“Strides Pharma Science Limited
Q4 FY2020 Earnings Conference Call”

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MANAGEMENT:	**MR. ARUN KUMAR – FOUNDER AND CHAIRMAN** **DR. R. ANANTHANARAYANAN – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR** **MR. BADREE KOMANDUR – EXECUTIVE DIRECTOR – FINANCE**
ANALYST:	**MR. ABHISHEK SINGHAL - ANALYST**

Moderator: Ladies and gentlemen, good day and welcome to Strides Pharma Science Limited Q4 FY2020 earnings conference call. As a remainder, all participant lines will be in the listen-only mode and there will be an opportunity for you ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Abhishek Singhal. Thank you and over to you Sir!

Abhishek Singhal: A very good afternoon and thank you for joining us today for Stride's earnings call for the for the fourth quarter and full year ended financial year 2020. Today we have with us Arun Founder and Chairman, Dr. Ananth – Chief Executive Officer & Managing Director and Badree – Executive Director, Finance 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, which have been uploaded on our website as well as the stock exchange. The transcript of this call will be available in a week's time on the company's website. Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions please feel free to reach to our investor relations team. I now handover the call to Arun to make the opening comments. Over to you Sir!

Arun Kumar: Thank you Abhishek. Thank you everybody for joining in and appreciate joining with us early this time considering we are in very unusual circumstances that we all live in. We completed our board meetings late last night so that there was enough time to upload the presentations and send it across to the wider community to have a more informed conversation this morning. I hope all of you are being safe at home and the lockdown especially in Mumbai is panning out to be a little more brighter than what we hear here in Bengaluru.

So with this, let me just start off. Thank you Abhishek for the introduction and like he said I do have my other colleagues here who will address parts of this opening commentary. So I ended my work as an executive managing director of the company on March 31, 2020. It has been great year from several of the objectives that we set out when we went about course correcting the company both strategically and financially, but for a setback based on the ranitidine withdrawal request from the FDA which came on the last working day it has been a stellar year of performance and my team and I are very proud of what we have achieved at Strides for the last 12 odd months. We strongly believe there is great footing for Ananth and his team to build from here and strong foundations has been laid across businesses as we transformed this business even further. Two very important elements that have been achieved in the year is a very significant uptick in the gross margin levels. We

improved our adjusted gross margins almost by 11% and reported gross margins almost by 10% and we have delivered two consecutive quarters where our gross margins have exceeded 60%. Now appreciating the fact that we still have 15% of our business in the institutional and emerging market space, the gross margins are not as reflective, this is a phenomenal shift in our focus on product selection, execution and absolute zero failure to supply.

Some of the principal business rules that we set about in terms of capital allocation, return on capital employed and also working capital management has played out well and my colleagues will talk to you more about those matters. Later in the conversation Ananth will give outlook as we live in very unusual circumstances. He will give you an outlook on COVID as Strides see's opportunities and challenges and therefore we would not have specific guidance, but we will generally give outlooks which we will endeavor to update every quarter so that we make it more sharper and more focused based on the ground realties that we face. So, if I look at the whole year the biggest upside obviously continues to be the US market. We guided in the beginning of the year for performance range between $220 to $240 million, just for ranitidine we are at the high end of that range. Very important to us has been product selection, product introduction and market share we have not lost market share on any product, we have not had price drops in the last six quarters continuously and that is simply because we are not in the commodity products that most companies operate. We believe that there are lot more opportunities to continue this model, we have guided you that we believe the US business with this strategy would get to about $400 million. We were hoping that we will get into $100 million run rate about 18 to 24 months when we last spoke to you. This probably because of ranitidine may get shifted by a quarter or two but it is not going to be significantly different from where we originally guided. I would like to strongly believe that the margin profile of the company will stay or improve even from here and this is an endeavor that we constantly applying at Strides across our businesses.

What we have done for the benefit for our investors and for those who are in the call today we have given lot more granularity on our numbers so that there is a lot more I mean not that we are not willing to answer questions it is just that we avoid a lot of confusions. So if you could see the US numbers that we grew this business in the last eight quarters consistently from $25 million to $62 million adjusted for ranitidine in the last quarter as you all know the ranitidine was withdrawn after working hours in the 31st March so we could not do much to course correct that so we have delivered an average of around $60 million odd of revenues for quarter considering that we have had a few product launches and we have now introduced into the VA system, you would see that building the business back to where it was is quite easy and Ananth will give you more granularity around that.

We grew the business in the least five years by 5x from $50 million to $240 odd million and the US business will continue to be a key focus for us. Added to it, our Singapore facility getting a VA status and the Palm Beach facility going commercial in a couple of quarters from now we believe that the tailwinds of Made in America and the VA opportunity will actually be more beneficial for Strides than ever before. We have a full page on ranitidine so that we just kind of reiterating all what we have been communicating as you all know on 31st March the FDA requested all companies both in OTC and Rx to withdraw the products. The work that they have asked us to do will take several, several quarters, we do not believe ranitidine is going to be back in the market for at least two years for all the work that the FDA has asked us to do. We still believe in the molecule, we will continue investing time and money to see if we can bring the product back but for us this is clearly a setback as you will know that when the FDA allowed us to sell the product on November 22, we were running annual run rate of $75 million on the product so obviously that would have been a significant uptake from where we guided all of you but more importantly it would have reduced the time for us to get to the 100 million per quarter run rate but having said that this is very typical of the market and the businesses that we operate it. This is an act not created by us and as we chug along, we are very focused on introducing new opportunities and I just also want to take away several questions around ranitidine. I just want everybody to understand that we did not price gouge the numbers that you see here are without adjusting for other operational costs and other costs that have been attached in the ranitidine withdrawal cost of 17 million because 100% of gross margin has been deducted. It is quite normal for you to assume that our gross margins are significantly higher in the US than the reported numbers and several of our products will meet these criteria, so we are very confident of filling this gap fairly quick.

Coming to the other regulated markets, it has had a stellar performance. The business grew from $70 odd million or $80 odd million to $118 million delivering 47% growth, this business will continue to benefit from two elements one is supply now to the Arrotex Group in Australia has peaked to what we had expected to get to the $20 million EBITDA run rate when we announced the transaction. The fungibility of the Australian portfolio that we acquired is playing out we got 20 products filed and 16 approvals were received bulk of it were fungible products from the Australian portfolio so that has played out extremely well so not only are we benefitting from additional supplies to Australia but more importantly we are benefitting from a significant scaling up our filing and approvals in the European market. Regarding filings our US as we guided a year ago we have reached a plateau of what we think our model will need to deliver the $400 million run rate and we do not see the need for us to keep investing on more products while we will continue to look at opportunities, but they will not be as profound as they used to be in the last three years in terms of portfolio.

The emerging markets and the institutional businesses although you see a drop of 33% what it clearly did for us it delivered course corrections, our branded business in Africa is now completely operational from a hygiene and productivity perspective. We may have some challenges this quarter because of the lockdowns in Africa but having said that this is the business that has bounced back to its full potential and we are very delighted with the work that we have done in the last 24 months. The institutional business has been tepid as we have been guiding everybody but what it did for us is that by focusing on products which are profitable, it has added tailwinds to our gross margin run rate. With this, several financial outcomes have been achieved and while significant new growth in the US has been achieved with limited expansion of the debt book or hardly any expansion of the debt book this has been another year of tight financial control and great work from Badree and his team. We will now pass on the phone to him to speak the key outcomes from the finance side and then he will pass it back to Ananth.

Badree Komandur: Thank you Arun. Good morning to all of you. In the next two to three minutes I will cover some of the key financial highlights for FY 2020. The financial year has witnessed a strong execution with superior balance sheet. Withdrawal of ranitidine was beyond our control. We also laid strong foundation for sustainable EBITDA margins in future and profitability, efficiency and growth has been our focus through the last year. We have demonstrated consistently across all parameters of balance sheet and for the year we also demonstrated solid operating leverage which led to significant EBITDA margin expansion of almost 740 basis points in one single year despite ranitidine. Interest and depreciation is at a very consistent trend indicating a better financial leverage. ETA that is Effective Tax Rate on the reported PBT of 7% we have guided the market that will be between 10% to 12% we have done much better than that and we expect to maintain the same 10% to 12% in future. We also reported a strong operating cash flow of Rs.2500 million leading to conversion from EBITDA to operating cash of almost 50% and this was achieved despite a scale up of US business from $150 million to $217 million and we also completed all our capex programs except some small program which is in West Palm Beach. We spend about Rs.1300 million in the last financial year. Post the arrow transaction we communicated our debt will be within a range of Rs.10 billion to Rs.12 billion . We are in the lower end of the range and we ended the year with Rs10.2 billion net debt. Our debt levels have been very comfortable, and we believe that we are at the ratio of 1.9 and we hope to maintain the debt to EBITDA ratio within a small range. We have a significant uptake in ROC percentage because of the asset sweating and also better operating leverage. From a balance sheet stand point one of the significant points we have done is that we have reduced our contingent liabilities by almost Rs.13 billion as we have reduced the guarantees what we gave for one of the corporate actions. We believe that we have right the pivots in place to continue on the growth trajectory and our focus will be on generating free cash and improving the return

ratios going forward. With this I will pass it on to Dr. Ananth for him to make his comments.

Ananthanarayanan: Thank you Arun, thank you Badree for the detailed commentary on the FY2020 performance and hello friends. I feel privilege to have the opportunity of leading Strides starting this financial year. Clearly Strides have achieved significant milestones with its contrarian strategies and perspectives on the business and I strongly believe that my team will do its best to take this legacy forward and deliver on the expectations that the shareholders have from this company. Like Arun said earlier notwithstanding the minor aberrations in manufacturing due to the lockdown, our business in Q4 FY2020 did not have any extensive impact in the business from COVID19. This is predominately because of the way we manage our supply chains and our inventory levels in market so the minor aberrations in manufacturing have only led to some depletion in our inventory and stock but have had no major impact on the business. Having said that there is no denying the fact that COVID19 is still an unknown element for the future of all businesses globally. We stay resilient as it is difficult to predict the challenges of the industry should there be further worsening of the situation. As a company we have maintained our agility and responsiveness to the emerging trends and have periodically brought forward necessary changes in the way we run our operations. Our immediate response was to pursue people first approach and focus on the well being of our employees. We have been adhering to all government and health authority guidelines that has been prescribed for each of the jurisdiction we operate in to safeguard our workforce globally and various preventive measures we have carrying out deep cleaning, sanitation , disinfection program across all our locations as we adhere to social distancing norms including allowing a significant fraction of our employees to work from home. All of these have been a momentous shift for us in the way we operate as an industry. Still we are pleased that a combination of these efforts let us to focus on continuity of the business so that we could discharge our duties towards the patient population. I am extremely thankful and very appreciative of all my colleagues across all our facilities globally to ensure continuous operation during these challenge times and to ensure continued delivery of products for our patients. Our team has chartered a business continuity plan for Strides which intensely covers aspects such as how we conduct our manufacturing, how we secure our supply chain, approach our customers and manage our workforce in line with evolving landscape.

We stay focused on conserving capitals and identified measures along with many areas for improvement. In summary we are pursuing our commitment to three Ps, Patients, People, Purpose, as we continue to monitor this situation. Even though uncertainty exists in the magnitude and impact of the COVID outbreak, we strongly believe that our businesses are well positioned to deal with this and we look forward to a promising performance in FY2021.

Let me now take you through outlook for FY2021 in some of our key businesses. For the US business, we stay positive and very confident of our performance in the US markets going forward. We clearly believe that we can grow our business by 25% to 30% on the adjusted FY2020 revenue of 192 million even without ranitidine. Our US markets will benefit from improved market share for its base portfolio, introduction of new products including the ones that are already approved and not commercialized and through enhanced market penetration and opportunities including the VA Program in which two of our global sites qualified to be in the designated country. To give you some more clarity on this we launched six products in FY2020 which delivered revenues of about 20 million for FY2020. These products have annualized revenue of about $45 million which we would clearly realize in FY2021 and our focus is to grow our market share in all of these commercialized products. As I said earlier, we also have a basket of about 35 products that are approved, but not commercialized. We clearly look forward to introduce at least about five new products from these already approved product basket as we build up our strategic play in the evolving business landscape and all of these products clearly on introduction meet a new supply chain and our financial thresholds to be able to ensure that we maintain the margins that we have been able to build in the US market

We also expect a significant ramp up in the supplies under the VA program with at least five plus additional products. We expect about 10 to 12 new product approvals in FY2021 and we also expect to file about 12 to 15 new ANDA during this year. Our other regulated markets also have shown a significant improvement in the business and this strategy will continue to play out well. We expect the growth to continue in the ongoing year as we target higher operating leverage and a large pipeline of approved products with market fungibility. We do expect about 20 plus new filings in this year for the other regulated markets with about 15+ new product introductions across several markets. We have also achieved significant improvements in gross margins in two quarters consistently across in the organization and with that consistent performance we are reasonably confident on maintaining that level of gross margin for the company. In summary, I would like to sum up by reassuring all of you of our commitment and confidence in the business as we progress into FY2021. With this, I hand it over back to moderator.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Alankar Garude from Macquaire. Please go ahead.

Alankar Garude: Hi good morning everyone. Sir, you achieved about $111 million US sales in the first half and now this includes about $9 millions sales from ranitidine which makes it about 102x of ranitidine and in the second half without ranitidine we did just about $90 million so what explains this lower ex ranitidine US sales in the second half versus the first half?

Arun Kumar: So Alankar basically you know that we allocate capacity based on our business model so when we knew there was an uptake of ranitidine coming our way with the sole supplier status we were allocating capacities and do not forget that we had those issues so we had a certain limited capacity that we had to allocate and therefore we are obviously producing ranitidine simply because it made us for lower unit volumes but significantly higher margins so in absolute terms while the revenue numbers had been lower the gross margin between H1 and H2 are almost similar.

Alankar Garude: Understood, so in this context how should we look at this 25% to 30% number is it more of an aspirational number or should we take it as a firm guidance that $240 to $250 million sales number for FY2021?

Arun Kumar: I think Alankar our guidance are aspirational the only thing is that when we told you something we have done it so I leave it to you to decide if it is aspriational or guidance.

Alankar Garude: And one final question from my side Arun for you so now that the deal is completed should we expect your side of the pledging in Strides to go down to 0?

Arun Kumar: Yes, you can.

Alankar Garude: Sure, great. Thanks, and all the best.

Moderator: Thank you. We have our next question from the line of Chirag Dagli from HDFC Asset Management. Please go ahead.

Chirag Dagli: Thank you for the opportunity. In your opening remarks you mentioned you have 35 products approved that have not yet been launched and you will launch at least five of those. Did I get that right sir?

Arun Kumar: That's correct Chirag.

Chirag Dagli: So what is it that has changed over in this environment is it external environment where pricing has changed or is that Strides is now internally geared up to supply chain challenges for those products and how many more can we expect through the rest of let us say over the next two to three years, how many out of this 35 can we expect to launch?

Ananthanarayanan: As you know it clearly that when we get the product approved it is not necessary that we may launch the product immediately there are some products that we launch but many of them there are several factors that we consider. One is building up our supply chain strategy. Number two to ensure that we are able to maintain a gross margin in the products that we launch and when these criteria are met then we certainly take a look at launching the

product so all of these products that we are saying we are going to launch now have been a buildup of all the work that we have done over the last two to three quarters to be able to be ready for launch and comes up now for launch and therefore we are saying that we will be able to launch these products from the portfolio.

Arun Kumar: So Chirag just one another point to consider is that we have done few transactions as you know the acquisition we had done, the Vivimed acquisition and along with them comes ANDA's which they do not commercialize right and that could be because of poor API sourcing, poor capacity or even a poor process so when you do all those changes it is a typical strategy of a large change is a one year process so when we get to that position of doing all those changes we are sure of meeting all the financial outcomes that we want because we are not chasing top line in the US.

Chirag Dagli: Understood and Sir in your opening remarks you also mentioned that you have achieved peak EBITDA that you guided for Australia this is like in the fourth quarter you achieved that annualized run rate, right?

Arun Kumar: What i said in my statement was that we now have the run rate this financial year to get to a peak EBITDA that we have guided on the Australia transaction.

Chirag Dagli: I understood Sir. Thank you so much.

Moderator: Thank you. We have the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Hi thanks for taking my question, Arun and Ananth on the business as you look forward post the adjusted quarter normalization process is it going to be essentially H2 loaded trajectory or we see normalized numbers in the business right from the early part of the year itself?

Arun Kumar: This will keep building up over the quarters Nitin. This will keep building up and of course it will have significant play out as we move from one quarter to the second to the third and to the fourth, the impact will start getting even more firmer.

Nitin Agarwal: Okay and secondly you mentioned something in the presentation around certain HIV drugs and all getting repurposed for COVID-19 as well as you already announced launch of Favipiravir so any color on how should we look at this opportunity landscape for us going forward?

Ananthanarayanan: Basically repurpose drugs are all up there, several countries are creating their own protocol and you can see many countries have taken out HCQ from the protocol but yesterday Brazil has put HCQ as the primary treatment regimen so everybody is creating protocols based on signs or lack of it and at this time we live in a world of ambiguity. Favi as you know is not approved anywhere including for the innovator for emergency use in Japan, yet it is being part of a major protocol because of the studies that Favi went through in China so it is a wait and watch situation at this time. We are not factoring any significant upsides as yet on any of these programs but the fact is that we have antivirals in our portfolio which can be repurposed we have a whole basket of products right from all the veils, to Favi and all of them. So we understand this we are ready with everything but it depends upon which country, what protocol what is the next way of looking like. Over time we will give you definitive color on the opportunity around repurpose drugs.

Nitin Agarwal: Thank you once again, last one on the ARV business we talked about our TLD formation coming through what is the status on that?

Ananthanarayanan: We are still awaiting the regulatory approval on that soon. Once the approval comes in of course we will certainly have an opportunity to participate in the TLD.

Nitin Agarwal: Ananth how is that going to work once the approval comes there is going to b a lag before the order comes to you or the order are there?

Ananthanarayanan: Sorry could you come again?

Nitin Agarwal: I am saying once we get the approval is there a significant lag time between from when the approval comes and when we start doing business, tenders I presume?

Ananthanarayanan: So, I think as soon as the approval comes we will of course let the agencies know about the approval status and then we should start seeing the opportunities flowing.

Arun Kumar: To answer specifically to your point there are two steps of procurement, one is the annual contract those are typically already issued, and we would not be part of that anymore but then there are country procurements that are spot. Spot opportunities we will get and then there are several countries that buy it yearly outside of the annual program so there is still a very large opportunity as about 50% of the total ARV fund spend is now on this particular product. There are supply chain issues as you know on these products so we still believe that we are not too late and as soon as we get approvals, we should see some of them.

Nitin Agarwal: Thank you.

Moderator: Thank you. We have a next question from the line of Ravi Sundaram from Sundaram Investments. Please go ahead.

Ravi Sundaram: Thank you for the opportunity. Sir a couple of questions. First question it is just a followup on what the previous participant asked so on TLD do we have the capacity to support the orders if they come through and what approval are we waiting, are we waiting for the PEPFAR approval or is it the Global Fund approval for TLD? That is the first question.

Arun Kumar: The PEPFAR approval is not yet due, what we are getting now is the WHO approval which will give us access to about 50% of the opportunity and we have enough capacity.

Ravi Sundaram: Okay and what did you say about capacity sorry Sir?

Arun Kumar: I said we have dedicated capacity for antivirals.

Ravi Sundaram: Okay. Thank you. My second question is on the supply for API. You see the current quarter had significant lockdown especially in India in the first half of this quarter, April and some part of May, I know pharma companies are not impacted as pharma comes under category that it is essential. My question is was there any significant impact in the current quarter due to API supply?

Arun Kumar: No, we did not have any significant impact on the account of API as I said we have been managing our inventory levels and supply chain reasonably well on that and currently in this quarter we did not have any major impact.

Ravi Sundaram: Last question, how the pricing in US this quarter because previous quarter was one of the best quarters that you have seen for the entire pharma industry as such how it has been this quarter Sir?

Arun Kumar: This quarter has remained pretty stable we have not seen any impact or erosion it has been pretty stable quarter on pricing.

Ravi Sundaram: Thank you very much Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Hari Belawat from Techfin Consultants. Please go ahead.

Hari Belawat: Good morning Sir. Congratulations for the good revenue and EBITDA compared to FY2019. Now Sir this ranitidine was withdrawn in the last day of FY2020 then how come this is reported and adjusted figures are so much different?

Arun Kumar: That is because we have estimated for returns so we do not know how much returns will come so we have made an estimate for returns and if it is lesser than that then we will write it back but at this time we have no idea on how much returns will come back any recall is a long drawn process.

Hari Belawat: Okay so the official figure is the reported figure presently as on date.

Arun Kumar: Yes correct.

Hari Belawat: Okay. Thank you, Sir.

Moderator: Thank you. We have our next question from the line of Anuron Mitra from Thomson Reuters. Please go ahead.

Anuron Mitra: Hello, good morning so my question is regarding Favipiravir, you said we will apply to the Indian Drug Authorities to commence Favipirravir studies. So, I just wanted to know whether there is any update on that. Have we got the approval or nod to conduct a trial?

Arun Kumar: We have the approval to conduct human study and we will be starting the study soon.

Anuron Mitra: This is in India, right?

Arun Kumar: In India, correct.

Anuron Mitra: From the DCGI?

Arun Kumar: Yes.

Anuron Mitra: Alright thank you.

Moderator: Thank you. We have a next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Hi thanks. Two things, one is in the presentation we saw highlighted adjusted for ranitidine, gross margin for the quarter about 60% so is that fair to assume going forward rather and that is like a base number to run it for business gross margins?

Arun Kumar: That is a fair estimate Nitin.

Nitin Agarwal: On the VA business we talked about there is a incremental 20% to 25% on the launches done and there are a few launches which are lined up, now these are all launches that will be largely coming in from the Singapore as well as the Palm Beach Facility.

Arun Kumar: That is correct.

Nitin Agarwal: We also did buy a bunch of ANDA which you announced I think about six to seven months back, could you help us understand how should we look at that part now?

Arun Kumar: It typically takes a year because these ANDA did not have any sales and we have already transferred the products where there is a significant sales and this particular product has got VA orientation too so we are making it at Singapore that would be filed very soon and all the other products if they were not commercialized it is because either the process was inefficient or the API source was not cheap. I mean competitive enough for us to get to targeted margins so typically the work that we do this where we say that we have typically large ANDA we were able to launch very quickly but on the acquired ANDA we take approximately a year to get supply chain process corrected and in some cases even a restudy is required that takes up to an year to launch so the whole portfolio gets relaunched over a period of time that is why we have very long tail of uncommercialized products, but every quarter now we are bringing one or two product package.

Nitin Agarwal: One last one on this when we look through the next year across various business product segments quantitatively where could there be a potential of surprises that can really come in the business or if we had opportunities like these in business quantitatively what could be nature of this kind of opportunity?

Arun Kumar: You are talking about positive surprises or negative surprises?

Nitin Agarwal: I am hoping for a positive.

Arun Kumar: I think the reg market is all set. I think it will be fair to assume that 80% of the business will have very solid on growth profitability and cash flow. The business which is still ambiguous would be the donor business because we think there will be a shift due to COVID and I think the lockdown will significantly increase impacted people with TB and malaria unfortunately and HIV but I just think that the donors will be more preoccupied on COVID for all the reasons. So if donor dont not come through the way it normally should then there would be probably reduced allocation to all companies but these are earlier days.

Nitin Agarwal: Thank you.

Moderator: Thank you Sir. We have next question from the line of Sachin Kasera from Swan Investment. Please go ahead.

Sachin Kasera: Good morning Sir. Can you give some sense on the capex for the current financial year and any debt reduction plans if you have?

Arun Kumar: So capex for the coming year we plan to do about $15 to $20 million which is more of a maintenance capex for the coming financial year.

Sachin Kasera: How do we see the net debt figure sir?

Badree Komandur: We expect to maintain the similar range, small range so currently we are 2x net debt to ebitda so we expect to maintain with a variation of about 10%.

Sachin Kasera: Net debt to EBITDA you are saying?

Arun Kumar: Yes.

Sachin Kasera: Secondly Sir anymore investments we need to do in the associates in FY2021?

Arun Kumar: There is a committed investment into the biotech arm that is already announced, and approvals have been received so that will continue this year?

Sachin Kasera: What is the approximate number will need to put into this?

Arun Kumar: $40 million.

Ananthanarayanan: Yes $40 million we said that last September that it will be over a period of 18 months and we have done about 12 so the balance will be done in the current year.

Sachin Kasera: This figure that you are referring is assuming including both the capex as well as investment in the associates right Sir?

Arun Kumar: Yes.

Sachin Kasera: Thank you so much Sir.

Moderator: Thank you. We have the next question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Sir just to clarity on US side so including 4 to 5 already approved how many total launches are we expecting for FY2021?

Arun Kumar: As I said we are looking for at least about 4 to 5 new products to be launched from the already approved portfolio and we are looking also to get at least 5 plus products into our VA program.

Tushar Manudhane: Okay so from the new approval say for FY2021 probably the launches would be a year later is that the right way to understand?

Arun Kumar: Among the products that we have we said we will launch during this year couple of them could be from the new launches that we would get during the year.

Tushar Manudhane: Okay. This VA program now that it has been just started so any color on how much of the business can be expected specifically on this VA program.

Arun Kumar: So on the VA program as we said we gave color to how our new product launches that we did in FY2020 is likely to ramp up in this year we see and believe that the VA product can also have a similar kind of ramp up.

Tushar Manudhane: In terms of values?

Arun Kumar: It could also be in the $20 to $30 million range.

Tushar Manudhane: And the expense associated with this facility is already in much of a Q4 number but there is going to be incremental approaching that is going to be associated with this?

Arun Kumar: No, we have already done all the work that is needed from site transfer there is no additional expenditure that is needed for these products.

Tushar Manudhane: Okay Sir. Thanks.

Moderator: Thank you. We have the next question from the line of Chirag Dagli from HDFC AMC. Please go ahead.

Chirag Dagli: Thank you for the opportunity. Sir when you think of the business today you talk about maintenance capex of just $15 to $20 million are there any white spaces that you want to fill in now how are you thinking about you know any large so you mentioned about Biotech which is part of an associate but outside of that are there are any large wide spaces that you think will need fill or is it how you think business will run?

Arun Kumar: I do not see us looking at any large white spaces right now I think given the current scenario under the COVID circumstance we are looking clearly to also focus on cash conservation and therefore our focus is really on the maintenance capex for this year.

Chirag Dagli: Understood and is there a tax rate guidance you are looking to?

Badree: Between 10% to 12%

Chirag Dagli: Sir this quarter most companies have done very well in Europe are there any thoughts that you want to share with us on what is happening in the market in terms of pricing, volumes, how are you seeing this market developing FY2021?

Arun Kumar: We have been doing very well in Europe for the last four quarters but it is only now the herd also does well that you started recognizing it the fact is that if you look at our commentary we mentioned that we have build out in the US and our focus is in Europe we had a great run in Europe we have already build up business from almost 0 to $100 million in the last three to four years we see the opportunity to be significant more challenging because of some of the smallest players getting out of the business, all are playing positively and we are benefitting from that and you will see significant growth coming from Europe for Strides too and as you can see we got 20 filings , 16 approval so it is significantly more except that everybody gives too much attention to the US but Europe is equally becoming an important part of our strategy?

Chirag Dagli: Have you called out Europe separately for FY2020 Sir, in terms of the size?

Arun Kumar: We have done that in our previous presentation.

Chirag Dagli: I will pick it up sir. Sir any thoughts on pricing in the US are you seeing a turnaround or flattening out, bottoming out?

Arun Kumar: It is steady and positive.

Chirag Dagli: Understood. Thank you, Sir.

Moderator: Thank you. We have the last question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much Sir for the opportunity. Just my line got disconnected in case if you had already answered what is the near-term impact of COVID on your business overall in the supply chain or maybe on the business front?

Arun Kumar: We did answer that. From the COVID perspective at this point of time we have seen only a minor aberration in manufacturing but as I said earlier in my commentary it is also because of supply chain planning and the managing the inventory levels there has been only some depletion in the inventory levels but we have not seen any major impact coming in because of that having said that it is an unknown element and we will have to keep continuing to watch and see how it plays out.

Deepak Poddar: Understood sir. So that you expect to continue into first quarter as well right in terms of minor no major shock for our business?

Arun Kumar: Correct.

Deepak Poddar: Okay, fair enough. That is it from my side.

Moderator: Thank you Sir. Ladies and gentlemen that was the last question, I would now like to hand the conference over to the management for closing comments. Sir over to you!

Arun Kumar: Thank you everyone, thank you for the call and as we said again we continue to reassure you of our commitments and confidence in the business and look forward to having the conversation back at the end of Q1 as we progress positively into the year. Thank you all.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Strides Pharma Science Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.

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