November 2, 2026

National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
Bandra (E) Mumbai - 400 051

Symbol: STAR

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Scrip code: 532531

Dear Madam/ Sirs,

Sub: Transcript of Earnings Call pertaining to Unaudited Financial Results of the Company for the quarter and half year ended September 30, 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 half year ended September 30, 2026, held on **Friday, October 30, 2026**, to discuss the unaudited financial results for the quarter and half year ended September 30, 2026, for your information and records.

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

https://www.strides.com/investors/financial-performance/quarterly-results

Request you to kindly take the above on record.

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

MANJULA RAMAMURTHY
Digitally signed by MANJULA RAMAMURTHY
Date: 2026.11.02 14:46:11 +05'30'

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

Encl: a/a

“Strides Pharma Science Limited

Q2 FY27 Earnings Conference Call”

October 30, 2026

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

Moderator: Ladies and gentlemen, good day and welcome to Strides Pharma Science Limited Q2 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Abhishek. Thank you, and over to you, sir.

Abhishek: Thank you, Nazneen. Very good morning, and thank you for joining us today for Strides earnings call for the second quarter and half year ended September 2026. Today, we have with us Badree, Managing Director and Group CEO; and Vikesh, Group CFO, to share the highlights of the business and financials for the quarter.

I hope you've gone through our results release and 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 today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out the Investor Relations team.

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

Badree Komandur: Thank you, Abhishek. Good morning, good afternoon, and good evening, everyone, and a warm welcome to the Strides Q2 and H1 FY '27 Earnings Call. Thank you for joining us and for the trust and support so many of you have shown us over the years. As always, I'll begin with the overview of the quarter and I'll share an update of our overall FY '28 aspiration followed by our U.S. and ex-U.S. business.

Vikesh will then take you through the financial performance in greater detail. After which we'll be happy to take your questions.

Q2 FY '27 has been a quarter of firsts for Strides. We delivered our highest quarterly revenue, and for the first time in our history, our ex-U.S. business became larger than our U.S. business, a milestone we had set for FY '28, and I have reached well ahead of the schedule.

Let me share the headlines first. Our overall FY '28 growth aspiration remains intact. Our rest of the business is accelerating faster than the U.S. and well ahead of the schedule.

Let me say that again: our overall revenue ambition for FY28 is firmly in place. What will change is the regional mix, with Ex-US now contributing more than the US. Our goal was for Ex-US revenue to match the US by FY28, and we have achieved that in Q2 FY27 itself.

As we highlighted last quarter, we expect H2 to be stronger than H1.

With this, let me take you through the quarter. I am delighted to report a strong second quarter. Revenue for Q2 FY27 reached ₹14,297 million, our highest ever, growing 17% year-on-year

and 13% quarter-on-quarter, led by our Ex-US markets and delivered against a challenging macro backdrop.

Ex-US now contributes about 49% of our revenues, up from 43% in Q2 last year, a clear sign that our diversification strategy is delivering.

Absolute gross margin grew a healthy 13% year-on-year to ₹8,003 million. Gross margin stood at 56.0%, compared with 57.8% in Q2 last year and 60.9% in Q1, reflecting higher input costs linked to the geopolitical situation.

EBITDA grew 8% year-on-year to ₹2,509 million, crossing the ₹2,500 million mark in a single quarter for the first time, another milestone for Strides. EBITDA margin was 17.6%, compared with 19.0% in Q2 last year and 18.2% in Q1, as we absorbed higher material, freight and logistics costs linked to the same geopolitical situation.

We are actively addressing these cost pressures through alternate sourcing, procurement initiatives and continuous cost optimisation across the business, and we are confident in our ability to manage them.

Operational PAT grew a strong 12% year-on-year to ₹1,358 million, and Operational EPS rose to ₹14.7, from ₹13.2 in Q2 last year.

Before I move to our individual businesses, let me step back and share an update on our FY28 aspiration, which many of you will have already seen in our presentation.

Let me begin with our track record, because I think it tells our story better than any words I could use. Over the last ten quarters, since Q1 FY25, we have delivered steady and predictable growth across our key metrics. Revenue has compounded at about 14%, EBITDA at about 13%, and operational PAT at about 41%. This consistency gives us real confidence as we enter the next phase of our growth.

We had shared an aspiration of about $375 million in US revenue by FY28. Given how the market has evolved, we now expect to reach this a little beyond FY28. The timing has moved; the ambition has not.

Importantly, our overall growth ambition remains fully intact. Our Ex-US business is accelerating well ahead of plan, and we expect Strides to sustain its overall top-line growth, along with its profitability.

On the US, the only thing that has moved is the timeline. The business continues to grow, at a more measured pace, and the reasons lie in the market rather than in our commitment. A few things have changed since we set this aspiration. First, the drug-shortage opportunities in oral solids, which lifted the industry at that time, have largely normalised. Second, operating costs are higher, with increased material costs and our decision to hold more inventory to sustain our industry-leading service levels. We also chose not to launch products that did not meet our margin profile, to protect profitability. And third, growth in Controlled Substances is constrained by quota allocations, which we expect to improve progressively.

Our response is rooted in our core business philosophy and rests on three pillars. First, profitability-led growth. We will protect our established profitability thresholds and drive margin-accretive revenues, through selective launches and an expanding set of differentiated platforms. We will not compromise on profitability or the quality of our business to chase revenue. Second, rebalancing our growth engines, with a sharper focus on Ex-US to drive geographical diversification and accelerate overall growth. And third, the US remains a strategic growth market for us, with growth anchored in differentiated platforms such as nasal sprays, patches and films, and a steadily expanding Controlled Substances portfolio.

While our US business has remained an anchor for us, the Ex-US business has grown up right alongside it. This is where we are seeing real acceleration. Our Ex-US business grew 24% in H1 FY27. Our goal was for Ex-US revenue to match the US by FY28. Ex-US was at 76% of the US in FY25 and 90% in FY26, and in Q2 FY27 it reached 102%, crossing the US well ahead of schedule. That is a strategy, patiently pursued for years, coming to life. Ex-US now stands shoulder to shoulder with the US, not instead of it but alongside it, and that makes Strides stronger as a whole. With growing scale, operating leverage and a better portfolio mix, we also expect continued margin expansion in this business.

As a result, we now have two strong growth engines, both pointed in the same direction. Our US business is our foundation, with deep market leadership, a broad approved portfolio and a growing pipeline of differentiated and controlled substance products. Our Ex-US business is our accelerator, with a strong presence across Europe, the UK, the Nordics and Africa, a robust launch engine and a long runway into new territories. Both are powered by the same discipline: a deep pipeline, steady launches and a relentless focus on serving our customers.

These two engines do not compete; they strengthen each other. They give us more ways to grow, and make us more diversified and resilient.

With that, let me take you through our US business. Revenue for Q2 stood at ₹6,855 million, or $73 million, growing 9% year-on-year and 9% quarter-on-quarter. For H1, US revenue was ₹13,137 million, up 7% year-on-year. As we indicated on our last call, we expected a softer first half, and I am encouraged by the healthy sequential recovery we delivered this quarter.

Our B2B partner business saw a strong order book, and we secured meaningful new business wins during the quarter, from a partnered product, our recent launches and other key molecules in our portfolio. These wins will begin to show up in our performance over the coming quarters and underpin the better H2 we have been talking about.

We continue to deliver industry-leading service levels to all our customers. This is a real competitive advantage, and it is central to winning and retaining business with some of the largest customers and partners in the market.

Our portfolio gives us a strong foundation. As of October 2026, we have filed 230 ANDAs, of which 212 have been approved, covering 154 products. We also have a basket of approved ANDAs yet to be launched, and we will commercialise these at the opportune time. During the quarter, we launched three products, taking our commercialised portfolio to 75 products, up from

72 at the end of Q1. We now hold top-three market positions in 38 products, which together contribute approximately 70% of our US revenues.

As I mentioned earlier, our US portfolio is steadily shifting toward higher-margin, differentiated products. We have more than 40 value-accretive products in our active pipeline, with filings and approvals planned in a phased manner and commercialisation through FY30.

Controlled Substances is a key part of this strategy, and we see a much larger opportunity ahead. Our CS business saw higher customer orders in Q2. Today, our five commercialised CS products, all oral solid tablets, contribute about 6% of our US revenue and address a market of around $750 million. While this portfolio is constrained by quota allocations, we have more than 10 CS products in our pipeline across multiple domains, including nasal sprays, patches and films, which will expand our addressable market to around $4.5 billion, about six times the market we serve today. Importantly, these niche products need only limited API quota, so they can drive the ramp-up of this business even within today's allocations.

We also hold an advantage that takes years to build. Regulations require these products to be manufactured in the US, and our Chestnut Ridge facility already has the capacity and expertise to do exactly that.

Beyond Controlled Substances, we have more than 25 non-CS products to strengthen our core portfolio. Together, these products are set to broaden our addressable market, deepen our portfolio differentiation and create exciting medium- to long-term growth opportunities.

Our near-term milestones are already in sight. We continue to invest in building our nasal spray portfolio and, as committed on our last call, we filed our third nasal spray, also a controlled substance, in September 2026. Our first nasal spray has a GDUFA goal date in H2 FY27, and we expect approval in Q4. In Transdermal Patches, we expect to relaunch a controlled-substance patch in Q3. This product came to us as part of the ANDAs we acquired from Endo, and we expect its full-year benefit to flow into FY28.

Overall, we expect a better H2 for the US business. We are committed, we are invested, and we are building for the long term, growing in a disciplined way that protects the quality of our earnings.

Moving to the Ex-US business, our accelerator, and the most exciting part of our story. Ex-US revenue for Q2 reached ₹6,963 million, an outstanding 31% growth year-on-year. For H1, revenue was ₹12,838 million, up 24% year-on-year. Importantly, even as Ex-US grew faster than the company average, we maintained the profitability of this business.

What encourages me most is how broad this growth is. Every Ex-US market continues to show healthy momentum, driven by new product launches and the expansion of our base business into new geographies and with new partners.

In Q1, we had said that certain shipment delays were a matter of timing, not demand. I am pleased to say that, with robust supply chain execution, we delivered Q2 without any spillovers, and demand and order books across our key Ex-US markets remain healthy.

In the UK, our prescription business delivered a strong performance, with healthy pricing and volume momentum across several key molecules. We continue to deepen our relationships with the leading wholesalers in the market, positioning us as a dependable supply partner. We expect launch momentum to pick up here and drive the next leg of growth.

In Europe, our partnered business delivered a strong performance on the back of higher customer offtake. Our private label OTC business in Germany continues to grow strongly, with wider pharmacy reach and an expanding product portfolio. We are adding new customers across several countries, and the multiple new out-licensing deals we signed in the first half will further strengthen our momentum. Focused R&D investments and a broader customer base will continue to fuel growth in the region.

The Nordics delivered strong quarter-on-quarter growth, led by our base portfolio. Our branded prescription business is showing very encouraging early signs of in-market uptake, with some of our branded products now positioned as first-line treatment across several regions in Denmark, and more regions expected to follow. Together with increasing launch momentum, our branded portfolio is expected to drive growth in the Nordics in the second half.

In Australia, supply output improved meaningfully, and we have agreed on new projects with our key partners, which are now at various stages of implementation.

In Africa, our branded business in Francophone Africa delivered stellar growth, and we continue to outpace the underlying market. Our deal with Sandoz is now awaiting antitrust approval in only a few countries, and we expect it to close in Q3.

In South Africa, we saw strong momentum in the independent pharmacy channel and added new products and new business with a leading retail pharmacy chain.

Overall, with a strong launch pipeline, an expanding customer base and significant regulatory filings underway across all our territories, we fully expect the Ex-US business to keep growing faster than the company average.

Before I close, I am delighted to share an important governance update. We are very pleased to welcome Mr. Biren Gabhawala to our Board as an Independent Director. Biren is a Chartered Accountant with more than three decades of experience in financial reporting, audit, taxation and corporate governance, and has chaired the Audit Committees of eClerx Services and 3M India. His appointment will further strengthen the Board's financial oversight, and with it, Independent Directors now make up six of our ten Board members. Biren, welcome to Strides.

Before I hand over to Vikesh, let me leave you with one clear message: our growth story is intact. While our US aspiration will take a little longer, our focus on growth is unchanged. We will continue to pursue top-line growth across geographies, without compromising on profitability.

Our commitment to the US is equally unchanged. It remains a core market, a central pillar of our growth, and home to some of the most exciting opportunities in our pipeline. Our US

business is strong, our Ex-US business is accelerating, and together they give us more ways to grow than at any point in our history.

With that, I will hand over to Vikesh to take you through the financial performance. Vikesh, over to you.

Vikesh Kumar: Thank you, Badree. Good morning, good afternoon and good evening, and thank you all for joining us. Badree has taken us through the headline performance for the quarter. I will focus on the drivers behind our profitability, cash flows and balance sheet metrics.

Starting with gross margins. Our material costs rose to 44% of revenues in Q2 from 42.2% last year, reflecting the increase in raw material costs that Badree described. This moderated our gross margins to 56% for Q2. Importantly, for the first half, gross margins stood at a healthy 58.3%. Our ex-U.S. businesses, where we have maintained profitability even as it scaled, continues to support the quality of our margins.

With cost increases now moderating and our cost improvement programs, including alternate sourcing and procurement initiatives gaining traction, we are confident of sustaining our H1 gross margins going forward. Even in this challenging environment, we remain committed to our margin discipline, launching only products that meet our profitability threshold and continuing to focus on the quality of our revenue growth.

Our EBITDA for the quarter was INR251 crores, our highest ever at a margin of 17.6%. Higher material, freight and supply chain costs linked to the geopolitical situation compressed our margins and tempered the flow-through of a very strong revenue growth, but it did not hold back the growth in our absolute profitability.

With the two growth engines, U.S. and ex-U.S. now contributing in balance, our earnings base is more diversified and resilient than ever before. On operating costs, other operating costs, excluding freight increased by INR47 crores year-on-year due to higher manufacturing and other operating costs in manufacturing and freight costs increased INR21 crores year-on-year to 5.5% of revenues.

Even with these cost increases, operating leverage is still visible as total operating costs improved by 40 basis points to 38.4% of revenues. In terms of cost line items below EBITDA, our depreciation and amortization was at INR57 crores for the quarter and net finance cost was at INR43 crores, slightly higher due to the higher average working capital borrowings we had during the quarter.

Operational PAT grew a healthy 11.5% year-on-year to INR136 crores with an operational EPS of INR14.7 per share, and our EBITDA to operational PAT conversion remained steady at 54%. Reported PAT at INR134 crores for the quarter with a reported EPS of INR14.2 per share.

From a H1 perspective, the first half delivered steady growth across all our key metrics. H1 FY '27 revenues grew 15.1% to INR2,695 crores. EBITDA grew 6.9% to INR481 crores with a 17.8% EBITDA margin and operational PAT grew 9.8% to INR259 crores with operational EPS

of INR28.1 per share. Reported PAT for the first half was at INR300 crores, which was up 26.4% and this included the gain on Pivot Path divestment, which we recognized in Q1.

Moving to working capital. Our cash-to-cash cycle stood at 137 days. This is up 13 days from March 2026 with absolute working capital increasing by INR307 crores during the first half. This reflects 2 components: investment in inventory to counter the elongated supply chain time lines and the working capital, which supported our growth.

Approximately INR174 crores reflects the 14 days increase, which we have seen in our inventory levels from Q4. This has been due to the higher transit and lead times due to the geopolitical situation, and we also had a deliberate increase in our finished goods inventories at all our front-end locations.

This has helped us get back to the industry-leading service levels in a tough operating environment. These service levels have been central to the new business wins we secured in the U.S. in this quarter and also delivering growth on our ex-U.S. markets. The remaining INR133 crores increase in working capital is on account of the 15% revenue growth we achieved in H1.

We remain steadfast in our efforts to continuously improve our cash-to-cash cycle and get them back to our historic levels. On net debt, as we had earlier indicated, the inventory build over the last 2 quarters was expected to lift our net debt-to-EBITDA ratio temporarily. The ratio now stands at 1.72x, reflecting the INR211 crores increase in net debt during H1, driven by working capital.

At the same time, we continue to invest in our future, deploying INR208 crores in capex and intangibles to support our growth platforms. Including our nasal spray and transdermal patch programs, these investments are directed at the differentiated pipeline Badree outlined, including our controlled substances opportunity, which will broaden our addressable market and support margin accretive growth.

As inventory normalizes and H2 launches and business wins begins to contribute, we remain focused on growth and improving our cash-to-cash cycle. With this, we expect our net debt-to-EBITDA ratio to stabilize and improve by the end of the year. This net debt is not adjusted for the retained investment we hold in OneSource, which is now valued at approximately INR290 crores.

On ROCE, our trailing 12-month ROCE was at 14.4%, remaining in the 14% to 15% range. As our growth continues and recent investments mature, we expect these returns to improve. To summarize, Q2 delivered record revenues and EBITDA in a challenging cost environment and the first half saw steady growth across all our key metrics with both our U.S. and ex-U.S. business contributing in tandem.

As we enter the second half, our priorities are clear: build on our growth momentum across these markets, preserve our gross margins, improve our cash-to-cash cycle and strengthen our net debt-to-EBITDA ratio. With the overall growth aspiration for FY '28 being intact and operating leverage playing out, we continue to maintain that bottom line should accelerate ahead of top

line. We are confident in the strength of our business and in our ability to deliver on these priorities. Thank you and we are now happy to take your questions.

Badree Komandur: We open for Q&A, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Badree, you already talked about in the opening comments around the pickup, which is happening in the non-U.S. markets. But 2 things. One is, a, if you can just give us a sense on what is leading to this improved momentum in the non-U.S. markets? And two, what kind of growth is possible in these markets over the next 2 to 3 years period, especially with the -- taking into account the Sandoz transaction which we have closed, as you said, sometime this year?

Badree Komandur: Yes. So as far as the non-U.S. market is concerned, this is a market we are invested for a very long period of time. The portfolio expansion, expansion in the new territories drives these markets. There are B2C markets, there are B2B markets, and we see an increased demand. And we believe that these are the main two reasons where we really feel that this market can expand. We have got a portfolio in place, products in place. Regulatory is very minimal from that standpoint for the commercial revenue. And we are also investing in domains, which are in these markets. And overall, I think it's all adding up quite well. That's the first part.

As far as the growth in these markets, we'll continue to grow at a much above than the company average on all of these markets, on the higher side. We always said that this market will grow faster than the U.S. market in the last few conversations. And we think that trend will continue, and this trend is bound to continue for the near term. And with the Sandoz adding in, it will definitely lead to a very, very meaningful size in the next 1 or 2 years. And we are very sure of mirroring the U.S. market in terms of the aspiration. That was an aspiration which we kept about 2 years back from $375 million perspective. With the latest trends that is coming in the non-U.S. markets, it should be upwards of that.

Nitin Agarwal: So it should be upward of $375 million in FY '28 is what you meant, if I got it right?

Badree Komandur: That's correct.

Nitin Agarwal: And are these -- the growth in these markets, is it driven by some specific products or this is like a broad-based product portfolio, which is driving it?

Badree Komandur: It's a broad-based portfolio. As I said, there are B2C markets, B2B markets. I think the good part is like the -- it's very sticky. It's very consistent. So once you reach a particular size, the stickiness will be much, much more. And our product strategy has played out in all of these markets. And B2C markets, in fact, a lot of markets are in different stages of evolution. And that is what is driving the growth. Some markets are less than $25 million, $30 million, where the growth rates can be much higher and some markets are upwards of $50 million, where the growth rates can be maybe in the mid-teens. So that's what is driving the entire growth. It's a broad-based growth. And we are happy with the progress what we have achieved on the ex-U.S. markets.

Nitin Agarwal: And Badree on the profitability front, how do these markets compare versus the U.S. as a block?

Badree Komandur: It should be slightly higher than the company average in terms of the EBITDA because it depends on the B2B as well as the B2C markets. Overall, I think the gross margins and the EBITDA are good in these markets.

Nitin Agarwal: Okay. And secondly, on the U.S., you talked about things sort of catching up with a bit of a lag and the focus being more on some of these differentiated products. So when do you see the meaningful contribution from these new differentiated products beginning to deliver?

Vikesh Kumar: It will be in FY '28, '29 for sure. That's what we are aiming for. It's only a slight delay by about 3 - 4 quarters, and we should be able to get to that milestone by FY '29.

Moderator: Next question is from the line of Pranav from JM AMC. Please go ahead.

Pranav: Hi, good morning sir. Am I audible?

Badree Komandur: Yes, you're audible.

Pranav: Sir, first question is on gross margin. So we've seen a sequential gross margin slip and you're alluding that second half gross margin would be tad bit better. So what gives you the confidence? Has anything particularly changed over here vis-a-vis second quarter?

Badree Komandur: Yes, Vikesh, you would like to take it up?

Vikesh Kumar: Yes. So from a quarter perspective, a lot of the purchases that if you would see, which came in Q4 at the height of the geopolitical disruptions, those did get consumed in this quarter. And we've also had a lot of cost initiatives that we had already put it in place when the geopolitical disruptions happened. And those have started playing out. We see them internally, and that is what we expect. It should start to play out from H2 as well, and which is why we are confident that the margins at 58% are sustainable.

Pranav: Sir, just extending over here. So do you think Q3 will be better than Q2 and Q4 better than Q3? So do you expect a sequential improvement or a sharp bump up in the fourth quarter or something?

Vikesh Kumar: The way I would say is our focus remains on EBITDA and PAT, and that is what we will continue to focus on. Our focus over the last many quarters has been to drive sequential growth, and we will continue to focus on that. So when you look at a longer-term trajectory, you will see us growing quarter-on-quarter.

Pranav: Okay. Second, on the guidance front that we've deferred to FY '28, does your guidance hinge on, say, a particular set of products? If yes, can you call out the product?

Vikesh Kumar: So first of all, it was not a guidance. What we mentioned was an aspiration that was for us to get to FY '28. So that is what we were chasing. With the geopolitical disruptions that have happened over the last few quarters and the fact that the shortages are no longer as much in the U.S. in the product portfolio that we operate in. And we did not want to launch products compromising our

fabric of profitability discipline. And that is the reason we felt that it is better to protect the quality of margins and focus on profitability, drive the profitability and EPS margin accretion that we have been known for, for the last many quarters. And that is what we remain focused on.

Pranav: Okay. So on that aspiration front, does your aspiration hinge on a particular product, a particular large opportunity or it is broad based?

Vikesh Kumar: It does not hinge on a particular product. It is more broad-based, and we also spoke about the portfolio that we are building out, which will start to play out from FY '29.

Pranav: Got it. And sir, what gives you the confidence that your quota allocation for controlled drug substances will improve in the coming year?

Vikesh Kumar: So in fact, when you look at the last couple of years, right, we've seen progressive improvement in the quota allocations that we've received. And quota allocations happen twice a year. And every time we've gone back with quota allocations with the history of our sales and the improvement in our sales.

We've been able to get improved quota, which is effectively what is reflecting in the business today, which has grown from 0% to 6% in the last couple of years. It is a very different model than the regular retail products where you can get to a 20%, 30% market share overnight. This takes time. But then once you are in there, it remains sticky. And what we are also doing is having learned from this, we are building a portfolio around this entire controlled substance space. And plus the new products that we are building, they need very limited API quota. That would also give us an ability to ramp up much faster than the ramp-up that we have had over the last couple of years on the existing portfolio.

Moderator: Next question is from the line of Akshaya Shinde from Centrum Broking.

Akshaya Shinde: Now the ex-U.S. revenue has surpassed the U.S. business, how should we look at the changing geographical mix from the margin perspective? Does the higher contribution from ex U.S. market have a structural impact on gross margin going ahead?

Badree Komandur: Yes. So as far as the overall gross margin is concerned, Vikesh highlighted that we'll be in the range of that 58% to 60%, and we'll continue to maintain that range. As far as the ex-U.S. markets are concerned, there are different types of markets, B2B markets, B2C markets at various levels of profitability. And we believe that overall, every market will be healthy in terms of margins, and we will be within the range at the company level.

Akshaya Shinde: Understood. And as the company is now maintaining higher inventory to navigate the disruption in-place supply chain, so should we expect that working capital requirements to remain elevated? Or do you see the cash conversion cycle improving over the next few quarters?

Badree Komandur: Yes. Cash conversion cycle definitely will improve in the coming quarters. But as you know, that last 6 months has been difficult for every company operating in this space with the lead times increasing for the raw materials plus the key starting materials. And the main objective of

most of the companies, including all of us is to maintain the business continuity and keep the growth intact. And that's the reason we have increased the inventory levels. We believe that it will form a new normal in some point of time. But what you are seeing is slightly at an elongated level at this point of time, but this will all moderate as we go along and we complete this year. We believe that the cash cycle engines should be back in the next quarter itself.

Akshaya Shinde: Okay. Okay. And sir, lastly, on the interest cost. So given the higher working capital borrowings and the resulting the increase in interest cost during the quarter, should we expect this finance cost to remain elevated for the H2 FY '27 as well?

Badree Komandur: It will be within a range between that INR40 crores to INR45 crores. It can be within that range. And I think this quarter was about INR46 crores, I think, if I remember right?

Vikesh Kumar: INR43 crores.

Badree Komandur: INR43 crores. So it will be within that INR40 crores to INR45 crores range.

Moderator: Next question is from the line of Karan Shah from GeeCee.

Karan Shah: Two questions. I guess we alluded on the first quarter call that there was some deferment in revenues in the ex-U.S. business. So would it be possible to quantify how much could have been the flow-through to the second quarter?

Badree Komandur: Yes. So the flow-through has been -- see, we had said, I think there is a slight -- I need to give you more clarity on this. Between the Q2 to Q1, okay, there have been certain supply issues. All that has been sorted out, and that's what is being reflected in the growth. And if you really see the -- it is a very sticky business, and we have sorted out for all the revenue recognition issues, whatever we had because of the long lead times because of which we could not reach the products on time. That has all been normalized, and it's back to growth.

Karan Shah: So can this be considered as a new run rate ex of Sandoz?

Badree Komandur: Yes.

Karan Shah: Okay. And sir, second question on capex. Any guidance for FY '27 and '28, what would be our capex?

Badree Komandur: Vikesh, you'd like to take that?

Vikesh Kumar: Yes. I mean it should be around the INR300 crores mark. If you look at our spends have reduced from Q1 into Q2, and we expect it to be more closer around the INR300 crores mark by the end of the year.

Karan Shah: And the same thing for FY '28?

Vikesh Kumar: Yes. FY '28 can be slightly lower.

Karan Shah: And a lot would go towards the intangibles because I don't think we'll be acquiring much for maintenance.

Vikesh Kumar: There is maintenance capex that continues. So it will be maintenance capex and then some parts to intangibles, yes.

Moderator: Next question is from the line of Pratik from Unique PMS.

Pratik: In the first half, we see about INR265 crores of capex as per our cash flow. So does this include the IP purchases? Does it flow through here?

Vikesh Kumar: Yes. So the difference between the INR200 crores and the INR260 crores is the INR60 crores of payments were for all the investments that were done last year. The cash flows went out in the first half.

Pratik: Okay. But this INR200 crores, does it include IP purchase or this?

Vikesh Kumar: This includes IP purchase as well. This includes IP purchase as well as the investments that we are doing in nasal sprays and patches.

Pratik: Correct. And even last year, we had done a few IP purchase, a few external R&D partnerships, Sandoz. So all of that, when does that start contributing or Sandoz, I believe, is yet to, but the rest, when does that come in?

Vikesh Kumar: So some of them are for our global markets, and they are playing out as far as the ex-U.S. is concerned. Some of the specifics for U.S. will come through. In fact, we are going to launch our first patch later this year, which was an acquired IP last year. So some of these will start to flow through as far as the U.S. is concerned over the next 18 months or so. But as far as ex-U.S. is concerned, it is already playing out.

Pratik: Correct. And so effectively, in the last 6, 8 quarters, we have kind of upped our investments, be it capex, IP purchases, acquisitions, R&D programs. And that has kind of kept our debt levels in a ballpark range. And we earlier had some aspiration of being debt free or net debt free in a certain time. So has that changed? Are we pushing that out? I mean, are we now choosing to invest more rather than pay down debt and maybe we are at comfortable levels? FY '28 or '29, I think used to be our earlier guidance or aspiration?

Vikesh Kumar: Yes. So that aspiration has not changed. And if you really look at the increase in debt level, it has been largely working capital driven than capex driven, right? The increase in our working capital in the first half has been about INR300 crores and almost INR170 crores of it was on account of the geopolitical disruptions, which was more like a one-off. So surely, this is not a permanent thing. So our aspiration remains our growth on a consolidated basis is intact. While the mix between U.S. and ex-U.S. has changed on a consolidated basis, it is intact, and that will reflect in our cash flows and debt. And we will -- it will largely remain working capital debt as we get to '29.

Pratik: Correct. But this debt-free plan that we had included working capital debt, right? Or was that ex of that?

Vikesh Kumar: Yes. I mean if you run the cash flows, you will get to that answer, right? See, effectively, what you are seeing the increase, if you see over the last 4 or 5 quarters, our debt has consistently reduced every quarter, right? This is the first quarter where you're seeing a debt increase. That debt increase has largely got to do with the working capital. So if you adjust for that one-off, you will start to see the cash flow and the cash flow that we delivered will continue over the next many quarters as growth continues.

Pratik: All right. And last, again, in this cash flow statement, we see a INR70 crores of some inventory obsolescence costs that we have charged to P&L. So anything on that?

Vikesh Kumar: There's nothing specific as that. I mean some of those are elements of the businesses that we operate in. I think on an overall basis, it is about 1% to 2% of COGS.

Pratik: No, steady growth, right, for H1?

Vikesh Kumar: Because it is not -- I mean, it is a movement of provision. It is more from a reporting requirement that has been called out separately. So it is a cumulative number.

Pratik: Would it cash flow statement?

Vikesh Kumar: The corresponding adjustment is in the inventory line in the inventory movement. So earlier, historically, that inventory movement was net. Now it has been grossed up for that line. I think it's more a presentation change.

Moderator: Thank you. Next question is from the line of Kusum Agarwal, an Individual Investor.

Kusum Agarwal: My question was regarding the visibility of H2 U.S. launches. So the deck says that H2 will be stronger because of new launches. I just wanted to get clarity on how many approvals and launches do we expect in the second half of financial year?

Badree Komandur: Vikesh, do you want to take it up?

Vikesh Kumar: Yes. So we expect to launch 4 to 6 products. But more importantly, the products that we already launched will also see revenues in H2. And therefore, we expect our H2 to be stronger than H1. and the H2 launches to flow into FY '28, right, where we'll have a full year benefit for FY '28.

Kusum Agarwal: Okay sir. That answers my question. Thank you so much.

Moderator: Thank you. Next question is from the line of Jai from Equitas. Please go ahead.

Jai: So I just wanted to check our U.S. business on dollar terms has actually been flat this quarter. So is it that we are seeing a lot of price erosion? Or is it that we have discontinued products because of margin requirements? So what is the reason for the revenue being flat year-on-year?

Vikesh Kumar: So see, from a revenue perspective, while on a dollar term, it is flat, it has got to do more with the mix of products. And two is the pricing in the market also gets adjusted to the currency depreciation that happens with the competitive forces because as you know, in the U.S. market, the customers constantly want the best pricing. So that does get adjusted and which is where we remain focused on delivering the gross margin and having the pricing discipline and the profitability thresholds as a framework as we run our P&Ls.

Jai: So it's mostly price erosion, right? And that is being offset by our probably new launches?

Vikesh Kumar: And the cost improvement plans that we put in place.

Jai: Yes, that's picking on the bottom end and I'm talking the top end. $73 million, so we are basically fighting off price erosion with new launches. That's it, right?

Vikesh Kumar: It will not be price erosion. It will also be some volumes -- some volumes also that we give up, right? So it's a combination of both. So it may not be as much price erosion.

Jai: Okay. Got it. And like somewhere in the PPT you mentioned that like we are seeing that the drug shortages have normalized. And do you think that will continue in near future?

Abhishek Singhal: Jai we lost you or we can't hear you well. Can you please repeat your question?

Jai: Yes. So I just wanted to check, like in the PPT, you mentioned that the drug shortage opportunities has largely been dissipated. So are we expecting that to remain like that? Or do you see that shortages could come back when price erosions occur?

Vikesh Kumar: I mean, see, that would be more tactical at this point of time and which is where we are building a more strategic portfolio orientation. And as far as the shortages are concerned, supply levels across the industry have significantly improved over the last couple of years. The number of regulatory approvals have improved and which is effectively what has led is very minimal shortages across most of the oral products that are there. I mean the shortages that we see are either in injectables or in patches that continue to have shortages. So at this point, we are more focused on building that portfolio that can carry us and give more predictability of our growth.

Jai: Got it. And quickly on the controlled substance front. So when we say whenever we are going back to the regulator and asking for a higher quota and we've always got it. So that additional volume that you're getting [inaudible 53:36]

Vikesh Kumar: Your voice is breaking out.

Jai: Can you hear me now?

Abhishek Singhal: Yes. We can hear you.

Vikesh Kumar: Yes.

Jai: So quickly on the controlled substance, when we say that whenever we go to the regulator twice a year and we get higher quotas, so that higher volume that you're getting, is it that the market

is expanding? Or do you think that has got to do more with market share gains from other players in the market?

Vikesh Kumar: It has got to do more with market share gains in the market that we have had.

Jai: Got it. Got it. Just lastly, quickly on the LatAm front. Just wanted to understand how do you view LatAm? Do you think like it could be meaningful over the years? And what is the competition intensity in those markets? We know that there are a few listed players that are very strong in those markets. But like what is our strategy going into the Latin American markets?

Badree Komandur: I can answer that question. We are in this regulatory phase of this market. And it will take a couple of years for us to build. If at all -- I mean we have started building those markets. I don't think so it will contribute meaningfully to any growth until about FY'29- '30 may be the first year. And we are in the process of building the portfolio.

Moderator: Thank you. That was the last question for today. I now hand the conference over to the management for closing comments.

Badree Komandur: Thank you, everyone, and good day to you. Thank you.

Vikesh Kumar: Thank you.

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