



May 21, 2026

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

National Stock Exchange of India Limited

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

Scrip code: 532531

Symbol: STAR

Dear Madam/ Sirs,

**Sub: Transcript of Earnings Call pertaining to audited Financial Results of the Company
for the quarter and financial year ended March 31, 2026.**

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 and financial year ended March 31, 2026, conducted after the meeting of Board of Directors held on Monday, May 18, 2026, for your information and records.

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

<https://www.strides.com/Upload/PDF/strides-q4FY26-transcript.pdf>

Request you to kindly take the above on record.

Thanks & regards,
For **Strides Pharma Science Limited**,

Manjula Ramamurthy
Company Secretary & Compliance Officer
ICSI Membership No. A30515

Encl: a/a

Strides Pharma Science Limited

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Strides Pharma Science Limited

Q4 & FY26 Earnings Conference Call

May 18, 2026

MANAGEMENT: STRIDES PHARMA SCIENCE LIMITED
- **BADREE KOMANDUR – MD & GROUP CEO**
- **VIKESH KUMAR – GROUP CFO**
INVESTOR RELATIONS CONSULTANT
- **MR. ABHISHEK SINGHAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Strides Pharma Science Limited Q4 FY26 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.

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

Abhishek Singhal: Thank you, Rutuja. Very good evening, and thank you for joining us today for Strides earnings call for the fourth quarter and financial year 2026. Today, we have with us Badree, MD and Group CEO, Vikesh, Group CFO, to share the highlights of the business and financials for the quarter and the financial year. 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 context of risks inherent in our business. After the end of this call, in case you have any further questions, please feel free to reach out to Investor Relations team.

I now hand over the call to Badree for his opening comments.

Badree Komandur: Thank you, Abhishek. Hello all, and thank you for joining us for the Strides Q4 and FY26 earnings call. Like in previous quarters, I will begin with an overall summary of the Q4 and full year performance, focusing on growth metrics across revenue, margins and operating performance. I'll then take you through a detailed review of the geographies. After my section, Vikesh will walk you through the financials in more detail, followed by Q&A.

Before I get into the operating performance, let me capture the 3 years journey in perspective. Over the last 3 years, we have been very clear on our priorities, geographical diversification, profitability and balance sheet strength. These priorities were deliberate because we believe that sustainable growth can only be built through strong foundation of profitability and operational discipline.

The results of this strategy are now visible. Over the last 10 to 12 quarters, we have consistently delivered improvement across revenue, EBITDA, PAT for reporting our highest ever EBITDA and operating PAT on a sustained basis.

Let me cover the first point, the geographical diversification, which has been one of the critical pillars of our strategy. While U.S. continues to remain the key market where we have long-term aspiration, ex-U.S. markets have emerged as the most important highlight of our performance. Over the last few quarters, we have been consistently talking about a calibrated strategy of growing these markets, and I am pleased to say that the strategy is now delivering results faster than what we had actually initially anticipated.

If we look at the last 3 years, we have delivered consistent growth across key metrics with overall revenue growth at a CAGR of approximately 12%, supported by 11% CAGR in U.S. and 19% CAGR in Ex-U.S. markets. More importantly, the mix of the business has shifted meaningfully. Ex-U.S. contribution has increased from 41% in FY24, approximately to 46% in FY26. And on a Q4 basis, it is now close to 50%. This marks a very important structural shift in our business model. It clearly indicates that we are moving away from a single market dependency to a more diversified, balanced and resilient portfolio.

Profitability has been the cornerstone of our transformation journey, and we continue to see strong and consistent improvement. EBITDA compounded at approximately 26% over the last 3 years, driven by the EBITDA margin expansion of 400 basis points to close FY26 at 19%.

This reflects improvements across our business, whether it is a better portfolio mix, conscious de-prioritization of low margin institutional business, strong pricing discipline and overall operational efficiency. Operating leverage is clearly visible at the bottom line.

Operational PAT has grown 18x over the last 3 years and EPS has increased to INR 56 for FY26, which is the highest for us with a strong exit run rate of INR14.7 per share in Q4. This shows that we are now operating with significantly stronger earnings engine, where growth is translating into incremental profitability.

The third pillar has been efficiency and particularly around cash generation and balance sheet strength. Our focus on working capital discipline on cost optimization and cash flow generation has led to a meaningful improvement in the financial metrics. Cash flows are strengthened, cost structures have been streamlined and asset productivity has improved across the Board.

This is reflected in our return metrics as well with ROCE improving to 15.76% for FY '26 from single digits just 2 years back. More importantly, our continued focus on profitability and cash generation has enabled us to significantly reduce debt. Today, we are operating with much stronger and more resilient balance sheet, which gives us the flexibility to invest in growth while navigating external volatility.

Coming to the full year performance, FY '26 to be viewed in the context of a challenging external environment, particularly from a geopolitical standpoint. We reported a revenue of INR48,587 million that is INR48 billion, representing a growth of 6.4% year-on-year. This was impacted by a few specific factors, particularly in the U.S. business. The flu season did not materialize as expected in the second half this year, which typically contributes meaningfully to our revenues.

In addition, the overall growth was impacted by access markets, which are currently facing donor funding challenges and remains tactical in the nature. Adjusting for these access markets, our underlying revenue growth was much stronger at approximately 10%. This growth was driven primarily by our Ex-U.S. markets, which delivered a robust 21% growth.

Coming to U.S. business. We delivered a revenue of \$284 million for FY '26 and \$70 million in Q4. The performance during the year was impacted by a weaker flu season in the second half. Historically, the fourth quarter tends to be stronger for us given the seasonal flu demand in the U.S., which unfortunately did not materialize as expected this year.

Over the last couple of years, we have been consciously reshaping our portfolio transitioning from a smaller revenue products to more meaningful products. In line with this strategy, we launched 6 products during the year and some of our molecules have faced increased competition. And accordingly, we have rationalized our market share while maintaining our focus on the profitability.

We exited 9 products that did not meet our internal return thresholds and reinforcing our continued focus on portfolio quality and profitability. We launched controlled substances from Chestnut Ridge acquired ANDAs portfolio. Given that we are a new entrant in controlled substances, allocations are lower than expected in FY '26. However, with a full year of operating track record now established, we believe that we are better positioned to secure additional allocations.

This portfolio should add to our near-term growth. Over the past year, we have made targeted investments into global R&D programs. We have spent INR2,500 million (~\$30 million) over the last 24 months towards IP purchase and partnered R&D programs focused on medium and long-term growth. We expect the benefits of these investments starting in the second half of FY '27. In parallel, our strategic partnership in U.S. are progressing well the B2B business that should drive the incremental growth.

Our pipeline continues to shift towards the more differential programs with a clear focus on nasal sprays, transdermal patches and films. We also filed our second nasal spray in May '26, further strengthening the portfolio. We continue to focus our aspiration of reaching \$375 million to \$400 million in the U.S.

Coming to the next Ex-U.S. markets. This has been a very strong year for us. And more importantly, it reflects a structural transformation that has been underway over the last few years. As I mentioned earlier, we have grown this business at a CAGR of around 19% over the last 3 years, and we are now starting to see the benefits of the investments we have made across markets, partnerships and product portfolio.

To put this growth in perspective, the Ex-U.S. business has scaled from \$40 million per quarter in Q1 of FY '24 to about \$70 million in Q4 of FY'26, a \$30 million growth in 12 quarters, and this steady progression highlights not just a growth, but the consistency and sustainability of the business model we have built.

In our other regulated markets, we are seeing strong traction across key regions such as Europe, U.K., Australia, Nordics. In the last 12 quarters, the ORM revenues have grown from about \$31 million in Q1 of FY '24 to \$52 million an exit run rate in Q4 FY '26, reflecting a consistent sequential improvement on strong execution on the ground. At the same time, Africa continues to be a key contributor within our growth markets, where performance has been encouraging across regions. Our focus here is evolving beyond just scaling revenues to increasing the share of branded business, particularly in the markets such as Francophone Africa, where we are already growing faster than the underlying market. The focus towards branded business will drive both sustainably and margin resilience over the long term.

We also announced the acquisition of certain products from Sandoz in February '26, with addition of the Sandoz portfolio, which is expected to start contributing from the second half of FY '27, we will further strengthen our presence in Africa. The combined strength of our existing portfolio on the Sandoz branded business positions us well to become one of the leading pharmaceutical players in sub-Saharan African region over time.

Our continued focus has been building on high-quality, sustainable business across Ex-U.S. markets and these geographies are characterized by a relatively high entry barrier, stable pricing environment and strong partner relationships all of which will contribute to the predictable and resilient revenues.

Despite a strong growth in Ex-U.S. markets, our margins have remained robust. This clearly demonstrates that we are not compromising on our underlying business fundamentals and in fact, margin profile between the U.S. and Ex-U.S. business is now becoming increasingly similar. This is an important milestone as it validates the Ex-U.S. is not just a growth engine, but also a strong and reliable earnings driver.

What also gives us confidence is that the key growth drivers are now firmly in place, whether it is presence in the right markets, strong partner relationships yet diversified and expanding product portfolio or a steady pipeline of regulatory approvals.

Looking ahead, our filing momentum in Ex-U.S. markets remain strong, and will continue to drive growth over the medium to long term. Overall, we believe that U.S. markets will continue to grow faster than the company average and will remain a critical pillar of our strategy, not only for growth but also for improving the resilience of overall business.

On some of the qualitative matters, I just want to cover some few points. One is with respect to ESG. From a ESG standpoint, we are happy to report a 5-point improvement in our score and inclusion in the year book for the second time, reflecting our commitment to responsible growth and governance.

I also want to make some few comments on the external environment. The external environment remains challenging with cost pressures across raw materials, logistics, fuel as well as foreign exchange. We are also closely monitoring these developments and remain focused on cost discipline. We remain committed to achieving our long-term aspiration, and we aim to reach EBITDA margins upwards of 20% and gross margins in the 58% to 60% range and continue to driving operating leverage to deliver strong EPS and PAT growth.

Lastly, the Board has recommended a dividend of INR5 per share.

And before I close, I'm pleased to announce to share an important leadership update. We are delighted to announce the appointment of Ramaraju, our current Chief Operating Officer, as an Executive Director. Ram has been with Strides Group for more than 18 years and brings with him a deep experience across the pharmaceutical and health care sectors.

As Executive Director, Ramaraju will be responsible for overseeing the global technical operations and strategic management of critical functions, including manufacturing, supply chain and procurement. With this, let me hand over to Vikesh for his comments.

Vikesh Kumar:

Thank you, Badree. Very good morning, good afternoon, and good evening to all of you. FY '26 has been another year of strong profitable growth, which has been anchored in our pillars of profitability, efficiency and growth. At the core of this philosophy has been our disciplined approach towards profitability-led growth, a very efficient capital allocation and a drive to achieve sustainable and resilient business model.

We are very pleased with the sustained progress across all of these metrics of profitability, efficiency and growth over the past few years as we continue to build long-term shareholder value. Over the last 12 quarters, we have significantly expanded on our profitability metrics, improved our cash flows and strengthened our balance sheet.

Despite a challenging external environment in Q4, where we have seen additional cost pressures. We have continued to deliver consistent quarter-on-quarter growth in our absolute EBITDA and operational PAT, which truly reflects the resilience of our business.

I will now take you through the numbers, starting with the full year performance. For FY '26, we are reporting an EBITDA of INR925 crores, which is a healthy 15% growth year-on-year, with EBITDA margins expanding by 140 basis points over FY '25 to 19%. On operational PAT, we have grown even faster with a 50% year-on-year growth.

We are reporting an operational PAT of INR518 crores crossing the INR500 crores mark for the first time. This was supported by sustainable growth in our EBITDA and lower finance costs. Our EBITDA to operational PAT conversion ratio also significantly improved to 56% which underlines the structural strength and quality of our profitability. Operational EPS also grew by 50% year-on-year with an EPS for the year at INR56.2 per share.

Our reported PAT for the year is at INR575 crores, which is up 40% with a reported EPS of INR60.3 per share. Our reported PAT is higher than operational PAT on account of the sale of investment property that we had in Q3 of FY '26. On the efficiency metrics, our cash-to-cash cycle is at 124 days, which is an increase of 7 days year-on-year.

And this increase is on account of higher inventory levels, which have increased by 21 days year-on-year. So in addition to the superior growth that we've had in ex-U.S. markets, which was supported by these inventory levels, we have also built resilience in our supply chain, adapting to the challenges that have been posed by the current environment. And therefore, stocked up adequately to take care of our business needs. We had a corresponding increase in payable days in Q4, and we expect these to normalize over the coming days.

After funding for this increase in cash-to-cash cycle, we've delivered an operating cash flow of INR703 crores for the year, which translates to a 76% EBITDA to operating cash conversion. We also invested in growth capital spend. We invested INR418 crores across both tangible and intangible assets.

It includes INR236 crores of tangible capex, where in addition to the maintenance capex that we spend every year, we made very targeted growth investments in building our nasal spray capabilities. Enhancing capacities to support our Ex-U.S. business and acquisition of a new office space in U.K. to cater to the growing needs of our business. We spent INR182 crores towards intangible investments, which included certain global product rights, which will drive our growth in the near future in both the U.S. and the Ex-U.S. markets.

In the intangibles, the spends also include a very significant upgrade to our global ERP platform as we migrated to SAP HANA. While we made significant investments in growth this year, our superior profitability and cash flows have helped improve our net debt-to-EBITDA ratio from 1.9x last year to 1.55x as we closed FY '26. This is despite a negative impact of the currency depreciation, which impacted our net debt by about INR112 crores for the year. Our reported net debt as of March '26 is at INR1,437 crores.

In addition, our investments in OneSource valued at INR337 crores adds further strength to our balance sheet. In terms of debt reduction, our net debt on a constant currency basis reduced by INR197 crores, which reflects the strong underlying cash generation and disciplined deleveraging in our operational business.

While there may be near-term headwinds due to our cash-to-cash cycle, we remain confident of improving our net debt to EBITDA ratio over the next few quarters. Our ROCE continues to improve. It is at 15.8% for FY26 compared to 14.9% last year, which reflects our improvement in operating performance.

With the significant investments in growth during this year, which are yet to play out, we see this metric to continue to improve in the near future. Overall operating expenses for the year were at approximately 40.6% of sales. Employee costs remained stable at 19% of revenues while other operating costs increased to 21.5% due to both a business mix shift towards Ex-US markets and the elevated supply chain and manufacturing costs largely in Q4 due to the dynamic geopolitical environment.

Our net finance costs stood at INR138 crores for the year, which reflects a consistent reduction from FY25 levels, which has been supported both by lower debt and improvement in our borrowing costs.

Our effective tax rate for the year remained at sub 15%, which is at the lower end of our expectations.

Quickly moving to the Q4 performance. For the quarter, our EBITDA grew 10% year-on-year to INR240 crores, which reflects our continued growth in absolute profitability. Our EBITDA margin for the quarter was at 18.1%. EBITDA margins were impacted on account of cost increases that were attributable to the escalations in logistics cost and air freight, which were seen to be significantly higher than the previous quarters. These costs were to the tune of INR20 crores, which would have otherwise added to our performance for the quarter.

Despite these challenges, we are delighted to report growth in absolute numbers and we continue to remain focused on building a resilient and sustainable EBITDA profile. Our PAT and EPS

continue to expand on a quarterly basis. Operational PAT at INR136 crores grew 20% year-on-year with an operational PAT margin of 10.3%. Operational EPS for the quarter at INR14.7 per share reflect continued improvements in earnings quality.

Our reported PAT for the quarter is at INR129 crores with a reported EPS of INR13.8 per share, which has grown by 54% year-on-year. Overall, FY26 has been another year of disciplined execution with strong growth in profitability, significant improvement in operational PAT and EPS, improved ROCE, balance sheet discipline while we continue to invest for future growth.

The growth momentum in our Ex US business, along with our profitability orientation has enabled us to drive improvement in gross margins and EBITDA with a significant expansion in PAT and EPS over the last couple of years.

We remain focused on building a structurally resilient business with sustainable growth, disciplined capital allocation and continued strengthening of our balance sheet.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Yes hi, good evening and thank you. Sir, my first question on the US portfolio. I mean while we have reoriented and we are doing exceptionally well in our other regulated markets and the growth markets, one, if you can touch upon what is happening in the US markets in terms of, I mean, because you're seeing product discontinuations, even the product launches that we had anticipated or plans for didn't go through. So just one comment on US, what is happening there?

Badree Komandur: Yeah, sure. So Pratik, from a US perspective, I just want to give you some few things which did not happen in the last year. One is the seasonal aspect. Second is the, we have been telling that the controlled substances, we need a past history. Like we need a good stable year of controlled substance before the growth comes back because it depends on quota and then production and then the actual commercialization.

And the third one is in terms of the portfolio, if you really see, we have got a lot of launches coming up from the second half of this year, which will continue until about '28. And we just don't want to lose profitability discipline as far as the US business is concerned. And that has been a stated policy. And if you really see post the OneSource that happened, still the, our growth is quite good from a 11% perspective over the last 2 to 3 years.

And overall, if you really see, this is a conscious effort to maintain the profitability at the marketplace. And we believe the growth should start from H2 onwards, with a higher trajectory.

Pratik Kothari: Correct. And then it's a steep growth, I believe, because we still hold on to a target for next year. So this would be driven by a combination of everything your nasal sprays and your controlled substance?

Badree Komandur: Aspirationally, we have kept just US\$375 million to US\$400 million. And if you remember, the US\$400 million was given in the context of some 2 years back, and we want to chase that for the simple reason that we have got that drivers in place, and we are also working on till the last dollars to make it happen. And that's what we are focusing on, and we should be able to get to that growth trajectory very soon.

Pratik Kothari: Just double clicking on this. So to maintain these margins, we have either not launched as many products or we have let go of a few. So this increased competition or pricing pressure is coming from where? That is peer, Indian peers who are doing this?

Badree Komandur: There are a lot of peer players, .It also, we have explained it in the previous quarter also, like there has been intense competition in few of the molecules. But the most important part, Pratik you should know is that we still have leading positions in 37 of the 70 products, right? The market leading positions in 37 out of 70. All of this plays out. And I think we should be there.

It's not a very difficult situation. The only thing is we'll have to focus on a few things and we've got 8 quarters to make it happen.

Moderator: Sorry To interrupt you. May we request you to please rejoin the queue. Mr. Kothari, we have other participants waiting for their turn. Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Hi, thank you for the opportunity sir. Yes. So my question is related to the flu season. So our, sir, I'm fairly new to the company so my question could be a bit basic one. So this, our medicines are given more when the patient is in the hospital or at home? How is the prescription, how does the prescription work for because I was just reading on the net that the influenza related hospitalization were third highest since 2010 -11 flu season in US. And while towards February, March, the cases, in fact started increasing a lot. So what is exactly impacting our growth for this flu-related drugs? Yes, your thoughts on it.

Badree Komandur: Yes, sure. So from your perspective, what you are saying is the very general thing. From what we need to see is what is based on our portfolio, right? Our portfolio, usually, it adds quite well in the H2 and that has been the past trend for the last 3 years and some of this is this year because of the better discipline with the wholesaler and all of these things and they are able to, the demand uptick did not happen. It's not that, it can come back next year also. We don't know. But what we can say is that definitely, the uptick which happens between the H2 and H1, what we have seen in the last 3 to 4 years did not happen in the current year. And that's what usually if you really see the entire growth, the 100% is divided into 45% in the first half and 55% in the second half. But if you really see, this year, it's more or less it's 50%, 50% from that standpoint.

Dhaval Shah: Yes. Thank you for that. And sir, the second question is on the controlled substances. Now can you help me understand a bit about this product, again, through my limited research, I could understand it's a difficult business to do and also, at the same time, has a very strong EBITDA margins. So can you throw some light how should I look at this business? And from your plan for the next 2, 3 years perspective, how do you plan to scale this up?

Badree Komandur: Yes. So as far as the controlled substances is concerned, it is an in US for US strategy for us. And we have launched 4 products in controlled substances, and one of the important things you should know is that it's a very, it has got a stringent regulatory process.

First is you have to apply for quota. That's the first step. Once you get a quota, for getting a quota, you have to demonstrate your past history in the sense like if you have been selling controlled substances in the past, the quota will be restricted to the way you sell, right?

For a company which is entering newly controlled substances, it takes at least 1 to 1.5, 2 years to settle down and display that past history, right? So last year was the first year where we had a full year of controlled substances.

Then what we do is once we get the, once we demonstrate the sale, we go back to the DEA again and apply for an additional quota because the government wants to be making sure that you are able to deliver what you take. And based on which and if you are able to give that what you say, assurance, then you get more quotas. That's how it works. So and then you'll have to get the API and then we'll have to, then you'll have to produce, then you go to sell and then go back to the DEA again. So this is the entire process.

So what, the controlled substances started somewhere in the year of '24, '25, the second half or the third quarter. It's almost about 18 months or 19 months we have sold controlled substances. And last year, of the first year, we had a full year. And we will go back to DEA with request for additional quota, and that should drive the future growth for us.

Dhaval Shah: Got it. And sir, on the profitability front, is it going to significantly influence our margin trajectory going forward the 20% guidance?

Badree Komandur: It's more or less similar, okay, it depends on the product, but I don't think so the profitability is going to change dramatically because of controlled substances. That's for sure.

Dhaval Shah: Got it. So in overall scheme of things, you should look at Strides as an operating leverage play going forward to improve the margin? Or it's going to be a mix of product mix as well?

Badree Komandur: Yes. I covered that in my speech, like our long-term aspiration is to get to an EBITDA upwards of 20% and also staying 58% to 60% in a gross margin range. And that's what we've been working internally, and we have been working relentlessly on various line items together.

Moderator: Sorry to interrupt. I request Mr Shah to. Thank you. The next question is from the line of Rudraksh Raheja from ithought Financial Consulting. Please go ahead.

Rudraksh Raheja: Sir, I hope I'm audible?

Badree Komandur: Yes.

Rudraksh Raheja: Thank you. Sir, in previous history, you mentioned target US\$600 million, US\$700 million market opportunity wise, and we are planning to launch 3 products this year. So how much of that market are we tapping in the first year?

- Badree Komandur:** I think, I did not refer anything on the US\$600 million and US\$700 million.
- Abhishek Singhal:** Where did you get this number from Rudraksh?
- Rudraksh Raheja:** I think in some previous calls or communications?
- Badree Komandur:** No, I don't think so. We have not communicated. We have stayed completely to the same theme in the last 2, 3 quarters. I don't think so we have communicated in any forum at least as far as I remember in the recent past.
- Rudraksh Raheja:** Okay. Sir, is it possible to disclose what kind of market size are we trying to target?
- Badree Komandur:** No, no. See, we have given the overall guidance, the overall outlook how we are looking at the business for the next 2 years, right? You have to stay with that.
- Abhishek Singhal:** Are you talking about specifically controlled substances, is it?
- Rudraksh Raheja:** Yes, nasal spray market, sir, specifically?
- Badree Komandur:** We have not specifically -- this is beyond FY '25 strategy for us. The market has to form, we have just filed 1 product last year. We have filed 1 more this year. And we are building capabilities in our Chestnut Ridge plant. And at least it is another 12 months away from commercialization. And once we get a better clarity, we'll come back to you.
- Abhishek Singhal:** So, FY '28 is when you will see the impact of this.
- Badree Komandur:** Yes.
- Rudraksh Raheja:** Understood, sir. understood. Sir, would it be possible to disclose capacity utilization across different manufacturing plants.
- Badree Komandur:** Yes. So the capacity utilization, we have got enough capacities to cover the next 2 years. We have been driving operational efficiencies but it's always good to have some spare capacity because to meet any emergencies. And we have been operating at a fair level typical of any pharma company which will operate in this space. All I can say is that we don't need additional too much capacities in the next 1 or 2 years, except for incremental capex, which will give us incremental growth.
- Moderator:** The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives.
- Prolin Nandu:** So Badree, just wanted to understand a little bit more on the U.S. business, right, the \$70 million run rate, right? So I mean, one of the things that I wanted to double click on was that apart from the controlled substance launches, which were delayed because of the reasons that you explained, Were there any other launches, which were also delayed and was competition, the reason there? Or because you mentioned you had some plans to launch but you did not. So was that comment specifically for controlled substance for or was it for outside the controlled substance as well?

And a question related to that would be, what are you expecting in next 2 quarters for you to say that the recovery or growth will start happening in H2. Why would Q1, Q2 will still be on a weaker side, right? What are the reasons that you are seeing in the next 2 quarters for you to say that the growth will start happening only in H2 of FY '27? So that's my first question.

Badree Komandur:

Yes. So what I want to say is I want to correct you here. Like if you really see, my comment was not limited to controlled substances. That is number one. And second thing is we also have 150 products in our portfolio, right? And Strides policy has been to the launch when the market actually gives an opportunity. We are not in a hurry to launch. There are also products which are there, which are available for us to launch at any point of time.

And that's what we will do. We will wait for the market disruption to happen, be it our API or be it a new player coming, be it any player going out and that's been a practice because that helps us to maintain the overall company level gross margins. As far as next 2 quarters is concerned, I'm only saying that the full potential of the growth you will start to see from H2 onwards. It's not just that it's muted or it's not like that. There will definitely be a growth.

But see we have to look at it from a long-term perspective. Some things take at least 16 to 18 months sorry, 18 to 24 months to solve, right? So while the quarter-on-quarter there'll be growth, the full potential of the growth with more launches, you will see the impact of it more in the H2 onwards.

Prolin Nandu:

That's clear. The second question would be on the margins, right? On the controlled substance, right, you mentioned that they would be similar to our existing U.S. business. But one would have thought that because this is more specialized, the margins would be higher, right? And so where is that understanding wrong and in that context, right, while right now, you are seeing the convergence of non-U.S. and U.S. margins.

But over the period of time, once controlled substances and nasal spray and some of the new products becomes a decent part of our U.S. revenue. Don't you think that U.S. revenue are structurally, I mean, pointing towards a higher than the company average or the non-U.S. part?

Badree Komandur:

Yes. So as far as controlled substances are concerned, I just want to say that it's an in U.S. for U.S. strategy. See, you have to understand that we are a very new entrant to controlled substances still, right? We have just had 1.5 years of experience, last 7 quarters, we have been, right, we have been in the business of controlled substances. So we have to see how it pans out because at the end of the day, our endeavor is to improve the margins.

And we all know that U.S. gross margins are much higher compared to the company level margins. And the good part is that once the history is established and once we come to a reasonable size, our ability to do many things in that business becomes much more stronger. So from a nasal spray perspective, it's just at least another 1 year away for us to launch.

And our endeavor is to see how much we can gain market share at the time of launch. And if you really see the overall context, the U.S. business has to be understood because we are also equally investing in R&D. So that's also a very important factor we need to take into

consideration. But overall, I think your observation is right. But it takes the controlled substances will take its time to build that profitability and the operating leverage that we are looking for.

- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital Private Limited.
- Sarvesh Gupta:** So my first question is on this -- you described the tangible and intangible investments to the tune of around INR350 crores plus. So what is the broad run rate, let's say, for the next 2 years in these 2 buckets?
- Badree Komandur:** Yes. it will be around INR300 crores is what I think because the tangible portion is almost coming to an end from a fact we need only the maintenance capex. But there will also be some intangible global rights, which we may acquire to fast track the growth. I think it should be about INR300 crores is what I think.
- Sarvesh Gupta:** Okay. Understood. And secondly, sir, just sorry to harp on this point again, but the U.S. guidance for FY '28 of now earlier, we were seeing \$400 million. Now we're saying \$375 million to \$400 million. But is it an exit run rate sort of a guidance? Or is it what we want to achieve in FY '28, number one? And secondly, this translates broadly to 15% to 20% CAGR from the current base. So does it look achievable in the context of the kind of growth we are seeing currently?
- Badree Komandur:** Yes. I just want to give you a perspective of this \$400 million. This \$400 million is there for the last 2 to 3 years, right? And post that, we had a demerger of our soft-gel business. That's number one. But we did not change the \$400 million because we want to chase an aspiration. And we believe that we can be between \$375 million to \$400 million at this point of time, right?
- And we are working towards it. And what is more important is that while you harp on U.S. business, but there is also other regulated markets, which is also growing at a very healthy rate, and it is growing much faster than the U.S. market. So from our perspective, we look at the overall company and as a basket. And together, we should be able to give the economic long-term result. That's the way I look at it.
- Sarvesh Gupta:** But presently, this is a target for full year of FY '28, right?
- Badree Komandur:** Yes, that is correct. We have not taken any exit run rate and all that. The reason why we are saying is that we have got another 8 quarters to go, we want to try to reach as close to the \$400 million as possible.
- Moderator:** The next question is from the line of Sanjay Shah from ASK Securities.
- Sanjay Shah:** Badree, your opening remarks are really helpful to understand the company and congrats to Mr. Ramaraju. Sir, my question was regarding our top 37 products contribute around 75% of U.S. revenue. How vulnerable are these products? Can you highlight upon it or is the pricing erosion, competition side, and even customer concentration side?
- Badree Komandur:** Yes. So one of the things I just want to highlight here is that, Sanjay, thanks for your question. And as far as the 37 products is concerned, it's widely spread across the entire U.S. revenue. That's the first thing. There is no great customer concentration. So second, in terms of the pricing

pressure, we have had marginal pricing pressures, but it has been offset by most of the other measures like we have some COGS improvements. And that's the reason we are able to keep the gross margin between that 58% to 60% range. And in fact, if you really see the last 3 years that disciplined approach has helped us to improve gross margins by more than 300 basis points and as well as the EBITDA margins by almost 400 basis points when we started post OneSource, when you adjust for OneSource, from 15% to almost about 19%.

As far as the customer is concerned, I just want to say that we have got a very wide customer base. In fact, the big customers contribute almost a reasonable portion, but there are also a lot of many customers which contribute to give the portfolio great support because these are the customers where we don't see price erosions much. And we are able to maintain it within a range.

And I think, overall, to answer your question, the vulnerability is not there from a customer or a product perspective. Second thing is the objective has been to maintain the gross margins. And that is what we have done consistently, you can see all the 8 quarters, we have demonstrated the gross margins between that 58% to 60%, and we will continue to work on it to get to that range.

Sanjay Shah: So we are investing heavily on complex generics like nasal spray, transdermals and films so what are the execution capabilities still need to be built internally? And what time line can we expect before meaningful commercialization of the product?

Badree Komandur: Yes. So as far as the nasal spray is concerned, one of the strategic acquisitions we made some many years back was from Endo to a Chestnut Ridge facility. Today that facility has got that capabilities to manufacture nasal sprays and controlled substances. As far as the R&D is concerned, we have got a combination of the third-party manufacturer as well as the in-house manufacture.

And these all should contribute meaningfully beyond '28 i.e. FY28 and beyond. That's what we are expecting. While one or two nasal products can be commercialized much earlier, which we believe we can, if everything goes right. But you will see bulk of the revenues coming in '28 and FY29 onwards.

Sanjay Shah: Very helpful. And congratulations to that.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Badree, two things on is, on the newer sort of growth engines you're talking about. You've talked about the nasal sprays, file a couple of them, they'll begin to contribute '29. There are some other modalities which you mentioned in the presentation. Can you give us a little more color on what are the time lines for those modalities.

Badree Komandur: Yes. These are all again, it is a '28 and beyond. It's not going to contribute anything much to '28. We already started all the programs. It's all going in full swing. So, which we will start filing in the next 18 months. And then it will be beyond '28 for us.

Nitin Agarwal: And so, in those apart from nasal spray, which is the second modality will probably start to become meaningful commercial for us?

Badree Komandur: Patches and thin films. These are the two areas of domains we have identified. The R&D is in full swing. We should be able to file for that in the next 12 to 18 months. And then commercialization later.

Nitin Agarwal: And on the nasal sprays. So apart from controlled product nasal spray that you guys mentioned earlier, what is the total pipeline that you probably are looking at, say, from a 2, 3-year filing perspective?

Badree Komandur: There are a few items we have added. In fact, there are some third-party programs. We have added at least another 5 or 6 of them. I don't know the exact number. But definitely, there is a portfolio that's being built on nasal spray domain because we are completely backward integrated in terms of Chestnut Ridge catering to that business.

Nitin Agarwal: So, these will be all controlled product nasal sprays?

Badree Komandur: Yes. Controlled as well as other nasal sprays also.

Nitin Agarwal: Okay. And with all of this going on, how do you visualize the R&D spend going forward now?

Badree Komandur: Yes. So, the R&D spend we said last year also that R&D spend is going to be higher. It will be upwards of \$25 million, \$20 million to \$25 million for sure in the coming 2 years. And we believe that we have got the enough growth engines to invest on the R&D and also the scale up of the business.

Nitin Agarwal: And lastly, second one, on the growth markets, if you can just let us know about how should we think about the Sandoz transaction and the impact it makes for all the growth markets. And overall, any update on how the growth market businesses, I mean any positives to call out for the growth market growth for this year?

Badree Komandur: Yes. So as far as the Sandoz transaction is concerned, it's expected to fructify in the second half of FY27, that is between October and March. Next year, it should contribute meaningfully to the growth. The third thing is in terms of overall the branded portfolio will definitely technically double for us more than 1.5x as with this portfolio. And we think that over the long term, we should be able to build a good brand portfolio as a part of the overall revenue of the company, and it's growing quite well.

So far in the last few quarters, we have grown faster than the market. And our brand was more related to the Francophone region wherein we have done quite well. And with this Sandoz portfolio, we get a much more broader presence in Africa. And we think this will add very meaningfully to the margins because as you know the brands have higher margins compared to generics.

Nitin Agarwal: And then lastly, how should we think about this quarter, SG&A expense spike? And should we look at annualized, this should be the base to analyze when you model next year?

Badree Komandur: Yes, it will be in that range. Because last quarter was a sudden increase in the freight cost, and we are watching the geopolitical situation very closely. And I covered it in my opening speech

also, there has been increase in prices and we are working very closely with the customers how much to pass on. And we are working on multiple strategies to maintain the gross margins within that 58% to 60% range. And if we're able to do that, the operating leverage automatically plays out. But having said that, the logistics costs have increased. Maybe you can put some discounting factor on the Q4 and then maybe you should take that.

Moderator: The next question is from the line of Shilpa Saboo an Individual Investor. Please go ahead.

Unknown Analyst: I'll be asking on behalf of Shilpa Sabu. I have a first question on the controlled substances. So, sir, as discussed in previous concall, now we have completed 1 year in controlled substances. So, are we eligible for higher quota allocation for the US market? And if yes, then what is the revenue potential?

Badree Komandur: Yes. So, we don't want to give a very specific revenue potential on controlled substances. All we can say is that, this will be an engine of growth and completed a full year, and because it's pretty difficult to commit without getting the quota, right? So, it's a chicken and egg story. But all we can say is that the last 1 year, we have demonstrated whatever the quota we have received, we have been able to sell and we are able to demonstrate. And if there is anything additional quota, it will anyway get reflected in the growth as we go along.

Unknown Analyst: Okay. And second question is on 505(b)(2). So, for 505(b)(2), we had around 8 to 9 products in pipeline so will be 3 to 4 be commercialize this year? And what will be their market size?

Badree Komandur: We have not had any 505 (b) as far as I know, I don't think so it is there. Maybe verify it and come back.

Unknown Analyst: So, what will be the market size?

Badree Komandur: No, no, we don't have at all.

Moderator: The next question is from the line of Vedant S from Mas Investment. Please go ahead.

Vedant S: Sir, I wanted to confirm that you mentioned that there will be a Q-on-Q growth. So, like last year when you guided at the start of FY that sequentially Q-on-Q there will be a growth. So, this year also, you can expect the same.

Badree Komandur: Yes, of course.

Vedant S: Sequentially, there will be growth, right? Like from this Q4 to Q1?

Badree Komandur: Last quarter, right, in Q4, we have grown at 11%. If you adjust for institutional business, we have grown at 14%.

Vedant S: Okay. And the margins will also reverse since you are seeing...

Badree Komandur: I have clearly said that margins will be between the 18% to 20% range. The endeavor is to get to on the long-term margins upwards of 20%.

- Vedant S:** And sir, controlled substances you mentioned in last Q3 of some call that from Q1 also, you will see some uptick. So are we online on that or still not decided until this quota...
- Badree Komandur:** See, we've got a past history to go back to DEA at this point of time. So, once we go back and once, we get an additional quota and then if it gets into a commercial revenue, anyway, it gets into the growth, right? So that's what we are working on. And we are very happy with what we have done in the last 1 year with the quotas what we received. And we have gone back to DEA on that.
- Vedant S:** We have already gone back. So, results will be out in, this quota result will be out in this quarter or next?
- Badree Komandur:** Yes. It will come anytime soon. There's no specific time line to this, but we have gone back.
- Vedant S:** All right, sir. Thank you very much.
- Badree Komandur:** Thank you.
- Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for today. I will now like to hand the conference over to management for closing comments.
- Badree Komandur:** Thank you very much for all your questions. And should you require any more follow-ups, we are there available or the Investor Relations team, along with me and Vikesh, we'll be able to clarify all the queries you have in the near future. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Strides Pharma Science Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.