



STRATEGY AT
PLAY

Q1FY21 Earnings

August 05, 2020





Coming out of a challenging Q4 FY20 due to Ranitidine withdrawal, Strides has started FY21 on a positive note. We have reported strong performance across all our business in Q1 FY21 despite significant disruptions and ambiguity in the business environment due to Covid 19. Our regulated markets growth was 22% QoQ and our emerging markets are now returning to growth after several quarters. We have delivered healthy operating leverage that led to an 920bps QoQ EBITDA margin expansion with superior cash flows.

We are proud of our global workforce for their exemplary efforts to keep our operations running during the current crisis period. We continue to pursue a “People First” approach, and the wellbeing of our employees remains our top priority.

We have demonstrated resilience and agility to adapt to the current pandemic situation. While our manufacturing and supply chain continue to remain steady without any significant disruptions, we remain cautiously optimistic on the outlook of our business for the year as the operating environment continues to evolve.

Dr. R Ananthanarayanan

Managing Director & CEO



	Q1FY21	Q4FY20	Q1FY20 ¹	QoQ%	YoY%
Revenues	₹7,847m	₹6,126m	₹6,888m	26% ↑	14% ↑
Gross Margins	₹4,825m 61.5%	₹3,750m 60.3%	₹3,726m 54.1%	29% ↑ 120 bps	29% ↑ 740 bps
EBITDA	₹1,578m 20.1%	₹680m 10.9%	₹1,239m 18.0%	132% ↑ 920 bps	27% ↑ 210 bps
Pharma PAT²	₹788m	₹84m	₹523m	839% ↑	51% ↑
Pharma EPS²	₹8.8	₹0.9	₹5.8	839% ↑	51% ↑



Key Highlights

Regulated Markets

Market	Q1FY21	Q4FY20	Q1FY20	QoQ%	YoY%
US	3,738	2,931	3,459 ¹	28%	8%
Other Reg	2,606	2,260	1,705	15%	53%
Total	6,344	5,191	5,164	22%	23%

Emerging Markets

Market	Q1FY21	Q4FY20	Q1FY20	QoQ%	YoY%
Inst. Biz	810	625	880	30%	-8%
Africa	693	400	401	73%	73%
Total	1,503	1,025	1,281	47%	17%

Consolidated Group Revenues

Total	7,847	6,126	6445¹	26%	22%
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Regulated Markets

US

- US reported **₹3,738m revenues(\$50m)**, up by **28% QoQ** and **8% YoY**
- Strides delivered a **healthy business outcome** despite Covid-19 related headwinds in the market
- **Market share for key base products and recent new launches** remains steady

Other Regulated Markets

- Other regulated markets grew **53% YoY** and **15% QoQ** reporting its **highest ever quarterly revenues of ₹2,606m (\$35m)**
- **Performance was driven** by the key front-end and partnered markets of **UK , Germany, Australia, Nordics and Netherlands**

Emerging Markets

- Post a tepid performance in FY20, the emerging markets have turned the corner and have **shown signs of improvement**
- **Africa grew 73% YoY and QoQ**, driven by the key brands and improvement in primary sales inline with secondary sales
- The **Institutional business achieved a 30% growth over Q4FY20**, factoring a higher order pick up by the donor funds.
- During the quarter, we received WHO PQ approval for **TLD, a key ARV product**

R&D

- The **R&D spend** in Q1FY21 was **₹247m**.
- Filed **2 ANDAs** and received approval for **3 new ANDAs**. In the other regulated markets, filed **4 products** and **received 2 new product approvals**

Strides Regulated Markets

Q1FY21	Q4FY20	Q1FY20	QoQ%	YoY%
₹6,344m	₹5,191m	₹5,164m	22% ↑	23% ↑
\$85m	\$73m	\$73m	16% ↑	16% ↑



Growth Drivers

- Continued traction in the US Business driven by steady base business and new launches during the year
- Portfolio fungibility driving the overall product and market penetration in the other regulated markets



Near Term Challenges

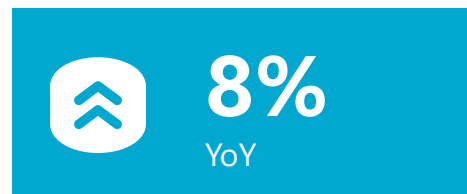
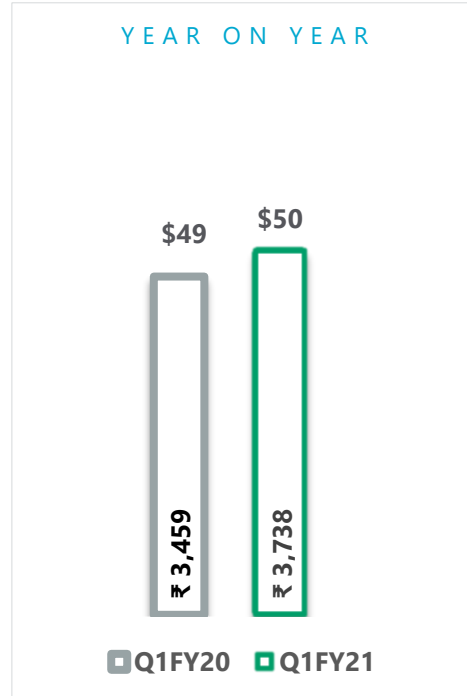
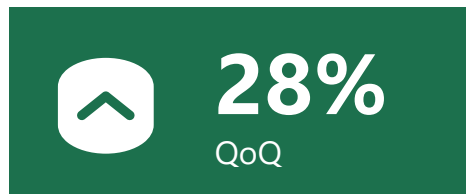
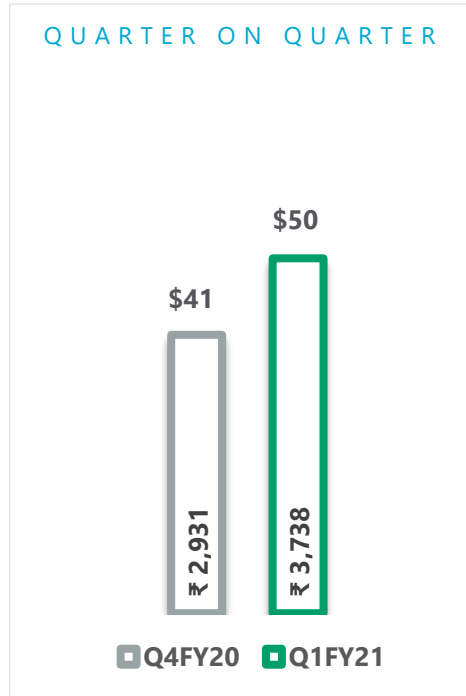
- Challenges around COVID 19 continues to have an overhang on the front-end markets
- Softness in demand led by lower prescription rates, decline in elective surgical procedures and lower footfall at pharmacies



Outlook

- Strides remains optimistic of achieving its business outlook in the regulated markets for FY21
- We expect the growth to continue in the ongoing year as we unfold a large pipeline of approved products with market fungibility across our operations

Financial Performance (₹/\$M)



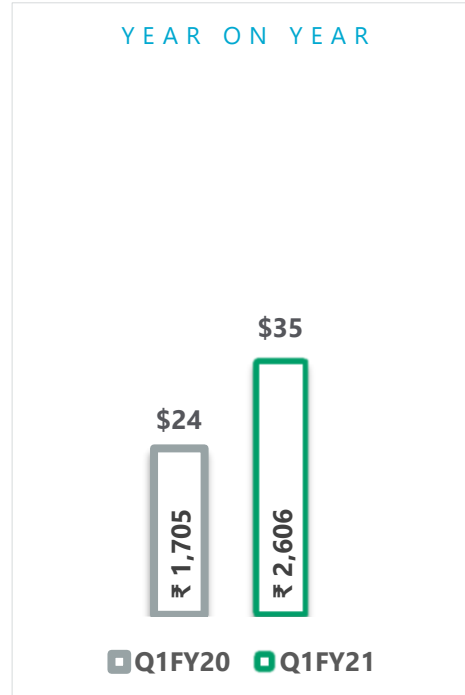
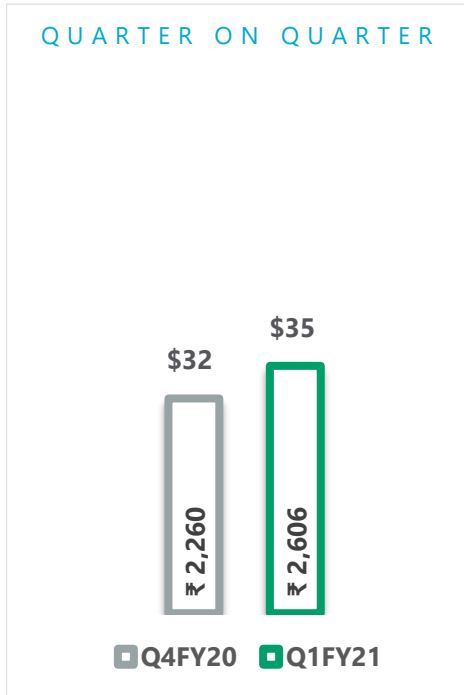
YoY and QoQ growth are on INR reported numbers

Performance Updates

- Strides reported a **strong Q1 FY 20 performance in the US markets** despite ranitidine withdrawal
- Business reported a **28% QoQ growth** to **\$50m revenues** in Q1FY21
- During the quarter **launched 2 new products**, product launch momentum to continue
- **Base business** continues to **maintain its market share** as we ensured continuity of supplies through superior supply chain execution amidst the **Covid-19 temporary disruptions**
- **Received 3 ANDA approvals**, products will be launched in the coming quarters
- Continued focus on **maintaining supply continuity** and **high level of customer engagement**



Financial Performance (₹/\$M)



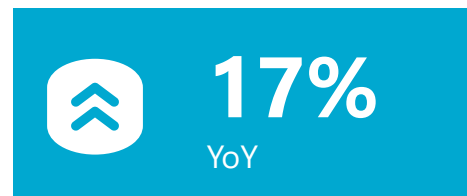
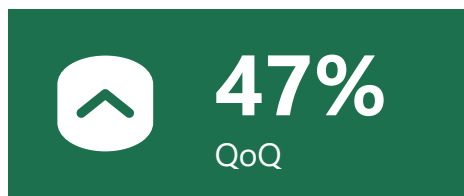
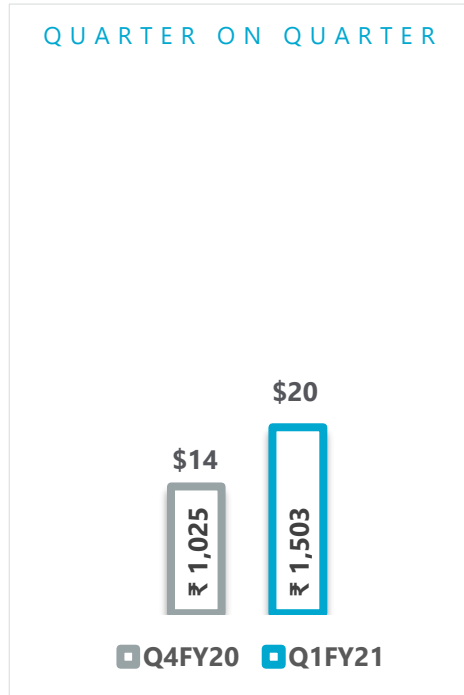
Performance Updates

- The **other regulated markets reported 53% YoY and 15% QoQ growth** to achieve its highest ever quarterly run-rate.
- The business has **achieved \$35m scale** with **improvement** in the margins due to **operating leverage**
- **Strong growth continues** in the other regulated markets although the market remains sluggish at the pharmacy level.
- **Increase in the supplies to Arrotex** in Australia with **healthy order book visibility**
- Business remains healthy due to **product launches, increased market shares and portfolio cross-pollination**
- We continue to invest in R&D to expand our portfolio for other regulated markets. During the quarter, we filed **4 new products** and **received 2 approvals**



YoY and QoQ growth are on INR reported numbers

Financial Performance (₹/\$M)



YoY and QoQ growth are on INR reported numbers

Performance Updates

- The Emerging market business **picked up sequentially**, reported **\$20m revenues in Q1FY21**
- **Post the strategic reset**, the brands Africa business reported an improvement in the performance driven across all indicators. While **Q1 FY 21 has been a strong comeback quarter for Africa business**, we are seeing **softness in acute therapies due to lower prescription rates**
- Our **Institutional business performance** was on track. We have now received WHO PQ approval for **TLD**. The product is undergoing country specific registrations and will be available for the **commercial launch in H2FY21**
- **TLD commands a significant share of the donor funding pool** as the product has been included as a **preferred first-line option among the current antiretroviral drug regimens**
- Our WHO approved manufacturing facility in **Kenya had a steady quarter**. We continue to build on our **“In Africa for Africa”** strategy through local manufacturing of products for the markets





The USFDA inspected our **Puducherry site** from **January 28, 2019, to February 5, 2019**. The site was classified as **Official Action Indicated(OAI)** followed by a **warning letter** in **July 2019**.



We have **completed and submitted all Corrective and Preventive Action (CAPA)** plans, verified by the **external third-party remediation agency**



We are awaiting the **re-inspection of the facility** which has got delayed **due to Covid-19 disruption**



We **continue to engage** with the agency on the **reclassification and shall update outcomes when available**



FY21 OUTLOOK

- Q1 FY21 has been a strong comeback quarter for Strides despite Ranitidine withdrawal
- We believe given the current scenario, challenges around COVID 19 will continue to have an overhang on the industry including
 - Softness in demand led by lower prescription rates, decline in elective surgical procedures and lower footfall at pharmacies
 - Unforeseen challenges in supply chain
 - Increase in operating cost including higher logistics cost
- Strides is cautiously optimistic on the overall business outlook for FY21

BUSINESS CONTINUITY MEASURES



PEOPLE FIRST

- Established leadership connect globally and ensure employee Safety & Wellbeing
- Build Emotional Connect through multiple channels – extending to families of employees
- Rapid response & agile adaption of new work practices at organization level globally



OPERATIONS & SUPPLY CHAIN CONTINUITY

- Proactive engagement with suppliers to ensure uninterrupted supplies of materials
- Smart working capital management
- Continued compliance of all sites with focus on sustaining and maintaining the quality metrics



BUSINESS ENGAGEMENT

- Right size channel inventory to avoid stock out situations given constraints
- Strengthen customer advocacy by adhering to supply commitments, build a strong connect with customers leveraging digital platforms
- Focus on improving productivity and efficiency at each level to maximize returns



FINANCIAL FOCUS

- Drive business performance to achieve plan targets and cost management programs
- High focus on Enterprise Risk Management framework
- Austerity measures to contain cost and preserve cash without disrupting business
- No major new investments or M&As until we have better visibility on situation

Stelis Biopharma- Operations expected to break even in FY22



Biopharma (Follow on Biologics)

- **Biosimilar PTH (Teriparatide) targeting Osteoporosis with < 4 global competitors**
 - EU filing in Q2FY21, US dossier submission under 505(b)(2) in FY22
 - Product already partnered in EU and key emerging markets
 - Licensed to Strides for front ending the opportunity in the US
- **Disrupting high volume insulin and analogs space with our low-cost technology**
 - Development on track, technology validated in Insulin Glargine; Lispro and rh-Insulin
 - Phase 1 trials for Glargine to commence in Q2FY21



BioSource(CDMO services)

- **Fully integrated, multi-capable facilities and skill sets** for end-to-end biopharmaceutical development and manufacturing needs for customers
- **Comprehensive services** to support all phases of pre-clinical and clinical development
- CGMP manufacturing of **Drug Substance** and **Drug Product** for commercial supply for both microbial & mammalian biologicals
- **3 Drug product line suites** on stream with 5+ partners on board
- **Microbial drug substance** suite going on stream with ongoing validations
- **Mammalian drug substance** suite to be up and running from April 2021, delayed due to Covid-19 related travel restrictions



Vaccines(New Pivot for growth)

- Commissioning a state-of-the-art vaccine suite for **multiple vaccine types**, **going on stream from December 2020**
- High speed filling lines with **yearly capacity of 60 million vaccines and 25 Million for Lyophilised vaccines**
- Can cater to vaccine types including **Viral vector, Protein subunit, RNA and DNA**
- **Discussions ongoing with global companies developing vaccines for Covid-19**

Strides committed to invest \$40m into Stelis for a majority stake in the biotech business, ~\$15m from the same has already been invested



Foray into Sterile Injectables

- Strides on September 20, 2019, announced that it would **re-enter into sterile injectables business** post the completion of the **Company's non-compete period with Mylan Inc. which ended in December 2019.**
- The investments were planned for a **global foray in Sterile injectables** leveraging the **group's rich experience in the domain.**
- Given the **unprecedented developments due to Ranitidine product withdrawal and Covid-19 outbreak**, the Company has **put on hold all the new investments.** As the injectable business is **long gestation** in nature, the Company will review its decision on investments. Meanwhile, the promoters of the Company continue to **stay invested in injectables and Strides retains an option until December 2020 to participate in the existing platform**



Financial Performance





Pharma Net Debt

As at March 2020

₹ 6,953m

As at June 2020

₹ 5,668m

Change over previous quarter

-₹1,285m



Investments in CHC & Biotech

As at March 2020

₹ 4,516m

As at June 2020

₹ 5,049m

Change over previous quarter

₹533m



Total Net Debt

As at March 2020

₹ 11,469m

As at June 2020

₹ 10,717m

Change over previous quarter

-₹752m



Pharma ROCE%

For FY20

10.8%

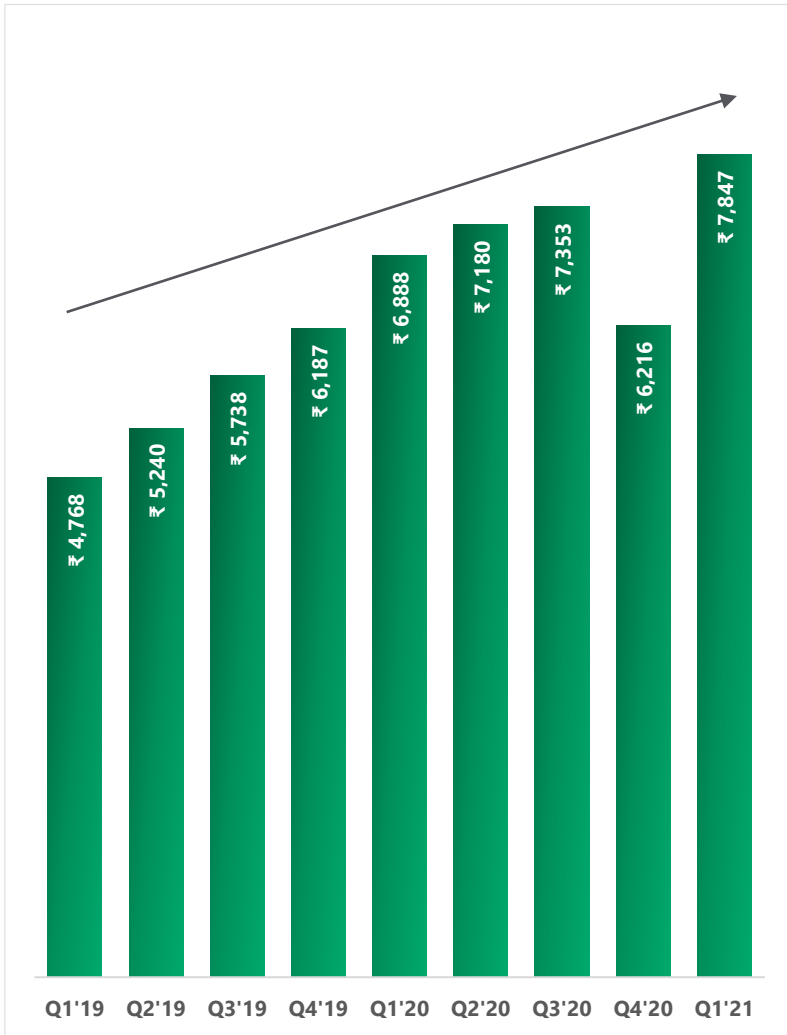
For Q1 FY21

13.2%

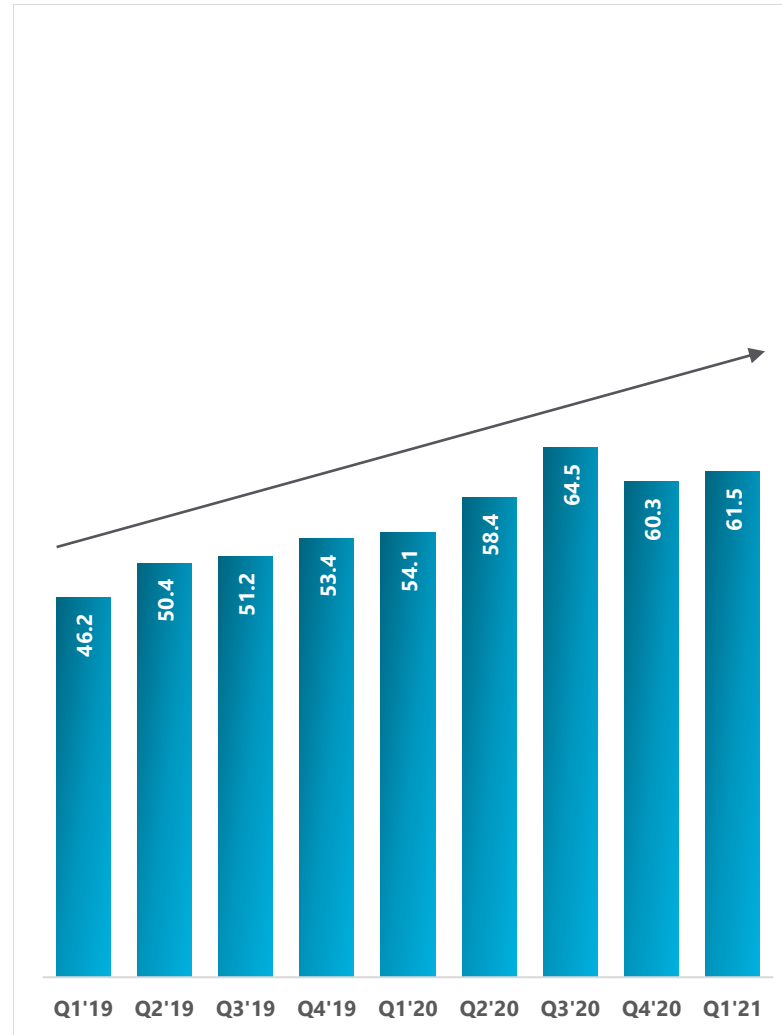
Increase over FY20

240_{bps}

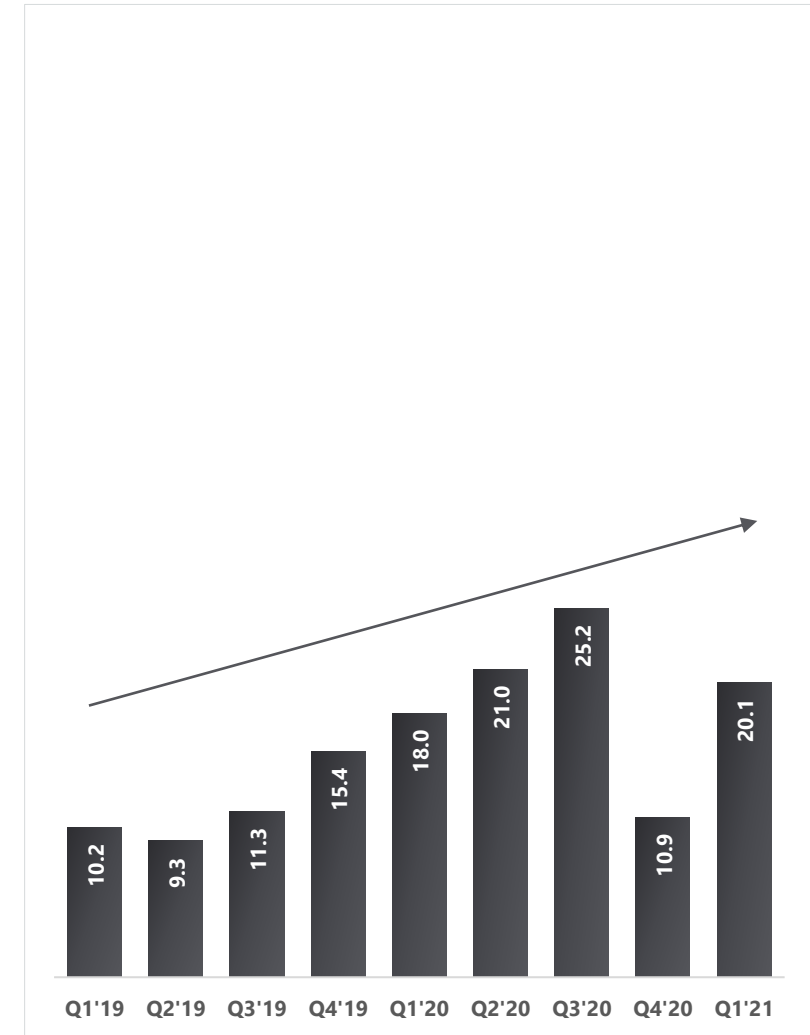
Revenues (₹M)



Gross Margins(%)



EBITDA(%)



Q4FY20 impacted on account of Ranitidine withdrawal.

Income statement (₹m)

Particulars	Q1 FY21	Q1 FY20	YoY	Q4 FY20	QoQ
Revenues	7,847	6,888	14%	6,216	26%
EBITDA	1,578	1,239	27%	680	132%
EBITDA %	20.1%	18.0%	210bps	10.9%	920bps
Pharma PAT¹	788	523		84	
Pharma EPS¹	8.8	5.8		0.9	

Reconciliation of EBITDA (₹m)

As per SEBI results	Q1 FY21	Q1 FY20	Q4 FY20
Profit before exceptional items & tax	811	529	-30
Less: Interest, Dividend income	94	73	147
Add : Depreciation and Amortization	491	429	453
Add : Finance costs	369	353	403
Consolidated EBITDA as per press note	1,578	1,239	680



invites you to interact with the senior management on Q1FY21 earnings on



WEDNESDAY, AUGUST 5, 2020

5:15pm IST / 12:45pm BST / 07:45am EDT / 07:45pm HKT

Speakers:



Arun Kumar

Founder & Non - Executive Chairman



Dr. R. Ananthanarayanan

Managing Director & CEO



Badree Komandur

Executive Director & CFO

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Thank you

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