Strides

Warm Welcome to the Shareholders

Strides Pharma Science Limited | Extraordinary General Meeting | February 06, 2023

Agenda

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Stelis Biopharma – Business Updates

Fund raise Updates

EGM Agenda

Stelis Biopharma had a challenging year due to geopolitical issues leading to zero sales for Sputnik Light Vaccine; however, the base CDMO business had several milestones enabling success for the future; Stelis is expected to generate its maiden EBITDA in FY24.

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Lowlights due to unprecedented situation

- Stelis inventories relating to the Covid-19 vaccines remain unsold due to the geopolitical situation between Russia and Ukraine and sanctions on Russia and Russian Direct Investment Fund (RDIF).
- During Q3’23 and 9M’23, Stelis incurred a significant loss on provisions recorded for the write-down of all Covid-19-related inventories, operating loss, and impairment of certain intangibles related to its products division, given the strategic shift to be a pure-play CDMO company.
- The covid portfolio-related provision recorded is on a prudent basis despite the inventories having an effective shelf life.

Key Highlights during the year

CDMO Business

- Stelis Flagship facility received Establishment Inspection Report (EIR) from USFDA for commercializing the drug-device combination products. The flagship facility, in September 2022, received EIR from USFDA based on on-site Pre-Approval Inspection (PAI), leading to the first US product approval for one of its key customers in December 2022.
- Stelis continues to onboard new partners for its integrated capabilities offered through three manufacturing facilities. During the year, Stelis has already contracted business with three new partners, four long-term contracts have reached the definitive agreement stage, and manufacturing services agreements will be executed in due course.
- As of the first nine months, the manufacturing services agreement (MSA) concluded by Stelis translated into a cumulative commercial sales agreement(CSA) value of $200m+ over the next three-four years. With the USFDA approval in place, including for drug devices, the CSA revenues will start from FY24 and grow significantly in FY25.
- The new business would result in operating inflow; however, the revenue recognition will follow the operational milestones and remain steady only after the cumulative CSAs exceed the MSAs.

Product Business

- The company’s first biosimilar (Rh-Teriparatide or PTH) received approval from the European Medicine Agency(EMA). The product has already been licensed in 20 countries. Stelis recently concluded a term sheet with a large European player to license this asset in 7 EU countries, capturing 70% of the market opportunity. The definitive agreements are likely to be concluded in Q4’23.
- One of the Company’s diabetes assets, GLP-1, was licensed to a leading pharmaceutical company for marketing rights in the Middle East and North Africa (MENA) region.

Investors and Promoters commit ~₹6,451M investment in Stelis, of which ~₹4,738 M is received; Stelis guides for a positive EBITDA outcome in FY24 and is seeking refinancing of its existing loans

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- Stelis is **poised to build a robust business with high margins & promising returns**, delivering significant value for the shareholders of Strides. With the **pick-up in revenues and operating profits (expected to break even in FY24),** Stelis would have **generated sufficient cash from operations to meet its business and financing requirements (free cashflow generation from FY25).**
- However, given the **unprecedented challenges in Sputnik Light vaccine sales** and repayments of its existing loans linked to the program, Stelis is seeking to refinance its **current debt of up to Rs. 7,000 million** from **Banks/ Financial Institutions/ Non-Banking Financial Companies** to meet its near-term obligations.
- Stelis' total debt stood at **~Rs. 11,700 million and Rs. 9,098 million**, respectively, as at the end of March 31, 2022, and December 31, 2022. Post the refinancing arrangement, Stelis' Debt Book is expected to be at **~ Rs. 9,098 million**
- Further, Promoters and other Investors of Stelis are committed to **investing up to Rs. 6,451 million** in Stelis to meet its debt obligations. Stelis has already **received Rs. 4,738 million of capital until December 2022.**
- As a leading shareholder of Stelis, and a corporate guarantor for its existing facilities, Stelis has requested Strides to **support the proposed refinancing arrangement by providing Corporate Guarantee,** in addition to the security **Stelis and its Promoters would provide for availing the facilities.**
- The Board of Directors of Strides, at their meeting held on **January 10, 2023**, have approved providing Security and Corporate guarantees of an amount up to Rs. 7,000 million for the proposed refinancing by Stelis.
- **Approval of Strides shareholders is being sought for the said proposal in line with the applicable provisions through the Extraordinary General Meeting (EGM) of Strides scheduled today.**

Agenda for EGM

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Item 1

- *Security/ Corporate Guarantee to be continued for the borrowings of Stelis Biopharma Limited under Section 185 of the Companies Act, 2013*

Item 2

- *Security/ Corporate Guarantee to be continued for the borrowings of Stelis Biopharma Limited under Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015*

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Thank You