Strides

February 1, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Scrip code: 532531

The National Stock Exchange of India Limit
Exchange Plaza, Bandra-Kurla Complex
Bandra (E) Mumbai - 400 051
Scrip code: STAR

Dear Madam/ Sirs,

Sub: Earnings Call transcript pertaining to Unaudited Financial Results for the quarter and nine months ended December 31, 2022.

Ref: Earning Call held on January 24, 2023 pertaining to Unaudited Financial Results for the quarter and nine months ended December 31, 2022.

With reference to the above, please find enclosed herewith transcript of the Earnings Call held on January 24, 2023.

The said transcript is also available on the website of the Company at:
https://www.strides.com/investor-annualreport.html

Request you to kindly take the above on record.

Thanks & Regards,

For **Strides Pharma Science Limited,**

MANJULA RAMAMURTHY
Digitally signed by MANJULA RAMAMURTHY
Date: 2023.02.01 13:37:37 +05'30'

Manjula R
Company Secretary
ICSI Membership No. A30515

Encl: a/a

"Strides Pharma Science Limited
Q3 FY23 Earnings Conference Call"

January 24, 2023

MANAGEMENT:	**1. MR. ARUN KUMAR** – FOUNDER, EXECUTIVE CHAIRPERSON & MANAGING DIRECTOR
	2. MR. BADREE KOMANDUR – EXECUTIVE DIRECTOR - FINANCE & GROUP CFO
ANALYST:	**MR. ABHISHEK SINGHAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 Earnings Conference Call of Strides Pharma Science Limited. As a remainder, 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 "*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Abhishek Singhal. Thank you and over to you.

Abhishek Singhal: A very good afternoon and thank you for joining us today for Strides earnings call for the Q3 and nine months ended financial year 2023. Today we have with us Arun – Founder and Executive Chairperson Administrator and Badree – Executive Director Finance & Group CFO to share the highlights of the business and financials for the quarter.

I hope you have gone through our results release and the quarterly investor presentation, that have been uploaded on our website as well as the stock exchange website. The transcript of this call will be available in a week's time on the company's website.

Please note that today's discussion will be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions please feel free to reach out the investor relation team.

I now handover the call to Arun to make the opening comments.

Arun Kumar: Thank Abhishek and good evening everybody joining us today on our call. Let me first start with a general overview of Strides, I know there would be specific questions around Stelis which I will allude to in a bit.

So, as regards Strides is concerned, we are extremely pleased with the progress we reported quarter-on-quarter and in bringing back the company to its normalized EBITDAs in the next couple of quarters. As you recall, we started this year with an EBITDA of less than Rs. 4 crores, we are now at Rs.120 crores in less than three quarters. A lot of that is driven by our focus across the group post COVID in terms of how we reset the company, in terms of our focus on portfolio, price discipline, margins and also our eye on our cost structures. All of this is playing through if you see the Q3 revenue numbers slightly depressed in comparison to Q2. It was predominantly because we had zero revenues on our institutional business. This is quite normal as the institutional business is awarded every three years, like we alluded in the last quarter, we have already completed our last allocation in H1 which led to a very hefty H1 numbers on our institutional business. But I am also now pleased to let you know that we have been awarded similar volumes in terms of our institutional business and we have received our awards and we will commence supplies to the institutional business starting from Q1 for a three- year contract. Adjusted for that it has been a great quarter and typically we have Rs.15-20 crores of growth through gross margins on a quarterly basis on that business which should lifted our EBITDAs significantly higher than the Rs.120 crores that we reported. Significant milestones this quarter, first time we have crossed a $100 million of revenues in our regulated markets. We continue to grow well in our US portfolio reporting yet another highest quarter. So, we have obviously done better than our Q2 numbers. I must say however mention, we benefitted from a significant seasonal opportunity which was quite unusual. Strides thus benefit from these opportunities but that also gives us the ability to further fine tune our portfolio and exiting lines that do not make profits. In the US, we still have over 100 approved ANDAs that go through rigorous processes of cost improvements and robustness before we relaunch and therefore, we have very strong pipeline for the next 2-3 years to continue the momentum of growth that we are showing in the US.

We have also seen improved gross margin. Historically our regulated market delivers 60% gross margin. We are very close to those numbers, so over the last three quarters we have improved gross margins by 800 basis points and as we hoped and committed we did receive the deferred payments from Australia. We received it just a few days before Christmas so in the next update, you would see a significant drop in the gross debt to net debt. We continue to focus on improving our balance sheet quality with reduction of our debts, which is going well. One must also appreciate the fact that we have added $60 odd million of revenues in the US in the last nine months with no incremental increase in our working capital lines.

Our US revolver is close to about $80 million and has now been renewed for another five years showing the strength of our US business as that revolver is based on our US operations. Chestnut Ridge which is a facility we acquired from Endo is now very close to breaking even. It still does have an under recovery that we believe we will solve by the end of this financial year and that should then add further momentum to US business. We guided in Q2 after a depressed other regulated market business that will come back to the historical numbers and that was just a timing issue.

We are also pleased today to announce that our other regulated market businesses especially led by strong rebound in our B2B strategy and our UK businesses are now back to its traditional quarterly throughputs and in rupee term this is now again a highest quarter that we reported. So, overall, the regulated market delivered a very strong $100 million plus revenue and we strongly believe that the fundamentals of the businesses have been solved for, we have now sorted for network optimization cost improvements. We have brought our cost levels to the levels that we were in FY2021. This is in line with what I mentioned in Q1 of this year. We have now moved from almost negligibly returned to closer to 14% and we are chugging along and I am sure that we will add more to these numbers in the coming quarters and we will get back to our historical numbers in the distant future.

So, key of course here is the continued momentum of our relaunches of approved ANDAs portfolio. We have several new programs and B2B partnerships that we are building out in Europe. You will see a significant drop in the emerging markets because as you would know from our notes in our Q2 results that we have deconsolidated our Kenyan operations which deliver approximately Rs. 200 crores of revenues per year and this is more to do with local strategies in terms of secured business. We still have beneficial interest have not changed but, however, from an accounting standpoint we stopped consolidating UCL as we have communicated earlier. So, with the pickup of institutional business from Q1, we think we should be back on track to what we said would have been more or less the end of the reset strategy for Strides. Overall, it has been a productive three quarter, we have grown steadily quarter-on-quarter with renewed focus on our governance and how we run this business on our cap allocation and also our focus on product portfolio and profit maximization. You will see more of this playing through because you will also appreciate that several of our cost improvements including significant cost reductions of our overseas operations, we still carry through the financial year. All of that will be behind us as by the end of Q4 and that adjustment itself should add another 2%-3% through our EBITDA.

So, I am confident that not only we have a very strong come back in FY2024 as previously guided but we also be in line with our historical EBITDAs which is approximately in that 18%-21% range for the next financial year. So, I am excited with the opportunities that Strides has set for itself. We have a very motivated and dedicated team delivering outcomes as charted and I am very happy with our progress.

Our progress as Strides is overshadowed by the results related to Stelis. But this is something that we have been guiding the street for several quarters as we have taken several prudent provisioning in Stelis as we move from a product company to a pure play CDMO and I will discuss more details in a little while as we get into Stelis. Overall debt reduction, we have now reduced debt by close to about Rs.600 crores and we will continue to focus on reducing debt as we complete certain actions that we are focused on which will not have any impact on our revenues or our growth strategies. We hope to give you more updates in the next quarter and the full year update.

Separately, in terms of our cashflow generation, Badree can allude to that in his comments but we have now become a cashflow positive company which is great considering that we had several quarters of challenges so that we are focused on cap allocation and our tight governance on our cashflow has resulted and improved inflows and that momentum should continue given that we are not refilling lot of our inventory given that we had a large inventory position when we started off this year.

Having said that we think that we will continue our focus, we will improve our margin expansion and you would see more important growth coming from other regulated markets as we stabilize the US business mainly focused on portfolio maximization and launching the right products that add to our previous philosophy of niche product selection and margin expansion.

I know that there would be several questions on Stelis, so we have endeavor to put in a very detailed note but let me give you more color around this. Now as we talk, we are aware that

Stelis is an investment in our biopharmaceuticals division that we have invested for several years during COVID, we expanded biopharmaceuticals business to setting up a new multi model facility which could make amongst other things vaccines and got into this contract with the Russian direct invest fund which is the sovereign fund of Russia and we received all permissions to export the product but given the challenges around the geopolitical situation, our take-or-pay contracts has not been executed. So, although we had now received an extension of inventory timing until the end of June, we have made prudent provisions in terms of all COVID-19 related inventories as we now become a pure play CDMO company. Consequently, we have also written some IP value of close to about Rs.100 crores on products that we do not intend to continue developing which we have been developing for the last 7-8 years as we believe that the value in Stelis comes from its pure based CDMO strategy and that is what is playing out well. I am also very pleased to let you know that we have had three very important inspections Regulatory, two times by the US FDA and one from the EMA and the only one product that we have developed got EU approval and we are now in the process of licensing that product to a very large European company. We will make the announcement in time for our results in the next quarter.

Promoters have brought in along with investors at Stelis have made commitments of Rs.650 crores of capital to ensure that we meet all operational losses, debt obligations and COVID related provisions and also to meet all our obligations. So, we have reduced debt quite significantly in Stelis and debt at Stelis will now drop down to Rs.700 crores by the end of March and we now have a CDMO order book for the next year in excess of Rs.300 crores now giving us the confidence to guide the market that Stelis will be EBITDA positive from next year as you know this is a high 90% gross margin business that we operate. Post our US FDA approvals our request for quotes have been very significant and our RFPs issue now runs into several million dollars in terms of both contracts. our engagement with big pharma and large biopharmaceutical companies have been very significant ever since we got our FDA approval. There has been challenging times for biopharmaceutical companies globally in terms of compliance and we are standing to gain from these opportunities. We know we owe an answer to the Strides shareholders on what we intend to do with Stelis.

I am now pleased to let you know that after much deliberation, we have appointed a global banker to evaluate the strategic options including a listing option for Stelis in the near term. We will have more concrete and final updates for our stakeholders with our FY2023 results or earlier. So, we strongly believe that Stelis had significant headwinds not to its making and to its liking. The shift to the CDMO business is playing out extremely well. We have added several new customers and we are benefiting very significantly from the shortages of certain types of capacities that are still challenging the industry and we are very happy with the new customer list that we are onboarding.

So, with this, rather longish opening commentary, I will request the operator to then let for questions so that we can address as many as we can. I have with me Badree, my colleague, who will address questions on finance. So, we have covered little bit of the debt flow but if there are specific questions on finance, we are more than happy to discuss them. Thank you.

Moderator: We will now begin the question-and-answer session. We have the first question from the line of Rishabh Jain, an investor. Please go ahead.

Rishabh Jain: I have two set of questions. Firstly, on the US business. So, the US business seems to have hit its revenue outlook now with the current quarterly run rate. So, should we think about this business over the next 2-3 years in terms of approval and new launches and secondly on the other regulated market. So, it has bounced back strongly during the quarter. So, are there any one-offs or we can assume the growth trajectory to continue and what will be the key drivers for this business going forward and are there any specific geographies we should watch out for? Thank you.

Arun Kumar: The US business has 63 mn revenue as you rightly said is in line with our exit run rate range to hit $250 million of revenues. We have two consecutive quarters so that is the base number that you can bake in which is what I mentioned in the last quarter call. From here, we already have over 100 ANDAs approved through our acquisition through Endo which we are in the process of relaunching from several of our sites. We are not dependent on any new product approvals because as in April, you would recall that I have mentioned that we are not investing in R&D in the US because we have a very strong portfolio and that answers your second that we have diverted a lot of the R&D capital to the other regulated markets which is where the build out is coming with several filings and approvals that are expected and we are getting on a regular basis. Our other regulated market business has revenues of $39 million and has got no one-offs and that is the number that we have hit at least 3 or 4 quarters previously. So, that is a good base number to keep and there are no one-offs in that number.

Moderator: Thank you. We have the next question from the line of Aman Shah an individual advisor. Please go ahead.

Aman Shah: I have two sets of questions, first is the emerging market business has seen a significant decline during the quarter can you help us understand the reason for the same and what is the outlook for this business in coming quarters and the second question is also how does this place fit into the overall strategy given that its now approximately a 6% of the overall deposits.

Arun Kumar: Emerging market, I explained in my opening statement that the emerging market is typically a market that we call for our brand Africa business and UCL which is a Kenyan operation which we deconsolidated started beginning last quarter. So, adjusted for that our emerging market would particularly about not more than about Rs.400 crores a year. So, the emerging market business should be estimated at Rs.400 crores but in that Rs.400 crores almost Rs.250 odd crores is institutional business. This business is awarded to us once in three years. The contract was completed in H1 of this financial year. We have just won our awards a couple of weeks ago and we have retained our volume share. So, we still believe this business, so you should in your calculations, you should consider the emerging markets to peak at Rs.400 crores and you will see that run rate from Q1 of FY2024.

Moderator: We have the next question from the line of Vishwas Nandini an individual investor. Please go ahead.

Vishwas Nandini: My first question is regarding gross margins for the company. So, we have seen a sharp bounce back in our gross margins on a Y-o-Y basis expanded by 800 bps. So, what is driving this margin expansion. Is this sustainable and how is the overall pricing environment across the key market and my second question pertains to our operating leverage. We have seen an operating leverage playing out for the business over the last three quarters. So, what is driving this improvement in operating cost margin expansions and from a long-term perspective where are we in our journey on the margin expansion wise. So, these are my two questions, thank you.

Arun Kumar: Our gross margin is sustainable at 57%-58%. This is the second quarter running that we are delivering these numbers. So, I do not see any reason why this would get any lower than this. It could be 1% or 2% points lower once in a while. Especially when emerging markets come up the margins are not so much. Having said that our journey is to get back to 2019, 2020 numbers which is approximately 61%-62%. So, we have moved from 50%-57% but 57% to 61%, 62% will be a slow climb but we will get there in a couple of quarters. Our OPEX leverage is coming directly from our oversight of OPEX. So, we have reduced significantly our network cost across the globe. We have been supported to be honest also by reduced fright cost because of the significant drop in freight cost. So, this is playing through we are able to pull, reduce every line item of costs be it HR costs, be it warehousing cost, logistic, networks so we have been very successful in getting back the cost structure to where we should be for a global business. We have brought frugality back to the business and that is what we are focusing on.

Moderator: Thank you. We have the next question from the line of Rohan from ICICI Securities. Please go ahead.

Rohan: I have a few sets of questions, so firstly does the current write-offs in the GD account for all the inventory?

Arun Kumar: Go ahead with your questions.

Moderator: Rohan your question is not very clear, you need come of the microphone or if you could join the queue back again.

Rohan: I will rejoin, I will come back again.

Moderator: We have the next question from the line of Nitin Agarwal from DAM Capital Advisors. Please go ahead.

Nitin Agarwal: Arun on the US business, in and out given where we are and with whatever changes that you see in the landscape, how do you see in the 15-20 new launches that we are planning out from an exit perspective how should we look at may be probably the next year or if you could give us some sense on that?

Arun Kumar: Nitin, one thing that we are doing is while we are introducing the 15-20 products, we also churning out or exiting products that do not add any sense to us given the competitive landscape of certain products and that is effectively getting the company back to the traditional Strides model so it is not that I am suggesting that 250 with 15 other products will get to $300 million next year that is not what I am suggesting. What I am trying to tell you is that, the $250 million being the base we want to calibrate growth from there. We are still very focused on our $400 million play in the next 2-3 years. We are in no hurry to get there but we are in a hurry to move our margins up from 57%-61% and that has been the focus and that is relentless and we do not want to change that focus. So, I will be very happy if we get to $300 million in the next 12 months but move up our gross margins by 400 points and that will then give us very strong balance sheet strong leverage and we will achieve our target to be significantly lower than 3 times on a debt to EBITDA. So, that is our primary focus method.

Nitin Agarwal: Ok and the slight mention about the corporate action and network optimization S1 which have probably shifted to Q1. So, any sort of broad color on what you have in mind in that account.

Arun Kumar: Couple of things are very clear in this business, you either project yourself as being a very significant top tier player in the US market or you position yourself as a company which is very focused customer advocacy having products on time, delivered on time and then become a reliable player as what we used to be so from 2016 to 2019, we had for example zero failure to supply in three years in $500 million of sales. We want to get to those kind of levels rather than saying we are the 30th biggest company in the US or the 31st biggest or the 15th biggest. So, that is no more the focus, so the network optimization we have achieved a growth of almost $70 million of incremental revenue with no incremental unit sales. So, the question we are asking ourselves from our network is that do we really need so much infrastructure given a business of our size or do we use the infrastructure that we want to have and deliver products which are more profitable. The Endo acquisition allows us that luxury to pick and choose products that we want to launch because if I tell you that I want to build this business to $600 million in the next two years then I will have to be on the treadmill and I do not want to be on the treadmill when it comes given the significant challenges the industry is facing. So, I want to be very measured player in the US with the right product selection and launching in the right price discipline and key for me is to get the manufacturing operations in New York to a profitable level which it has not in this year. So, I am actually carrying a fair amount of under recovery still from my Chestnut Ridge in New York and I think we can fix that in the next financial year. So, those would be our bigger focus, you would see margin uptake. I am not so sure about revenue and that is not my focus in the next 12 months.

Nitin Agarwal: Right and on the debt part, so we guided to about a three-time debt to EBITDA by the end of the year. Now over a slightly longer period aspiration how would you want an ideal debt to EBITDA picture, debt profile to be looked like for Strides as a business?

Arun Kumar: I am very comfortable with the debt to EBITDA under three. There is absolutely no problem. The company has got no, very little long-term loans. One of the other reasons why I am not so excited about growing rapidly the US business is that any incremental dollar revenue takes to close to about 200 hundred days of new working capital on the sales. So, I would want the US business today it is already making profits for us but it is also solving for the Chestnut Ridge facility in New York once that is fully sorted out in the next couple of quarters. I do not think it will take more than two quarters to sort that out. We would then be able to use a free-cash that we generate in US to solve for growth. So, if I am going to accelerate growth, I will have to increase my working capital deployment for the US. So, it is taken or exit situation unfortunately but we are very happy with our trajectory because our other regulated markets will more than make up for any adventures that we may be missing out in the US in the near term.

Nitin Agarwal: Last one, if I heard you correctly, the emerging market business given the restructuring we should now look it as our including the branded business about Rs.400 crores analyzed business roughly speaking from modeling perspective?

Arun Kumar: Yes, because we won the contracts couple of weeks ago, we have the allocation so I can give you comfort around the numbers but this will be starting from Q1. We will start very little supplies from this quarter. This is very typical that the global funds have a six-month lag between two contracts.

Nitin Agarwal: But you mentioned the restructuring where the business is not getting consolidated despite that you will end up recording, this Rs.400 crores is after adjusting for the restructuring which is there.

Arun Kumar: Yes, if I have not deconsolidated Rs.400 crores would have been Rs.600 crores.

Moderator: Thank you. We have the next question from the line of Devanshi Mehta an individual investor. Please go ahead.

Devanshi Mehta: Thanks for the opportunity. So, I just wanted to understand from a portfolio build up perspective how should we look at the overall R&D investments for the business going forward and also given the regulated market business is witnessing a strong growth how are the utilizations at the plant and how do we look at the capex requirements for the business to support the growth plan. That is, it from my end.

Arun Kumar: The R&D spent in Strides is lower since the last one year we have brought it down from $25 million to just about $10 million and this is because we do not need to spend new R&D money for the US as we have over 100 approved ANDAs that have not been launched and every year, we are launching 12-15 new products from this approved list which does not require any R&D activities because these are already approved products. So, we are just moving these products from Chestnut Ridge in New York to other sites within the group and that leads to your next question that currently we have approximately capacity utilization of only 60% which means we have significant capacity unutilized which is why we talk about under recovery very often in our conversations. So, there would no new capex required for several year, even if you double on business from where we are, so that is on the business. On regulated business, your question specifically was on capacities, right? and the utilization. So, I think I have addressed both.

Moderator: Thank you. We have the next question from the line of Amar Maourya from Alpha Accurate Advisors. Please go ahead.

Amar Maourya: Couple of questions from my side sir. Firstly, in US business, as you indicated that the winter portfolio had also done well in this quarter. So, what kind of uptake we would have got from that winter portfolio?

Arun Kumar: We do not give specifics, we have a lot of products which and as you probably would appreciate, we do not have anything called summer and winter anymore. So, most often some of our seasonal products are sold throughout the year or at least nine months a year. So, we do not call out a specific number, we are just saying that we benefitted from that. So, I am not suggesting therefore our business would drop from the next quarter, just gives us the flexibility on what products we introduce quickly into the market for without contracts and with contracts.

Amar Maourya: So, basically, my point was like probably this particular product is largely having a better margin than the overall portfolio.

Arun Kumar: Not necessarily. Our margin profile if you look at has only improved from 57% to 58%. So, if this product were very big then our margins expansion would have been far greater from the last quarter.

Amar Maourya: And secondly sir, you indicated that largely you are targeting operational profitability and less focusing on the revenue growth at this point of time.

Arun Kumar: No that is not true. I am saying only with regard to the US because in the US when we hit $250 million, we have added over $100 million of sales from last year. So, we have grown 40%. Okay, saying going forward, you will see growth coming from non-US markets. So, our focus this year, has been to increase the US growth quite significantly.

Amar Maourya: Because you already reached to, if I do the analyzation of this particular quarter number, you already hit to the $250 million number, right? So, that is what your aspiration for the US as you said.

Arun Kumar: Correct. So, we have already hit it. So, what we are saying is now that we have done with that we will steady business with a large portfolio of approved products to improve our margin profile to what we have a target margin profile of 61%-62%.

Amar Maourya: And this you expect to happen let say in 2024?

Arun Kumar: As in the margin expansion that is the hope. I mean but we do not know how markets play out but we think with everything that we are doing we think that we will get closer to 60% in FY2024 and that is why I suggested that our EBITDAs where are at 14% would get back to the 18%-20% range and that is the reason we need take gross margin up about 300 basis points.

Moderator: Thank you. We have the next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: First question is pertaining to the gross margin. So, this quarter, we saw that our institutional business actually fell off the cliff. In spite of that on a quarter-to-quarter basis there is no increase on the overall gross margin, which should have ideally increased a lot because of much higher mix from the regulated markets. So, that is number 1, second is that there was some news reports on the reintroduction of ranitidine in the US. So, if you can throw some color and if there are any comments on that front. Thirdly, on Stelis, so this is the first time I think there is no slide or no presentation on Stelis business.

Arun Kumar: There is Sarvesh. There is a very significant detailed presentation on Stelis. You must have a look again.

Sarvesh Gupta: Okay, maybe I missed it but now I think last quarter also you had sort of alluded that on account of this global banker which has been appointed and we were planning a big fund raise to lower down the debt at the Stelis level significantly.

Arun Kumar: So, if you look at the debt, we have appointed a banker to review strategic options, not to fund raise. The fund raise has already been done. Rs.650 crores of fund raise has been committed in Stelis of which Rs.475 crores has already been invested. So, it is all there in the Stelis deck and to answer your question on Strides the other regulated market does not have the same gross margin profile as the US market but at the same time it does not have the same cost structure as the US market. So, if you see the growth of the incremental $9 million has come from other regulated markets. So, the US obviously operates at a much higher gross margin.

Sarvesh Gupta: Understood and any comments on the ranitidine thing.

Arun Kumar: Ranitidine is dead and gone. Currently, we do not thing the product is going to be relaunched by anybody in a long while. The current regulatory framework that the FDA has asked companies to do on ranitidine is almost impossible. Having said that ranitidine is coming back in certain countries in Europe, Canada, Australia. So, we are watching and, in these markets, we hope to relaunch the product in the near term.

Sarvesh Gupta: Understood and finally on the rightsizing of infrastructure. So, if you can throw some color as in what exactly are we planning to do. Are we planning to sell some of the facilities or are we planning to sort of is there…

Arun Kumar: No rightsizing can mean a lot of things it could be operating facilities, instead of two shifts and single shifts, moving plants from less efficient plants to more efficient plants bringing products from to the US, to India or taking products from our group to external manufacturers. So, that is what is network rightsizing mean and it could also include does it make sense to have so many plants. So, all of that is the function long range plan and strategy and what our focus is if you were have to build margins, you really do not need to sell billions of units to improve the quality of your business. You can still sell few less units for more outcomes.

Moderator: Thank you. We have the next question from the line of Vikram Damani from Damani Securities. Please go ahead.

Pushkar Bavare: One question with respect to Stelis, can we anticipate any further write-off going forward in terms of rejoining?

Arun Kumar: Everything is taken into account.

Pushkar Bavare: Everything taken into account? Okay, great. Another question with respect to our shareholding in Stelis in your documents where you all are refinancing the loans. You all say that Strides hold 31.5% in Stelis in the investor presentation as 36. So, what is our current shareholding or are there some outstanding warrants that are being factored in here.

Arun Kumar: Sorry, it is fully diluted because as you see on the deck of Stelis there is an outstanding capital that needs to come through like we said out of the Rs.650 crores, Rs.475 crores has come in. When all the Rs. 650 crores comes through Strides will go down from 33% to 31.5%.

Pushkar Bavare: And one question with regards to the NC segment this gap that we are seeing of the two quarters I know you elaborated a little bit. I just wanted clarification in the NC segment these two quarters. Is that a PQ inspection or compliance delay?

Arun Kumar: No. So, the global funds award contracts once in three years, typically they complete the off in about instead of the 36 months. They complete the off takes in about 30 months, so that they keep enough inventory and then the bidding starts in the process and they are in no hurry to stock pile because they already have stock pile and that is why if you look at our H1 numbers, our institutional business in H1 was almost $35-$40 million. So, we did the entire annual year's production in H1.

Pushkar Bavare: And going forward can we expect to maintain the same volume? You actually said that volume.

Arun Kumar: We have already received the same allocation. We got a slightly better allocation.

Moderator: Thank you. We have the next question from the line of Ankit Jain an individual investor. Please go ahead.

Ankit Jain: Are we expecting any more write-offs in terms of Stelis or in terms of Strides first, and then second how do you think the margins will play out in the future for the acquisition that we did?

Arun Kumar: So, like I said, first one is on write-off Strides there is none. We do not anticipate anything, we have a very good system there when it comes to the second question was on acquisition of the Endo, I did mention in my longish introduction that we will breakeven the plant in FY2024, we did a lot of actions, we have reduced the cost from $47 million to now $31 million but that cost reduction had to go through what is called a regular WARN Notice Program in the US and we will get the full benefit of that starting from Q1. So, we are carrying an acquired cost and there were certain challenges in us to make those decision with regarding rightsizing based on the contract we signed up but all that is now done and dusted. It is in the public domain that we have issued a WARN notice and they will have headcount reduction starting from January 28th but will still carry certain cost till end of April but after that we would have reduced the cost that New York facility by about $15 million and that is what will drive the US operations to profitability.

Moderator: Thank you. We have the next question from the line of Pushkar Bavare an individual investor. Please go ahead.

Pushkar Bavare: The question is that since June 2021, Strides took almost 5 quarters to come back to the historical level of US revenue business. Then in quarter two of this FY, UK business went down from 40 million to 31 million. Then again in Q3 the US and UK came back to its historical level but this time Africa and institutional business came down. So, as an investor, there is no consistency in the overall business. So, are we getting value to our investment because since 2017, we are not getting any value to our investments. So, that is my first question, second is that you have launched 10 products in the US this financial year. You have said that 20 products would be launched in this financial year that is one. Second, you said that $240 million will be done in US in the entire FY. Are you confident about reaching this level?

Arun Kumar: Yes, if you look at our exit run rate, yes the answer is we will reach to $240 million to $250 million that is what we guided as our exit run rate. We are on track to get there and I do appreciate your angst in not having created value since the last several years and that is nothing to do with dip in our business. In Q2 we had guided that the other regulated market had a one-off quarter spill which we will completely recoup in Q3 and we did exactly that. So, we guided you as an investor in Q2 that we had more, it was more on invoicing, accounting, logistic issues which we solved for and we are back on track. If we have six continuous quarters where we have performed in the $37-$40 million range and if you remember we guided the market that we had a one-off issue for various reasons. I think it is an unfair position for you to take in terms of our consistency. Second talking about Africa, I just mentioned that the Africa business for us is a branded business and we are doing extremely well with that there is no lack of consistency. Probably you have not paid attention Pushkar to the fact that we said in Q2 that we deconsolidated our Kenyan operations. So, you are not doing a like-to-like comparison. Separately, we told you that we have already won our emerging market contracts from the institutional business which will get back our revenues back to $400 crores from Q1. So, when you do all of that is very standard in our business that there are contracts that you win, there are contracts that you lose but overall, you should do well. So, our focus has been on getting the company from negative EBITDA to a positive EBITDA traction to set the goals for the next year, where we are very confident that we will get back to a historical heights and I am first of all thank you for persistent, we invested in Strides and I am sure that these actions will give you the results that you are looking for.

Moderator: Thank you. We have the last question from the line of Aditi Kasbekar an individual investor. Please go ahead.

Aditi Kasbekar: So, basically, I have one clarification, I think few con call back it was mentioned that we got a total basket of about 260 approved molecule out of which about 60 is commercialized and the rest is sort of approved and yet to be commercialized, out of which I think it was said that 80-100 molecules need 60% gross margin criteria. So, firstly how has that mix of sort of commercialized molecules change to support the $63 million US run rate, that is the first question and then the second question is on the other regulated markets, if I see the quarterly run rate, the peak was in fourth quarter of FY2022 when we did about $42 million. So, do we see us getting sort of to that level or sort of getting to the $42-$45 million level or like you are mentioning on the US market where you said that $240-$250 million annual sales is what you are targeting. Similarly, are we thinking on ORM also a similar kind of overall size for the annual revenue in terms of the exit run rate? So, those are the two questions.

Arun Kumar: So, on the US, you are right to the number of molecules that will meet our threshold margins that we are used to as a company but what really happens Aditi is that a lot of the heavy lifting that we have done on product launches goals to support the Chestnut Ridge facility which is under recovering. I did allude that by the end of this quarter all of the actions to get the cost to rightsize has been taken and therefore you will see an incremental flow through. So, almost $60-$70 million of my revenues in the US goes only to support the Chestnut Ridge facility without adding any EBITDA to the group and that is going to change because all the actions to cost to rightsize the cost has been taken and dusted. So, you will see the flow through of those margins actually coming through starting from May when our cost structure has reduced with all the actions we have taken. Considering, these are major Corporate actions US regulations require us to follow certain processes and these are not employment at will opportunities that we can normally use. Therefore there is a WARN notice, there is a time you have to give people, there is severance pay, you have to put for various investments to ensure that they can be re-employed in other places and stuffs like that. All that has been done and as of January 28th that will fall in effect but we will still carry cost for three months and by April 28th we get to a cost level that is comfortable where we know that the US operation with its portfolio will start delivering margins. On the ORM, $39, $42 million is a good base level from where we would grow. I would like to believe that this business will mirror the US business in about 2-3 years. There is a lot of focus that we are attaching here and I would estimate the business to exit at least that $50 million in the next financial year. This is a slow growth business because it is a diverse continent with several customers and countries and languages and packing but it is slow and steady. It is very sticky and it may not deliver the same gross margin as the US business but does not also incur the cost that we are used to running the US business. So, I think next year, exit run rate this time at $50 million would be a reasonable level of guidance from us at this stage.

Moderator: Thank you. That was the last question. I now hand it over to the management for closing comments.

Arun Kumar: Thank you all, really appreciate your time today and as always if you have questions, you may please reach out to me or Abhishek or to our investor's relation cell. Thank you very much, good evening.

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

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