



November 5, 2025

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Scrip code: 532531

National Stock Exchange of India Limited

Exchange Plaza, Bandra-Kurla Complex
Bandra (E) Mumbai - 400 051

Symbol: STAR

Dear Madam/ Sirs,

Sub: Transcript of Earnings Call pertaining to unaudited Financial Results of the Company for the quarter and half year ended September 30, 2025.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of earnings call for the quarter and half year ended September 30, 2025, conducted after the meeting of Board of Directors held on Friday, October 31, 2025, for your information and records.

The said transcript is also available on the website of the Company at:

<https://strides.com/pdf/financial%20results/Annual%20Reports/Earnings%20Call%20Transcript/2026/Strides-Q2FY26-Transcript.pdf>

Request you to kindly take the above on record.

Thanks & Regards,

For **Strides Pharma Science Limited**,

Manjula R

Company Secretary & Compliance Officer
ICSI Membership No. A30515

Encl: a/a

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“Strides Pharma Science Limited
Q2 & FY26 Earnings Conference Call”

October 31, 2025



MANAGEMENT: STRIDES PHARMA SCIENCE LIMITED

- **MR. BADREE KOMANDUR – MANAGING DIRECTOR
AND GROUP CHIEF EXECUTIVE OFFICER**
 - **ADITYA KUMAR – EXECUTIVE DIRECTOR**
 - **MR. VIKESH KUMAR – GROUP CHIEF FINANCIAL
OFFICER**
- INVESTOR RELATIONS CONSULTANT**
- **MR. ABHISHEK SINGHAL**

Moderator: Ladies and gentlemen, good day and welcome to Strides Pharma Science Limited Q2 and FY '26 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Abhishek. Thank you and over to you, sir.

Abhishek Singhal: Very good evening, and thank you for joining us today for Strides earnings call for the second quarter and half year ended financial year 2026. Today, we have with us Badree Komandur, Managing Director and Group CEO; Aditya Kumar, Executive Director and Vikesh Kumar, Group CFO to share the highlights of the business and financials for the quarter.

I hope you've gone through our results release and the quarterly investor presentation that have been uploaded on our website as well as stock exchange website. The transcript for this call will be available in a week's time on the company's website. Please note that today's discussion may 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 to the Investor Relations team. I now hand over the call to Mr. Badree to make his opening comments.

Badree Komandur: Thank you, Abhishek. Good morning, good afternoon, and good evening to all who are joining in this call. We are extremely happy with the results. The performance demonstrates our consistent execution as we invest in sustainable long-term growth. I'll cover my speech into two parts. I'll focus on all the growth metrics on the business. Our Group CFO, Vikesh will cover all the metrics relating to the efficiency as well as the profitability. I also will speak about some qualitative aspects of the key businesses which we have. And in the end, we'll take all the questions that has to be answered.

So from our perspective, the Q2 has been very strong for us. Our revenue grew by 4.6% year-on-year. Gross margins at 14.6% growth. EBITDA grew by 25.4% and operational PAT at 84%. All we want to say is that consistency and sustainable growth has helped us to create the operating leverage, and the multiplier effect is very clearly seen from our results, a 4.6% increase in revenue growth resulted in almost 3x increase in gross margin growth, almost 5x to 6x increase in the EBITDA growth, and almost 20x increase in the operational PAT. This is based on the quarterly performance.

As far as the half-yearly performance is concerned, the revenue grew by 5.5%, gross margin at 13.2% and EBITDA at 20% growth for the first half and operational PAT at 82.6%. Again, the complete operating leverage is visible in the entire P&L.

I'll go market by market now. The U.S. market at \$73 million grew 2% year-on-year. There has been intense competition in recent launches. This is despite the competition, we have grown 2% year-on-year. We also launched 3 products in H1 FY '26. And the total number of commercialized products stood at 70.

We continue to rank top three in 37 products, and we added more product to this list, which contributes almost 75% of our U.S. revenue. And we have given a long-term outlook to the Street in terms of the \$400 million by FY '28. We are continuing to focus on that and continue to execute based on that plan. And we have got 230-plus ANDAs filed, and 215-plus ANDAs approved as of July.

And the company has invested in new segments of Control Substances, and we are spending the new R&D on all those programs, which are beyond \$400 million.

I also want to cover some of the key points with respect to the U.S. business, and also the philosophy of the company in growing that business. As far as the U.S. business is concerned, our strength has been on the timing of the launch. We have been -- we wait for the market to get disrupted and we launch it at the appropriate time. The second thing is in terms of the service levels. Our service levels continue to enjoy a very premium position as far as the U.S. generic suppliers are concerned. We are able to maintain the service levels at a very high level, and which also creates a lot of stickiness as far as the business is concerned.

We have focused discipline on the entire capital allocation. We are focused on programs which are beyond the \$400 million, and we are starting to invest now. And profitability has been the focus. If you see the first quarter, we also dropped a few products from commercialization, because we did not meet our profitability threshold.

So we are continuing to focus on the profitability as we go forward. And our In-U.S. For-U.S. strategy has played out quite well with the Chestnut Ridge plant, delivering good outcomes for us. And also, in terms of the overall context of the external environment in terms of tariffs and all of that, almost one-third of the revenue comes from U.S. Company continues to focus on execution and also supply chain efficiencies. This is what has led us to a very consistent performance in the U.S. in the last six quarters.

As far as the other regulated markets are concerned, we are extremely happy with the progress of other regulated markets. As you know, the other regulated markets are difficult to operate. And given that each market has got different regulatory pathways, making it a very high entry barrier. And we are able to see green shoots in these markets.

As has been reiterated in the past, our rest of the world market, which we call it as other regulated markets plus the growth markets, have registered a very strong growth at 14%. With other regulated markets is almost about 16% year-on-year. And there are number of markets which the company is focused on, where we have got B2B market, B2C across all geographies, which are in various stages of evolution. If you go back and see the last 6 quarters, the growth has been quite muted. And last 2 quarters, we have grown almost about 14% to 15% in these markets. And we believe that all pivots are in place and it has formed a new base, and we should be able to launch from now on. Overall, if you really see we are very happy with the 14% growth, including the other regulated markets and the growth markets, and 16% in the other regulated markets. And we believe that the new dollars will come from these markets and as we start to increase spends our regulatory efforts.

Our long-term objective of mirroring the U.S. market in next 2 to 3 years' time remains intact, and we believe that we have got all pivots in place to grow from here on. And we are pleased with the base that has formed, and you will start to see the accelerated growth in these markets. So coming to the other regulated markets, we had a 16% year-on-year growth.

And the deal momentum continues in Europe with large pan-EU partners being onboarded. Onboarding a partner takes time, and we have already started to see green shoots in these markets. As far as the U.K. markets and other markets are concerned, it's very steady and it has formed a new base, and we are confident of good growth in the near term. And the portfolio maximization and the portfolio build-up in the last six quarters on the investments which has been made on various programs has resulted in this growth.

As far as the growth markets are concerned, the growth markets revenue at \$17 million grew 7% year-on-year. And when we say growth markets, this consists of markets, new markets where the new dollars are expected to come in the near future. Our Africa has done very, very well in this quarter. And we are also starting to invest our regulatory efforts on the growth markets. A number of filings are being done. We should be able to see a substantial growth beyond FY '28 on these markets. And all the work is in progress, and we should be able to see new amount of dollars coming in beyond FY '27, FY '28 on these markets for which all pivots are in place, products are in place, regulatory strategy is in place, and the go-to-market is also being planned out.

As far as access markets are concerned, we know that it's very lumpy, and donor-funding environment continues to remain challenging. And it's very opportunistic for us, and it will continue to be lumpy. We believe second half should be slightly better than the first half. But again, it has to be seen over the next 2 quarters how it pans out. It all depends on the donor agencies' decisions at that point of time.

Overall, if you really see, we are very pleased with the entire results. We are focusing on long-term growth. We are also focusing on EPS growth. And we believe that all the pivots are in place from a long-run perspective and to make the company extremely valuable in the near future. So with this, I will hand it over to Vikesh to cover the profitability and efficiency metrics that has gone into the results, and then we'll open the floor for questions from the management side. Thank you, and I'll hand it over to Vikesh.

Vikesh Kumar:

Thank you, Badree. Good morning, good afternoon, and good evening to all of you. As Badree mentioned, it's very pleasing to report yet another strong quarterly performance. Our performance has been exceptional across metrics of profitability, efficiency and growth. I will start with the profitability metrics. First, I'll focus on the gross margins. Our gross margins for the quarter are at INR706 crores. It's an INR90 crores increase from what we reported in Q2 of FY '25, with a gross margin percentage of 57.8%. It's a 500 basis points improvement from our gross margins last year. For H1, our gross margins are at INR1,381 crores, with a gross margin percentage of 59%. So even for H1, our gross margins have improved by 410 basis points over H1 of last year.

Coming to EBITDA. We are reporting a very strong EBITDA of INR232 crores for the quarter with EBITDA margin of 19%. As Badree already mentioned, it's a 25% EBITDA growth year-on-year. And for H1, we are reporting INR450 crores EBITDA with an EBITDA margin of 19.2%. The EBITDA margin has also moved from 15.8% to 19% in Q2. So that's a 320 basis points improvement for the quarter. And similarly, for H1 at 19.2%, we've improved by 230 basis points over H1 of last year.

Coming to the operational PAT. Our operational PAT for the quarter is at INR140 crores. INR140 crores is the highest ever operational PAT that we've reported in a quarter. So it's an exceptional performance from a PAT perspective and an operational EPS at INR15.2 is again our highest ever quarterly EPS. For H1, our operational PAT is at INR254 crores with an operational EPS of INR27.6. Our reported PAT for the quarter is at INR132 crores, and our reported PAT for H1 is at INR237 crores. So all in all, if you look at all the profitability metrics, you can see the multiplier effect flowing in, and the EBITDA to operating PAT conversion is also at a very healthy 57%.

Focusing on a couple of other line items of the P&L. Our operating costs have remained steady, in line with previous quarters at 39% of sales, which is also visible in the EBITDA margin expansion. Our gross finance costs continue to improve. For the quarter, our gross finance costs are at INR46 crores. Our net finance costs for the quarter are significantly better at INR20 crores due to finance income that we reported in this quarter.

For H1, our net finance costs are at INR61 crores, which is significantly lower than the INR105 crores of net finance cost we reported for H1 of last year. We expect our gross finance costs to continue to improve, while the net finance cost for H2 may slightly go up due to the income that we've had in H1. Our ETR for Q2 and for H1 has been around 15%, and we expect it to be in the range of 15% to 20% for the year.

Moving to the efficiency metrics. I'll start with the operational cash. We are reporting an operational cash of INR394 crores for H1, which is about an 87% of EBITDA to operational cash conversion. This strong operational cash has helped us deliver a free cash of INR73 crores, which we have used for debt reduction.

Our net debt at the end of Q2 stands at INR1,449 crores. We were also adversely impacted by forex on our net debt. That impact was almost INR71 crores. Despite this impact, we were able to reduce our net debt by INR73 crores. And consequently, our EBITDA to net debt ratio is now at 1.65x, improving from 1.9x that we reported at the end of March.

We have also invested significantly in capex. Our investments in capex for H1 are at INR149 crores. So in addition to maintenance capex, we've also made investments for growth, including acquisitions of intangibles for future growth. Our cash-to-cash cycle remains steady at 113 days. We've improved by 3 days quarter-on-quarter.

And our ROCE has now improved to 16% compared to 14.9% in March '25. Both our capital employed and our ROCE does not include the investments in OneSource, which is currently

valued at INR339 crores. This INR339 crores is also not adjusted in our net debt and EBITDA to net debt ratios.

So overall, it has been a comprehensive performance across metrics, and that is clearly visible, both in the profitability and the strength of our balance sheet. We hope to continue and sustain this momentum as we focus on our growth levers for the future. Thank you, and we can now open up for questions.

Abhishek Singhal: Danish, you can take the Q&A, please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. The first question comes from the line of Anand Mundra from Soar Wealth.

Anand Mundra: Sir, my question is with respect to other regulated market. It has been strong this quarter. What are the key drivers to make this growth sustainable? Is it fair to assume that other regulated markets should grow faster than U.S. going forward? These are the questions relating to other regulated markets?

Badree Komandur: Yes. So as far as the other regulated markets, I'll put it like this, like one is in terms of rest of the world markets, you have to look at it as a bucket, other regulated markets plus the growth markets, minus the access markets. If you really see this quarter, we have reached an important threshold of INR10.3 billion, that's INR1,000 crores we crossed this in this market.

And if you really see the last -- the trajectory of the last six quarters, this market has been forming in various geographies. And this is the first time we have just broken that trend. And we believe that this is very sustainable in the future. Our long-term objective of mirroring the U.S. market in the next 3 years. And with the other regulated -- I say call it as rest of the world markets, which consists of, again, other regulated markets and the growth markets minus the access markets. We believe that we can mirror the U.S. market in 3 years' time from now. And we have got enough pivots in place. And you should not look at it from quarter-to-quarter and all of this. Over the period of 3 years, I think we should be able to get there.

Anand Mundra: Sir, if I look at the U.S. market, it is flat for the last six, seven quarters. So not for one or two quarters, but we have come back to the same level what we were doing eight quarters back?

Badree Komandur: Yes. So if you really see, we have also specifically said that as far as the U.S. market is concerned, there has been some intense competition in certain select molecules. And if you really see the entire buildup of the U.S. market, we are focused on profitability and we are focused on various other metrics which are outside the -- we are also focusing on a number of metrics.

So we believe that the long term is intact as far as we are concerned that we are focusing on long term. We are focusing on value more than the quarter-on-quarter trend. And we believe that we have got enough products as well as the strategies in place to get there in the next 2.5 years to 3 years' time frame.

Vikesh Kumar: Badree, just one point I would want to add. So specifically on the U.S. market, in Q1 of FY '25, we had reported roughly about \$65 million, \$66 million in terms of revenue. And then over the

last five quarters, we've been upwards of \$70 million. It is a very calibrated approach that we focus on profitability rather than revenue growth, and you will see that be it in U.S. or in other regulated markets. So other regulated markets, historically, for many quarters, we were at \$40 million. And now we've stepped up to that \$44 million range, and we expect to remain there. So similarly for U.S., 4 quarters back, we had stepped up from \$65 million odd to a \$70 million plus. And we have steadied in that range despite the competition that has been there on certain molecules, we have been able to maintain and grow revenues. Our focus continues to remain on profitability rather than chasing revenue growth.

Anand Mundra: Sir, the second question is with respect to profitability only. It is largely driven by increase in our gross margin. So this 58% to 60% gross margin, is this sustainable, sir, given the rising competitive intensity in U.S.?

Badree Komandur: Yes.

Vikesh Kumar: Yes. And we have remained in that range for the last four quarters.

Anand Mundra: The third question with respect to our other income, which is INR18.5 crores, this is being reported as a part of finance cost you have reduced. What is this related to, sir?

Vikesh Kumar: So this is related to interest on certain refunds that we've got. And largely, we've seen this income coming in year-on-year. So it is more a timing of the income rather than that. So the way we are looking at it is net finance cost for H1 is at about INR60 crores -- INR61 crores. With this level of income not repeating in H2, it may slightly go up. But overall, we've seen our gross finance cost coming down quarter-on-quarter for the last many quarters.

Anand Mundra: So on a run rate basis, it's fair to assume INR40 crores, sir?

Vikesh Kumar: It should be less than that.

Moderator: Our next question comes from the line of Akash Jain from Moneycurves Analytics. Please go ahead.

Akash Jain: I think it has been extremely positive surprise on margins. And I think the management team should get full accolades for that. I just want to also understand a little bit on, is there an interplay between margins and revenue growth? I think a little bit of that you referred to earlier. But for example, are we following or are we stopping some -- reducing some revenues to improve profitability? Just to understand a little bit on are we -- is some of this margin also come at the cost of revenue because the margins look great, but revenue has been obviously lower than what we had expected and what we had guided earlier. So just a little bit qualitative and quantitative aspect of what is happening on revenue growth versus trying to manage and trying to grow margins?

Vikesh Kumar: Yes. So I will take this. So if you look at the EBITDA, while the margin has been healthy, even the absolute growth in EBITDA and profits has been healthier, and which is where you also see the multiplier effect right at EBITDA and at PAT. So the focus is both on absolute profit growth and margin growth.

So what we are saying we want to take in revenues that either meet our strategic margin thresholds in terms of profitability or they should help our under recoveries, which helps in improving our operating leverage. And that philosophy has played out. So it is just that we don't want to do loss leaders or don't want to chase extremely low-margin products just for the sake of revenue. It's a very calibrated approach. We have achieved leadership positions in the products that we sell, and we want to maintain that niche.

Akash Jain:

So we had earlier said that we will launch 60 products in the U.S. in the next 3 years. But I think if you look at H1, the number has been significantly lower than the run rate that is required. So I'm just trying to understand -- and in the light of the fact that you have said that the target for doubling U.S. revenue sorry, the target for revenue growth in U.S. remained intact terms of what you had guided earlier. So how do I understand both together in terms of filings and approvals versus revenue growth versus what you are seeing actually in H1?

Vikesh Kumar:

So if you follow our historical trends as well, it has been a very calibrated approach in terms of launch. We don't launch products as soon as we get approvals. We wait for the right timing, both in terms of pricing and market. We prepare ourselves and make sure that when we launch, we launch it at a very profitable and at a very stable level. And that strategy has really played out well for us. we continue to remain focused on that. And given that we've got the pipeline, we've got the products, from a long-term standpoint, we see that to be intact and which is what we continue to mention. So while there are some -- there were some near-term headwinds, but our long term remains intact.

Moderator:

Our next question comes from the line of Amresh Kumar from Geosphere Capital.

Amresh Kumar:

Sir, congratulations on a very strong set of numbers. So the first question would be on our Beyond Generics. So we had launched our Nasal Spray. Is there any update on that in this quarter? And second question...

Badree Komandur:

Yes. We have already filed for the one product, and we expect to file a few more in the next 12 months.

Amresh Kumar:

The second question is on the balance sheet. So it was heartening to see that the debt coming down with the free cash flow this first half. So do we foresee some more debt reduction going forward and some reduction in further finance cost -- gross finance cost?

Vikesh Kumar:

We will continue to focus on profitability and efficiency. So we expect finance costs to come down. And from a free cash generation, whatever free cash we generate, our aim will be to reduce debt.

Amresh Kumar:

And sir, then deliberating on the same points of the previous two speakers. So last -- our run rate is about \$300 million in U.S. currently, more or less. And this rate was increasing very fast by about 25% till about a year back. And we are still maintaining that we will go from current \$300 million to \$400 million by FY '28. So are we going to see some step-up jump or will we see a gradual increase from here?

- Badree Komandur:** Yes, it will be very steady. That's all we can say that in the next 2.5 years, we should be able to get there is our hope. But of course, external events are there. We have to watch out, and we want to take step by step. And most important thing is we are focused on the sustainability of that revenue or sustainability of that target. That's important for us as a company and that's what we are focussing on.
- Amresh Kumar:** Got it sir. Okay. Thank you so much and congratulations once again on a very strong set of numbers. Thank you so much.
- Moderator:** Thank you, sir. Our next question comes from the line of Krishna Mehta, an Individual Investor.
- Krishna Mehta:** On capex intensity, it has increased to INR149 crores in H1 FY '26. Could you highlight the major areas of investment? And what will be our incremental spend in H2 FY '26 and FY '27?
- Vikesh Kumar:** So I already touched upon the capex spends. It has gone towards maintenance capex, as well as for future growth, so including certain investments for intangibles that we have done. And we expect to maintain it at similar levels for H2.
- Moderator:** Our next question comes from the line of Rupesh Tatiya from Long Equity Partners.
- Rupesh Tatiya:** Congrats on fantastic set of numbers. I have a few questions. First question, Vikesh, reported PAT is INR131 crores. Operational PAT, you said in presentation is INR140 crores. So can you give some reconciliation maybe line by line? And also the INR71 crores adverse currency impact, what portion of that is routed through P&L?
- Vikesh Kumar:** So on the first part, the difference between the operational PAT and reported PAT is just the exceptional items. So these are expenses related to past events and -- that are incurred in the quarter, and are not relating to the performance for the quarter. So that is the exceptional loss. So it's just one item that's a reconciliation item.
- Rupesh Tatiya:** So these are like one-offs, basically?
- Vikesh Kumar:** Yes, these are one-offs.
- Rupesh Tatiya:** This INR71 crores, what has profit...
- Vikesh Kumar:** In terms of the INR71 crores, so that is the balance sheet position as of the date. So if you look at the average rate versus the closing rate, the closing rate is much higher than the average rate. So the performance -- the exchange does not flow through in the P&L. Whereas from a balance sheet standpoint, it gets restated by the end of the quarter rate.
- So there is some portion of that that would have flown through the P&L, but it is -- what happens is it comes -- the impact in the P&L comes with a lag. Whereas the balance sheet is immediate. Balance sheet is immediate because it is as of that date.
- Rupesh Tatiya:** Second question, Badree, is where are we on the Control Substances execution? I think in one of the investor conferences, I think hosted by Emkay, you said we can hit \$25 million near term.

So I mean, what is near term? Have you figured out how the quotas work? Have you launched the products? Some color, qualitative and quantitative around that would be very helpful?

Badree Komandur: Yes. As far as the Control Substances is concerned, this is the first full year of execution. Last year, we had some approvals of a few products. And this year also, we have some -- we have launched one or two products in the Control Substances space. So this is a business which we are seeding in, and we are also working very hard to execute it much better.

The full impact from the Control Substances will be seen only from the next year onwards. I will put it that way, because there are times -- lead times which happen between the quota allocation, purchase of API, manufacturing and then selling. So all of this -- and this will be a very good investment year, where we understand the entire various legs of the Control Substances, and we should see the full impact of that in the next year.

Rupesh Tatiya: Just one clarification, Badree, the -- we have \$15 million, \$16 million and \$3 million, \$4 million per product kind of revenue realization?

Badree Komandur: No, no. I don't think so that is right. Overall, as a Control Substances as a bracket, if you really see if you are able to get to the full potential, it will be slightly meaningful in the coming years.

Rupesh Tatiya: Final question, Badree, the Q4 exit run rate, U.S. \$80 million, other regulated market \$50 million. Is that -- does it have good probability that we will get there by Q4?

Badree Komandur: We don't want to make any forward-looking statements within the year. All I can say is...

Rupesh Tatiya: What is the risk? Let me ask you other way, what is the risk to those numbers?

Badree Komandur: That \$400 million over a 3-year period, we should look at as long term. Quarterly, there can be here and there, but it all depends on the market. But all I can say is that our aim is to grow -- and if you see the other regulated markets, it is other regulated -- when I say rest of the world markets, which includes other regulated markets plus growth markets, minus the access markets have reached a INR10 billion mark, that's INR1,000 crores. And when we see all of that, we should see it as a basket. And most important thing for us is to grow wherever the opportunity is. And that's what we are trying to focus, not losing sight of the long term what we have kept for ourselves.

Rupesh Tatiya: Just final clarification, historically H2 better than H1. So...

Moderator: I'm so sorry to interrupt you. Mr. Tatiya, I'm really sorry to interrupt you. I request you to please rejoin the queue for questions.

Rupesh Tatiya: Yes. Just a one -- it's a very simple question. I'm sorry. It's just a very simple question. Badree, so historically, H2 has been better than H1. So nothing changes this year as well, right?

Badree Komandur: Yes, you got it correct.

Moderator: Our next question comes from the line of Pratik Kothari from Unique PMS.

- Pratik Kothari:** Sir, one question on competition. So last quarter, we had called out some intense pricing pressure in U.K. Again, this quarter, we are talking about -- I mean, in the presentation, we have spoken about U.S. We have, I think, discontinued five, six products in first half. Just across 2 markets, anything to read into it, how to look at -- I mean, is this just one-off some products coming in? Is this -- I mean, some intense increased competition that we saw 3, 4 years back? Some color, please?
- Badree Komandur:** Pratik, just to give you a clarity on this. See, the competition is something which no company has got control of, right? So from our perspective, at the end of the day, you have to look at it as a portfolio. Some you will gain, some you will lose, right? So from that perspective, if you really see the -- there is definitely some competition in the marketplace. And what is more important for us to focus is that how we are ahead of the competition. That's what the company is working on. But the most important thing is we don't want to compromise the profitability of the company at the cost of top line growth. And that has been the philosophy all throughout. And if you really see this year -- this quarter, we have added 1 more to the 37 out of 70 products at a market-leading position. So it has to be -- it is a trade-off between the competition and the profitability as well as the -- what you want to do as a company.
- Our disciplined execution has really helped us to get here. I think that is the right way to look at us. We don't want to be looked at, for every quarter in terms of ups and downs. But overall, what we are chasing is something which is very value driven and the volume or the price driven.
- Pratik Kothari:** Sir, actually the point that I was coming from was, because it happened over 2 quarters, 2 geographies some -- and hence the question, right? Because, yes, I mean, is it just some product specific? I mean, is it just the number of players filing has gone up or maybe last 2 years were good for U.S. generic market and now someone is taking price hike or market share at cost of pricing? I mean obviously, we're too soon to call out any trend, but basically what we're saying is -- correct.
- Badree Komandur:** There is no such specific trend. All I'm saying is competition will come and go. What Strides will do is to how to stay ahead of the competition is what we are focusing on. And quarter-on-quarter is something which you should not even look at. From a long-term perspective, I think we have got enough strategies in place, and we'll continue to execute on our strength, which will give us all the value which we are chasing.
- Pratik Kothari:** Sir, second, on R&D, we were to double our R&D spend from \$10 million last year to \$20 million. So I mean, is that run rate already hitting our P&L? Have we ramped that up?
- Badree Komandur:** Yes. We are have we said that it will be between \$15 million to \$20 million, and we are on track to spend that R&D expense.
- Pratik Kothari:** Earlier, Vikesh mentioned about this spend on intangibles, and that is what we see in the balance sheet. Intangibles have gone up by about INR100 crores. So if you can just highlight this is just a few registrations, et cetera, or if you can highlight the nature of the intangibles?
- Badree Komandur:** Vikesh, you would like to take that?

- Vikesh Kumar:** Yes. So it is a few intangibles. It's more -- few ANDAs that we have acquired, and it is for near to medium-term growth. And so it is in the INR100 crores, it is a combination of the acquisition as well as exchange rate impact, because exchange has also moved significantly in the last 6 months. So that will also impact when you compare year-on-year numbers.
- Moderator:** Our next question comes from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** Badree, congratulations, on our team for a very good performance. Just one question on the R&D. Now R&D, the \$15 million, \$20 million that we're looking to spend, are there any particular areas that you're going to be focusing on more, that you can highlight?
- Badree Komandur:** So we have said that we'll be focusing on Nasal Sprays and the Beyond Generics. And there are certain specific domains we have identified, Nitin. It's early days, but we are committed to focus on that. But Nasal Sprays is one thing, something which we need to call out at this point of time.
- Nitin Agarwal:** Secondly, Vikesh, on the capex. So this year is about INR300 crores or thereabouts. Is this a run rate we should work with on these future years also?
- Vikesh Kumar:** Our maintenance capex is going to be between the INR100 crores to INR150 crores. And the rest is more -- it is more quarterly driven, rather than being a trend. So it is more event driven is what I would say.
- Nitin Agarwal:** Lastly, on the overheads, I think we've done a pretty commendable job in terms of sweating out or creating operating leverage on the overheads over the last few quarters. I mean, do you still see opportunities to create more operating leverage on the overhead part of the business -- overheads going forward?
- Badree Komandur:** So we still have some level of under recoveries across our plants, and that is where we are focused on to get in the incremental revenues without the need to spend in new operating costs. So there is surely some legs that are left as far as the operating leverage is concerned.
- Moderator:** Our next question comes from the line of Siddharth Bhattacharya from Authum Investment.
- Siddharth Bhattacharya:** First, I wanted to understand about the gross margin expansion. How structural is that? And is that a function of the product mix that we did during this quarter for the first half? If you could throw some light on that?
- Badree Komandur:** It is fairly structural. I mean if you look at the last 6 quarters, we've been in that range and expanding in a very calibrated manner. So H1 FY '25, we were at 55%. H1 FY '26, we are at 59%. Q3, Q4 of last year, we were at 58%. And so it is in line, and it has got to do with the discipline that we follow across markets in terms of how we onboard new businesses.
- Siddharth Bhattacharya:** The second question I had is that H1 to H1, if I look at numbers, your gross margin increase has not really translated into corresponding EBITDA increase, which tells me that there is some variable cost that has grown much faster than the gross margin increase. So going ahead, you think that will sort of taper down and lead to EBITDA expansion in the coming quarters?

- Badree Komandur:** Yes. So if you see Q1 of last year, the expenses were significantly lower, the revenue was lower. And from Q2 onwards, and that is where the year-on-year difference you're able to see much more starker. But when you look at Q3, Q4, the last 4 quarters, it has been fairly in a very steady range.
- Moderator:** Our next question comes from the line of Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Congrats on a steady set of numbers. So first question is on the tariffs. So now that we have seen 1 month post tariff in the quarter gone by, and 1 month in this quarter, how do you -- if you can throw some color on the impact of the tariffs that we are seeing on our business?
- Badree Komandur:** Currently, there is no impact, and we continue to watch the external developments and things are changing every day, but at least some clarity has come in that the tariff is not going to be there in the near term. But it's as good as news every day, right? So we have to watch out. So far, there has been no impact for us for generics pharmaceuticals.
- Sarvesh Gupta:** You said that the other regulated market business would mirror U.S. business. So now the U.S. business itself on a quarterly run rate can grow to maybe \$100 million in another 2, 3 years. So do we mean that the other regulated business will also reach to that level in that time frame, thereby increasing by almost 2.5x?
- Badree Komandur:** Yes. I just want to make a small correction in what you said. When I said that U.S. market, we have got a plan to grow to \$400 million. I named the -- other than U.S., which I call it as rest of the world, which consists of both other regulated markets and the growth markets reached INR10.3 billion, INR1,030 crores, which is the first time we are crossing INR1,000 crores in that market. And that's growing steadily at about 14% on a first half -- for the last 2 quarters. If we keep up the same trajectory, we should be able to mirror the market -- the U.S. market in the next 2, 3 years from now. That's the thing I said. You have to -- I didn't say other regulated markets, other regulated markets plus growth markets minus. That's it.
- Sarvesh Gupta:** So that should also reach a run rate of \$100 million in 2, 3 years?
- Badree Komandur:** Yes. That is what is our plan. And it will -- again, that's a long-term aspiration. When it will happen, we don't know, but we are working towards it. With the growth, whatever trajectory that is there, we believe that it can catch up.
- Sarvesh Gupta:** Finally, on the expense out things versus capitalized. So you have \$15 million, \$20 million of R&D that you mentioned then you have a maintenance capex of INR100 crores to INR150 crores. And then you have filing-related intangible expenses, I think. So how much of these items are going through the P&L? And how much is going to get capitalized and under what time frame?
- Vikesh Kumar:** So everything that we spend internally, except for the filing fees goes through the P&L. Anything that is bought out is what goes through the balance sheet.
- Sarvesh Gupta:** So this R&D expense and maintenance capex, are they going through the P&L?

- Vikesh Kumar:** Maintenance capex is for the factories. That does not pertain to R&D.
- Sarvesh Gupta:** The R&D expense of \$15 million to \$20 million?
- Vikesh Kumar:** It is already in the P&L, in the reported numbers.
- Moderator:** Our next question comes from the line of Kiran D from Table Tree Capital.
- Kiran D:** Congratulations, sir, on a very good set of numbers. A couple of questions. One, sir, we are talking about \$400 million in U.S., maybe \$200 million, \$220 million just in ORM, ORM plus growth market is \$400 million. So I'm thinking ORM will be somewhere around \$200 million, \$250 million. So again, not asking for a quarter-to-quarter, but at least from a run rate perspective, we should at least start hitting \$80 million, \$85 million, \$90 million in U.S. and probably \$50 million in other regulated markets. Do you see this happening in FY '27? Again, not for a particular quarter, but at least some run rate growth that we have to see to reach 400, right? It will not suddenly jump to 400?
- Badree Komandur:** Yes. So just to reiterate, right, this is an aspirational goal, right? And we are starting to see growth. And all we are saying is that the last 6 quarters of market formation has resulted in a growth for the rest of the world markets, excluding access markets.
- And we believe that if you are able to grow in the same trajectory, we should be able to mirror that market in the next 2 years. And that's what we are expeditiously working on. And you will see that the narrowing as we go along from quarter-to-quarter between U.S. and the rest of the world markets, which includes both the other regulated markets and the growth markets.
- Kiran D:** Sir, my question was different. So my question essentially was we should see some run rate increasing, right, at least in the U.S. markets to \$80m, \$85m growth markets -- not growth market, but at least the ORM markets to \$48m, \$50m. So I'm asking, is that run rate that we're going to see in FY '27, that \$80m, \$85m kind of run rate in U.S. and \$45m, \$50m in ORM next year?
- Badree Komandur:** Yes. Because see, I don't want to get into specifics on how you are thinking in terms of modelling. But all I can say is if I have to mirror the markets in 2, 3 years, all of it what you said is true.
- Kiran D:** Second question, sir, in terms of Nasal Sprays, we said we'll launch one nasal spray. Most of our nasal sprays are going -- R&D is also going around majorly in nasal sprays. Is there any particular therapy area, sir? Because some industry players do INR1,000 crores molecule in a single product, right, in Nasal Spray. So just wanted to understand if there's any therapy area that you can talk about?
- Badree Komandur:** No. We are not going to specifically talk about any therapy play. All we are saying is that we filed one product. We are in the process of filing few more in the next 12 months. Once we'll get an approval, and then we'll have to look at launch. At least it is about 18 months to 24 months away from the current date.

Moderator:	Our next question comes from the line of Chirag Shah from White Pine Investment Management.
Chirag Shah:	Thanks for this opportunity and congrats for good set of numbers. Sir, three questions. First question is on currency. So what is our average hedge duration? When will we see this benefit of stark INR depreciation in P&L? That's one. Second, on this intangible or ANDAs that you have, if you can give more color on that in terms of number or what kind of opportunity size it will target if everything plays to the playbook. Third was on the U.S. competition, in general competition that we see. If you can just give us a color how should one look at it, simply because we all have a refresh memory of competitive intensity what happened after COVID, which lasted very long. But if you go back into the history, generally, is this competition a short-term one to two quarter event and how intense generally it tends to be?
Vikesh Kumar:	Yes. Thanks, Chirag. Chirag, on the currency, I did not follow your question.
Chirag Shah:	I will repeat it. I'm saying you indicated a reasonable amount of hedge loss -- accounting hedge loss, when I say hedge loss, given the currency inventory. So how -- what is the duration of our current hedges, outstanding hedges and from when can we see the benefit of current INR rates, for example?
Vikesh Kumar:	So we are seeing the benefit of the current INR rates. You should also appreciate that we have a large part of our operations outside of India, where there are costs that are in USD. But largely, the way we really focus on is that on a net basis, the currency impact benefit flows through, and we see that flowing through in terms of the P&L. The impact on the balance sheet comes in when the depreciation is far steeper than what it is during the course of the period, where the currency benefits come with a lag over subsequent quarters, if the currency rate stays. So if the currency stay -- rate stays, that benefit should flow through over the next few quarters. As far as the ANDAs or the products are concerned, they are in line with our strategic profile, in terms, of how we look at products internally, and we expect to launch them in the near to medium term. So those are very small tuck-ins that we really saw value in and took them over, but we cannot get into specific of it. They will form part of our pipeline and growth in the near term to medium term. As for the competition and the intensity, it is very specific to the new launches that we've had over the last 12 months. If you really see across the rest of the portfolio or the large part of the portfolio, we are not seeing any erosions. In fact, we continue to maintain our market leadership position, both in terms of volumes and which is where you also see that gross margins are steady. What the impact on these products meant is that what could have been a very solid growth, that growth did not come through because of these impacts.
Chirag Shah:	Just a clarification. So first, on hedges, what I was referring to is whatever balance sheet hedges, losses that we have booked would be with respect to the outstanding forex you would have taken for forward booking of revenue, right, potential revenue?

- Vikesh Kumar:** We have not booked any balance sheet losses or hedges. I mean that impact is not much. What I spoke about was the impact of restatement of foreign currency debt.
- Chirag Shah:** It's more about restatement. Okay, I understood that.
- Vikesh Kumar:** It is more restatement of foreign currency debt. We don't have any significant outstanding hedges that are impacting.
- Chirag Shah:** Just clarification on the competitive intensity. But generally, in the past, if we exclude the post-COVID period intensity, how long you will be in a better position to make a guess than us understanding that it's a forward-looking statement, it may or may not hold. So, I understand that. But how long in general or how long it last? Forget about the intensity, but generally -- because there are multiple -- if you can just help us understand, because we all think that when competition threatens, it can last for 2, 3 years, and the price erosion could be very severe, given the recent experience of post-COVID?
- Vikesh Kumar:** Yes. I mean, like we had said, our focus remains on profitable expansion, and we continue to remain focused on that. We expect that through our AVD programs and cost improvement plans, we will be able to mitigate and offset these impacts.
- It is just that when an impact comes in, it comes in immediate, whereas your improvement takes 6 to 12 months to get back those margins. So that is what we are focused on, that we need to recoup. It's a competitive market. We have to continuously work on our costs and keep improving our costs across line items and retain our leadership positions.
- Moderator:** Ladies and gentlemen, due to the time constraint, that was the last question for today. I now hand the conference over to the Management for the closing comments.
- Badree Komandur:** Thank you, everyone. And wish you a very happy weekend. And all we are saying is that we'll continue to focus on long-term sustainable business with EPS accretion. Thank you.
- Vikesh Kumar:** Thank you.
- Moderator:** Thank you, sir. On behalf of Strides Pharma Science Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.