



“Strides Pharma Science Limited
Q4 & FY '25 Earnings Conference Call”
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MANAGEMENT: STRIDES PHARMA SCIENCE LIMITED

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- **MR. BADREE KOMANDUR – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER**
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- **MR. ABHISHEK SINGHAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of Strides Pharma Science Limited. 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. 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: Thank you, Pooja. A very good afternoon and thank you for joining us today for Strides' earnings call for the fourth quarter and full year ended financial year 2025. Today, we have with us Arun, Founder and Non-Executive Chairperson; Badree, Managing Director and Group CEO; and Vikesh, 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 Arun to make his opening comments.

Arun Kumar: Thank you, Abhishek. Good evening to everybody who's joined this call. We really appreciate your time. We are fully conscious that today is a busy day for many companies in our sector announcing, so we appreciate that you could find some time to participate in our earnings call.

FY '25 has been a great year. We started the reset approximately 3 years before and I think we have delivered on all what we promised internally and externally. We had a phenomenal year in terms of performance, a true classic story of Opex leverage, significant growth in our EBITDA and our highest ever PAT that this company has reported on an operating basis.

Very solid Q4. All outlook metrics have been met. And many of you know that Strides never used to guide, but I think we had to guide, given the turbulence that we had a couple of years ago. But now having demonstrated a very solid base, the company will continue to focus on opex leverage, higher EBITDA growth and absolute gross margin growth. While revenue, we have all the pivots for revenue, all of you are familiar with our measured growth. We have been consistently delivering in a particular range every 2, 3 quarters, and then we build up from there.

But having said that, little over 12 quarters, we've had Q-on-Q growth on our EBITDA, which is our internal metric for opex leverage, and we continue to build on that model going forward. I'm more than happy to take questions after the introductions, both Badree and Vikesh will take over from me now, and we can then address your questions. Over to you, Badree.

Badree Komandur: Thank you. Good evening, everyone. And I'd like -- in the next few minutes, I'll try to take the - I'll give you a complete flavour of the results. It has been a fantastic year for us FY '25. Profitability, efficiency and growth has been the pillars on which the entire company has grown.

And there are 4 metrics which we kept for us, which we chased during the year, and one was in terms of revenue to grow between 12% to 15%. We grew 17.2%. And we said that EBITDA should be between a range of INR750 crores to INR800 crores. We closed the year at INR802.8 crores, beating the higher end of the guidance. And net debt to EBITDA at 1.9x. Our target was to get to less than 2; and U.S. revenue to be between \$275 million to \$290 million, We closed the year at \$291 million, also surpassing the upper end of the guidance, what we have given for U.S. business. And what we want to say here is that the U.S. business grew much faster than the overall company average by 22%.

From a revenue perspective, we grew 17.2% overall revenue and gross margins at 20.5% and EBITDA at 37% and PAT is a multiplier growth almost 12x from previous year. And the most pleasing aspect of the last 2 quarters has been that we have been able to maintain the gross margins at 58% to 59% range. And this has been the second consecutive quarter post the demerger of the Softgel business.

Coming to the U.S. business, we received 5 product approvals, and we launched 7 products, and we also sustained market share across the products. And we have market-leading positions in 36 out of 73 products which we commercialize. And we continue to enjoy great service levels compared to most of the other people in the industry.

And we are also happy -- we are also pleased to announce that the first nasal spray product was filed -- which was beyond \$400 million strategy was filed with U.S. FDA recently. From another regulated markets perspective, we grew at 13.5% and the strong in-licensing portfolio to drive near-term growth in U.K. and Nordic markets and we need to work hard on expansion of the product portfolio and new customer acquisitions, which will be the focus going forward. And continued momentum in filings will also drive the growth in the medium term.

As far as the growth markets are concerned, we grew very well in the growth markets, 24.2%. Access markets was a slight degrowth. And we all know that access markets is very lumpy, and we believe that we have got enough pilots in place to bring in new dollars for the growth markets in the near future. The company will be focusing heavily on the regulatory and the R&D work with respect to the new markets and -- so that the long-term growth is intact from a company perspective.

And focus on portfolio maximization strategies are also in place and channel partner expansion will also drive the future growth. And overall, if you really see, we are very happy with the growth and across all parameters of profitability, efficiency and growth.

And I'll let Vikesh to cover the efficiency and the growth parameters.

Vikesh Kumar:

Thank you, Badree. Good evening to all of you. As Badree mentioned, it's very delighting to share that we have had a very strong closing to FY '25 with very consistent operating performance across all our metrics, demonstrating a very solid and comprehensive operational execution.

We had an exceptional year-on-year growth across all P&L metrics. We reported an EBITDA of INR803 crores for the year, which grew by 37% with an EBITDA margin of 17.6%, a 252-

basis points expansion in our margins. We also reported our highest ever operational and reported EPS for the year. Our operational EPS at INR37.46 per share grew 12x and our reported EPS is at INR44.05 per share.

Our operating leverage and focus on all our cost line items is clearly demonstrated in the significant improvement in our EBITDA to PAT conversion. For the quarter, we have reported an EBITDA of INR218 crores, which grew 22% year-on-year with an EBITDA margin of 18.3%. And operational PAT of INR113 crores for the quarter is, again, our highest ever quarterly PAT that we've reported, and our EBITDA to PAT conversion is at 52%, which is a significant improvement over the last few quarters.

Our operational EPS for the quarter, we've ended at INR12.27 per share. We are very happy to also state that our Board has approved a dividend of INR4 per share in our results today. Our focus on efficiency metrics is also seen in our cash-to-cash cycle, which is at 117 days, and this has helped us deliver our best ever operational and free cash generation. Our operational cash flow of INR684 crores for the year is 85% of our reported EBITDA. And this has helped us to deliver a free cash of INR230 crores. This is after spending INR242 crores in capex.

This cash generation and with the debt we transferred to OneSource as part of the demerger has helped us significantly deleverage our balance sheet with our net debt reducing to INR1,522 crores. It is a reduction of INR513 crores during the year. We also had very focused efforts on reducing our high-cost loans, which has helped reduce our gross debt by INR619 crores during the year, and this has significantly improved our finance costs.

Our finance cost has improved by almost 27% from Q1 to Q4. So just in the financial year, we have significantly improved our finance costs. Our net debt for the quarter reduced by INR49 crores, and this helped improve our net debt to EBITDA to 1.9x, which is ahead of our outlook of 2x. As of today, we have no outstanding corporate guarantees to Stelis. All the INR705 crores of guarantees that were issued have been closed during this year.

Coming to ROCE, our ROCE grew to 14.9% from a comparable 9.7%, a very strong growth. Last year, we had reported an ROCE of 12.8%, which included the demerged Softgel business. So even after the demerger, we've been able to grow our ROCE very strongly, and this is also reflected in our fixed asset turnover, which is now at 4.95x.

Our overall operating expenses for the quarter have remained steady for the year and these expenses have improved to 39% of sales from 40% last year. Our effective tax rate is at 18.7% for the year, and this is in line with our estimate of 18% to 20%. Overall, it has been a fantastic performance that we've had during the year, and we've demonstrated a very consistent quarter-on-quarter EBITDA growth for the last 8 quarters, and that continues to remain our focus going forward.

Thank you, and we are happy to take any questions that you may have.

Abhishek Singhal:

Pooja. We are open to take questions.

Moderator: Thank you very much. The first question is from the line of Aniket Nikumb from ABN Capital. Please go ahead.

Aniket Nikumb: Congratulations on a great set of numbers, sir, and the progress you've done over the last couple of years. I had 2 questions. First question, sir, was on the U.S. business. We've now achieved, call it, \$291 million of revenue, and we've given a 2-year outlook of \$400 million. So, maybe would you like to give a little bit colour on how you're seeing FY '26 and maybe a little bit on what are the key launches you are seeing or a little bit more colour on the new controlled substance nasal spray opportunity that you are targeting?

Arun Kumar: Yes, sure. Aniket, we don't get to such granularity as a principle. The U.S. business continues to be an important part of our overall growth strategy. Our \$400 million objective has been up in our slides now for a good 3 years. We have grown this business quite significantly in the last 2 to 3 years, and we still have over 200, -- almost 150 ANDAs that are not commercialized.

So we'll continue to focus on the U.S. business. We have, we think, the contrarian approach of staying invested in U.S. has played well for us because of our product selection and our service levels. We still believe that there is -- with all the ambiguity that is still in the air as regards tariffs and stuff like that, we are in a very strong position to grow our U.S. business.

The U.S. plant that we acquired from Endo has a very significant controlled substance opportunity across all domains. Our first -- we have 3 filings in our nasal spray programs, which will all be completed within the year. The market opportunity of this is very significant. The nasal spray's market opportunity -- it's close -- the nasal spray global opportunity in the U.S. market is very significant. We expect to be one of the fewer players in controlled substance nasal sprays. And apart from -- we don't normally give product names as a policy. I hope I've addressed your question.

Aniket Nikumb: Yes, that's helpful. And maybe would you like to give any colour on the 505(b)(2), what segment or any colour on that?

Arun Kumar: I mean, there are so many domains in the market. It's our first 505(b)(2) in a very specific area. It's too early for us to give you more product specifics.

Aniket Nikumb: Got it, sir. Very helpful. Sir, my second question was a little bit maybe just on the finance side. Obviously, we have delivered significantly. So, would you sort of expect a sort of credit rating uptake and a significant reduction in the cost of funds? What's our current borrowing rate? And do you think that sort of comes down meaningfully in the next year?

Vikesh Kumar: Yes. So, on the finance costs, as you would appreciate, in H2, we have already done a significant level of renegotiations and improved our overall finance cost efficiency and that is reflected in Q3 and Q4. And clearly, after these results, we are working on the credit rating, and we will update you as we go forward.

Aniket Nikumb: Sir, what's the current cost of funds?

Vikesh Kumar: The current cost of funds is about 9%.

- Moderator:** We'll take our next question from the line of Anand Mundra from SOAR Wealth.
- Anand Mundra:** Sir, I have a question with respect to other regulated markets. So, revenue has been largely flat for the last 4 quarters in this segment. So, wanted to understand your growth prospect for FY '26?
- Arun Kumar:** Well, the other reg markets has steadied, and you're right that the last 4 quarters has been fairly straight line. And that has also to do with the fact that we have significant B2B business in Europe. And when we have licensed out our products to larger players in that market, it takes a little while for them to have their launch programs up and running.
- So, I think achieving consistency was a key theme that we have achieved. And I think going forward, although it's consistent 4 quarters, you'll notice there's a 13.5% growth. So it's not necessarily small growth. But we think that all the engines are now firing in Europe, and we should be reporting even a more improved outlook on these markets as the quarters go.
- Anand Mundra:** Noted, sir. Sir, other thing, in earlier calls, you had mentioned that other regulated market shall mirror U.S. market in the next 4 to 5 years. So that means that we are looking for substantial growth in other regulated market also. So, how do you -- what are the key driver for the same, sir? How do you think that would be achievable?
- Arun Kumar:** So, it's there on our landing slide, it talks about portfolio maximization, incremental focus on newer partners, and we'll continue to drive growth in the medium term through these actions.
- Anand Mundra:** So do you see that U.S. market and other regulated market will be similar in next 4 to 5 years, sir, in terms of absolute size?
- Arun Kumar:** Well, that's a fair guess.
- Anand Mundra:** Okay, sir. Sir, my third question is with respect to cash conversion cycle, there's a significant improvement from FY '23 to FY '25. Can we expect further improvement in working capital cycle sir?
- Arun Kumar:** I think we already have industry-leading cash-to-cash cycle days. And Vikesh, you can allude to -- add more to that.
- Vikesh Kumar:** Yes. We've got to a position where I think it is important to sustain this performance over a longer term, and our focus is going to remain on maintaining these cash-to-cash cycle days.
- Moderator:** The next question is from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** Congratulations to the management team for a brilliant turnaround this year. Arun, on the U.S. business, how many products are we looking to launch of the 60-odd that we've identified from the dormant ANDAs over the next couple of years?
- Arun Kumar:** Nitin, thank you for your kind words. Just to -- it has been 2 consecutive years of solid performance. I didn't want to take away anything from the team that delivered that. Having said that and specific to your question, we -- out of the 60, I think we have already now launched

more than 5 or 7 products and now -- and that is why we are very bullish about the market opportunity. But as you know, as a measured launch, the file -- the improvements in the files from what we acquired have been completed for a lot more, but we'll only place the product at the right time and at the right price.

So, we are not opportunistic in accelerating our growth because we already have a fairly significant above peer group growth in terms of percentage Q-on-Q for the U.S. market. We'll continue with that, with the portfolio that we have. But we do have 60 products identified. A lot of them are -- we have got all the regulatory interventions done, some of them are launched, and we'll keep launching 1, 2 products every quarter. We also remember, Nitin, that when we face challenges on our products, we also withdraw 1 or 2 products. So, it's not necessarily a net-net game.

Nitin Agarwal: Right, right. And in terms of the incremental R&D that we are doing, this is now largely going towards, as you call it, the beyond \$400 million as a strategy of your portfolio or there is some R&D, which is really -- is this how we are calibrating the R&D incrementally?

Arun Kumar: For new ANDA filings, except for very few products where we have very strong fit for scarcity theme. So, it's a very small number of products. Almost 75% of our R&D investments, and this year it will be a fairly significant jump will be for the Beyond 400 portfolio, because most of the filings with 505(b)(2)s, as you know, cost almost \$2.5 million just on the fees. So, there will be incremental costs that you will see soon. But we're very confident about those products and the opportunities they bring to us.

Nitin Agarwal: And then these products would be typically start making impact for F '28 or further I mean, for '28 onwards or it'll take more like '29 onwards? These large complex products?

Arun Kumar: All the 3 nasal sprays, we expect to be commercial between 12 and 18 months from now. And they are fairly significant programs. And the C2 products, C1, C2 products that we can only make in the U.S., we have revived most of the files for us to relaunch, and that will also support the growth of products manufactured in the U.S.

Nitin Agarwal: Okay. And on the -- just a couple on the housekeeping numbers, the exit interest cost and the depreciation that we've had, these are the numbers that we can assume on a going-forward basis now?

Badree Komandur: Yes.

Nitin Agarwal: And Vikesh, what kind of debt reduction are we targeting over the next couple of years?

Arun Kumar: I think we are in a very comfortable position now. We probably can reduce another INR1,000 crores in the next 2, 2.5 years. That's a goal. Yes. So, we think that we can generate the INR500 crores, INR600 crores of free cash every year. We had a fairly significant capex play in the last 2 years of building some of these new domain capabilities. But now that will shift to the R&D spends. And yes, I think we should be in a good position.

Nitin Agarwal: So, Arun, what kind of R&D spend are we looking at from here on with these newer investments you're looking at?

Arun Kumar: So yes, it's -- we are almost doubling our R&D spend from where it was last year, and almost \$15 million of the \$20 million that we are spending will be for the Beyond \$400 million play.

Moderator: We'll take our next question from the line of Jegadees Sharma who is an investor.

Jegadees Sharma: Congrats for the quarter. Sir, what is our capex outlook for FY '26 to FY '27, sir?

Vikesh Kumar: The capex outlook, we expect to maintain similar or lower levels.

Jegadees Sharma: Okay. So, my second question is, we have reached INR218 crores of EBITDA on a quarterly basis and INR430 crores in the second half of this financial year. Are there any one-offs in this? Or is this a sustainable exit rate that we can extrapolate for FY '26?

Vikesh Kumar: You can, there are no one-offs.

Jegadees Sharma: There are no one-offs. And do we anticipate any growth, sir?

Arun Kumar: Any?

Jegadees Sharma: Growth in EBITDA.

Arun Kumar: We are not going to take a growth holiday. We've been growing every year. So if you see flow-through margins through EBITDA and PAT to be significantly higher than the revenue growth that we will achieve.

Jegadees Sharma: So, can we expect high teens margin, sir? Because our Softgel business has been carved out which was the most profitable segment. So, can we expect?

Arun Kumar: We have reported 18% EBITDA in Q4. So, what are you talking about, high teens? We are very close to 20%.

Jegadees Sharma: Yes 20%, 20% is I'm asking.

Arun Kumar: We should be there.

Jegadees Sharma: We should be -- in the next 3 years?

Arun Kumar: Yes.

Moderator: I'll take our next question from the line of Rupesh from IntelSense Capital.

Rupesh: Congratulations on fantastic year. My first question, sir, is on our ability to respond to U.S. tariffs. I mean -- a lot of things are fluid, but we have a facility there. And also, if you can give some colour on what kind of capacity we have, what is the capacity utilization? If things come to it, how fast can we move some production there? So, if you can give some colour on that, that will be really helpful.

Arun Kumar:

Yes. So basically, on generics, it's impossible to compare costs. The U.S. costs are about 3.5x to 4x depending upon the product you manufacture compared to Asia. So, I personally think that we have almost 70% of our revenues and -- 70% of our margins coming from products that there are very few players or none and/or they are produced in the U.S. already.

So, we -- as far as tariffs are concerned, we will not be able to eat the tariffs ourselves. We'll pass on the tariffs. And that's our stated policy. So, it may take a little time in terms of lag of introducing the new prices. But I think considering that we do not do commodity products where there are many players with the same ANDA, I think we are in a much better position to take head on the generics tariffs if it arrives.

Our personal belief is that it does not make sense from a rational situation for generics to be tariffed, but that's our view. But if tariffs are there and it has to be beyond 100% for anything to be made in the U.S. viable or comparable, which is not going to happen. So, I think there will be some amount of tariffs, but we'll wait and see. It's too early to speculate.

Rupesh:

Second question, Arun, is I think Europe -- I mean, in the past calls, you have always been saying that the Europe growth will pick up in FY '26. Other regulated markets also will pick up where we've been trying a few things in those markets. So, is it fair to assume that we will hit \$50 million run rate in other regulated markets and \$30 million run rate in growth markets this year? Is that a fair assumption to make?

Arun Kumar:

It's not a fair assumption, neither can I confirm or -- we are working on growth, right? And it takes time in Europe because it's not 1 market. There are 25 or 28 markets that we have to cover when we sell products in that market. It's time consuming. But we are feeding a lot of products and programs. And I think you will see -- and this is very typical of Strides. If you look at the last 3 years, we stabilized the business over 2 to 4 quarters, and then we take it up a step. And that's what we have done very successfully and that's the model we are following here.

So, to be sure that we have visibility of \$40 million every quarter was the key goal and above. And now our goal will be more growing from there, and I'm not in a position to say if our exit rate will be 60%. It will be an important market to see growth. And to your specific question on emerging markets, it is growing higher than the company average, as you can see, but it is a low base. It takes time to build that business. We have started a lot of activities. But we think it will also be a nice segue to our overall strategy to create value.

So, I think one of the earlier colleagues of yours who asked question was, will we be able to mirror us other reg markets to U.S. in a couple of years? That is a \$400 million number in the U.S. The answer is yes. Do you see -- will we see a slightly better outcome in this year in ORM? The answer is also yes.

Rupesh:

And just quickly, if I can ask about pricing pressure across all our key markets, any colour you can give on pricing pressure? That would be my last question.

Arun Kumar:

We have no pricing pressure. We've been saying this for the last 3 years. We have no pricing pressure because we exit if there is pricing pressure. Okay. Next question?

- Moderator:** We'll take our next question from the line of Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Congratulations on a very good set of numbers. Sir, just one question on the balance sheet. So, right now, we have a net debt of around INR1,500-odd crores. And what we are guiding is around INR500 crores odd reduction in this every year for the next couple of -- 2, 3 years, right? Is that the right understanding?
- Arun Kumar:** No, we are not guiding anything. All we are saying is that this year has been a significant free cash generating year. Vikesh clearly articulated that he expects that to continue. This year, the INR500 crores or INR600 crores gross debt reduction also included a push down of INR280-odd-crores to OneSource. So, it will be fair to say that we don't want to be a debt-free company.
- We wanted a good strong balance sheet, and we already have achieved that at 1.9x. Clearly, we think that we can reduce debt even more because we are -- we do have the ability to fund all our programs without any new investments. And yes, maybe INR300 crores to INR500 crores is a range that we can look. Some years it will be INR300 crores, some years it will be INR500 crores. It depends upon the R&D spend that we are investing for the beyond \$400mn strategy in the U.S.
- Sarvesh Gupta:** And this INR1,500 crores number does not include the INR300-crores-odd of retained interest in OneSource, right?
- Arun Kumar:** No.
- Sarvesh Gupta:** Okay. And final question is on the capex, sir. So this year, we've spent INR240-odd-crores. So, what is the capex plan for FY '26 and where are you planning to spend that? That's all.
- Arun Kumar:** It will be much lower than the INR245 crores because we did a fair amount of spend debottlenecking the facilities for the next several years. But like I told earlier, our spend in R&D will increase. So, I think net-net between capex and R&D, the numbers will stay. Last year, we would have spent about INR350 crores between the 2, R&D and capex. But this time it will be skewed towards R&D and portfolio management. So, I still think that we'll have between INR300 crores to INR400 crores of cash left after doing this.
- Sarvesh Gupta:** R&D spends also will be capitalized, right?
- Arun Kumar:** No, we don't.
- Moderator:** We'll take our next question from the line of Kiran from Tabletree Capital.
- Kiran:** My first question is around debt, sir. So, we have about INR1,800 crores of debt, net debt of INR1,500 crores. So, the question essentially is, what are the risks that we see for INR1,000 crores EBITDA in FY '26? And basically, the follow-up is then we can go for a more aggressive debt reduction program back to INR500 crores, just like Arun just said -- mentioned, right? From INR1,500 crores to INR500 crores over the next 2 years. So just trying to understand what is the risk for INR1,000 crores EBITDA in FY '26? And why aren't we going for a more aggressive debt reduction program?

Arun Kumar: I was asking where did you get this INR500 crores number from, Kiran?

Kiran: No, no. So, I was just saying INR1,000 crores EBITDA, what is the risk for INR1,000 crores EBITDA, and we have INR1,500 crores debt. You just said, we want to maintain a INR300 crores to INR500 crores debt. We don't want to be debt free. So I'm just saying INR1,500 crores minus about INR500 crores, higher part of your range is a INR1,000 crores reduction.

Arun Kumar: Okay. Everything that you said is fine, correct. Except the first line. We haven't guided for INR1,000 crores. You are taking it -- you're making that up.

Kiran: Sure sir. Yes, yes. That's understood, sir. I mean I'm just saying what is the risk of growth, just if I want to rephrase that?

Arun Kumar: Risk compliance which for, so far, we've had stellar records for the last 20 years. I think we need to solve for the ambiguity of the tariffs. That would be kind of a tipping point. Not that it will impact us from our -- we are not changing our trajectory of the 400 million growth. Those are the standard risks.

Kiran: Got it. Got it. And the aggressive debt reduction program, sir?

Arun Kumar: I do not know what is this overhang of debt. We just reduced it from INR3,000 crores to INR1,500 crores. I'm not sure what are you trying to achieve from me by asking this question on debt. we are very comfortable because all of this debt is effectively working capital debt, it's backed up by receivables or inventory, and it's very normal for us to have it.

Moderator: The next question is from the line of Aryan Jain from Lotus Wealth.

Aryan Jain: Congratulations on the great set of numbers. We just filed our first beyond generic product, nasal spray for U.S. FDA approval. So how many more products do we have in our pipeline in the beyond generics portfolio?

Arun Kumar: We expect to file about 3 to 4 products every year from -- starting from this year. And most of them are 505(b)(2)s.

Aryan Jain: And I had another question. So, Strides has been investing heavily in the 505(b) product as a part of its beyond generic strategy. So, can you elaborate more on the therapeutic focus areas, number of assets under development and expected approvals maybe in the next 2, 3 years?

Arun Kumar: No, we can't unfortunately. I gave an indication that we'll have 4 filings, which effectively means we also hope we'll get 4 approvals per year.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: First of all, many congratulations for a great set of numbers. Sir, just wanted to understand, first thing, I mean, in the last call, we were talking about, I mean, this year FY '26, we might look at INR1,000 crores kind of EBITDA. So, that number remain intact, I mean, in terms of our great performance that we have seen?

- Arun Kumar:** We hope to continue the great performance that you are calling out. And whatever that adds up to, you will -- I mean, think about it, our exit run rate is INR870 crores, So, is it possible to get to INR1,000 crores? It depends upon what Mr. Trump finally decides on tariff. Does U.S. take a -- will we be able to grow U.S. at the same levels? It's a function. That's the only thing in air. Otherwise, we believe that this Q-on-Q growth of EBITDA is definitely doable under whatever circumstances.
- Deepak Poddar:** Okay. So, we do -- we are targeting Q-on-Q growth in EBITDA. I mean, that's quite doable as per our understanding.
- Arun Kumar:** Thank you.
- Moderator:** We'll take our next question from the line of Chirag Shah from White Pine Investment Managers.
- Chirag Shah:** Sir, a few follow-up questions and one additional question. First is the 60-product library that you indicated to drive. So, of that, how much would you think would be really active for the USD 400 million target, if you can just give some indication on that, how to think about it?
- Arun Kumar:** The 60 products that we plan to relaunch from the Endo portfolio is part of our \$400 million story and not beyond \$400 million.
- Chirag Shah:** Okay. So, all 60 would be launched?
- Arun Kumar:** Not necessarily. Depending upon -- our goal is to hit \$400 million in a measured way, and we are happy with our growth trajectory. And to specifically answer your point the beyond \$400 million has got no products that are being acquired. It is all R&D that we are doing ourselves.
- Chirag Shah:** Okay. And sir, just to clarify on this. So, when you think of this new products launch, if you can indicate what is the minimum and maximum revenue potential range that you looked at given where we are operating today? And how would you incrementally think the minimum operating range of the molecules that you target? Revenue potential on an annualized basis or on a 3-year basis, however you internally look at it?
- Arun Kumar:** I understand the question. Till about 3 years ago, our average revenue per molecule was about \$3 million with 1 or 2 products exceeding \$10 million. Today, our average product launch is \$5 million, and we have several products which are more than \$20 million.
- Moderator:** We'll take our next question from the line of Swaroop from Kemwell Biopharm.
- Swaroop:** Congratulations on a good set of numbers. So, I just have one question. So, just wanted to know if we'll be able to maintain the EBITDA margins of -- which are being currently managed by you?
- Arun Kumar:** Yes. Okay. You heard us, right?
- Swaroop:** Yes. Yes.
- Moderator:** We'll take our next question from the line of Kartik who is an individual investor.

Kartik: I just wanted to add on to what Chirag had asked earlier. Just trying to understand how the portfolio concentration will evolve in the U.S. for you when you hit the \$400 million revenue mark. That's one.

And if you will indulge me, can you also split the profitability for the company between the U.S. operations and India operations separately or in terms of the rest of the world?

Arun Kumar: We don't have any Indian operations in the first place.

Kartik: Sure. Okay. So, how about the first part of it? Can you clarify on the concentration part of the portfolio on the U.S. business? How many products contribute, say, 80% of revenues out of INR290 crores, for example? And how would it look when you get to 400?

Arun Kumar: It's the 80-20 rule here.

Kartik: It will be of the same weight. Let me clarify, I'm trying to understand the supply chain challenges you'd face as you keep adding more and more products, and that's really why I wanted to understand this better.

Arun Kumar: Our launches are very measured. We don't run to the market as soon as a product is approved. It's very measured. It's very well stocked, and that is why we have an industry-leading service level. Our failure to supply, not even 1%, okay? So that is an industry leading indicator. And that is the reason why we are able to keep market share for several years even when companies -- even when other companies come with products, product approvals. So we have a very strong service level arrangement with our supply chain, and that is what is driving us.

We are not building -- and when we just completed within the last 2 years, we completed INR350 crores of capex between the 2 years. That has increased significantly capacities of our existing operations. So, we are not building. So, it's not -- and we have automated very heavily. So, we have not have a headcount increase in our operations while we have debottlenecked and we are using technology to get there. So, we don't see supply chain -- we see supply chain to be a problem if we want to launch all our 200 products. That is not our plan anyways. So, we are very comfortable with our supply chain planning and our process.

Moderator: We'll take our last question in the line of Anupam Jain from Indira Securities.

Anupam Jain: I just wanted to understand your OneSource investment. What will you do with that? Hello?

Moderator: Ladies and gentlemen, the line for the chairperson seems to have disconnected. Please hold while we reconnect. Ladies and gentlemen, we have the management line connected.

Abhishek Singhal: Pooja, you have the last question, if you can take that?

Moderator: Yes, sir, can you repeat your question.

Anupam Jain: Yes. Sir, we have OneSource investments of INR305 crores. What is the rationale and when are we looking to exit this?

Arun Kumar: What is the rationale means, rationale to keep the investment or what are you saying.

Anupam Jain: Yes, rationale to keep the investment as you've demerged the company?

Arun Kumar: Sorry?

Anupam Jain: As we have already demerged that part, what is the rationale to keep that investment? When are we looking to exit that? Because with that we can prepay our debt also?

Arun Kumar: Well, I think you need to be on not -- are you on a speaker phone because we can't hear you well.

Anupam Jain: Yes. So why are we retaining this OneSource investment currently? And when are we planning to sell it? Because this can help us in reducing our debt. That's what my question, sir.

Arun Kumar: We don't need to reduce debt, and we think our investment in OneSource is a great strategic outcome. And the shareholders of Strides already benefited. And we had a small percentage in one of our associate companies, Arco Lab, and it would have complicated the NCLT process. So that is why we informed shareholders, typically, we distribute 100% of all the economics. That's been the company's policy. In this particular case, it would have complicated the NCLT process. So, we retained this in Arco Lab, which is a wholly owned subsidiary of Strides.

And it will stay there, and we also need to be sure that -- I mean, we should be using that when there is a need. At this time, we have no challenges on our balance sheet or on our growth or on our capex growth, and we keep that for a rainy day.

Anupam Jain: Okay. One last question. Your net finance cost around INR200 crores. Can we expect this around INR160 crores because your INR1,800 crores is your gross debt and 9% will cost around INR162 crores. So, can we expect next year it will be below INR160 crores or around INR160 crores?

Badree Komandur: Yes. I mean our net finance cost for the year is INR195 crores, but we are exiting out at INR44 crores a quarter. And if you just extrapolate that, we will be within that range.

Anupam Jain: INR44 crores for this quarter?

Badree Komandur: Correct.

Moderator: Ladies and gentlemen, in the interest of time, we'll take this as our last question. I now hand the conference over to the management for closing comments.

Arun Kumar: Thank you. Thank you all for joining today. And like Abhishek mentioned, if you have any questions, please do write to us. Thank you. Have a great evening.

Moderator: Thank you. On behalf of Strides Pharma Science Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.