



Q3 and 9MFY22 Earnings
February 10, 2022





Strides reports muted performance during Q3 FY22, course correction on track for full recovery in FY23



Gross margin compression in Q3 due to portfolio and business mix along with increase in raw material prices for certain products



Drop in revenues and gross margins for key regulated markets now arrested



US business returns to growth after two quarters of sequential decline, Chestnut ridge integration going as per plan, Business on track to meet our growth outlook of US\$ 250m+ in FY23



Chestnut Ridge facility successfully completed an FDA inspection with 2 minor observations



Other regulated markets business delivered a steady performance during the quarter and has now reached its previous historical peak revenues



Significant initiatives being pursued on cost control, operating leverage to play out starting FY23 driving margin improvement



Fund raising at Strides through issuance of convertible warrants to the family office of the Promoters at a price of Rs 485 per warrant aggregating up to INR 1,940m fund raise



Stelis achieves its first ever operational breakeven in Q3FY22
Standalone operating revenue of INR 618m delivering an EBITDA of 8% at INR 50m

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In Q3FY22, while we have delivered an 8% sequential revenue growth for our business, operating leverage continues to be subdued.

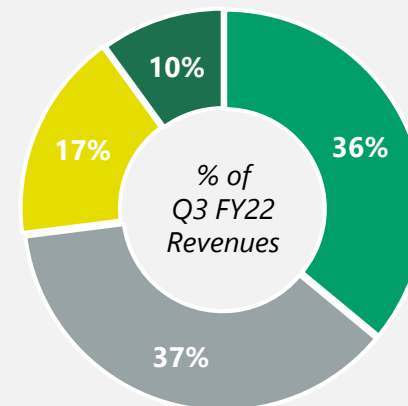
Our US business has returned to growth after two quarters of decline, growing 13% QoQ to \$38m in Q3FY22. We completed the acquisition of Chestnut ridge site in the US during the quarter and the integration is on track. Chestnut Ridge facility also completed a successful FDA inspection that ended on February 8, 2022 with 2 minor observations. While the site contributed to revenues only for a few days during the quarter, the plant related operating cost were part of our P&L starting October'21 leading to some level of negative operating leverage during the quarter. We expect the growth momentum in the US to pick up in coming quarters driven by new product launches from the combined portfolio.

Our performance in the other regulated markets continues to be steady and we are seeing healthy traction across our key markets. We continue to focus on expanding our product offering in these markets to drive the next leg of growth. The emerging markets performance during the quarter was driven by our institutional business with healthy procurement from our partners.

Our cost initiatives have started yielding results and we have witnessed improvements in our base cost structures QoQ. As we further scale our businesses across regions, we expect improvement in operating leverage in coming quarters.

Dr. R Ananthanarayanan
Managing Director & CEO

Revenues Mix








■ US ■ Other Reg Mkts ■ Institutional ■ Africa



Revenues
₹7,968m

EBITDA
₹40m

	Q3FY22	Q2FY22	Q3FY21	QoQ%	YoY%	9MFY22	9MFY21	YoY %
 REVENUES	₹7,968m	₹7,360m	₹8,375m	8%	- 5%	₹22,247m	₹24,193m	- 8%
 GROSS MARGINS	₹3,957m 49.7%	₹4,113m 55.9%	₹4,869m 58.1%	-4% -620 bps	- 19% - 840 bps	₹11,499m 51.7%	₹14,580m 60.3%	- 21% - 860 bps
 EBITDA	₹40m 0.5%	₹10m 0.1%	₹1,661m 19.8%			- ₹418 -1.9%	₹4,895m 20.2%	
 ADJ. PAT^{1,2}	- ₹870m	- ₹847m	₹758m			- ₹2,500m	₹2,329m	
 ADJ. EPS^{1,2}	- ₹9.7	- ₹9.4	₹8.5			- ₹27.8	₹26.0	

1. Adj PAT and Adj EPS for Q2 FY22 excludes exceptional items loss of ₹599m, Biotech and CHC share of loss of ₹234m
2. Adj PAT and Adj EPS for Q3 FY22 excludes exceptional items loss of ₹154m, Biotech and CHC share of loss of ₹243m

Regulated Markets

Market	Q3FY22	Q2FY22	Q3FY21	QoQ%	YoY%	9MFY22	9MFY21	YoY%
US	2,831	2,502	3,876	13%	-27%	8,349	11,661	- 28%
Other Reg	2,990	2,825	2,981	6%	0%	8,047	7,973	1%
Total	5,821	5,327	6,857	9%	- 15%	16,396	19,634	- 16%

Emerging Markets

Market	Q3FY22	Q2FY22	Q3FY21	QoQ%	YoY%	9MFY22	9MFY21	YoY%
Inst. Biz	1,388	1,113	878	25%	58%	3,471	2,390	45%
Africa	760	920	640	-17%	19%	2,381	2,169	10%
Total	2,148	2,033	1,518	6%	41%	5,852	4,559	28%

Consolidated Group Revenues

	Q3FY22	Q2FY22	Q3FY21	QoQ%	YoY%	9MFY22	9MFY21	YoY%
Total	7,968	7,360	8,375	8%	- 5%	22,247	24,193	-8%

Key Updates

Regulated Markets

US

- US revenues at \$38m for Q3FY22 up from \$34m in Q2FY22, US contributed 36% of consolidated revenues in Q3FY22
- US business returned to sequential growth on the back of new contract wins, Q3FY22 revenues up 13% QoQ
- Retained volume market share for key base molecules, pricing environment stabilizing now

Other Regulated Markets

- Other regulated markets revenues at \$40m for Q3FY22 versus \$38m in Q2FY22, Other regulated markets contributed 37% of consolidated revenues in Q3FY22
- Witnessed steady performance across all our key markets during the quarter despite high omicron case load, growth momentum to continue driven by portfolio expansion

Emerging Markets

- Emerging markets revenues at \$29m for Q3FY22 versus \$28m in Q2FY22, business contributed 27% of consolidated revenues in Q3FY22
- Growth in emerging markets business was driven by institutional business that benefitted from a healthy customer offtake
- Africa business declined during the quarter owing to several countries' having high covid incidence impacting demand

Operating Cost

- Operating cost for the current quarter includes impact of Chestnut ridge site starting Oct'21
- While the freight rates continue to stay elevated versus historical levels, a superior supply chain execution has enabled a shift towards higher sea shipments helping contain our logistics cost QoQ
- Logistics cost during the quarter was at ₹606m versus ₹897m in Q2FY22 and ₹461m in Q3FY21
- Our cost initiatives have started yielding results and will drive operating leverage in coming quarters

R&D Investments

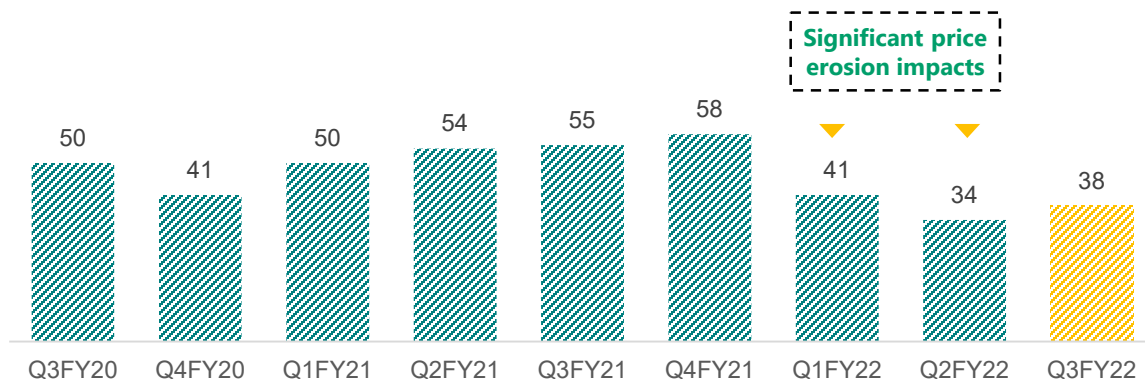
- R&D investment in Q3FY22 at ₹240m



Business Highlights



US Revenues - Quarterly Trend (₹/\$M)

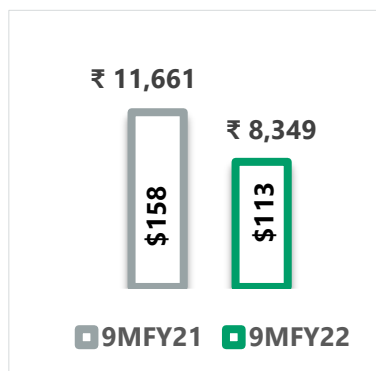
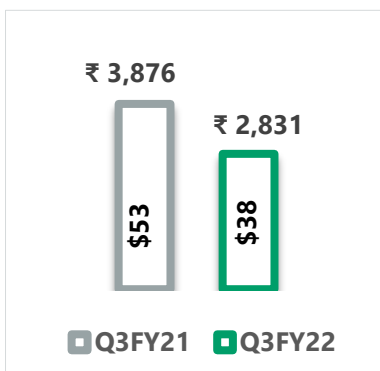
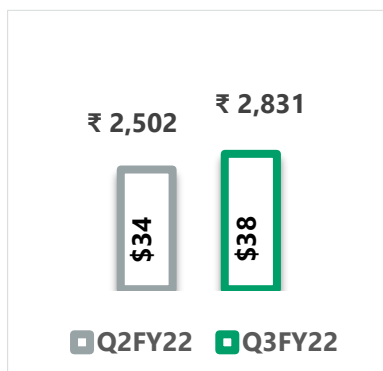


Financial Performance (₹/\$M)

QUARTER ON QUARTER

YEAR ON YEAR

9MFY22 ON 9MFY21



» 13% QoQ

» - 27% YoY

» - 28% YoY

YoY comparison in INR reported

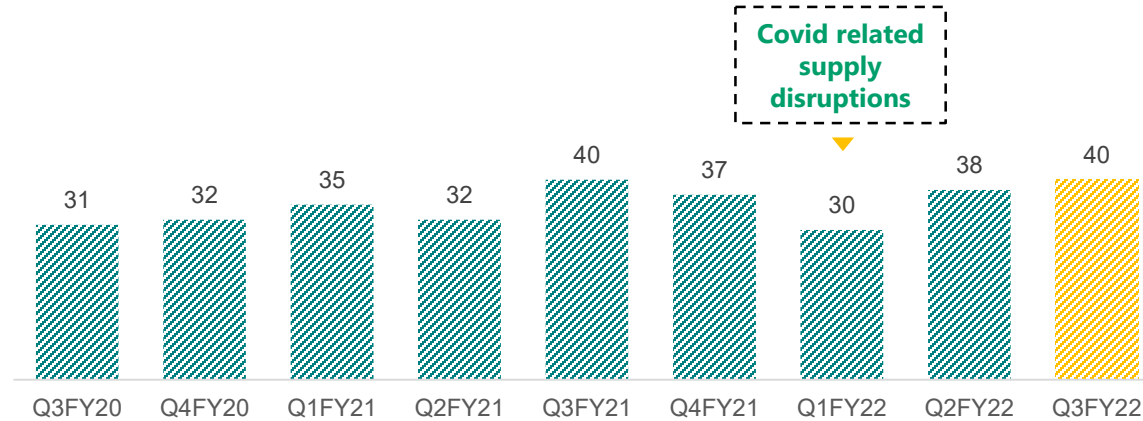
Business Updates

- Revenues from the US for Q3FY22 stood at ₹2,831 (\$38m), up 13% QoQ, representing 36% of consolidated revenues for Q3FY22
- Integration of Chestnut ridge commenced in October'21 and is on track, the site contributed to revenues only for a few days during the quarter
- Chestnut Ridge facility successfully completed an FDA inspection on February 8, 2022 with 2 minor observations.
- Retained volume market share for key base molecules, new launches from Chestnut ridge portfolio to expand product offering in coming quarters
- Completed divestment of Florida site at the end of the quarter, growth plan for the manufacturing business including VA opportunity now consolidated under Chestnut ridge facility

Near Term Outlook

- QoQ trend for generic TRx in the US showing signs of stability in volumes, however full recovery still a few quarters away
- Chestnut ridge portfolio to help ramp up new product launches from Q1FY23 onwards with clear visibility on specific products
- Combined portfolio to be well diversified with mix of acute and chronic products rendering stability to the portfolio
- Continue to engage with the customers for a faster Go-To-Market for the planned launches from the combined portfolio
- On track to achieve our growth outlook for FY23 in the US

Other Regulated Markets Revenues - Quarterly Trend (₹/\$M)



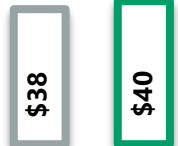
Financial Performance (₹/\$M)

QUARTER ON QUARTER

YEAR ON YEAR

9MFY22 ON 9MFY21

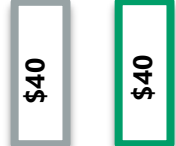
₹ 2,825 ₹ 2,990



Q2FY22 Q3FY22

» 6% QoQ

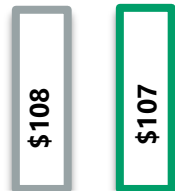
₹ 2,981 ₹ 2,990



Q3FY21 Q3FY22

» 0% YoY

₹ 7,973 ₹ 8,047



9MFY21 9MFY22

» 1% YoY

YoY comparison in INR reported

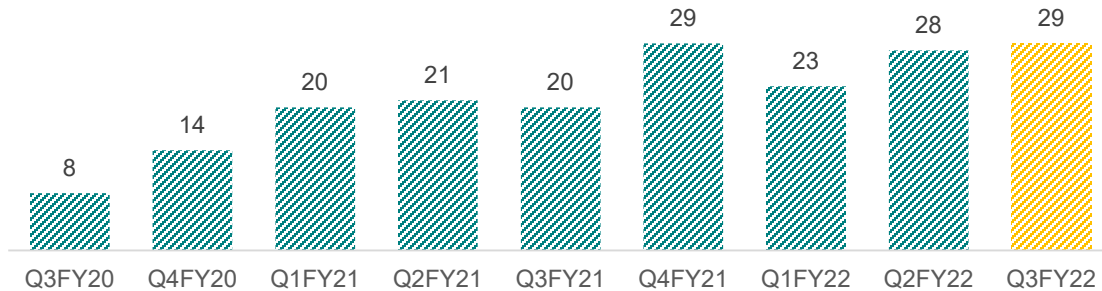
Business Updates

- Revenues from other regulated markets for Q3FY22 stood at ₹2,990m (\$40m), up 6% QoQ
- Other regulated markets represented 37% of consolidated revenues for Q3FY22
- Other regulated markets business delivered a steady performance during the quarter despite key markets witnessing a surge in covid cases owing to Omicron variant
- Continue to witness healthy traction across key frontend markets and partnership business in Europe

Near Term Outlook

- Expect the overall growth momentum to continue for other regulated markets in coming quarters
- Focus on scaling up new markets through portfolio maximization and higher market penetration for Rx and OTC products
- Outlook for the established businesses continues to be robust given a strong order book visibility and product portfolio expansion
- Continued R&D investments in portfolio building to deliver sustainable growth

Emerging Market Revenues - Quarterly Trend (₹/\$M)



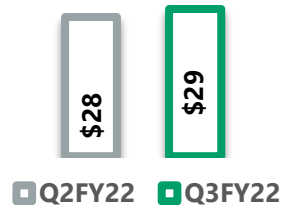
Financial Performance (₹/\$M)

QUARTER ON QUARTER

YEAR ON YEAR

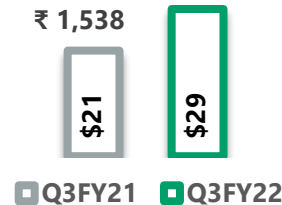
9MFY22 ON 9MFY21

₹ 2,033 ₹ 2,148



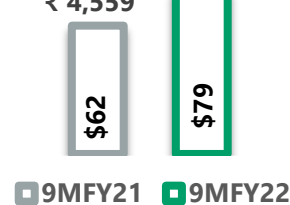
» 6% QoQ

₹ 1,538 ₹ 2,148



» 41% YoY

₹ 4,559 ₹ 5,852



» 28% YoY

YoY comparison in INR reported

Business Updates

- Revenues from emerging markets for Q3FY22 stood at ₹2,148m (\$29m), up 6% QoQ and up 41% YoY
- Emerging markets business represented 27% of consolidated revenues for Q3FY22
- Institutional business reported revenues of ₹1,341m in Q3FY22 up 20% QoQ and up 53% YoY led by better offtake from partners
- Growth in institutional business to be driven by new product launches and improved wallet share in the business through cost leadership
- Africa business reported revenues of ₹760m in Q3FY22 down 17% QoQ but up 19% YoY.
- The Africa business during the quarter was impacted with several countries reporting a high covid case load leading to lower doctor visits and prescription generation
- Focus on improving MR productivity to drive growth for the Africa business

Financial Performance



Income statement (₹m)

Particulars	Q3 FY22	Q2 FY22	Q3 FY21	QoQ	YoY	9M FY22	9M FY21	YoY
Revenues	7,968	7,360	8,375	8%	-5%	22,247	24,193	-8%
EBITDA	40	10	1,661			-418	4,895	-109%
EBITDA %	0.5%	0.1%	19.8%			-1.9%	20.2%	
Adj PAT^{1,2}	-870	-847						
Adj EPS^{1,2}	-9.7	-9.4						

Reconciliation of EBITDA (₹m)

As per SEBI results	Q3 FY22	Q2 FY22	Q3 FY21
Profit before exceptional items & tax	-914	-915	866
Less: Interest, Dividend income	77	77	77
Add : Depreciation and Amortization	609	566	525
Add : Finance costs	423	436	347
Consolidated EBITDA as per press note	40	10	1,661

¹. Adj PAT and Adj EPS for Q2 FY22 excludes exceptional items loss of ₹599m, Biotech and CHC share of loss of ₹234m

². Adj PAT and Adj EPS for Q3 FY22 excludes exceptional items loss of ₹154m, Biotech and CHC share of loss of ₹243m



Pharma Net Debt

As at September 2021

₹ 9,301m

As at December 2021

₹ 11,672m

Change over September 2021

+ ₹ 2,371m



Investments in CHC & Biotech

As at September 2021

₹ 6,937m

As at December 2021

₹ 6,937m

Change over September 2021

+ ₹ 0 m



Total Net Debt

As at September 2021

₹ 16,238m

As at December 2021

₹ 18,609m

Change over September 2021

+ ₹ 2,371m

Increase in Net debt due to acquisition of Chestnut ridge site and related working capital

Proposed Fund raising at Strides



- The Board of Directors at the meeting held today, approved a proposal for **fund raising by issue of convertible warrants** through preferential issue on a private placement basis to the family office of the Promoters
 - The Board of Directors have approved **issue of up to 4 million convertible warrants at a price of Rs 485 per warrant, aggregating up to ~INR 1,940m fund raise**
 - With the recent request for re-classification from some promoters, the promoter shareholding will drop to 26.4%. **With this new additional investment, the promoter holding in the company will increase back to 29.5%**
-
- The fund raise will **augment Strides capital resources to accelerate its growth across key markets** and will help further **strengthen company's balance sheet**
 - The fund raise is **subject to such regulatory or statutory approvals** as may be required and the **approval of the shareholders of the Company**
 - The Company proposes to convene an **Extraordinary General Meeting** to seek Members' approval for the said proposal



*invites you to interact with the senior management
on Q3 and 9MFY22*



Thursday, 10th February, 2022

3:00pm IST / 09:30am GMT / 04:30am EST / 05:30pm HKT

Speakers:



Arun Kumar

*Founder & Non -
Executive Chairman*



Dr. R. Ananthanarayanan

*Managing Director &
CEO*



Badree Komandur

*Executive Director &
Group CFO*

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Thank you



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