



August 4, 2025

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Scrip code: 532531

National Stock Exchange of India Limited

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

Symbol : STAR

Dear Madam/ Sirs,

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

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of earnings call for the quarter ended June 30, 2025, conducted after the meeting of Board of Directors held on July 29, 2025, for your information and records.

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

https://strides.com/pdf/financial%20results/Annual%20Reports/Earnings%20Call%20Transcript/2026/Strides%20Q1FY26_Transcript.pdf

Request you to kindly take the above on record.

Thanks & Regards,

For **Strides Pharma Science Limited**,

Manjula R

Company Secretary & Compliance Officer
ICSI Membership No. A30515

Encl: a/a

Strides Pharma Science Limited

CIN: L24230MH1990PLC057062

Corp. Off: Strides House, Bilekahalli, Bannerghatta Road, Bengaluru - 560 076, India

Tel: +91-80-6784 0000 **Fax:** +91 80 6784 0700

Regd Off: 'Cyber One', Unit No. 902, Plot No. 4 & 6, Sector 30A, Vashi, Navi Mumbai - 400 703, India

Tel:+91-22-2789 2924/ 3199

corpcomm@strides.com; www.strides.com



“Strides Pharma Science Limited
Q1 FY '26 Earnings Conference Call”
July 29, 2025



MANAGEMENT: STRIDES PHARMA SCIENCE LIMITED

- **MR. ARUN KUMAR – FOUNDER AND NON-EXECUTIVE CHAIRPERSON**
- **MR. BADREE KOMANDUR – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER**
- **MR. VIKESH KUMAR – GROUP CHIEF FINANCIAL OFFICER**

INVESTOR RELATIONS CONSULTANT

- **MR. ABHISHEK SINGHAL**

Moderator: Ladies and gentlemen, good day, and welcome to Strides Pharma Science Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this call is being recorded.

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

Abhishek Singhal: Very good evening, and thank you for joining us today for Strides' earnings call for the first quarter of financial year 2026. Today, we have with us Arun, Founder and Non-Executive Chairperson; Badree, Managing Director and Group CEO; and Vikesh Kumar, Group CFO, to share the highlights of the business and financials for the quarter.

I hope you've gone through our results release and 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 the opening comments.

Arun Kumar: Thank you, Abhishek. Good afternoon, everybody. Good morning and good evening for those of you who are joining from outside of India. We appreciate your time today.

I am extremely pleased that we had another strong quarter with our disciplined and calibrated approach focused across different line items of our business, focusing on growth, more importantly, profitability, free cash flow and a much stronger balance sheet. It's been several quarters of consistent performance, and I'm delighted in spite of the environment in which we operate that we continue to deliver strong and stellar performances.

I don't want to take the thunder away from the team that actually does this on a daily basis. That is Badree and his leadership team. And I'll let Badree take the lead in today's call and be more than happy to address questions as they come, both after Badree's and Vikesh's opening statements. Thank you.

Badree Komandur: Thank you. Welcome all. I'm very pleased to report the quarter 1 results for Strides. I'll cover all the growth metrics, and I'll leave Vikesh to cover the profitability and efficiency metrics of the Q1 performance.

This quarter, we clocked about INR11.2 billion, which is about INR1,120 crores. And gross margins expanded by 300 basis points. We touched the threshold of 60%. From an EBITDA perspective, we are at 19.5% and operational EPS of INR12.4.

What we believe is that operating leverage has started and completely playing out in our results. And I'll cover each and every business in terms of growth, and Vikesh can take in terms of profitability and efficiency.

As far as the U.S. market is concerned, we grew 7% year-on-year and our long-term outlook of the business of \$400 million in 2028, we continue to reiterate the business outlook. From a quarter perspective, the base business led the growth in this quarter. We received one product approval and launched one product in Q1 FY '26. And total number of commercial products stood at 70. We discontinued four products that did not meet our margin threshold. We continue to do this on a quarter-to-quarter basis as a part of our process initiative, and our focus has been on improving the profitability and efficiency, and we continue to do that. Based on this, this call was taken to discontinue these four products. And we sustained the market share across the portfolio, and we are ranked among the top 3 in 37 products which covers almost 75% of the U.S. revenue. And we continue to invest in R&D programs for growth beyond 400 million, and you'll start seeing the picking of the entire R&D efforts in the coming quarters.

As far as the other regulated markets grew at 9.2%, \$42 million. We believe that the base is formed. And from now on, we should be able to see the growth in the other regulated markets. While we grew 9.2% year-on-year, the growth will be much better as we go along in the coming quarters, mainly due to expansion of the product portfolio and the new customer acquisitions, which will drive the growth in the near term. And we believe that we have got a very solid footing. And we have also spent a lot of time in the regulatory efforts to get to a very meaningful size.

As far as the growth markets are concerned, we grew well on a small base, almost 32.2% growth. And access market has been very lull in this quarter because of the donor funding environment continues to be challenging.

And as far as the growth markets are concerned, all the regulatory work is in progress, and we believe that it will lead the growth in the near term. From a long-term perspective, I think the growth markets should grow much better in over a 2- to 3-year period. We believe our portfolio maximization efforts and selection of products will play through like U.S. in the near term.

So with this, I'll hand it over to Vikesh to cover his comments on profitability efficiency and other balance sheet metrics.

Vikesh Kumar:

Thanks, Badree. Good evening to all of you. I'm also very delighted to share that we've reported a very stellar Q1 performance. We remain very focused on our Q-o-Q growth outcomes. It has been a very calibrated approach to growth, just like Badree mentioned. And our focus has been to drive consistency in both our profitability and efficiency outcomes. And you can see that across the line items in our results.

Our EBITDA at INR218 crores, it has grown 15% year-on-year and with an EBITDA margin of 19.5% for the quarter. It's a very significant margin expansion, reflecting the strong operating leverage and margin improvement that we remain focused on.

On the operating PAT, we are continuing our momentum that we've had over the last few quarters, and it's very pleasing to report our highest ever quarterly operating PAT at INR114 crores which is a very good EBITDA to PAT conversion of 52%. Just for context, we were 33% on EBITDA to PAT conversion in Q1 of last year, and that operating leverage is clearly visible here. With this, our operational EPS is at INR12.4 per share, which is an 81% growth year-on-year.

In terms of reported PAT, we also had a very strong reported PAT of INR106 crores. I just want to call out that last year in Q1 FY '25, we had a very significant one-time gain on account of the 1.6% stake that Strides continues to own in OneSource. That was reflected in the Q1 results of last year. It was INR102 crores gain, and therefore, operational PAT is the right metric to really look at the PAT performance for this quarter.

Our operational cash flow for this quarter is at about INR118 crores, and this helped us generate a free cash of INR26 crores, which has gone towards debt reduction. Our net debt is now less than INR1,500 crores. It's at INR1,496 crores. We were negatively impacted by forex, which was about INR19 crores. So if not for that impact, our net debt would have been further lower by another INR19 crores. Our trailing 12-month EBITDA to net debt ratio is at 1.8x.

Our cash-to-cash cycle remains steady at 116 days and ROCE has improved by 20 basis points to 15.1% on a trailing 12-month basis. Our capital employed that we use to compute the ROCE, it includes the value of investments in OneSource, which is currently valued at INR360 crores. We have not adjusted this investment in either our net debt or our ROCE calculation.

Touching on the operating expenses. Our operating expenses for the quarter are at 40.8% of sales. Q-on-Q, we have reduced our operating cost by INR16 crores. Year-on-year, it's about INR43 crores increase. Our net finance cost for this quarter are at INR41 crores. This is a reduction of INR3 crores quarter-on-quarter and a significant reduction of INR19 crores year-on-year. Our effective tax rate is under 15% for this quarter, and we expect it to be in the range of 17% to 20% through the rest of the year.

Overall, it has been a very comprehensive operational performance, and we continue to work towards building sustainable growth and remain focused on our profitability and efficiency outcomes. Thank you, and we are happy to take any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Jagdish Sharma, an Individual Investor.

Jagdish Sharma: Congratulations for the good quarter. I have two broad questions. My first question is on tariff risk in U.S. manufacturing. What proportion of our U.S. sales currently comes from the Chestnut Ridge facility? And in light of any potential tariff risk, is there any headroom to scale up production from this site further? This is my first question.

Badree Komandur: Yes. So one-third of our revenue comes from Chestnut Ridge facility and the tariff continues to be an event which we need to watch out. Right now, the position is that it does not cover generics, and we'll have to wait and see how it impacts once we get any future announcements on this.

Jagdish Sharma: Sir, one-third of your revenue. Okay.

Badree Komandur: Yes.

Vikesh Kumar: We had scaled down our Chestnut Ridge facility from a two-shift operation to a single-shift operation. And if the need be, we can increase our shifts and it will improve the capacities that we have in U.S.

Jagdish Sharma: Understand, sir. My second question is on other regulated markets. What's the broader growth strategy for the other regulated market segment? And by when should we expect this segment to grow in double digits year-on-year on constant currency basis?

Badree Komandur: Yes. So as far as the other regulated markets are concerned, there are many markets. All we can say is that the regulatory process, the growth should start kicking in from the two to three quarters.

Moderator: The next question comes from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Congratulations to the team for another strong quarter. Badree, on the U.S. business sales, the decline Q-o-Q, this was largely on account of the discontinuation of the products? Or how should we read that?

Badree Komandur: Yes. So it is -- usually, that's a trend that has been prevailing, Nitin, for last many quarters, many years between the Q4 and Q1, there is a temporary decline and then the growth picks up in Q2, Q3, Q4. And discontinuation has also contributed to some portions. And there is also some amount of the seasonality in the trend. And that's what it is, but it's very temporary in nature.

Nitin Agarwal: Okay. And secondly, just following up on that in the market, are you seeing any meaningful changes in the trends on the market dynamics that you want to call out? Any change in terms of any reduction in competition or any change in price behavior with all the noise around tariffs which you've seen in the market?

Badree Komandur: We are not seeing any such trends at this point of time. And that's the reason we are able to maintain the market share of 36 out of 73 products in terms of the leading position. And anyway, we have to keep watching as we go along.

Nitin Agarwal: And secondly, on this beyond generics, we've talked about filing the first nasal spray. So how many of -- so in this -- if you can just probably give a little more color on this beyond generic strategy, how many -- I mean, are we looking to -- how many products are we looking to file over the next 2, 3 years? And when do they begin to contribute?

Arun Kumar: Nitin, it's Arun. So, the beyond generics, what we connote is basically getting a higher per product volume, I mean, value and a higher investment in R&D. So we do have a very significant pipeline of programs, including 505(b)(2)s, the nasal spray, the entire domain, patches and also films. So that's the completely new areas that we currently don't operate and all of those are produced or will be produced out of the U.S. And we believe that we will get to a fairly

significant size in the next three to four years, while we kind of saturate the \$400 million generic strategy with a disciplined approach on pricing and margin control.

So the first product has been filed, but there are at least three or four filings that will be made this year. We will also have our first patch, which will be available for commercial operations by the end of the year, end of this financial year. And then we have a series of filings in the patches and also in the nasal spray.

So we are also enhancing our domain space there and also using or leveraging our controlled substance manufacturing capability at our Chestnut Ridge facility to get into more domains, which require control drug. So yes, it's early days, but exciting times in terms of how we allocate capital and build that business.

And just to add to what you asked Badree earlier, in terms of the changing environment, if we took off three products from the market, it is simply because it doesn't meet our profit criteria. We think we are -- our pipeline is strong enough to continue the momentum of growth.

And as Badree rightly said, we do have a fair amount of seasonality in our H2 sales. That's been quite standard for us for the last decade or so. So it's not something new. So even a 7% Q-on-Q growth is a fairly nice growth from that perspective, considering that we have discontinued a few products.

So yes, overall, we see the only new trend that we are seeing is that almost 50% of all ANDAs approved have not been launched. So it effectively means while there is approvals are coming in for products that would have been filed two, three years ago or capital committed two to three years, we are now seeing rational approaches manufacturers are making in launching products when they see there's no real value in being a price leader.

So that we think is a positive trend and also probably people are a little cautious about the tariff scenario. We strongly believe that they shouldn't, and it could, and the U.S. market cannot afford tariffs on generics, but we could be proven wrong given the circumstances of the market in which we operate.

But I think overall, through an earlier question that was asked between a combination of local manufacturing and as Vikesh rightly said, we can expand our shifts. We have the ability to move a lot of our production into the U.S. Obviously, it comes at a price. So we will then balance the tariff impact to local manufacturing cost.

Overall, as long as our gross margin trajectory remains the same, we have the flexibility of a very large plant that can be quickly tuned up to take additional volume, but also react to potential tariffs. So we will have to wait and watch these next weeks as we come to a deadline in terms of timing. But overall, we continue to be very positive about the U.S. opportunity. Sorry about the long-winded answer.

Nitin Agarwal:

That's very helpful. And Vikesh, just a couple of housekeeping ones. On the gross margin, 60.5, it's a probably the best we've done in a while. So is this gross margin that's around 60-odd percent

sustainable from here on? And an associated question is the overheads. I mean, how should we think about overheads from a current base perspective?

Vikesh Kumar: So on the gross margins, the business mix has really helped it. As you can see, access market is our lowest ever, and that has really also helped improve gross margins. And even the product portfolio in the U.S., the product mix has also helped us.

But we would say that it would remain in the range. I think 58% to 60% is a good range for us to remain in. And on the opex, even last quarter, we had mentioned that the H2 was a good run rate, and we will continue at that run rate.

Nitin Agarwal: So like INR460 crores, INR470 crores per quarter is like a run rate to sort of model going forward?

Vikesh Kumar: Yes.

Moderator: The next question comes from the line of Ankit Singh from Kotak Institutional Equities.

Ankit Singh: Sir, my question is on the U.S. business. You've given the guidance of \$400 million U.S. sales by 2028, which implies a healthy double-digit sales CAGR from your FY 2025 base. If I look at the first quarter numbers in constant currency, we have grown only at mid-single digits. So do you see the sales growth to accelerate over the next two or three quarters in the remainder year? Or will it be more back ended in FY '26, '27, '28?

Badree Komandur: So we continue to maintain the long-term guidance of \$400 million, and the growth will definitely start from Q2 onwards. And we are not too much worried about the quarter-on-quarter as long as we achieve the \$400 million mark by FY '28.

Ankit Singh: Okay. So essentially, you're saying that growth will pick up here on from the second quarter?

Badree Komandur: Absolutely.

Ankit Singh: And sir, secondly, on your nasal spray and controlled substances strategy. So is this baked in, in your \$400 million guidance? Or will it be over and above this?

Arun Kumar: Let me address that firstly. I think you shouldn't get confused with this beyond generics strategy. What we are basically saying is that we currently have enough portfolio of unlaunched products, approved but yet unlaunched products through our Endo acquisition or the facility acquisition and our own pipeline.

We are in the process of revamping a lot of these products, launching it at the right kind of opportune time. And that will, therefore, take us to \$400 million. So that's just a timing issue when do we launch a product, when we discontinue a product.

The beyond \$400 million is more an indication of the new R&D focus the company has on getting into domains and areas that we have not been doing earlier, which will drive growth beyond the \$400 million.

Now will the two overlap? Maybe, maybe not. But it's just to give a differentiation between the two that we will get to the \$400 million mark. We don't see an issue with that, as Badree correctly alluded. Will that have a few legs from the beyond \$400 million or is it all coming from our existing portfolio is academic, and it's a moot point that has no relevance to our growth strategy in the U.S.

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

Pratik Kothari: Sir, first question on U.S. opportunity again. I mean, so one, you made a statement that the competition, at least for now is behaving rationally. And second, there are some reports out there which talk about the small molecules, especially which are going off patent are 2x over the next five years versus what they were last five years.

So in that context, can we think of going beyond this \$400 million also as part of our generic portfolio, keeping the beyond generics apart? I mean, what has to happen for you to change your mind saying that we don't want to cap generics anymore and maybe we'll invest in R&D, get more products, just given what is opening up over the next five years and the way our peers are behaving?

Arun Kumar: Yes. So basically, Strides does not operate in the first wave generic strategy at all. So while you're right with the freedom to operate opportunities doubling in the next five years, we do not operate in the first to launch unless there's a very specific domain that we operate in, which is very rare. So we don't challenge, we don't patent settle. We don't like to be in the first wave.

Our strategy of finding products which are difficult to make, scarce, hard to develop, approved, clinical studies or BE studies is what we are focused on. So that will continue. And it doesn't mean that the reason why we say \$400 million, it kind of guardrails our disciplined approach of gross margin.

If we launch the 100-odd approved ANDAs and take and decide to be the next large Indian generic company, it will come at the cost of margins, and that's not our focus. So, will -- can sales go beyond \$400mn? The answer for sure. Do we want to guide for more than \$400mn? The answer is no.

Pratik Kothari: Fair enough. And in this quarter -- I mean we are planning to ramp up our R&D spend largely for beyond generics. Is it already here? I mean, this -- from this quarter onwards?

Arun Kumar: Yes, it's already there.

Pratik Kothari: Thank you and all the best, sir.

Moderator: Thank you. The next question comes from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening, sir, and congratulations on a good set of numbers. Sir, two questions. Number one, with this impending tariff, are we seeing increased sort of purchases from the U.S. to fill up the inventories? Have you seen that behavior from buyers?

Arun Kumar: No.

Sarvesh Gupta: Okay. And secondly, on the beyond generics strategy, how much are we spending currently, which is baked in, in our P&L or capitalized?

Vikesh Kumar: We've not capitalized on that. I mean, you can look at the -- our total spend for the quarter is about INR29 crores, which includes both towards tangible and intangible capex. Intangibles is R&D.

Sarvesh Gupta: Okay. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Suvaan Mittal from MFC. Please go ahead.

Suvaan Mittal: I have mainly two questions lined up. The first being that this quarter, we have seen a drag in CFO in comparison to the EBITDA conversion, it was 54%. Like against INR211 crores, we've converted INR112 crores of cash flow, which is a degrowth compared to our previous quarterly run rate in conversion. So could you give any color that where the drag has been seen? Is it the U.S. or the rest of the world markets or access of growth markets?

Vikesh Kumar: So it is only -- this is only because of an increase in inventory. Our inventories on quarter has increased by almost about INR70-odd crores as we are building that for our growth in the next nine months.

Suvaan Mittal: So secondly, is this a short-term planning? Or should we expect in the coming quarters, the conversion rate to go upwards of 70%, 80%, if any qualitative color you could give?

Vikesh Kumar: Yes, it would go upwards. I would not quantify that at this point.

Moderator: The next question comes from the line of Trisha Mehta, an Individual Investor. Please go ahead.

Trisha Mehta: So I have one question on growth markets. We see a strong 32% Y-o-Y performance for this quarter. So what have been the key drivers behind this? And which specific geographies are leading to this momentum? Can we expect a similar trajectory in the upcoming quarters?

Badree Komandur: Yes. So the growth markets consist of many markets, especially in different regions, APAC, MENA, Canada, LATAM and Africa, South Africa, all that. So from our perspective, the way we see it is that we have got -- we have been increasing our regulatory efforts significantly, and that's going to be the focus in the near term.

And we think this market will grow because we have already identified the products and we have got the portfolio maximization strategy in place.

Trisha Mehta: Got it. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Kiran from Tablettree. Please go ahead.

Kiran: Thank you for the opportunity and congratulations on a great set of results. Sir, I had two questions, one strategic and one financial. The strategic question, sir, is, as part of your annual

report, you did speak about a lot about controlled substances, 505(b)(2) nasal sprays. We filed a nasal spray in April, the first nasal spray.

So just on controlled substances, sir, as we look through the next \$100 million in the U.S., how does the controlled substance business work? Do we kind of supply to the quota or supply to players who supply to the quota? And what is the broad EBITDA margin? And next \$100 million, should we assume like 20%, 30% of the next \$100 million will come from controlled substances?

If you could just give a little more color on what controlled substances and what kind of margins you can make and just the business model at a very high level, again, may not be specific, that would be great?

Arun Kumar: We don't give granularity of what you're seeking as a policy. Product information and quotas on controlled substances is very unique to organizations, and it's a policy that this company has for several years that we do not break out this into the kind of granularity you're seeking.

Kiran: Got it, sir. So I mean, the next \$100 million at least, the rough ratio of how much?

Arun Kumar: We've given you a guidance of \$400 million. Focus on that. I think the question around that. Granularity around that is not something that we are willing to share with you.

Kiran: Sure, sure. Sir, the partnership with Orbicular Pharma, we did in May 2023. It's been a couple of years. The nasal spray that we submitted, is it part of that Orbicular Pharma? Is that still active? Do we expect some filings out of it? Just some qualitative insight?

Arun Kumar: It is. The nasal sprays is in partnership with Orbicular.

Kiran: Got it. Got it. Last question, sir, from a financial perspective, what is the expected debt pay down in FY '26?

Vikesh Kumar: Our focus is on generating free cash, and we remain committed to that focus. And you already - I mean, we also have INR360 crores worth of investments in OneSource, which is the 1.6% stake. So if you already adjust for that, we are at a very fairly comfortable position as far as net debt is concerned. I mean our focus remains to drive profitability and efficiency and a very calibrated growth, and that is what we will continue focusing on.

Kiran: Okay. So there's no net -- sorry, expected debt pay down metric you'd like to share essentially?

Arun Kumar: I mean there is free cash generation, significant free cash. We are funding capex and R&D without any new borrowings, right? That will continue. And we should be able to reduce our debt. And just that you know that when we are funding long term with our own free cash, the debt is all related to working capital, which is backed up by receivables or inventory.

So we are in a very comfortable situation in terms of our debt book. And it's not something that we really need to be apologetic anymore from the situation we were four years ago.

- Kiran:** Perfect, sir. Understood. Sorry, sir, one last question on the qualitative aspect. Pricing challenges in U.K. is something that the presentation mentioned. If you could just give some color on pricing challenges in the U.K. and how has it affected -- or how will it affect FY '26? I'm not looking for quarter-to-quarter, but generally, how will it affect FY '26?
- Arun Kumar:** Yes. So Q1 was a unique quarter, which is in the U.K. market, we did face some headwinds on pricing. We think they are temporary in nature because it's not in -- we don't see it being ramped. So we think it's temporary in nature and we should be able to pull back strongly from there.
- Kiran:** Got it, sir. Congratulations and all the best.
- Moderator:** Thank you. The next question comes from the line of Pranav Gandhi from Lotus Wealth. Please go ahead.
- Pranav Gandhi:** Congratulations for the good numbers. My question has been answered already. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Shashi Kapoor from MOS Capital. Please go ahead.
- Shashi Kapoor:** First, congratulations to entire team, Badree, Arun, brilliant performance, both in terms of operations as well as the stock is doing quite good. Two questions. First is, we would be getting around 400 million to 500 million free cash now. How the allocation would be towards debt reduction and R&D?
- And second question is what are the two, three risks you foresee towards the guidance, which we have given of \$400 million? And how we are planning to mitigate those risks? And lastly, if we see EV by EBITDA basis, we are one of the cheapest companies in the market. So maybe it's just a suggestion that we can look at strengthening our dies with especially Investor Relations team, we can strengthen that team?
- Badree Komandur:** As far as the first question is concerned, I just want to say that the R&D and R&D efforts are going to be increased and the debt will be maintained within a particular range. And the intention is to pay off the debt. And we always stated that from a long-term perspective, we want to be net debt-free in the next three to four years. That's what we are working on. And if all the things pan out as per plan, it is achievable at this point of time, the way we see.
- As far as the risks are concerned, see, we are in generics. The things -- I think at this point of time, the \$290 million to \$400 million the path is clear. The products are known. 20 products will be launched every year. Plus there are also new opportunities which are coming through. I don't foresee any major risk at this point of time.
- And as far as compliance is concerned, that is something which each and every pharma company has to focus on to get there. And as far as the suggestion is concerned, we don't want to speak on the market dynamics that the stock price will go up and down. As far as we are concerned, we are focused on giving shareholder value, which we have demonstrated in a meaningful way and it's something which has been unforeseen for many years.

And the recent one being we distributed INR 78.8 billion back to shareholders in the form of demerger and listing. And we'll continue to focus on the shareholder value.

Shashi Kapoor:

Thank you. Thanks a lot.

Moderator:

Thank you. The next question comes from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri:

Congratulations on a great set of results. Most of my questions have been answered. So just wanted to ask like we have a clear-cut guardrail guidance for U.S. sales. Is there some kind of aspiration for the growth in access market, sir?

Badree Komandur:

So we will take a few more quarters to let you know.

Darshil Jhaveri:

Okay. I just wanted to know like access market this quarter has not performed as it usually does. So any kind of -- is there a cyclicity? Or how do we see that going forward, sir?

Vikesh Kumar:

This has more got to do with the challenges that we've seen in the donor funding space. And that space at this point remains -- continues to remain challenging. So we will see that lumpiness, and we continue to remain engaged with the buyers.

Arun Kumar:

So I think more clarity, it will be good to know that almost 80% of the access market funding comes from USAID. And USAID funding has been completely cut off for the anti-retrovirals and malarias programs. Obviously, different countries and different agencies are trying to fill the gap. The gap is too big.

So at this time, everything is up in the air, and I think it's across the industry that you would see a significant downturn in demand and order cancellations. So yes, it's a function of funding and funding is simply not there.

Darshil Jhaveri:

Fair enough, sir. I think USAID say it's not happening anytime soon coming back. So I think that the growth markets are trying to compensate really well. So that's a good job done, sir.

Moderator:

The next question comes from the line of Chirag Shah from White Pine Investment Management.

Chirag Shah:

Congrats for a good set of numbers. Two questions from my side. First is gross margins. So, what is required for margins to go up from here? We are at around 60%. And you indicated 58%, 60% is a fair range on an annualized basis. Apart from pricing jump that can happen and that can bring in additional margins, what is required for us to push it up to, say, 60%?

Arun Kumar:

I think nothing is required because we are in a good spot at 58% to 60%. I don't think we can expand beyond. There are various different cost structures, under recoveries in plants and other inefficiencies that we will work on. But to assume that we can grow beyond the 58%, 60% is a little difficult at this time.

Moderator:

Thank you. The next question comes from the line of Maitri Shah from Sapphire Capital. Please go ahead.

- Maitri Shah:** Just one question on growth. So, this quarter also, we grew 7% Q-o-Q. So are we expecting a quarter-on-quarter for the next couple of years? Is that correct?
- Vikesh Kumar:** We grew 6% year-on-year on revenues. Quarter-on-quarter, it was a decline, but we remain focused on gross margins and EBITDA, where you see and PAT, in fact, you see quarter-on-quarter and year-on-year performance.
- Maitri Shah:** And the EBITDA margins at 19.5%, are these going to be maintained for the rest of the year? Is that a fair assumption?
- Vikesh Kumar:** Our endeavor is to maintain closer to that range.
- Maitri Shah:** That's it from my side. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as the last question for today. I now would like to hand the conference over to the management for closing comments.
- Badree Komandur:** Thanks, everyone, and we look forward to your support and as we focus on our execution and growing the company. Thank you.
- Moderator:** Thank you. On behalf of Strides Pharma Science Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.