August 5, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Scrip code: 532531

The National Stock Exchange of India Limit
Exchange Plaza, Bandra-Kurla Complex
Bandra (E) Mumbai - 400 051
Scrip code: STAR

Dear Madam/ Sirs,

Sub: Earnings Call transcript pertaining to Un-Audited Financial Results for the quarter ended June 30, 2024.

Ref: Earning Call held on July 29, 2024 pertaining to Un-Audited Financial Results for the quarter ended June 30, 2024.

With reference to the above, please find enclosed herewith transcript of the Earnings Call held on July 29, 2024.

The said transcript is also available on the website of the Company at:
https://www.strides.com/investor-annualreport.html

Request you to kindly take the above on record.

Thanks & Regards,

For **Strides Pharma Science Limited,**

MANJULA R Digitally signed by MANJULA R Date: 2024.08.05 10:51:52 +05'30'

Manjula R
Company Secretary
ICSI Membership No. A30515

Encl: a/a

"Strides Pharma Science Limited

Q1 FY '25 Earnings Conference Call"

July 29, 2024

MANAGEMENT: **1. MR. ARUN KUMAR**
– FOUNDER & EXECUTIVE CHAIRPERSON

2. MR. BADREE KOMANDUR
– MANAGING DIRECTOR & GROUP CEO

3. MR. VIKESH KUMAR
– GROUP CFO

INVESTOR RELATIONS CONSULTANT: **MR. ABHISHEK SINGHAL**

Moderator: Ladies and gentlemen, good day, and welcome to Strides Pharma Science Limited Q1 FY '25 Earnings Conference Call. As a reminder, all the participants' line 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 touch-tone 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 Very good afternoon, and thank you for joining us today for Strides Earnings Call for the first quarter ended financial year 2025.

Today, we have with us Arun, Founder and Executive Chairman; Badree, Managing Director and Group CFO, Vikesh Kumar to share the highlights of the business and financials for the quarter. I hope you have 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 relations to the risk pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team.

I now hand over the call to Arun to make his opening comments.

Arun Kumar: Thank you, Abhishek, and good afternoon, everybody. Thank you for joining our earnings call of our Q1 FY '25 results. Before I start, I would thank you for your support over these many quarters while we were resetting the business, and I'm delighted that the company has supported very strong performance across businesses. My colleagues, Badree and Vikesh will have in their opening statements, more granularity and commentary around these businesses. And I'm sure that you will be happy to hear that we've done a lot of work where opex leverage has been our primary focus, and you will now see the company focusing on growth. And, consequently we strongly believe as we said that we announced in FY '23 is behind us; with a much stronger balance sheet generating significant amounts of free cash and progressively reducing our debt as guided. We are also pleased to report today a reaffirmation of our outlook. We have exceeded on each line item, our outlook guidance. Consequently, we are now especially with our U.S. operations, very pleased with the performance.

Many of you will relate to Strides U.S. story to be seasonal. We have worked very hard to change that by changing our mix between acute and chronic. And our Q1 FY '25 in the U.S. has seen a very significant quarter and a historical quarter for us. Before I let my colleagues dwell more deeply, I want to take this opportunity to thank 2 of our retiring Directors, Sridhar and Bharat who have completed 10 years of service on our Board. They have been phenomenal mentors for us and have played very significant roles, especially in our course correction plans in the last 2 to 3 years.

I also take the opportunity for the shareholders to have overwhelmingly voted for our new 2 Independent Directors, both eminent personalities and we're pleased to have Ameet and Subir. Ameet, we introduced on the call last. Subir until now was CEO of Exide and we are delighted with this large operational experience to be on our Board, and we are sure we'll benefit from the guidance and the deep insights these 2 gentleman bring to the Strides world.

I'm also pleased that well thought of succession plan has been voted for again, overwhelmingly, and I'm very happy that my colleague for several years, almost 15 years, Badree who has played multiple roles in the company takes over the CEO of the company while I continue my executive role as Chairman. And I'm also pleased to welcome Aditya as an Executive Director of the Board, but most importantly, we also very pleased that our homegrown talent, Vikesh, who joined us in our finance department straight from college is now our CFO, and I'm delighted to welcome this new team and new leadership positions that has been with us for many, many years. So I'm glad that there is a seamless succession planning in play, and I look forward to working closely with all of them to continuously deliver even more strong results in the coming years.

It's taken us 7 years to rebound to the magic 4-digit number on our stock price. So we thank you again for your patience as we work very hard to connecting the dots in the company and getting the house in order. I think we have resolved for almost all issues. Our network optimization is more or less complete. We still have some small tweaks to be done, which we will over the course of the next many quarters, but at 61% gross margin, which you will now appreciate. We now have industry-leading gross margin numbers in spite of not having a domestic business.

So our product selection, our product portfolio, scarcity nature of our portfolio is playing through and I'm sure that we will even do better as time goes. Our recent product selections, launches and a new terminology beyond generics in the U.S. is predominantly to now start guiding investors and our stakeholders on what we are building, to build a U.S. business beyond the generic. You will all recall that we believe that anything over $400 million to $500 million in the U.S. although we have a very large portfolio of approved products, it's counter productive to our strategy of pricing and discipline given the high cost in maintaining an operation that's focused in the U.S.

Having said that, we still believe in the market strongly, and we have started investing heavily in new domains, especially leveraging our control substance capabilities in the U.S. and now have developed a nice portfolio of chronic drugs. And while we still have a significantly high H2 as we guided in our last call, we are trying to get our linearity in the quarters, and that would be our primary focus.

Small that tweaks will lead to big wins. And I'm sure that we will not only meet our guidance, but we'll also build the foundation for very successful and strong future growth. And with that, let me have the pleasure of requesting Badree for his opening statements. And then Vikesh, our CFO, will add his commentary. Apologies for the longish opening statements today, and then we'll go straight to Q&A. Thank you.

Badree Komandur: Good morning, good afternoon, and good evening to all the people who are participating in this call, and it gives me immense pleasure to announce the Q1 results as the CEO for the first time. And it's a great honour to lead Strides, I have been in Strides for the last 15 years and the last 2, 3 years have been the most exciting in my life in terms of, I led many functions and one of the best things that happened to me was that I was able to handle the people's side of the business, which helped me to understand the business much more as well as also bring capabilities in the company. And good part is that we are able to make Strides a very metrics-driven organization. Every function as a metric and every business as a metric, that's going to be the governance in the future for us, and that is reflecting in the results.

So coming to the quarter 1 results, I just want to cover some few points. And before that, I just want to thank all the shareholders and Arun specifically for guiding me all through the last 15 years, plus the Strides Board who has been the guiding light for me for the last many years in this role.

And as we said, the profitability, efficiency and growth has been the focus for the company for many years. And we are very happy to say that profitability and efficiency has grown much faster than the revenue. That's a very good sign of a healthy company. And coming to the specifics in terms of the business, I want to cover each and every business in terms of the performance for Q1.

The first one is the U.S. market. The U.S. market, we have recorded a $70 million, first time ever in the first quarter. The second one is in terms of the first quarter where we had the full quarter of gSuprep sales, and we also launched the first significant dormant product acquired into portfolio. And we also doubled the size of the average price value of the new products launched in the last many years is what we have seen. And that's a perspective we have at this point of time as we transition from acute to chronic portfolio. And U.S. business looks strong, and we are on track to get to that $285 million to $300 million, which we have guided. And the growth is also quite good in terms of 24.5% year-on-year.

So coming to the Other Regulated Markets. This has also grown for the first time from $35 million to $41 million and there is a 17.8% healthy growth. And we have got a strong customer advocacy as well as a dependable supply, which enabled us to increase our customer base and the fungibility of the portfolio is playing through.

And as far as the Growth Markets and Access Markets are concerned, the Growth Markets have recorded a significant growth, almost about 40-plus percent year-on-year. And we believe that Growth Markets will be lumpy as the business stabilizes in the next 2 years. And the Access Market is as you are all aware, that it depends on various external factors, but overall, it is intact.

So with this, the main principles on which the entire company will be covered in terms of the profitability, efficiency and growth. What we want to do is in terms of sustainability and consistency, we want to focus on execution at this point of time and we believe that we have got enough engines in place. We've got management team in place. And we believe that we can do quite well this year, and we are happy with the outlook what we have given, and we are reasonably confident at this point of time to meet all the targets.

With this, I will leave it to Vikesh and welcome him first time as Group CFO to address you all and over to you Vikesh.

Vikesh Kumar: Thank you, Badree. A very good morning, good afternoon and good evening to all of you. I personally feel very privileged to have begun my career at Stride, and after a remarkable journey, I'm honoured to address all of you as the CFO of the esteemed company. I want to use this opportunity to express my utmost gratitude to both Arun and Badree for their constant support and guidance in my 15 years at Strides. Badree has been our longstanding CFO, personally for me, has been an exceptional mentor and guide. His mentorship has been the cornerstone of my success, and I'm thrilled to see him take on the role of CEO. I wish him all the very best in his role, and I hope to follow his footsteps and continuous legacy as I take at his role as a CFO.

I want to also thank all our shareholders for the phenomenal support and continued trust that you have had on Strides, especially as we navigated through turbulent post-COVID years. I also want to take the opportunity to thank all my colleagues at Strides for enabling us with a fantastic start to this journey of ours with a strong show in our Q1 performance.

Today, I want to focus on the profitability and efficiency metrics of our Q1 results. We reported an EBITDA of INR217 crores, hitting the 20% EBITDA mark after almost 12 quarters. Our focus on operating leverage is clearly visible in the P&L. It has translated to a 2.8x growth in our adjusted PAT which came in at INR83.9 crores, and our reported PAT of INR68.3 crores reflects our best ever quarterly PAT performance, with a reported EPS of INR7.6 per share. This has been enabled as Stelis reported a second consecutive quarter of positive operating profit and consequently, you can see the gap between adjusted PAT and reported PAT significantly reduced.

Moving on to the efficiency metrics. Our cash-to-cash cycle remains steady at 129 days. This has significantly improved over the last year. In Q1 specifically, we've had an increase in both our receivables and inventory, both for the product launches we had in Q1 and for our expected growth in H2. And despite that, we've been able to generate cash flow from operations for the quarter, which came in at INR155 crores, and it helped us to reduce our debt by INR36.7 crores. We invested INR51.5 crores in growth capex, and this was completely from the cash that we generated during the quarter.

With the operating cash generation, we have also reduced the net debt to less than INR2,000 crores, so at INR1,998 crores with a Net Debt-to-EBITDA ratio of 2.3x. And with the growth that we expect, we expect to be on track to meet our outlook of less than 2x by the end of this year.

Our rigor on operational excellence is visible in a consistent improvement of our ROCE. ROCE has improved to 16.3% in Q1 compared to 12.8% where we ended in FY'24. I'm also happy to report that our credit rating outlook also improved from A- negative to A Stable.

For comprehensiveness, I will also cover specific cost items. Our expenses for the quarter have been high. We saw freight rate escalations, and we also incurred airfreight for our product launches and administered pay hikes for FY '25. We expect our operating cost to revenue ratio to improve in tandem with a growth in H2. Our net interest costs are steady at INR67.7 crores and we expect this will also improve in H2 with both growth and debt reduction playing out. Our effective tax rate is at 17.4%. It is in line with our estimates, and we expect to be in the range of 17% to 20% for FY '25. We continue to remain focused on delivering on our metrics of profitability, efficiency and growth to achieve our outlook for the year and drive sustained value for all our shareholders.

Thank you for all your support, and we are happy to take any questions that you may have.

Arun Kumar: So just one other point before we take questions, please. On OneSource, we just wanted to give an update. The matter on OneSource has been admitted by the NCLT court. We expect to have a credit meeting call out very soon, and we are on track to hope to have a positive outcome within this financial year. We also had a very strong outlook on OneSource, especially our Biologics Division has been winning several new contracts and CDMO injectables and platforms soft gelatin business are all on track. And we have guided for a $60-odd-million of EBITDA with an excess run rate of almost $20 million per quarter for this financial year. So that's going on track too, and I just thought I will give a quick update before we take questions.

Abhishek Singhal It would be good to take the Q&A, please.

Moderator: Thank you very much. The first question is from the line of Aman Vij from Astute Investment Management. Please go ahead sir.

Aman Vij: Sir, just a request before I begin with my question. So since our company has lot of different divisions and we don't do an Analyst Meet kind of thing and con call is the only way to ask the questions. So I hope we get to ask enough questions because last 2, 3 calls, what has been happening is the call is getting ended in 45 minutes although a lot of people have been trying to ask more questions. So just a request for the whole management team, if you can give enough time for the analysts who ask the questions.

Arun Kumar: We are actually very delighted you are first on queue. So we've got your message to. So we'll work on that.

Aman Vij: Sure, sir. So first question is on the OneSource only. So what was the run rate for Q1 in terms of top line and EBITDA?

Arun Kumar: We don't give specifics. We have given you a guidance, and we are saying we are on track.

Aman Vij: Okay. So Q1 numbers, you won't be able to disclose for OneSource?

Arun Kumar: There is no OneSource formed, right? It is a legal process that's ongoing. And we have guided that we will meet our outlook numbers.

Aman Vij: Sorry, you also mentioned the exit run rate for this business will be $20 million of our EBITDA. Is my hearing correct?

Arun Kumar: Yes. FY '25.

Aman Vij: Sure, sir. Continuing on OneSource, so we had signed around $70 million of MSA and then CSA is a much bigger number. And given one of the product is getting commercialized in this year. So out of this MSA, how much can we execute this year? Is it like 50% or is it like 30%? And similarly, for MSA, if you can't give the exact numbers, but what kind of range should we assume for the first commercial CSA that is going to happen this year?

Arun Kumar: So we can't, but I can give you an indication that Stelis which delivered about $20 million of revenues last year and was still loss-making, will end up closer to $50 million and we'll have an EBITDA of almost 35%.

Aman Vij: That is very helpful. Next comment on our Biosimilars, the teriparatide business. So I believe we had a strong lead in terms of the product, but for some or the other reasons, our partners haven't launched the product. And I believe this will happen in this year. So any reason which you can give what is the reason of the delay of launching this product as well as when can we expect...

Arun Kumar: I got your question, but we didn't have a strong lead and I don't know where you got that data from. We are very late with this product. We have at least 5th or 6th generic. And it's typical that the new launch of BioSim, the time from approval to launch because, especially when you have a partner takes a good 6 to 8 months, because it requires label changes, filings, brand names in our branded products. So it does take time. And we were not first wave approved for the European markets.

Aman Vij: So do we expect the launch in, say, first half or the second half this year?

Arun Kumar: Second half.

Aman Vij: Second. Okay. On the capital business -- sorry, go ahead.

Arun Kumar: Can you please join the queue.

Moderator: The next question is from the line of Viraj Shah from Motilal Oswal.

Viraj Shah: Yes. Okay. So first of all, congrats on good set of numbers. My first question is on the U.S. generics market. So you -- in fourth quarter, you had a run rate of $70 million, and you have targeted $280 million to $300 million for the year. Basis new launches and market share gains, would it not be possible to achieve more business in U.S. generics during the year? Or is it the final target in this line?

Arun Kumar: It should shift for the range that we have guided. That allows -- like we said earlier and keep consistently saying, to have a calibrated and disciplined launch means that when we get challenged for pricing, we are happy to let that and then still grow the business, the margins that we are focused on.

Viraj Shah: Okay. Fine. My second question is based on source change and cost leadership. So how many products would be relaunched in FY '25?

Arun Kumar: We think we'll have another 4, 5 products to be launched during the year.

Viraj Shah: Okay. Okay. Got it. Perfect. And if possible to share the market size of products in 505(b)(2) nasal spray and control substance which would be filed in 1Q FY '26?

Arun Kumar: The 505(b)(2) discovers the new market opportunity, right? So we are not competing -- we're creating a new opportunity. So time will tell how that plays out. The nasal spray opportunity is about it's about $600 million to $700 million in terms of the market opportunity.

Viraj Shah: Okay, sir. And if any scope to share the business from global funds for FY '24 and now in FY '25?

Arun Kumar: See our Access Market is predominantly global fund. We did about $25 million in FY '24. We have been advised that our allocation is about 30% more than last year. We expect this business to be about $32 million, $33 million. But like I said, this is not necessarily a business that, I mean, we service it, we service it well, but it's not something that is a primary focus as we've been consistently saying.

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

Nitin Agarwal: Congratulations to the Strides team for the remarkable turnaround in the business. Arun, I had a question on the OneSource slide. We mentioned in a couple of places around the PTH DDC product. Can you just give us a little more colour on what is the opportunity here that we're talking about?

Arun Kumar: Nitin, thank you, first of all, for your good words. But the -- and to add to your question on the DDC product, this is PTH, which we had European approval earlier, we now have the U.K. approval. So it's just being a different regulatory agency, just an update.

Nitin Agarwal: Okay. And so this is the same product that you put up DDC product in a DDC section as well as in a Steriscience section. Is it the same product that you're talking about?

Arun Kumar: We had -- I mean, we had one product of our own. And then when we pivoted to a pure-play CDMO, we are just giving an update of that one product. It is now being licensed to about 30-odd customers worldwide. And the U.K. MHRA approval was the last pending approval. And now that has arrived and that's that also addresses one of the previous questions on launch delays that typically partners with launch products in our markets around the same time. So it is just an update that it's now more closer to launch than ever.

Nitin Agarwal: And secondly, the RFPs that you mentioned, the uptick in RFP that you mentioned for the Stelis business. Can you qualitatively give us some idea of the change of the scale -- is there a change in scale and scope of the kind of RFPs you're participating in now?

Arun Kumar: Yes, significantly bigger size, big pharma. And also -- I think it's also to do with the trends around the Biosecurity Act, but we are not so sure if we -- I'm sure that we are really one of the many options partners look at when they do the China Plus One strategy, especially after the Biosecurity Act is in the public domain. Yes, so it has been an unusual phase of RFP issues.

Nitin Agarwal: And lastly, on the other Reg market business, the business traction -- I mean, is it as per what you sort of expected or there is -- how do you see this big piece really playing out as we go forward now?

Arun Kumar: Nitin, even if you follow what we told all of you in the end of the year call was that Europe will -- the products have been approved, they're partnered, but they will be launched only in H2. So its just a function of time because Europe for us is predominantly a partnered market.

Moderator: The next question is from the line of Vishal Manchanda from Systematix Shares.

Vishal Manchanda: In the U.S., can you share some colour on the concentration, the contribution of, say, the top 5 products to the total revenues?

Arun Kumar: So we have about -- we have mentioned that 35 products constitute almost $250 million of business. So it's a fairly linear situation. Nonetheless, the recent launches have quite significant higher dollar numbers, upwards of $10 million, not in all products, but most of them. So yes, so I don't think we have a concentration risk as part of our overall strategy of contribution.

Vishal Manchanda: So would there be kind of products wherein you are the sole player, any products where you are the sole player in the U.S. or maybe 1 of the 2 players in a product category?

Arun Kumar: 35 products we are actually number one or number two.

Vishal Manchanda: Okay. Got it. And just one more. Any comments on price erosion in the U.S.? Has that amplified in the recent month?

Arun Kumar: We've been telling your that with the luxury of over 250 ANDAs, we have launched only 67. The logic vein is that we will only launch a product if it meets our price tag. So I'm not saying that price pressures are not there, it's very product specific. But that the rational exuberance of the buying community to push suppliers down resulting in big shortages is a thing of the past. I think they are working more as partners. We have a phenomenal track record for service and an almost 0 failure to supply situation in the U.S. And all of that comes with the price. And I think the buyer in U.S. is appreciating that better and understanding the circumstances in which the industry operates. You can't be selling an expensive drug which requires so much complex manufacturing at the price less than a gummy. If I may say, there is a little bit of more sensible thinking, and things are playing to the to a reasonable situation. I'm not suggesting price erosion is not there, but when we get challenged, we do not hesitate to get off the product because we have a nice pipeline of products that continuously get relaunched, and our focus is obviously gross margin and the guidance that we've given this week.

Vishal Manchanda: And sir, we have any capacities to kind of execute our growth guidance like...

Arun Kumar: As I said earlier in my opening statement, we still have to tweak our network optimization plans, especially with a lot of the products now being manufactured in the U.S. for the U.S., it just gives us some significantly different opportunities and channel sales opportunities in the U.S. We still have some capacities that needs utilization, which we hope -- so we don't think other than automation and compliance capex, we will not require any new capex.

Moderator: The next question is from the line of Yash Dedhia from Maximal Capital.

Yash Dedhia: Most questions have been answered. Just one thing on the ORM. So in the U.S., we have guided for like 50% growth in the next 3 years, given that the ORMs we have not yet penetrated so well. So what kind of ambitions do we have in the medium term for us to reach? So that is number one. And secondly, on the working capital, I think now we are probably at the lower end at 4 months. So do we expect any further improvements because of optimization in the working capital? Or do we expect this 4 months odd working capital to continue in the future as well?

Arun Kumar: Well, I'll take that thunder away from Vikesh to answer the working capital question. I think at the current number of days that we operate; we are already amongst best-in-class. We probably have a few more days to squeeze. We are actually building out for a stronger H2 which is typical that we are invested for H2 now. We see very little opportunity to do better there.

With regards to ORM, we have guided not as firmly as we have for the U.S. market because it's a business we just about consolidated since the last 3 years. And I know your statement comes from fact of the last 4 quarters, including this has been fairly steady state. But if you look at the reset that we have done in the last 3 years, we keep our revenue target at a certain level. But our margin expansions are happening as we would have shared from as low as 5% to 20% in the last 12 quarters. And then we invest heavily on growth. So there will be a step change in the ORM business in H2 and then it will again go to a 2, 3 year stable process. We did guide once that we want the ORM business to be mirror of the U.S. market at 400 million. But we are at least about 4 to 5 years away.

Yash Dedhia: Yes. So -- but we do expect the working capital to be maintained at least at these levels?

Arun Kumar: They don't go up from here.

Moderator: The next question is from the line of Sanjay Kumar from iThought PMS.

Sanjay Kumar: First question on drug substances. We have announced that we won one of the top 3 global annual health company for novel biologics. If you could share the market size of this molecule or the per-year supply for this particular drug?

Arun Kumar: It's novel. So the markets will discover it once it's approved.

Sanjay Kumar: Sorry?

Arun Kumar: I said it's novel. So markets will discover once it's approved.

Sanjay Kumar: Okay, okay. And in the previous presentations, we had also mentioned that we are working on close to saying 2 other drug substance molecules. Are these innovative molecules as well? Or are these biosimilars?

Arun Kumar: You're getting something wrong, 200 what?

Sanjay Kumar: Two other drugs DS molecules in pipeline?

Arun Kumar: Yes, of course, it takes time to convert. But yes, we are...

Sanjay Kumar: Innovator molecules or biosimilars?

Arun Kumar: It could be a mix of both.

Sanjay Kumar: Okay. Okay. And second, on our fill-finish capacity, we had indicated that we'll be taking it to 200 million devices. What kind of capex will be needed? And what's the timeline for this, sir?

Arun Kumar: Around $50 million, and it will take us about 3 years.

Sanjay Kumar: Okay. And at 200 million, what would be our capacity market share globally?

Arun Kumar: Well, the market is growing extremely rapid, and I can't guess on what percentage that will be. It will be important but not in any kind of top 10 leadership considering there is very significant -- we make very significant numbers. But yes, from an India perspective or an Asia perspective, I would like us to believe that we would be the number one.

Sanjay Kumar: Okay. And final question. Is it a reasonable assumption -- let's say, can we make $1 per fill-finish for something like semaglutide?

Arun Kumar: We are not getting into specific, Sanjay. You won't get a specific answer from this company ever. That's the policy. You can ask anything that will give you a guidance, we'll give you. But we don't discuss products, we don't talk numbers. We are a CDMO. We respect our partner engagements. And you'll have to infer all of that through your own research and not getting into specifics with us.

Moderator: Next question is from the line of Anand Shenoy from EAS Capital.

Anand Shenoy: Sir, on the first one, the soft gel business, we are significantly expanding the capacity. So in terms of visibility, can you talk about like what visibility we have in terms of filling of this capacity and when do we expect that we'll repeat in this month?

Arun Kumar: So Anand, if you are speaking very fast, and I'm assuming a question is related to soft gels?

Anand Shenoy: Right. So we have expanded the capacity. Is the expansion complete first of all?

Arun Kumar: Yes, it is.

Anand Shenoy: Okay. And when can we like expect that we'll reach the peak in this one, peak revenue?

Arun Kumar: What do you mean by the peak revenue?

Anand Shenoy: I mean, see, we have expanded from 1 billion to 2.4 billion units. So my assumption is that we are almost hitting 1 billion units. So when can we -- like how many years will it take based on the visibility we have?

Arun Kumar: Well, the expanded capacity is fully sold out.

Anand Shenoy: Fully sold. Okay. And from H2 of this year, we will be fully utilizing that?

Arun Kumar: Not fully. We'll start utilizing.

Anand Shenoy: Okay. Cool. And on the drug-device combination...

Arun Kumar: Please come back to the queue and just give a chance to the others to ask questions.

Moderator: The next question is from the line of Omkar Jahagirdar who's an individual investor.

Omkar Jahagirdar: And heartiest congratulations to you, Badree, sir, and Strides team for outstanding quarter one numbers. Gross margin has delivered about 61%. Operating profit margin was 20%. And importantly, U.S. revenue has recorded the highest ever revenue of $70 million in the history of Strides Pharma.

So in my opinion, new era Strides Pharma has just started. Even I have requested Badree, sir, 9 months back to do some changes in the presentation where we can see all your quarterly result properly. And I can see all the changes in last quarter 4 as well as quarter 1 results on the BSE site. All 5 quarters U.S. had ORM revenues reflecting which helps to compare the results properly. And congratulation to Badree, sir, for becoming MD CEO of Strides Pharma. Welcome and all the best to Vikesh Sir in new role as the CFO of Strides Pharma. And I'm confident Strides will deliver $290 million to $300 million revenue in this financial year.

So 2 questions I'm asking you. One is, as far as promoter pledge is concerned, it is at 65%. When it will go down substantially? And second question, can we expect ORM revenue of $48 million to $50 million in second half of this financial year? Current exit run rate of ORM market is around $40 million, $42 million.

Arun Kumar: The first question on the pledges, we were obviously very focused on the operations of the company. The pledges are directly linked to the investments that we had to make at Stelis. Now that we are very close to an NCLT process and listing, we believe that our pledge positions will come down quite significantly. I hope we can have a much more pleasant conversation, positive conversation for want of a better word around that in the next earnings call. So you would see very positive movements around that. We -- the family is working very closely now that we've got all the businesses operating well to stay focused on solving for that issue. On a question that on ORM, will it come to market to get exit run rate, I'm going to request Badree to address it. And also thank you for all your good wishes to the team.

Badree Komandur: Thank you, Omkar. And from ORM perspective, we just said that the products have been approved and it's partnered, and we'll have a better H2 going forward. And it should start reflecting in the numbers from H2 and you will see the results by the end of FY '25.

Moderator: The next question is from the line of Yachna Bhatia who is an individual investor.

Yachna Bhatia: My first question is on GLP-1 drugs. You mentioned that we're spending capacity from 40 million units to 200 million units. I just wanted to first understand on the existing capacity itself, what is the kind of peak revenues and margins that is possible from this facility at full utilization?

Arun Kumar: We are not talking about the unit has got several other sterile suites outside of the cartridge facility. If you look at our first OneSource introduction to the market, we've guided that revenues will more than double to about $400 million in the next 4 to 5 years. And we are sticking to that guidance. So the group facilities amongst almost 4 or 5 of the units that operate under that OneSource will deliver those kind of numbers.

Yachna Bhatia: Yes. But that was like across all the businesses of OneSource?

Arun Kumar: Another investor question. We can't give a specific line revenue, obviously.

Yachna Bhatia: Sure. Okay. Actually, I had a similar question on the capsule business as well. If you could give a colour on, again, the capacity, sorry, you're saying you cannot mention that as well?

Arun Kumar: No, I can't. Too specific questions.

Moderator: Ladies and gentlemen, due to time constraint that was the last question for today's call. I would now like to hand the conference over to the management for closing comments.

Arun Kumar: Thank you. Thank you, everybody, for being on the call today and appreciate your questions. And as always, please reach out to Abhishek, the investor group or any one of us if you need more questions answered. Thank you, and have a great day.

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

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