities, scale-up expertise and backward integration strengths play an important role in customer selection. Customers also value the ability to reduce dependence on Chinese supply chains through integrated manufacturing. In addition, chemistry capabilities and the strengthening R&D organization have improved competitiveness. Together, these factors help secure more projects from global innovator companies.
- **How are you managing solvent and logistics cost inflation?** Solvent and logistics costs have increased significantly because of geopolitical disruptions and higher crude-linked input costs. To mitigate this, solvent recycling infrastructure is being utilized extensively across API and Atali facilities. Wherever permissible under GMP standards, solvents are recycled to reduce the impact of cost inflation. Even after these mitigation measures, the impact of higher solvent and logistics costs is estimated at around 5–7%.
- **What kind of asset turns do you expect from dedicated CDMO blocks?** Dedicated CDMO blocks are expected to achieve capex turns of around 1.5x to 2x depending on the complexity and number of manufacturing stages involved. In cases where more stages are integrated, asset turns may reduce slightly but margins can improve. These blocks are being designed with long-term commercial manufacturing efficiency in mind, which should improve scalability and operating efficiencies over time.

### Key Participants:

- Yash Doshi — Unifi Capital
- Raul Jain — Credence Wealth Advisors
- Dhanil Desai — Turtle Capital
- Preet Jain — Niveshaay Investment Advisors
- Shubham Agarwal — Burman Capital Management
- Vikas Sharda — NT Asset Management

### Disclaimer:

*Valorem Advisors is an Independent Investor Relations Management Service company. This Report has been prepared by Valorem Advisors as a value-added service for its readers, based on information and data that were discussed on the respective company earnings conference calls, but Valorem Advisors makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Report. This Report may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from this Report is expressly excluded. Valorem Advisors also hereby certifies that the directors or employees of Valorem Advisors do not own any stock in personal or company capacity of the Companies under review.*