



“Strides Pharma Science Limited  
Q3 & 9M FY '25 Earnings Conference Call”  
January 30, 2025



**MANAGEMENT: STRIDES PHARMA SCIENCE LIMITED**

- **MR. ARUN KUMAR – FOUNDER AND 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 Q3 and 9M FY '25 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 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. Thank you, and over to you, sir.

**Abhishek Singhal:** Good afternoon, and thank you for joining us today for Strides earnings call for the third quarter and 9 months ended financial year 2025. Today, we have with us Arun, Founder and Executive Chairman; 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 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 the opening comments.

**Arun Kumar:** Thank you, Abhishek. Good afternoon, everybody. Thank you for joining the Strides Q3 earnings call. Appreciate your time today. So by far, this has been one of our better quarters, especially after we carved out our high-margin soft gelatin business. In spite of that, we've come up with very, very phenomenal results and across all parameters, be it revenue, gross margins, EBITDA in absolute terms, PAT. And many of you would be pleasantly pleased with the fact of the lack of adjustments, considering that we have now don't carry any costs related to underlying investments in erstwhile Stelis, now OneSource. So we now have a very clean set of data points for us to work on.

Most importantly, this quarter has been compelling from the point of us having very successfully delivered, once again, tremendous value when unlocking the soft gelatin business. And discussing its true value, while it was adjusting within the generic space at a suboptimal valuation, we discovered its true value of a niche business through OneSource. I'm also very delighted that Strides' shareholders, including, especially, minorities, have now benefited close to about \$900 million of incremental value, which all of you, as shareholders, are benefiting from your holdings in OneSource.

So that's been a great outcome, a very pleasing outcome. I know we do this not very often, but when we do this, we do this in style, if I may. And it's a very pleasing time of our -- when we came back to reset and regrow this group, it's a very pleasing testimony of our continued ingrained value about stakeholder value creation.

Importantly, for us, in our first year under Badree's direct leadership over 2.5 years, we have spent time building our sustainability matrices. And we have an initial and very, very pleasant

outcome for a stellar debut, debut of our ESG rating at 76 out of 100 on the S&P Global Corporate Sustainability Assessment, which was recently announced, a very significant uptick compared to industry standards across all three parameters of Environment, Social and Governance.

It's something that we pride of is obviously Governance, and we're delighted with the score. Not that the other areas are not important, we make an impactful work on Social and Environment. We have more work to do, but we're very delighted by the fact that, for the first attempt, we are, by far, significantly better off than industry peers.

Having said that, we don't rest on our laurels, be it on our ESG score or on our compliance score. So we are only as good as our next outcome. So we are very focused and tightly organized to ensure that we get to the next big outcomes at both these, on compliance and on ESG.

I'm also pleased to welcome Mukta Arora on our Board, further strengthening the deep pharmaceutical knowledge that she brings to our Board, our larger Board. I'm also delighted by the fact that we now stand out with 5 out of our 8 Directors being independent. That gives us a lot more inputs as we get diverse and very valued inputs from our Board, which will obviously play a very significant role now in our operations.

I am -- we do have my colleagues, Badree and Vikesh who's been toiling away in the last so many quarters. So I don't want to take anything away from the great work that he's done across the P&Ls. And I'll request Badree to have his commentary on the business, and then Vikesh, our CFO, will take over with his commentary on the balance sheet and P&L, after which we'll open the call for questions.

**Badree Komandur:**

Thank you. Good afternoon, everyone. And I just want to say that we had a fantastic quarter. Just as a recap, when we started the year, we had four goals, One was to get a revenue growth of 12% to 15%, as we speak, we have done about 17.3% year-on-year growth at the company level. Second goal was to get an EBITDA of INR750 crores to INR800 crores. As we speak, we believe that we'll be at the top end of the guidance as we end this year in FY '25. And we did about INR5.84 billion, that's INR585 crores in the 3 quarters in this year.

The third goal we kept was in terms of the debt-by-EBITDA ratio, which we said that we'll be <2 as we speak, and with the run rate here <2 just ahead by one quarter. And U.S. revenue, we gave a guidance between \$275 million to \$290 million, all in line, exactly on track to achieve within that range.

I'll focus on some of the growth metrics that are very important from a company perspective. One is in terms of revenue growth, 17.3%. Gross margin growth has been faster than the revenue growth, 21.4%. And EBITDA growth has been much faster than the gross margin growth, which is at 43%. And of course, all this relating to an EPS growth, which was much higher than all of this. And as seen in this quarter, our gross margins for Q3 has been at 58.4%, and EBITDA margins at 18.2%. And Vikesh will cover all the efficiency metrics in his speech.

Coming to the U.S. business, we closed the quarter at \$73 million, and year-to-date at \$214 million. We are on track to get to \$275 million to \$290 million. We had five product approvals

and launched 4 products. And additionally, we launched three products from the acquired Endo portfolio in 9 months FY '25. As we speak, we have got total commercialized products at 71. And we are ranked amongst top three in 36 products. This is something we continue to enjoy that position in the last 3 to 4 quarters.

We also have industry-leading customer service levels, which is also a highlight of the U.S. business. And we have given a very long-term outlook in terms of the U.S. business for up to FY27-28. We believe that we are on track to achieve the same.

Coming to other regulated markets. It has started to fuel growth. We are at 7.8% YoY growth in Other Regulated Markets. We believe that we have made enough investments for it to grow in the coming years, and the our strategies are intact to grow the business in the future.

As far as the Growth and Access Markets are concerned, we have a healthy growth of 32.4% YoY. And we believe that we have made enough investments in regulatory, and a lot of work is happening in across the geographies, including the Growth Markets. And we believe that, in the future years, that will add new dollar value in terms of revenue and gross margins to the group.

And as far as the ESG is concerned, we are very happy with the result in the first year of operations. We have been tenaciously working for the last 2 to 3 years. And we believe that we have got the best-in-class processes, and we continue to work on these processes as we go along in the future.

The last statement is that we continue to believe that our growth levers are intact across the business, and our focus will be on execution operationally and also improve PAT and also EBITDA to EPS conversion.

With this, I'll hand it over to Vikesh for further comments.

**Vikesh Kumar:**

Thank you, Badree. Good afternoon, everyone. It's a very pleasing quarter. And this quarter captures a very significant milestone in our journey. It's a milestone of value creation and resilience.

As Arun mentioned earlier, we demerged a very high-margin soft gelatin business to help create a unique specialty CDMO platform. And with the listing of OneSource, we have delivered a significant value to our shareholders. All this while we also continued with our persistent efforts on building the quality of our retained business, the resilience of which is reflected in today's results across all the key financial metrics.

Since the financials have been restated to incorporate the impact of this demerger, I just want to take a minute to explain them. As you are aware, the appointed date of this demerger was set at April 1, 2024, and therefore, the financials for the quarter and year-to-date, starting right from April 1, are now representative of the retained business. Q1 FY '25 and Q2 FY '25 have also been restated from our previously reported financials to incorporate the effect of this appointed date. All the line items of the P&L, even for the comparative period for FY '24, have also been

restated so that they can be made comparable to the current retained business that we published for FY '25.

Moving to the operational performance of the retained business. Our reported PAT for the quarter is at INR90 crores, with a reported EPS of INR9.56. It reflects one of our best quarterly performances despite the demerger of a very profitable soft gelatin business. Our EBITDA for the quarter at INR210 crores with an EBITDA margin of 18.2%. With this, our year-to-date EBITDA is at INR585 crores with an EBITDA margin of 17.3%.

Our operational PAT for the 9 months is at INR232 crores, with an operational EPS of INR25.2. Our reported PAT is much higher for the 9-month period at INR324 crores, with a reported EPS of INR35. This is on account of INR102 crores onetime gain that we recorded on account of the continuing investments that Strides hold in OneSource post the demerger.

On the efficiency metrics, our cash-to-cash cycle has further improved to 119 days. It reflects a very strong operating cash generation. This has helped us invest growth capital for both our working capital needs and also capex using the cash generated from operations. Our net debt as at December '24 is at a very comfortable level of INR1,571 crores. Additionally, the investments in OneSource are now valued at INR300 crores.

During this year, in this 9-month period, we have reduced debt by INR464 crores, and this is after spending INR134 crores in growth capex. During this quarter alone, apart from the INR283 crores of debt that we transferred to OneSource as part of the demerger, we have reduced debt by an additional INR48 crores. With this reduction, our net debt-to-EBITDA is at 2x. And with this, we have achieved our full year outlook one quarter ahead of time.

As an update on the guarantees further to the release, all the guarantees that were given to OneSource from Strides are now fully released, and we do not have any outstanding guarantees as of date. Our ROCE metric has now improved to 14.7% compared to 12.8% for FY '24, and our fixed asset turnover is now at 4.8x.

Covering specific cost line items. Our expenses for the quarter have remained steady as a percentage of sales. And we're very happy with the reduction in our borrowing costs. With the reduction in debt and improvement in our borrowing costs, our gross interest costs have significantly reduced during this quarter.

Our net interest costs are at INR47 crores for the quarter and at INR152 crores for year-to-date, which is representative of our current run rate on interest costs. Our effective tax rate is at 18% year-to-date, and it is in line with our estimates, and we expect it to remain in this range of 18% to 20%.

We have also accounted for the gain on account of the demerger, and this is at INR3,188 crores, and this is reflected as part of our discontinuing operations. It has been a very comprehensive performance, and we remain focused on achieving the higher range of our outlook for the year across all our financial parameters.

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

**Abhishek Singhal:** Maybe we'll open for Q&A now, please.

**Moderator:** The first question comes from the line of Akash Jain with MoneyCurves Analytics.

**Akash Jain:** Congratulations. I think very, very pleasant set of numbers. And I think the biggest surprise has come on the margin side, frankly. So Arun, my understanding, clearly, was that the Softgel business is a high-margin business. So I was not very sure of what will be the margins of the remaining business, but we have had great margins in this quarter and even 17.3% for the full year.

So I just want to understand, from an overall perspective going forward, what should we think of the overall margins? And now that over the next 3 years, we are guiding for certain revenue growth, is there levers on operating leverage side to further improve the margins from 17.3% that we have achieved for 9 months? So that's the first part of the question.

The second question is regarding the U.S. business. I think we have earlier guided -- I think last quarter guided for about \$400 million of revenues of -- in the U.S. business by FY '28, which broadly is about 11%, 12% revenue growth. And we also mentioned that we will reintroduce 60-odd products into the U.S. market.

So I just want to get a little bit of insight from you in terms of, - are there any meaningful products in that basket that has really moved the needle? A little bit of insight into how we are going to go this journey from \$20 million to \$90 million up to \$400 million, yes?

**Arun Kumar:** Okay. Thanks, Akash. Thank you for your kind words. And firstly, I mean, we've been -- ever since we announced the carve-out of the Softgel business, we've been looking at the retained business, and then working on those levers. We have the pleasure of having a year with us, and we compounded our actions around this last several quarters, which obviously you were not seeing it as they were embedded in our consolidated results.

So we had a conscious strategy to improve our network optimization, improve our sales, reduce our costs. And you'll see a lot of parameters to be steady state while our leverage is going up. I just want to give you comfort that you would see absolute growth in our EBITDA as we take off the larger soft gelatin business of high margin, look at Strides for the next several quarters as a company that will be able to deliver on its growth and continue to grow on its absolute EBITDA numbers.

I don't think that, yes, we can in the next immediate near term. Technically, we have brought up -- if you look at the restated numbers, we have added about 350 basis points of margin expansion in the EBITDA level in the last 4 quarters. So we will have this slow and steady focus, but you have to now start looking how this company is able to deliver a lot more free cash, reduce debt more significantly. So we are not necessarily worried about the percentage of EBITDA. It will not be lower than where we are now, but it will not significantly higher also from where we are. But I think the absolute quantum will increase. Our cash-to-cash cycle will reduce with all the actions we have taken, delivering significant new cash.

Coming to your U.S. question. We are continuing to retain our guidance. No change in spite of the Softgel business going off, and that's because of our strong belief that we have enough products to take us there. We have been consistently meeting our guidance for now, 14, 15 quarters of what we said is probably not as guided, at least in the calls. And we think that we will continue to grow that trajectory.

We don't specifically talk about products. There's a lot of products that you can pick up from the IMS. But we have this principled approach of not launching a product, unless it meets a certain profit margin and a market share philosophy. So yes, so we have this nice range of products that help us support.

And our newer launch is a lot more than our historical \$5 million to \$10 million product. We are now more in the \$20 million range. So every time we launch 1 or 2 products in the 60-product basket, the trajectory changes quite significantly.

**Moderator:** Thank you. Next question comes from the line of Anand Mundra, an Individual Investor. Please go ahead.

**Anand Mundra:** Sir, congratulations on the good results. Sir, my first question is with respect to gross margin. They have expanded significantly on a sequential and Y-o-Y basis. So wanted to understand, what are the key drivers for this expansion? And what is the sustainable gross margin?

And the second question I wanted to understand about, net debt to EBITDA. We already achieved 2x net debt to EBITDA as we guided. And so when we can expect to be debt free? And what is the capex requirement over the next 2 years to 3 years?

**Arun Kumar:** Yes. Vikesh should take that.

**Vikesh Kumar:** Yes. So the gross margin, what we gave for the current quarter at 58% is more representative of the business going forward. I think it should more be looked at from a 9-month perspective, and the ups and downs were more because of the softgel and non-soft gel within. Now we're really focused on the retained business consistently, and the current quarter is a more representative quarter of our gross margins.

On the net debt to EBITDA, like you rightly said, we've met our targets ahead of time, and we are focused on continuous debt reduction from some free cash generation over the next 2 years to 3 years. And if we continue this trajectory, we should be debt-free.

In terms of capex, we are only looking at INR150 crores to INR200 crores of capex every year, and that should sustain for the next couple of years. Our investments in R&D are going to be significant as we build up portfolio pipeline for future.

**Anand Mundra:** Sir, I wanted to understand more about gross margin. So for 9 months, we did 56%. And for this quarter, we did 58%, 58.4%.

**Arun Kumar:** I think, Anand, the commentary was look at absolute increase in gross margins. And as Vikesh alluded, we would be in this kind of a range. 300 basis points. It's not necessarily a very

significant uplift. We'll have quarters of 300. We'll have some quarters of 200. But that 55%, 58% range, which effectively means our revenue growth will be a lot quicker and faster from here.

**Anand Mundra:** Understood. And sir, the last year competitive number of 54% and 53% for 9 months and third quarter, is this including the softgel business? Or this is without soft gel business, the gross margin?

**Arun Kumar:** No. It's restated, Anand.

**Vikesh Kumar:** Yes. It's all restated. The numbers do not have the soft gelatin numbers in it. It's all restated for the continuing business.

**Anand Mundra:** Okay, thanks, sir. Thanks a lot, sir. Congratulations once again for good results. Sir, thanks.

**Moderator:** Thank you. Next question comes from the line of Nitin Agarwal with DAM Capital. Please go ahead.

**Nitin Agarwal:** Arun, on the point that you mentioned about the newer launches being more the \$20 million product sort of range, some of these -- the newer products. So this is -- are we talking about the post '28, sort of the post \$400 million, as we call them, beyond generic launches? Or even within the portfolio of 60 products that you're looking to relaunch over the next 2, 3 years, there could be products like these?

**Arun Kumar:** Nitin, your voice is cracking a little bit.

**Nitin Agarwal:** I was saying the point that you mentioned about \$20 million product launches happening incrementally going forward. So this pertains more to some of the beyond generics products that you're talking about or even in the current sort of product...

**Arun Kumar:** No, not beyond generics. So for example, we have Suprep, where, if you look at IMS, we are over \$20 million. We have Sucralfate, which is very close to that trajectory. So there are a lot of new products. This year has been a good year for new product launches. We have some more coming our way soon. The controlled substances from our portfolio that we acquired from Endo, now are more than a \$10 million-plus product, kind of.

So yes, there has been significant new shifts. The beyond generic -- the 505(b)(2) and nasal sprays will -- you'll see that in '27. Onwards FY '27, we expect those 2 products, that domain and the 505(b)(2), to be a very significant upside. And that's why we have not change the numbers in spite of the softgel business moving away.

**Nitin Agarwal:** Right. And given some of these dynamics you've discussed, Arun, is there a probability of probably exceeding the U.S. guidelines for \$400 million by FY'28? Is it possible to sort of exceed that, overachieve that, given where the dynamics are?

**Arun Kumar:** Well, I mean, I think we need to wait for the next couple of weeks to see how things kind of pan out, specifically under the new political shifts in the U.S. and the -- and how -- if there's any duties and stuff like that, which are bearing on the industry. We don't think so.



Having said that, we -- you will also probably know by now that a large part of our now U.S. sales comes from production, manufactured -- products manufactured in the U.S. So that, to a very large extent, we have indicated, over time, with the acquisition of Endo facility in the portfolio, but yes, I mean, it's an aspirational number.

If you look at our current path to success, Nitin, we've been ahead of everything we've said a couple of quarters. So I would like to believe that could apply for this. But at this time, we would not want to change anything upwards or change the dates by when we get there. I think it's a couple of more quarters and some more big launches, we should be in a position to give you more color on that.

**Nitin Agarwal:** Right. And if I can just push that a little bit, Arun. In terms of the beyond generics part that you mentioned in the presentation, so there are these control substance nasal sprays you talked about and the 505(b)(2)s. I mean, qualitatively, are there any other verticals or domains that you would want to get into over a slightly more longer period of time that you are already working on?

**Arun Kumar:** Yes. So we're doing a lot more in the nasal sprays. We are now becoming an important player in the liquids and the unit dose business. That's a new niche that we are developing. We have invested significant capex around those capabilities, and we've already got product approvals. Yes. So yes, we have been picking up niches and domains and working through them. So you'll see that panning out. But I think the big new domain would be the nasal sprays.

**Nitin Agarwal:** And second one on the Other Reg Markets, what is -- there's been a year of consolidation for this business versus earlier expectations. I mean, when do you see this business sort of breaking out from the current \$40-odd million quarterly range?

**Arun Kumar:** Yes. I know we've been stuck at these numbers for quite some time, Nitin. It frustrates us as much as it does people like you who cover us. But the point really is that, no, this is a pure B2B business. We work with very large partners who insist on getting their labels and MAs approved in every single EU market before they launch because we don't want the natural channels we work with a champion in the continent and the anticipated launch to launches, pushing out. The products are approved, but these companies take much longer than what we have hoped for. I think a breakout of this stagnant kind of bar chart would happen in the second half of next year onwards. And you'll see that coming out quite nicely with some of the -- so we have got all our products approved. We've got a contract signed. It's just the launch delays from our partners. And that's just because they're so organized with their priorities that when they launch, they do a good job. But until then, we wait.

**Moderator:** Next question comes from the line of Rupesh Tatiya with IntelSense Capital. Please go ahead.

**Rupesh Tatiya:** I had two, three questions. One, sir, is this transfer pricing tax order that we received on, I think, January 20, I mean, you said the financial impact cannot be assessed. But can you give some tentative range around that? It would be very helpful to just determine whether it's a material -- I mean, materially large amount. Or it's just something we can manage? That is question number one.

Second question is, I mean, in the past, you have said that nasal sprays and control technologies, these 2 kind of like beyond generics will be able to replace INR150 crore EBITDA that has gone off from the softgel oral technologies. So this process, I mean, when can we start to see this additional INR30 crore, INR40 crore quarterly run rate? Can we start seeing this from FY '26? Or we're to wait until FY '27 for some of those gains to come in?

And then the final question is, I think Icosapent ethyl or Vascepa, that was, I think, a very good product that we had, but I think it got entangled in litigation. Do you have some update on that? Can this product make a comeback in FY '26? Those are my 3 questions.

**Arun Kumar:** I think on Icosapent, I'll answer that, and the rest, Badree will. Icosapent, effectively, you're right. It's more -- not a legal issue with us, but it's also to do with the class action suits in terms of supply chain squeeze-outs. And we hope that there will be a positive resolution around that in favor of the generic companies.

That's our belief. And that should then open up the market again. But remember that this product now is in the OneSource portfolio, and it's not so relevant to our conversations at Strides.

**Badree Komandur:** I think, it's all in the normal course and the amount is very, very immaterial. It's all light. We have to make a disclosure because of some new disclosure norms that have come. And that is very, very minuscule, if I may, material impact. Thank you.

**Rupesh Tatiya:** Yes, sir. Hello?

**Badree Komandur:** Yes.

**Rupesh Tatiya:** Yes. One more, sir, about that INR150 crores EBITDA that we are expected to recoup from these nasal sprays and control substances. When can we see that process start?

**Arun Kumar:** Yes. We didn't understand your question. Can you repeat?

**Rupesh Tatiya:** No, sir, in the past calls, you have said that INR150 crore EBITDA we are losing because of the soft gel business moving from Strides to OneSource. But you have also said this INR150 crores EBITDA, we can make up from nasal sprays and control substances vertical. So my question is when can we see this?

**Arun Kumar:** Making up, happening in the last 2 quarters.

**Rupesh Tatiya:** Sorry?

**Arun Kumar:** Haven't you already seen the making up happening?

**Rupesh Tatiya:** So control substances are already contributing, sir, in our revenue?

**Arun Kumar:** Yes, it is.

**Moderator:** Next question comes from the line of Sarvesh Gupta with Maximal Capital Private Limited. Please go ahead.

- Sarvesh Gupta:** Congratulations for a good set of numbers. Sir, my first question is on our overall guidance for FY '26. So we understand that we have an aspiration of growth of 11%, 12% in the U.S. business, and then we were looking for second half to be good for the other regulated markets. But probably, that has got pushed out to maybe the H1 of next year. So how do we look at overall growth guidance for next year?
- Arun Kumar:** Why are we discussing next year's guidance now?
- Badree Komandur:** He's asking what's the group guidance for the next year.
- Arun Kumar:** We gave that -- we gave a specific guidance because of the carve-out, right? So -- and I don't really push us for the -- what's going to happen next year. We will talk about this when we finish our year.
- Sarvesh Gupta:** Okay. And specific to the Other Regulated Markets, sir, do we expect some growth spurt to happen in the fourth quarter itself? Or do we see that pushed out to maybe the first half of next year?
- Arun Kumar:** I did respond to the earlier question that we said that we can see -- to Nitin's question, that the Other Reg Markets will be probably steady state for another 2, 3 quarters. And you'll see the growth trajectory or the play out happening in H2 of next year for the reasons that I explained.
- Moderator:** Next question comes from the line of Aniket Nikumb with ABN Capital. Please go ahead.
- Aniket Nikumb:** Congratulations on a great set of numbers. I just had a follow-up question. I think with respect to an earlier participant, what was your comment regarding the debt paydown? And if you could just repeat that, that would be helpful.
- Vikesh Kumar:** What we mentioned is that we will -- the focus is on free cash generation, and that trajectory will continue in terms of the operational cash flow to free cash generation. And whatever free cash is generated will go to debt reduction.
- Aniket Nikumb:** Got it. Would you be able to tell us, what's the amount of capex you expect to do over the next couple of years?
- Arun Kumar:** No, I think we have spent close to about INR250 crores in the last 2 years. And then typically, that's how the industry works, that we invest, and then we get that capacity utilized. So our capex over the next 2 years would be relatively light. We can't put a number to it, but it will be relatively light.
- Moderator:** Next question comes from the line of Sufiyan Mansuri with Aventus Capital. Please go ahead.
- Sufiyan Mansuri:** Congratulations on the Q3 results. My question was following the OneSource demerger, could you clarify the Strides current subsidiary structure?
- Arun Kumar:** We don't have any subsidiaries related to OneSource.
- Sufiyan Mansuri:** No. I'm asking about subsidiaries related to Strides?

**Arun Kumar:** Well, we have plenty. Why don't you just send us an e-mail and we'll give you a long list of them.

**Sufiyan Mansuri:** Okay. Another question is you have 250-product portfolio. So this new 60, relaunched dormant products are included in it?

**Arun Kumar:** Yes.

**Moderator:** Next question comes from the line of Neha Kharodia with Abakkus. Please go ahead.

**Neha Kharodia:** So I basically wanted to understand about the R&D investments. So we have said that they'll be significant going forward. So just wanted to understand, one, whether it will be more directed towards product development or dosage form or technology? I would like just to have more qualitative understanding into that. And will we see significant -- can we quantify the magnitude, let's say, annual R&D spend that we'll be doing for next 2 to 3 years?

**Arun Kumar:** Well, we don't need to spend any R&D dollars for our generic portfolio. We have plenty of ANDAs. And as long as we clean them up and bring it to high standards, cost competitiveness, we'll launch them. When we say significant, our typical R&D spend, because of the fact that we had acquired a lot of ANDAs, was quite low. We were spending less than about 3% to 4% of our U.S. sales in R&D. And we are doing portfolio maximization using the same portfolio for other territories. So our R&D spend was low, significant enough to quantify it as doubling our R&D from this year, mainly targeted towards the domains that we spoke, 505(b)(2) and nasal sprays.

**Moderator:** Next question comes from the line of Deepak Poddar with Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, just wanted to understand, I mean, you did mention, right, in 3 years, we are looking to make our balance sheet debt-free. Is that right?

**Arun Kumar:** Yes.

**Deepak Poddar:** Okay. And so it will be fair to assume, right? I mean this quarter, our interest cost was close to about INR52 crores. So on a quarter-on-quarter basis or on an annual basis, we will see a downward trend in that number, right?

**Arun Kumar:** Fair to assume.

**Moderator:** Next question comes from the line of Sandeep Dixit with Arjav Partners. Please go ahead.

**Sandeep Dixit:** Just a clarification. This is regarding EBITDA margins. In one of your earlier response to the earlier question, you mentioned that the margins will be pretty much around the current levels moving forward, that is FY '26 onwards. But your presentation last quarter said EBITDA margin to be in the range of 20% to 22%. I'm not sure this is -- which one of them is what I should work with?

**Arun Kumar:** You're looking at the guidance, including soft gelatins. And -- yes. So -- and we said that soft gelatin is a high-margin business, and that is why Strides' shareholders received a little over

\$700 million for that business, right? Yes. So you're looking at a guidance which has not been adjusted for the soft gelatins.

**Moderator:** Next question comes from the line of Kiran D. with Tree Capital. Please go ahead.

**Kiran D.:** Sir, 2 questions from my side. One, from U.S., \$400 million, should we expect an equivalent amount? Right now, we are about \$250 million from other regulated markets and growth and access markets. Is it a fair assumption that the management, at least, is trying to do a 50-50? U.S. is \$400 million and the rest of the markets, the regulated, the Growth and Access is \$400 million as well? That's my first question. Second question is...

**Arun Kumar:** We can't hear you. You must be on a speaker phone or something so that we can hear you.

**Kiran D.:** Sir, is this better?

**Arun Kumar:** Yes.

**Kiran D.:** Okay. Sir, my first question essentially is, right now, we are, at U.S., \$400 million -- sorry, in FY '28, U.S. probably will be \$400 million. The Other Regulated plus Growth & Access Markets, can we reasonably assume -- right now, we are at about \$250 million, can we reasonably assume that also will go to \$400 million as well? That's my first question.

Second question, what are the possible risks over the next 6 to 8 quarters where we cannot maintain, for some reason, an EBITDA margin -- essentially, sir, in the last few calls, we were talking about INR1,000 crores EBITDA in FY '26. So I'm just trying to understand what are the risks for that number not being achieved? It can be in terms of EBITDA margin or revenue degrowth. So those are the 2 questions, sir. One is \$400 million and \$400 million split, is it possible? And 2 is risk over the next 6 to 8 quarters that you see for revenue or EBITDA margins to be losing out?

**Arun Kumar:** We understood your question. On the ORM, your numbers of \$200 million is wrong. We're currently at about \$160 million, \$165 million. And we did mention that this business will take off only after about 2, 3 quarters from now. So it will lag the U.S. several years to get to that \$400 million size that we have. That was what we had suggested earlier, too.

As far as the U.S. is concerned, we don't see any issues in getting to those numbers. The risks are always getting product approvals, regulatory compliance, the standard 9 yards in our business. Will we achieve INR1,000 crore EBITDA? We currently are at an acute quarter exit run rate of almost INR825 crores. So to add another INR150 crores to get to INR1,000 crores looks very realistic, and it's quite possible. That's not a guidance we are providing at this stage, but it is something that we think we are confident of delivering in spite of not having the soft gelatin business.

**Moderator:** Next question comes from the line of Vivek Gautam with GS Investment. Please go ahead.

**Vivek Gautam:** Congratulations for an excellent number coming from a pharma veteran of India, leading off pharma veterans. Kerala, it produces various little entrepreneurs, but we obviously have one

exception. So just wanted to know about the headwinds in the U.S. market. Have they reduced? So that the earlier competition intensity or generic price erosion, that is going down, and so the prospect is looking good for our company and the Indian pharma sector in general?

**Arun Kumar:** But we don't see so much of a price erosion that was prevalent 3 to 4 years ago. I think there's a little bit of sense in the buying group and in the supply set of people. So I think there is reasonability, I may use that word, in pricing strategies, and therefore, it becomes a lot more, I will not say attractive, but it's a lot more reasonable market to stay invested.

**Moderator:** The last question comes from the line of Akash Jain with Moneycurves Analytics. Please go ahead.

**Akash Jain:** Just one follow-up question. I just want to understand the working capital days for Strides without the softgel...

**Vikesh Kumar:** Sorry, working capital loss?

**Akash Jain:** Working capital days for Strides overall?

**Vikesh Kumar:** So working capital days for Strides overall is at 119 days. It is part of the -- part of their debt, and that does not have the soft gelatin business.

**Akash Jain:** No, I know. My question was, is there also a path to further bring it down and optimize it? That is where I was coming from?

**Arun Kumar:** They're already best in class. It's going to be hard to bring in much lower than where we are, but we keep trying.

Thank you for your time today. And please feel to reach out to us if you have more questions.  
Thank you.

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