"Strides Pharma Science Limited
Q1 FY22 Earnings Conference Call"

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Strides Pharma Science Limited Q1 FY22 earnings conference call.

As a reminder, all the participants' 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, please signal for an operator by pressing '*' then '0' on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Singhal. Thank you and over to you, sir.

Abhishek Singhal: A very good afternoon and thank you for joining us today for Strides earnings call for the 1st quarter ended financial year 2022. Today, we have with us, Arun – Founder & Non-Executive Chairman, Dr. Ananth – Managing Director & CEO, 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 released and the quarterly investor presentation which have been uploaded on our website as well as the 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 discussions 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 Arun to make the opening comments.

Arun Kumar: Good afternoon, good evening. Thank you for joining today. It has been a difficult quarter for Strides, and incidentally, this is the 1st quarter in its history that we have an operating loss. That makes it even more harder. Having said that, we are in the midst of a situation that is not exclusive to Strides. Based in Bengaluru, we have had a very difficult quarter operating our manufacturing facilities leading to significant supply chain disruptions in our contractual obligations to customers worldwide. This has resulted in significant amount of failure to supply which we have never incurred as a company. Typically, Strides pre-COVID had a failures to supply ratio of less than 0.5% of its revenues. That has gone up quite significantly in the last 2-3 quarters and it magnified in the last quarter, especially because of the shutdowns that we had in our plants in Bengaluru. But more importantly, it also impacted our contracts which led to air-freighting significant amounts of products that we would normally ship only by sea, resulting in an incremental cost of almost $6 million only in our US operations. More importantly as it's now visible to most of you, we are seeing significant competitive landscape on acute therapy. Strides being predominantly an oral dosage company with focus on acute therapies predominantly has been hit quite severely. We chose strategically given that we have a principled approach to pricing to let go our businesses considering, as most of you know, that if we accept to lower our pricing and stick to contracts, we sign up with most favored nation conditions with the other buyers which will result in significant price drops. Consequently, we let go of several businesses as competition in the absence of product approvals was fighting for larger share of the wallet.

Obviously, we had sight of the Endo's transaction in terms of the very significant pipeline that we were acquiring and that gave us more confidence in taking these kinds of bold decisions which we think are very temporary in nature.

If you look at what the Endo's transaction has done for us, it is not only doubling our approved ANDAs but most importantly adding a very significant amount of portfolio products that is magnified by the lack of Indian competition which requires dedicated manufacturing capabilities which the Chestnut ridge facility brings to the group including products like hormones, gels, nasal sprays, and significantly increasing our Extended-Release programs. Most importantly, we have a DA license to manufacture and this portfolio includes several specific products in the category II controlled substance which will significantly add to our business. As Endo is re-strategizing its focus to become more of a branded company, we have the ability to have structured this deal which we think is significantly accretive to Strides, which will include the transfer of 20 commercial products on closure.

You will notice that we have been a little sketchy in terms of exact details of sales, number of ANDA program specific products, and this is because we are still in agreement with Endo to conclude the contract in the next 60-odd days from a signing to closing, and we will be more than delighted to give you more color around the specifics of the products. Having said this, we are now in a very strong position to confirm that we have achieved 2 significant goals. We have had a dry run with our product portfolios in the last 2 years considering that COVID-related travel restrictions meant that the inspectors were not inspecting the facilities, although this has now commenced in the last few days. This has led to a significant drop in product approvals not only for us but for everybody. From an average of 15 to 20 launches per year 3 years ago, we are now down to 4 to 5 relevant launches. This is not material especially when we have an onslaught of price intense pressure on our portfolio.

So, the transaction that we announced today not only adds a very significant number of products but they are unique products which we are now very confident to guide and confirm that our phase I strategy of achieving $400 million of revenues on small niche and difficult-to-manufacture program is now fully secure and we are now not dependent on any incremental R&Ds or product approvals to get there. Consequently, on closure, we are confident that in spite of a very weak Q1 in the US and what we think will be a subdued Q2, we will rebound in H2 as a very significant player to confidently guide that we will grow our business at least by 10% to 15% over the last year. You will also appreciate that Strides' guidance of the US sales have been achieved in every year that we have provided and we do not see any reason why we will not achieve that this year.

I will let Ananth speak on specific accretion and transaction details but today while we are not happy with our performance which is some in our hand, many not in our hand, we think that we are now well poised from a strategic play to deliver on what we think will be a compelling story in the near term. And with this, of course, I will also take a minute to just quickly give an update on Stelis. First of all, I am delighted to welcome Mark as our new CEO. As many of you would

have seen in the releases Mark comes with stellar experience and success in the business having run AGC Biologics which is one of the largest CDMOs in the world. Mark is relocating to India. He is on his way to India and he will stay invested here in Bengaluru which is great given the need of a leader of his type to be operating from Bengaluru. We are also delighted that we have strengthened our board by inducting Dr. Vineeta Rai onto our board but also for Aditya Puri to have kindly agreed to be the Chairperson of Stelis as we build Stelis into a very exciting journey.

As regards Sputnik, as guided in the previous earnings call, we have successfully now completed our scale-ups for both the rAD5 and rAD26. Like most partners of the rAd5, we continue to have challenges on the yields for rAd5 but we believe that this is something that will be fixed. There is no change to our guidance to start large-scale commercial production in October. In spite of COVID and a 40-day delay in our manufacturing projects, we have now received all our equipment's at site or at ports and we are now confident to get started for commercial production in large scale soon.

With that, I am going to let Ananth speak about the business he runs, but today more as representing the board, I thought it is necessary for me to give a little more color than I would normally do in an opening statement. Thank you for your patience and be rest assured that we are in a strong wicket to rebound very strongly. With this, I pass it on to Ananth and then Ananth later to Badree who will give you an update on the finances. And then we are obviously open for questions.

We also understand that today is a crowded day for calls. So, we will try and make this meeting short, and as always, we will be available to take your calls and answer any questions you may have anytime next week or whenever you want us to get onto a call.

Dr. Ananthanarayanan: Good afternoon to all of you and hope all of you and your loved ones continue to remain safe and healthy. As Arun mentioned, Q1 has certainly been a disappointing quarter for Strides amidst multiple headwinds with the recent wave of COVID. The sector has certainly seen significant headwinds on multiple accounts. Just to give some flavor, we have seen drop in prescription rates below historical levels in the US, significant drop in prescription rates in the UK with lockdown throughout the entire quarter, and there has been a continuous drop in product approvals for the industry. All of this has resulted in a heightened competitive intensity of course to capture a higher wallet share which has resulted in significant price erosions in this quarter. Also, with the rise in the COVID cases in this quarter leading to the lockdowns, there has been a disruption in supply chain that necessitated increasing cost of operations, particularly logistics. We have seen a significant impact of these dynamics on Strides.

Our US portfolio has seen a double-digit price erosion and higher competitive intensity resulting in significant drop in revenues. We also had an impact where some of our new product launches from the last quarter have not played out as anticipated due to the steep erosion in those products. While there has been a gain in Q4, it has resulted in a steep drop in Q1. We also saw for our products in the pipeline delays in product approvals. And of course, our manufacturing sites in

India were impacted with a number of our employees getting affected by COVID and that led to operational and supply related impacts.

With all of these elements, it was at an opportune time that we have the transaction which is the acquisition of a basket of ANDAs from Endo and the manufacturing site at Chestnut Ridge, New York. This certainly comes to us in a way that will enable us to mitigate these headwinds.

What does this transaction mean for Strides? And I would like to give some color to this. Firstly, adjusting for overlapping products; our product portfolio of about 100 approved ANDAs will more than double after this transaction. We do get access immediately to 20 commercial products that get added to the portfolio upon closing. Since these ANDAs are approved, it mitigates any delays in approvals that is normally needed for launch of new products, and hence we are going to be pretty busy after the closing to ensure that our velocity of launching about 5 to 6 products from the acquired portfolio every quarter is set up in motion. This acquisition adds additional dosage forms and capabilities that currently do not exist in our portfolio. Some of these are hormonal products, controlled substances; particularly the scheduled CII category, gels, nasal spray, and also significantly enhanced presence in modified release and liquids apart from solid orals. The portfolio also enhances significantly our middle of the pyramid basket which is the area where we have limited competition products with superior margins and that basket will now increase almost by 2x to over 100+ products. This facility being in the US, we now have 100+ TAA compliant products to enable US government supplies. We also get access to IP through the acquisition of this basket that can be leveraged to expand product offering for global markets through our portfolio maximization approach.

The scale of this combined portfolio now will help us to refocus our R&D, and therefore, spends in the R&D will be now more towards complex and specialty programs since building the portfolio of ANDA for launches in the US get covered through this acquisition. Given the scale and capabilities at this site, we have decided to exit our West Palm Beach site in Florida and consolidate the soft gel capability at Chestnut Ridge which will give us manufacturing cost synergies. Also, being in the US, this site will help us mitigate supply chain and logistics disruptions with in US for the US capabilities.

Clearly, now we have sufficient approved products, as Arun said, that will enable us to achieve our stated target of 400 million USD revenue for the US as our phase I approach over the next 24 months. And despite the impact in Q1 and a likely softer Q2, we remain confident of achieving growth in FY22 over the USD 215 million that we reported in FY21.

Coming to the other regulated markets, our other regulated markets was certainly impacted by the lockdown in UK and around 20% lower prescription generations for the Rx and OTC products. And we also saw supply disruptions, particularly for our partnered business in the other regulated market. However, we do see an improved order book as well as we are pretty confident of a bounce back starting in quarter 2 of FY22 for the other regulated markets. The business

outlook continues to remain robust there and will continue to be on its growth momentum. We will continue to focus on portfolio building and product launches for the other regulated markets.

From an emerging market perspective, the Africa business delivered a steady performance despite lower demand for acute portfolio. Our institutional business did show a sequential decline. One was on account of lower off take of TLD in this quarter as well as the sheer lumpy nature of the business. However, we do expect growth for the full year.

We have taken several initiatives organization-wide on cost control programs to deliver operating leverage and have also put initiatives in play to bring down logistics cost and FTS during the second half of the year.

In summary, we are confident that with the basket of approved ANDAs and the manufacturing returning to normalcy, we will bounce back in the other regulated markets and the US – our core business area – and we will demonstrate recovery in H2 driven by growth across all our businesses.

With this, I would like to hand over to Badree for financial highlights.

Badree Komandur: Good evening ladies and gentlemen. We had degrowth across revenue as well as margin matrix. Our price erosion seen in the base portfolio of key products for US and UK dragged the gross margins by 10%. We also had a negative operating leverage during the quarter, mainly because of the lower sales as well as the gross margins. Employee cost moved in a range and operating cost increased because of logistics as well as some COVID-related expenses plus failure to supply. We will continue to see operating cost at a similar range going forward. We also had an impairment of West Palm Beach to the tune of about Rs. 1.4 billion (1400 million) and overall the exceptions were at Rs. 915 million in the current quarter and this will help us to save the operating cost going forward to the tune of about $6 million to $7 million of running the factory through cost avoidance.

Overall, the net debt stood at about Rs. 14.4 billion and it is expected to go up slightly with the acquisition but with the growth returning back in H2, we should be able to come back to the original levels and we will be able to see reduction in H2. Overall, if you see from a tax rate perspective, this quarter we had a tax write back of about Rs. 320 million mainly because we created a deferred tax on West Palm Beach impairment. ETR is also expected to be in the similar range like in the past.

With this, I will forward it to Abhishek and open the floor for questions.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. We have the first question from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: Sir, while almost all companies have seen an impact in regulated markets in this quarter, the extent of impact on us seems much higher than peers. So, among the reasons which you discussed, are there any specific ones where we were impacted much more than the other companies?

Dr. Ananthanarayanan: A couple of things as I said. One is, yes, across the sectors, we have seen drop in prescription rates. Two elements that did impact us – one is, as we said, our portfolio predominantly being in oral solid is in the acute product segment, the lockdown in UK and with the lockdown as well as with the vaccination, there has clearly been an impact on the acute portfolio and that has had a bigger impact to us. #2 is that clearly with a number of product approvals coming down, competitive intensity on existing portfolio has gone up which has resulted in steep price erosion and that played out to our portfolio.

Alankar Garude: Follow up to that would be, it I look at the US guidance, it suggests a significant ramp-up from the 1st quarter levels even as we have indicated a subdued 2nd quarter. What is giving us this confidence for the 2nd half, and broadly, how much would Endo contribute in this?

Arun Kumar: Alankar, like I said, we can't get into specifics of the Endo transaction till it is closed. But clearly, as you would see from the releases, the portfolio of over 100 new ANDAs adjusted for overlapped ANDAs, which means that the portfolio is obviously more than that. Adjusted for overlapped ANDAs, almost every single product fits into our specific criteria of the niche. We have seen very intense price pressure on the bottom of the pyramid where volumes are very high. Either our competitors are sitting on too much of inventory and they wanted to sell out. Like I said, we chose not to protect the lower pricing and let go of it, and that is why you probably see our drop to be significantly more than the others. But as time goes and when we are in a position to speak more, a lot of growth is definitely coming from the Endo portfolio.

Dr. Ananthanarayanan: If I can add to what Arun said, as I said, our H2 is certainly going to be a busy H2 driven with the velocity of product launches that we will have once the acquisition goes through because we will have 5 to 6 product launches that we aim every quarter. That's also one that will give a positive uplift.

Alankar Garude: The second question is, generally scaling up manufacturing of the rAD5 dose has been a challenge as far as Sputnik V is concerned for most of the manufacturers plus also there is a cross contamination issue. I think, Arun, in your opening remarks, you also talked about this. But is it possible to share more details on Stelis' relative progress on these 2 fronts?

Arun Kumar: Basically the rAD5 has challenges of cross contamination at large scale, and typically to do the volumes that Sputnik is expected or to get supplies from India, you need to scale it up to the 1000 liters and then to 2000 liters for it to be viable. At this stage, people have with great difficulties moved from 5 liters to 20 liters to 50 liters and now to 200 liters. We are in that evolution phase. So, what is interesting is that the Russians have worked on the technology and they have transferred new improvements which is resulting in better yield. So, we are seeing that

it will be now viable in the near term. But our contract is for their global supply and they are also getting Sputnik Light in several markets approved. So, we do have a fallback to even at least if not the Sputnik V, then we serve the Sputnik Light.

Moderator: We have the next question from the line of Anmol Ganjoo from JM Financial. Please go ahead.

Anmol Ganjoo: I have 2 questions; one is to Ananth. Ananth, obviously we knew that last quarter directionally at least was supposed to be impacted by COVID, but if you look at the trajectory reverting back to normalcy, what has been the experience so far? And how have the first few months panned out? I am not looking for numbers, but any directional sense on the route back to normalcy would be helpful.

Dr. Ananthanarayanan: Anmol, I will split that response into 3 ways. 1) Our manufacturing facility has got back on track with a number of our employees being vaccinated as well as recovered and obviously the operations have started which means the supply issues that we had for our partnered business is resuming back and they are getting to fulfill the requirement there. 2) We are also continuing to be able to see a good healthy order book that we need for the other regulated markets and hence we have indicated that we will see a bounce back for the other regulated markets in quarter 2. The US will slowly start seeing improvement, but having said that, we will see a softer quarter 2 or a subdued quarter 2 and then come back in H2 stronger. And that's what we were indicating in the earlier commentary because you can't move from one day with a high price erosion and start the next quarter beginning overcoming that. So, it will be a softer quarter 2 and improve as we get into H2.

Anmol Ganjoo: My second question is to Arun. Arun, congratulations; Mark Womack looks like a prize catch as far as Stelis is concerned but just wanted to understand what is the roster of priorities that Mark will be having and what are some of the milestones we should be watching out for as he tries to replicate his past success with the current assignment?

Arun Kumar: Today, we do have a significant CDMO contract with Sputnik, but we have capacities and capabilities outside of other vaccine expression system, and AGC is one of the larger vaccine contract manufacturers. So, we think Mark will bring his network at play here. That is important. Our mammalian block of 8000 liters is the largest CDMO capacity in the country. That will go on stream in March as scheduled. I mean the mechanical completion will be over by March. And this is the right time for somebody like Mark to come into the system and bespoke those capacities for customers who would sign up long-term contracts because sometimes customers ask for very specialized and dedicated manufacturing facilities. So, this is the right time from that perspective. And I think his networking around services and other things that he give us would definitely give us the advantage that we are looking for. But more importantly, he was somebody who was more than willing to operate from Bengaluru which we think was very important as we are building the team for our scale up. So, all of that would be the priorities – building up the team, building new capabilities, creating the organization for a strong outcome and probably announce some big wins in the next 6 to 9 months.

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

Nitin Agarwal: On the core business for this quarter, apart from the revenue drop, there has obviously been a sharp drop in the gross margin to 50 odd percent versus 60% that we were doing all through the last year. Now, as the business sort of normalizes, is there something which has structurally changed in the business in terms of the gross margin of the business or do we see going back to these sorts of levels at some point in time?

Arun Kumar: How I see it is that it's a little too early to predict. Will it be in the mid-60s that we were used to for the last 12 quarters? Looks like it's not. But will it be 50 as is reported? The answer is surely not. I think you need to give us at least until Q3 for us to confirm that we should be back to a certain level which is neither the 65 but clearly not the 50.

Nitin Agarwal: On that point, is it just our portfolio which got more impacted or there has been a broader industry-wide dynamic which happened in the last quarter or so which brought in this kind of impact?

Arun Kumar: I think it's very profound for companies which have a portfolio which is broad based and not necessarily focused on chronic and does not have anything which is either in the CGT or exclusivity period or in a specialty. Even Endo yesterday reported 25% drop in sales. Everybody seems to be going through that difficulty in this quarter. I think it's that everybody is chasing the same product with aggression or either sitting on inventory. The flu season may not the way it was supposed to, with just too much inventory in the system and either we can behave irrationally. In that process, we can just stay put with our strategy. I think that's what we have done. Like I said in my opening, we had sight of the transaction with Endo. That gave us a lot more flexibility to take some strong positions with certain price drops. And I think the new portfolio will ensure that we should get back to a healthier gross margin that what we have reported but this will pan out only in Q3.

Nitin Agarwal: Secondly, on the portfolio. We talked about going back to meeting our $400 million revenue aspiration over the next 24 months. Now, that $400 million was essentially under a different strategy and with a much larger portfolio coming on board. Does the end goal for the business change now from a size perspective?

Arun Kumar: One is that obviously the strategy of the 400 million if you recall when we articulated the strategy said that we needed 70 to 80 products to get there, almost 100 products is what we mentioned and average revenue of 3.5-4 million. All we are saying is that we have now secured that portfolio. It's not normal for us to launch every single product. So, I think between our portfolio and the portfolio of the products that need to get approved in the next year, we are now very confident of achieving our first phase goal of 400 million. We have also mentioned in today's commentary that we are now reallocating R&D from a generic portfolio to more specialized portfolio and that should lead our phase 2 growth of what we want to be. We would be able to articulate this a lot better with our Q3 results.

Nitin Agarwal: Last one on that. On the portfolio, we said there are about 100 odd products which are complementary products in the portfolio that we have acquired and there are 20 commercialized products. So, 80 are what? To be approved ANDAs or these are the products which are approved but not commercialized?

Arun Kumar: Every product is approved except two which are in the process of being approved.

Nitin Agarwal: These are the products which are approved but not launched yet, which we can bring to the market?

Arun Kumar: Yes, Endo as you know has moved their strategy from generics which they announced in 2020. So, they have progressively decided to move out of generics and keep only some special products which fit their brand strategy.

Moderator: We have the next question from the line of Karan Rathod from AUM Advisors. Please go ahead.

Karan Rathod: My question is regarding ranitidine. We saw some news that again it may be approved for usage. Does that in any way affect us? Will we be again going to re-launch that in the next few quarters?

Arun Kumar: On ranitidine, it's different for different geographies. We are certainly looking at and we are engaging very closely with regulatory agencies in different parts. For example, we are engaging with agencies in Australia to see if we can get an approval, we are engaging with agencies in Europe to look at what their outlook is, and we are engaging differently in the US. US of course is a bit more stringent in what they had asked about the product given their view of the NDMA content and that's something that will take much longer time. While we continue to understand that landscape better and understand the expectations from FDA which we have started reviewing. We are engaging into very detailed conversations in Australia and Europe and if there are some positive clearances that come in, of course, that's a product that we will certainly look to maximize.

Karan Rathod: In the US, I thought there was some announcement that the NDMA thing was nullified by some judge and certain manufacturers were out board….

Arun Kumar: That is to do with the class action suit that has now been dismissed for generic companies. There have been studies published saying that a low dose of NDMA in ranitidine doesn't create any of the issues that led to the decisions that the FDA took. I think not only the industry but surely we will appeal to see what is their status on that but it's very early days. These are recent events.

Moderator: We have the next question from the line of V P Rajesh from Banyan Capital. Please go ahead.

V P Rajesh: My question is regarding Stelis. There must be a plan to realize the value for us shareholders in that asset. Will it take a couple of years before it gets listed and then we do a demerger or is there some other plan, if you can just share some thoughts on that?

Arun Kumar: At this time, we do not have any specific idea. We just have a new board with Aditya Puri becoming the chair. We will be engaging with bankers in this quarter to figure out what's the best value that we can get for a business like Stelis, and we will keep you posted of the developments, but at this stage, we are looking at all options.

V P Rajesh: The second question is regarding our main business. Like earlier participants have asked, I am just trying to understand that is there something structurally different happening in the US market which is going to be an impact on our business for the next several quarters or was this just 1 quarter or few quarters' issue?

Dr. Ananthanarayanan: As I said, I again want to split this across the 2 core business areas. As far as the other regulated market is concerned, now with UK opening up as well as our manufacturing facilities returning back to normalcy and supporting the partnered order book that we always have visibility for, we clearly see bounce back coming in quarter 2 and that is certainly an element that we did have a bad quarter 1 but we will come back in quarter 2 and continue on the growth momentum there. As far as the US is concerned, this has significantly impacted on our portfolio with the price erosions that we have never seen before.

Given that we will close the transaction in the next 60 days, the Endo portfolio will play out for us in the H2. So, from Q1 to Q2, Q2 will continue to remain a softer Q2 for the US and from thereon, we will pick it up as we get busy in H2.

V P Rajesh: What you are saying is that Endo portfolio will make up for all the price erosions that you had experienced in Q1 or are experiencing in Q2. Is that sort of the right way to understand that?

Dr. Ananthanarayanan: If the significant number of products their right and products that are in the niche area with lower competition and therefore better margin profile, and as that kicks in to play, obviously it is going to help compared to the existing more acute solid dose product portfolio that we have where we have seen a high erosion. Will this price erosion be sustainable? We do not believe so, but at least we need to be prepared over the next several months or into quarter 2 as well. While we believe it's not sustainable at this level, what will help us is the portfolio from Endo which is lower competition with a better basket that will make a significant help for us in stemming that issue.

V P Rajesh: Just one more follow up question. I want to make sure I understand this correctly. When you are talking about 10% growth for the financial year over the last year, are you assuming that you will have benefit of prices coming back plus the Endo portfolio or jus the Endo portfolio?

Dr. Ananthanarayanan: It could be a combination of the two that we expect as we move into Q3 and Q4. The combination will help us get to that level.

V P Rajesh: So, your view is that the pricing that you are currently experiencing in the US is abnormal and it is probably inventory dumping by one of the competitors in some of your products is sort of the way to understand this issue?

Dr. Ananthanarayanan: Yes, that is true. Hence that will also have normalization.

Moderator: We have the next question from the line of Mitul Soni from GeeCee Investments. Please go ahead.

Mitul Soni: Just a couple of questions. You said in your remarks you did let go some of our business in the US. Could you quantify how much you would have let go?

Arun Kumar: We let go in the US almost $15 odd million of revenues in the quarter because we have never had a quarter less than $50 million in a long time. It's in that range.

Mitul Soni: You are saying, about $15 million of revenue you let go during the quarter?

Arun Kumar: That's right.

Mitul Soni: I wanted to clarify; you have said price erosion was much more in the products which you had launched recently, right? Or was it more in the old products what we already have?

Dr. Ananthanarayanan: It's a combination. One set of products that is at the bottom of our pyramid which is the large-volume products had significant erosion which we believe again is with competitive intensity kicking in for that basket and probably inventories playing out there. On the second one was product that we launched in Q4 also had impact which did not play out to our plan where we saw a significant price erosion and competitive intensity.

Mitul Soni: And my question on Endo is….

Dr. Ananthanarayanan: That was more for a delta from Q4 to Q1.

Mitul Soni: With respect to Endo, the production of those 20 products is already being commercialized at the market, right?

Dr. Ananthanarayanan: Correct, are currently being manufactured as well.

Mitul Soni: So, we will shift to production there first?

Dr. Ananthanarayanan: We will continue manufacturing there. All the products that are coming in as a part of the basket are all manufactured out of the Chestnut Ridge facility and therefore much easier for us to continue manufacturing from that same facility.

Mitul Soni: Would you be able to give a number like what is the revenue of those products as of now?

Dr. Ananthanarayanan: We cannot. Until closing, obviously we cannot get into those details. Once closing is done and as we get into Q3, we will be able to be a little bit more specific on the Endo portfolio.

Moderator: We have the next question from the line of Rahul Bharadwaj, an investor. Please go ahead.

Rahul Bharadwaj: My question is on Stelis. If you can provide more color on any new contracts on the vaccine front that Stelis may be getting. And secondly on the approvals; I believe we had filed for some approvals in the EU related to on the Biologics site. If you could share more information on this, that would be much appreciated.

Arun Kumar: Stelis, considering that we have now invested heavily in the vaccine capabilities, we are soliciting other partners. These are early days we are working with other partners to see if we can bring in new contracts. We should have some updates soon. We continue to talk to all the key players. In terms of the program, we are now only awaiting inspection for our facility for potentially our first product approval to be approved in Europe. Unfortunately, since the plant is new, the European authorities which normally would accept mutually recognized regulatory bodies to be with inspections. In this case, our files will get only approved post physical inspection of the facility which is likely soon. One such plant we expect the first program to get approved in Europe. I can also tell you that we have just to see the phase I read-outs on our insulin Glargine which has come out very successfully and has met all the primary endpoints. We are very happy with that and we continue to now take back this for our global filings. We are progressing on schedule on those programs.

Rahul Bharadwaj: One last question and this is more like in terms of very future looking. Three to five years down the line, do you see Stelis operating as a separate listed entity or the likelihood of still being with Strides?

Arun Kumar: Conversations are on that theory – how, what, the process and timing is only the factor. So, your point, in that period, yes.

Moderator: We will move to the next question from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir, on the US piece, that is the Endo transaction gets sort of play itself out now, the outline is very clear. But on the other pieces of the business which are there, on the other regulated market has anything changed from a strategic perspective or just a blip and our strategy remains where it was and we sort of start resuming growth in a couple of quarters to back to the old trajectory?

Arun Kumar: Nitin, we are already guiding in other regs that we will bounce back in this quarter.

Nitin Agarwal: Arun, is there a synergy of the portfolio that you acquired these sort of markets or….?

Arun Kumar: We have global drive from the portfolio and there is significant synergy. We obviously may have to do some bridging studies and work around small minor tweaks to meet European

standards, but yes, the portfolio is extremely complementary for us and especially the controlled substances you can export from US into parts of Europe. So, we are excited that the portfolio maximization possibilities are on in the portfolio.

Nitin Agarwal: On the institutional piece, you have talked about cost optimization and cost comparativeness in that portfolio to improve our competitiveness. Can you throw some more light on that in terms of what are we looking at in the institutional piece? Do we have much larger ambitions on the business now versus what we had earlier?

Arun Kumar: Nitin, we can. Our larger challenge obviously is that because we do not make the APIs ourselves unlike the fully integrated players, we have now managed to completely rearrange our supply sources from newly approved WHO-approved sources and we are now in a strong position. As you know, tenders go through a cycle but we are in a strong position to become cost leader in this program and you will see those results – it takes about 2 quarters for us to get significant velocity up, but we have now completed all the work that is required for us to get into that position to bid and secure more contracts. I think this business will bounce back to the historic 2015-2016 numbers where we used to do close to $150 million to $200 million. I think we are in a good situation with this business from next financial year, but you will see improvement starting from Q.

Nitin Agarwal: Arun, this is largely particularly the TLD part of the business or there are more components of the business beyond TLD?

Arun Kumar: TLD is about 70% to 80% of the total value ascribed to the entire business. So, we need solve for that, but all of these products have a limited span of 5 to 6 years to be fashionable as a cocktail. So, we are now investing in what we potentially think would be the newer range of products that we need to stay invested. So, we are investing in R&D considering that we can defocus a little bit on the US given that we have enough portfolio to launch in the next 2 years. We would refocus more of our capital and resources around these businesses to grow.

Nitin Agarwal: Just to sort of complete that, where does it leave the Africa piece in the overall business now?

Arun Kumar: Africa business is the only business that did well in the last quarter sitting in this growth. It is suboptimal in scale but continues to be strategically important for us and we will stay invested and grow that business from here.

Moderator: Ladies and gentlemen, we will take one last question from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: Two questions from my side. Now, with 100 compliant ANDAs, would the federal program be a meaningful contributor towards the $400 million target in US in the next 2 years?

Dr. Ananthanarayanan: Yes, it should. This will certainly be a meaningful participation for us.

Alankar Garude: If we look at our overall portfolio, it is still heavily skewed toward generics and regulated markets. Are you comfortable with the current revenue mix or would there be any significant focus in the future on increasing our branded and emerging market presence?

Dr. Ananthanarayanan: As Arun just mentioned in the previous question, we will certainly look to augment our portfolio both on the branded and the next regime of the newer products ARVs, but also, we will refocus our R&D to also complex products and specialty products.

Alankar Garude: Over the next few years, that is the complex and….

Dr. Ananthanarayanan: Yes.

Moderator: Ladies and gentlemen, that was the last question. I would like to hand the floor back to the management for closing comments. Please go ahead, sir.

Dr. Ananthanarayanan: Thank you all for participating. Again, if there are any specific questions or any further discussions that need to be done, we are more than happy to answer questions. Please reach out to the investor relationship team. Have a good day.

Moderator: Ladies and gentlemen, 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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