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STRIDES PHARMA-Secured Creditors	10-09-2024

STRIDES PHARMA SCIENCE LIMITED

NCLT convened meeting of Secured Creditors

Ms. Manjula Ramamurthy : Good afternoon, ladies and gentlemen. I'm Manjula Ramamurthy, Company Secretary of Strides joining from the Corporate Office at Bangalore. We welcome you all to the NCLT convened meeting of Secured Creditors which is being held through VC, pursuant to the NCLT order of July 26, 2024.

Mr. R. K. Pathania, Rtd IRS is the Chairperson for this meeting appointed by NCLT.

Mr. R. K. Pathania : Good morning. Good afternoon to you.

Ms. Manjula Ramamurthy : Thank you Sir. We also have with us Mr. Mitesh Shah, Practicing Company Secretary who is a Scrutinizer for this meeting appointed by NCLT.

Mr. Mitesh Shah : Good afternoon, everyone.

Ms. Manjula Ramamurthy : Thank you, Mitesh. We also have the Board members and Management team from Strides joining this meeting.

Mr. Arun Kumar, Founder and Executive Chairperson of the Company has sought leave of absence from this meeting. We have Mr. Badree Komandur, Managing Director and Group CEO attending this meeting from Corporate Office.

Mr. Badree Komandur : Good afternoon, everyone.

Ms. Manjula Ramamurthy : Mr. Aditya Arun Kumar, Executive Director - Business Development.

Mr. Aditya Arun Kumar : Afternoon, everyone.

Ms. Manjula Ramamurthy : Dr. Kausalya Santhanam, Independent Director and Chairperson of CSR Committee and Stakeholders Relationship Committee.

Dr. Kausalya Santhanam : Good afternoon to one and all.

Ms. Manjula Ramamurthy : Thank you, ma'am. Mr. Homi Khusrokhani, Independent Director and Chairperson of Audit Committee and Risk Management Committee.

Mr. Homi Khusrokhani : Good afternoon, everyone. Thank you.

Ms. Manjula Ramamurthy : Thank you, sir. Mr. Ameet Hariyani, Independent Director and Chairperson of Nomination and Remuneration Committee.

Mr. Ameet Hariyani : Good afternoon, everyone.

Ms. Manjula Ramamurthy : Thank you, sir. Mr. Subir Chakraborty, Independent Director.

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Thank you, sir. We also have with us Mr. Vikesh Kumar who is a Group CFO of the Company.

Mr. Vikesh Kumar : Good afternoon, everyone.

Ms. Manjula Ramamurthy : Before we hand over the proceedings to Mr. Pathania, I would like to brief you about the meeting arrangements. This meeting is held through VC in accordance with the various circulars issued by MCA and SEBI. The VC meeting platform is provided by KFin Technologies including the evoting platform.

Floor will be open for Secured Creditors to ask questions after the management presentation. All Secured Creditors joining the meeting through VC are by default placed on mute mode. However, during the Q&A session, you will be enabled audio.

Secure Creditors who are participating in this meeting will have the opportunity to cast their votes during the meeting. For any technical support they may please contact the KFin team at 18003094001.

We now request Mr. Pathania to chair and conduct the meeting.

Mr. R. K. Pathania : Thank you Manjula , for reading out the arrangements made for the Secured Creditors. Good afternoon everyone and welcome you all to the NCLT convened meeting of the Secured Creditors of Strides Pharma.

Before we start, I request the moderator to kindly announce the number of secured creditors . I believe we need a minimum of three creditors. So, moderator please give us the confirmation.

Moderator : Eight Creditors have joined the meeting. Thank you.

Mr. R. K. Pathania : Okay. As the requisite quorum prescribed by NCLT is present, I call this meeting to order.

As you are aware, this meeting is being convened for the purpose of seeking approval of Secured Creditors of the Company for the proposed Scheme of Arrangement amongst Strides Pharma Science Limited, that is the transferor or demerged Company, the first one.

The second one is of course, Steriscience Specialties Private Limited, Company number two. And OneSource Specialty Pharma Limited, the transferee or the Resulting Company and their respective shareholders. Pursuant to NCLT order of 26 July 2024, Notice of Meeting, along with the accompanying documents were sent through electronic mode to those Secured Creditors whose email IDs are registered with the Company. The cut-off date for the same was 31st July 2024.

The scheme and other documents referred to in the Notice is available for inspection in the website of the Company. With the consent of the Secured Creditors present, I take the same as having been read and received. I would like to remind the Secured Creditors this meeting has been convened only to discuss and consider the said matter of merger and does not pertain to any other business of the Company. Before proceeding with the business

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contained in the Notice, I request Mr. Badree Komandur, Managing Director and Group CEO of the Company, to provide a brief presentation covering the salient features of the scheme to the Secured Creditors.

Mr. Badree Komandur : Thank you, sir. I'll commence the presentation. And thank you once again for all the Secured Creditors who joined for this meeting. And if you can put up the presentation, Moderator.

So in the next ten minutes or so I'll cover the key features of the scheme. This is a scheme which has been presented to you at length in the last few months. And you know, and we have gone through it many times, one-on-one with you and with your Credit Committees also. I'm very happy to present to you again the broad structure of the scheme. Just go to the next slide, please.

So, broadly, the contents of this presentation will cover these aspects mainly with respect to from a Creditor's standpoint. And we also included some of the metrics which have been very relevant, which are very relevant for you in this presentation, and then we can also answer any questions you have at the end. So the project is a scheme which was announced sometime in September 2023, and Strides to demerge the Oral Soft Gelatin business and the CDMO business.

What it does to Strides is that from our standpoint, the business which is going out is a business which is being carved out into a separate CDMO Company. The share entitlement ratio, if you really see for every two shares of Strides, every shareholder will get one share in the new Company, OneSource. And upon demerger, the share held by Strides in Stelis, which is currently called OneSource, will be cancelled and Strides will cease to hold stake in OneSource. So what it does is that, from an investment perspective, investment is also demerged. The business is also demerged. There will not be any pickup of losses henceforth, from Stride's perspective, and there are certain few assets which are going as a part of the scheme, which I'll cover in detail.

And valuations have been done by multiple people including PwC and the Fairness Opinion has been issued by Jefferies and we have appointed multiple agencies to get the fair value of the business. So broadly, the business of OneSource will have three components. One is the Biologics and high-end drug devices combination. Second thing is in terms of Oral Technologies, which is Soft Gelatin capsules and sterile injectables, and making it India's first Specialty Pharma Pure Play CDMO. And this has been a very attractive sector, off late with a lot of things happening around the world. And I think it will be a very unique Company as we speak.

So from a value discovery perspective on unlocking potential, let's go to the next slide. It will be the first of its kind and it will be one of the top five pure play CDMOs. And we'll have a full potential of Soft Gelatin in business, which is there, which is unlocked at a superior multiple of 17 times. And all the shareholders are getting rewarded in the form of shares in the ratio of 2:1. So some of the important things that we note and what does the new Company contain? It has got drug device combinations, it has got complex injectables, it has got oral technologies. As I said, it's the first of its kind where we'll have Biologics Injectables and Orals under a single roof and on a single platform. In a new Company, we have got five

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state-of-the-art facilities with 18 inspections that have been very successful. And compliance is a very integral part of this business. And Strides prides on the quality and the compliance track record. We'll be having 1200 employees with 200 scientists and techno commercial leaders. There is an extensive capacity for a wide range of modalities and ability to expand at a good agility and speed.

And this is only the offerings. What we have put across the businesses, we have got, it's an end-to-end offering from an overall standpoint. It has got orals, it has got injectables, it has got Biologics and we have got a heightened regulatory support and I guess level of quality compliance at each and every stage. And this is a very unique platform which has got multiple therapeutic modules too.

Yeah. So what it does, finally, all of this should translate to something. So the highly differentiated CDMO player with full service capabilities across multiple technology platforms. And as you know, the Pharma business is a very high entry barrier business and we have been able to, you know, bring all of this together in one roof.

We are fully invested in all the facilities, all the state-of-the-art facilities and we have got an impeccable quality record. We spoke just a few minutes back that we have got 18 inspections which have gone through very well. We also have developments, proven development skills and it requires a very different talent. We have got enough inhouse talent to handle all the capabilities that are required for handling this business. And we have got a strong governance backed by an experienced leadership team and followed by an advisory team who are specialists in various domains including Biologics, Injectables and Orals.

And we are very confident that with our corporate governance and compliance record we should be able to manage this Company extremely well. There are many synergies from a Company perspective.

So from a synergy perspective, it helps in better administration, from a customer perspective who is interested in the CDMO of business. It's a one-touch point from that sense. So we'll be able to cater to all its needs in one single Company. Second thing is in terms of the business potential, we have got a wide variety, portfolio products with the resources available across and we have got client relationships from multiple domains. And what it also does is, it'll also enhance the combined net worth of combined business, will also increase the earnings and cash flow, consequently enhances the shareholder value. And we also feel that on listing, this can be, this will be again one of its kind and the true value will come out in the next 5 to 6 months.

Next slide please. Some of the features of the scheme is that the appointed date is from 1 April 2024. All assets and liabilities of the demerged undertaking will be transferred to OneSource. OneSource would issue shares to shareholders of Strides and Steriscience based on share entitlement ratio recommended for the scheme. For every two shares, every shareholder of Strides will get one share in OneSource and upon receipt of requisite approvals, OneSource will be listed on NSE and BSE which will happen 4 to 5 months from now. The resulting shareholding structure at OneSource post all of this will be 37.2% will be held by the promoter and promoter Group and 62.8% will be held by Public.

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Next slide. So one of the questions that has always been asked is what will be the retained business of Strides from a Secured Creditors perspective. We will be at a Rs. 750 crore EBITDA. And while the current year's projections are between Rs. 950 to Rs. 1,000 crores that was including the softgel business of about 200 crores. Even if the softgel business goes, it will be at least Rs. 750 crores which we'll end up with. But from a reporting perspective, it will be between Rs. 950 to Rs. 1,000 crore as we speak.

We expect the EBITDA in line and as you know that we had one of the best quarters in Q1FY25 and we continue to maintain the traction. Debt by EBITDA expected to remain under 2 by March 2025, supported by efficient working capital cycle and strong operating cash flow. Our cash-to-cash cycles have been one of the best in the industry, 129 days. And \$35 million of debt will be pushed down to OneSource.

And corporate guarantees, which is about Rs. 400 core number, which used to be about Rs. 1400 crores, which we have substantially reduced in the last one year, will also disappear once on listing of OneSource and also on completion of procedural documentation. So we are seeking the approval of all the shareholders and creditors through the NCLT meeting which is done today. We have got regulatory approvals to go through in the near future. Then the scheme will be placed before NCLT.

NCLT order is expected to be sometime in maybe next two to three months from now. And the listing should happen before March 2025. That's what, that's a broad time and this is a Scheme of Arrangement to seek the support of the lenders. As I said that you have been extremely supportive and we have had multiple discussions with you and very happy to answer any further questions you have.

And from an overall perspective you really see from a Strides perspective, just to give you a summary that we are about fixed assets, we have about from a standalone perspective, Rs. 60 crores of assets will go off, investments will get cancelled in standalone close to Rs. 515 crores and working capital is about Rs. 124 crores. Debt will be about Rs. 280 crores and Debt like items will be another 32 crores. These are all from a standalone perspective.

From a consolidation perspective, we'll have Rs. 94 crores of assets going out of the Company and investments, Rs. 154 crores and working capital and the debt is more or less similar. So broadly, what we say is that the entire EPS, the interest cost, the EBITDA, all the Balance Sheet ratios will look far better from a lender's standpoint. That's what we want to convey and very happy to answer any questions you have on this front.

Mr. R. K. Pathania : Thank you. Thank you. Mr. Komandur for your presentation. Now before I propose the scheme for voting, we would be happy to answer, clarify any questions/ Comments from Secured Creditors present at the meeting on the scheme.

I request Creditors to restrict their questions, comments only to the issues related to the scheme so that the discussion is focused and fruitful. Request the speakers to keep their questions brief and limit their speech to three minutes. We'll first hear all the questions and then we'll respond to them comprehensively, in the end. Queries which may remain unanswered at this meeting will be responded through email.

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Ms. Manjula Ramamurthy : So the secured Creditors who have joined the meeting, we will call out your names. If there are any queries, the moderator will unmute you. We'll start with Yes Bank, the representative from Yes Bank. If you have any questions, you may please be. Moderator, can you please unmute Yes Bank team? If they have any questions they can ask.

Representative of Yes Bank : No question from our side.

Ms. Manjula Ramamurthy : Thank you.
The next team is from IDFC.

Representative of IDFC Bank : No questions from our side.

Ms. Manjula Ramamurthy : Thank you. Axis Bank team. Okay. Catalyst Trusteeship. IndusInd Bank, RBL Bank team. Okay. The next is ICICI Bank.

Representative of RBL Bank : No questions from us.

Ms. Manjula Ramamurthy : Okay, thank you. ICICI bank team. Okay. The next is the Aditya Birla team.

Moderator : I request the ICICI bank in case if they have a question, they can ask. No response received. Thank you.

Ms. Manjula Ramamurthy : Okay, the next is Aditya Birla team. Okay. The next is Karnataka Bank.

Representative of Aditya Birla : No questions.

Ms. Manjula Ramamurthy : Okay, thank you. The next is Karnataka Bank. Okay. No response. Yeah.

Mr. R. K. Pathania : Now, I am sure this point, the one point that I have in my mind must have been discussed with the banks regarding the assurances or guarantees or collaterals that have been given against the loans. What will be the position now with the new Company? I'm sure this must have been discussed with the banks earlier, but just for sake of repetition, could we have a little elaboration on that, please?

Mr. Badree Komandur : Yes, we have discussed all the modalities. What is going to happen is about \$35 million of debt which is going to move out of this, the entire scheme of arrangement and Banks are in the process of identifying who all will be willing to move at this point of time, which is what is going to happen from now on till the next stage. The Rs. 280 crores, whichever bank is moving out, they will discuss all the collaterals and what is required for this purpose. And our objective is to give equivalent amounts of working capital along with the loan and subject to all meetings of all the covenants for both the companies.

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Mr. R. K. Pathania : Okay, fine. So as this meeting is held through VC and the resolution have been put to e-vote, there will be no proposing and seconding of the resolution. Secured Creditors may also note that there will be no voting by show of hands either. Secured Creditors may note that the Insta-voting on the KFin platform will continue to be available for the next 15 (one five)minutes.

Mr. Mitesh Shah, Scrutinizer for the e-voting process shall submit his report on the voting results to the Chairperson of this meeting. E-voting results will be announced on or before Thursday, the September 12th and the same would be intimated to the stock exchanges and uploaded in the website of the Company. Secured Creditors to note that this meeting, being an NCLT convened meeting, Results along with the Scrutinizer's report will also be reported to the NCLT Bombay Bench at the earliest. The resolutions that are set forth in the notice shall be deemed to be passed today subject to receipt of the requisite number of votes. Thank you all for attending the meeting and I hereby declare the proceedings as closed. Thank you. Good day to all of you.

Ms. Manjula Ramamurthy : Thank you.

Mr. Badree Komandur : Thank you, everyone.
