

Pure play APIs.

SOLARA ACTIVE PHARMA SCIENCES | JUNE 18

Investor Presentation and Q4 FY18 Performance review



YOUNG BUT ENTERPRISING.

SOLARA IS YOUNG BUT DIFFERENTIATED TO THE CORE WITH ITS BUSINESS MODEL

Evolution on an experienced foundation

Demonstrated operational excellence over 2 decades



- Demerged the select API business of Strides Shasun to integrate with human API business of SeQuent

- Expansion across the regulated markets with key approvals and compliance record

- Investments across the facilities to focus on quality and EHS

- Leadership position in key API's with scale of manufacturing from Low Volume to Mid to High Volume

- Demerged Human API business from SeQuent to operate as Pure Play animal healthcare company

- Organic growth with over 80% regulated market business along with profit sharing partnerships

- Strategic recourse to focus on mature APIs offering supply chain security for the regulated markets

- Started Journey to expand foot print in semi-regulated markets as an unregulated API manufacturer

Building on strong core values

Doing what is 'RITE' for the customers



Respect

We treat each other and our partners with respect. We value and respect each others time. We will always respect our competition.



Integrity

In ever changing business environment one thing will always be constant is our Integrity. We will be amongst the most compliant API company in the world.

Transparency

Through timely communications, it is our endeavor to keep our stakeholders, suppliers and customers aware and well informed on how we conduct our business

Efficiency

We will achieve highest level of efficiency through a focused approach on customer centricity and continuous improvement. We will always strive to ensure that our employees are empowered to deliver the best customer service in the industry

Pure-play APIs with focused business orientation



API only business model with large scale infrastructure, wide products and established customer relationships

Capabilities

Complex chemistry capabilities including handling of catalytic hydrogenation, hydride reductions, organometallic reactions, hazardous reactions amongst others



Infrastructure

5 Globally compliant API and diversified facilities with capacity over 1600kl



Orientation

Consciously favoring value over volumes thereby limiting pricing pressure in the long term and creating capacities after assuring demand



Research

Pipeline of 20+ products under different stages of development



Market Presence

Presence in 40+ countries, 75%+ regulated market sales and 100+ Filings



Compliance

Commitment to highest levels of compliance, consistency and quality with zero 483s in last 2 USFDA audits



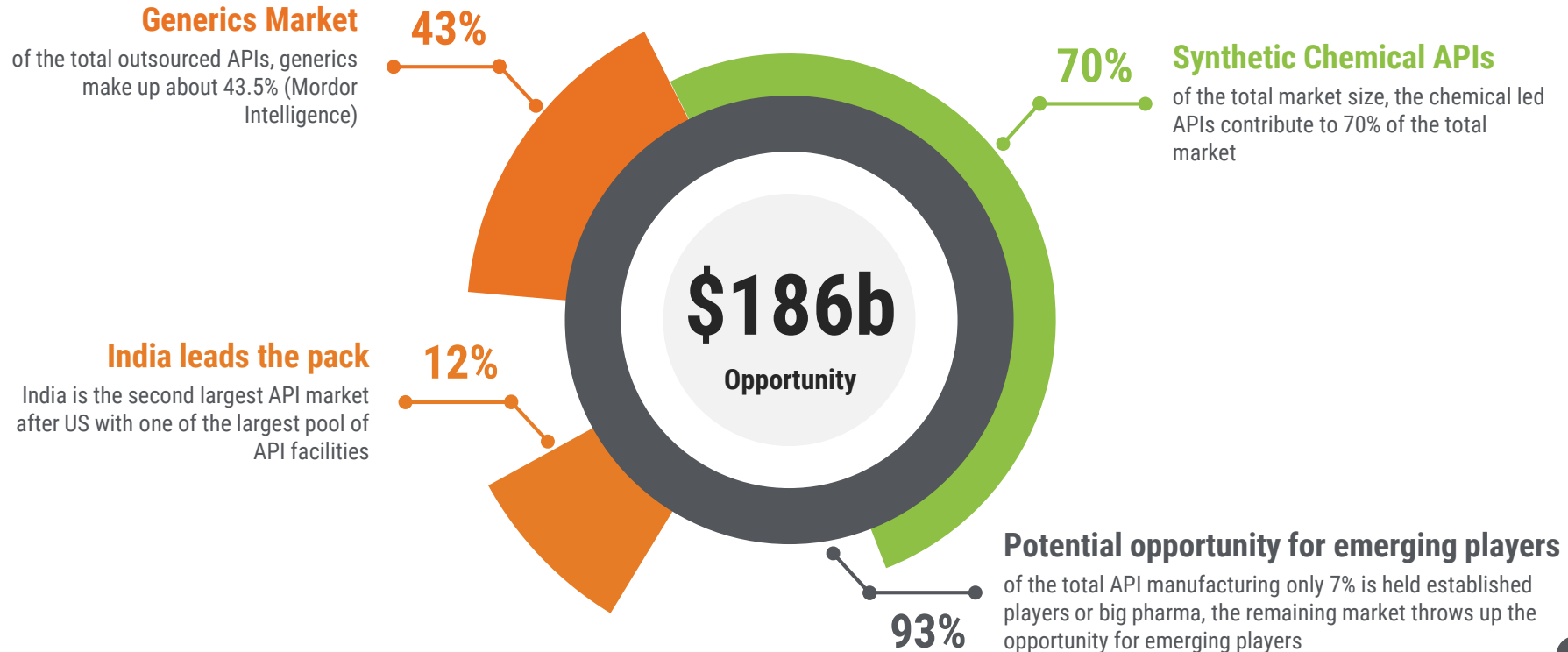
CHANGING API LANDSCAPE.

THE API INDUSTRY GLOBALLY IS IN THE TRANSITION AND SOLARA GETS THE ADVANTAGE

The Growing API Opportunity



The API market is growing over 6% with most of the growth happening in the outsourced space



While the opportunity is growing, it needs a focused play

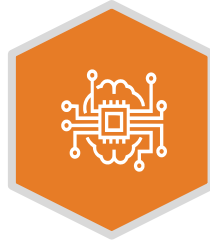


Trends indicating favorable play for companies with focused API play



USFDA's increasing oversight on APIs

- FDA's increased oversight on resulting in 483s, warning letters and import alerts



Supply chain discontinuance

- Regulatory requirements are tightening and will likely continue to do so with a push for more transparency in the supply chain. This could result in requiring certification for good manufacturing practices for key intermediates and raw materials*



IP conflicts and competing interests

- Forward integration interest of majority API players has led to concerns around potential competition with international customers along with issues around IP security and conflict



Increasing Pollution and Environmental Concerns

- Governments' increasing focus on pollution controls and zero liquid discharge
- Environmental regulations, especially in China, are putting pressure on corporations to remedy pollution problems. Some plants are being shut down or moved, causing capacity issues and supply chain interruptions from raw materials to intermediates and APIs.*

Solara is in a sweet spot amongst the peer group



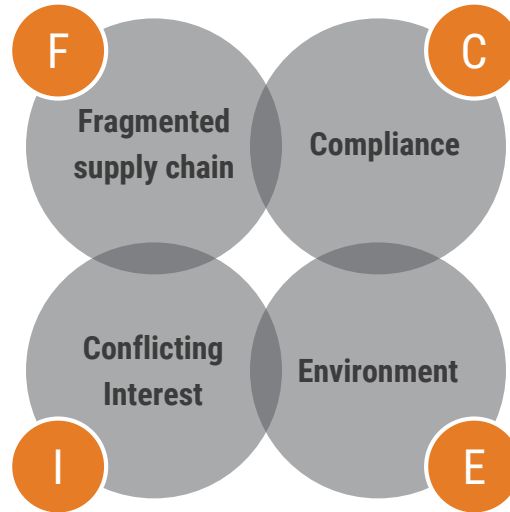
Our core strategy is in sync with the trends , focus is now on steady execution

Control over supply chain for APIs

- Comfort to customers with a backward integrated setup that ensures supply assurance of the key intermediates
- Diversified manufacturing base with mirrored capabilities for production
- Scalable infrastructure to counter supply chain oversights going forward

Non Competing Positioning

- Non-competing “pure play API” commitment with supply chain assurance



Commitment to highest levels of Compliance

- Integrated QMS from supply chain to product delivery to ensure consistent quality, efficacy and safety of products.
- Last 2 USFDA audits cleared with zero 483s

No Compromise on environment

- Focus on the processes that minimize the use and generation of hazardous substances
- Zero liquid discharge philosophy

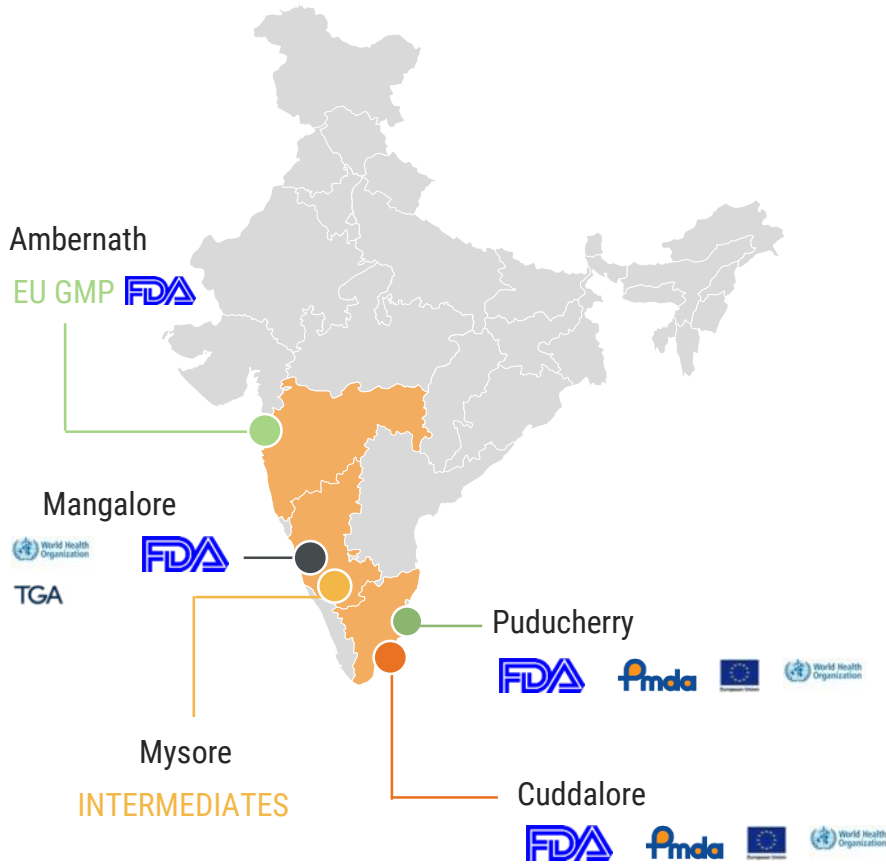
STRATEGICALLY POISED.

SOLARA IS WELL DESIGNED TO SCALE A PROMISING AND EXPANDING BUSINESS

Robust manufacturing capabilities



5 facilities with all major regulated market approvals



Core focus

- Mirrored facilities for developing products
- Deploy systems that are highly automated and stringent, specifically in the labor intensive areas.
- Focus on technology and production processes that represent a clear advantage against the industry standard



Capabilities

1,660 KL capacity with capabilities in high vacuum distillation, hydrogenation, halogenation, Grignard reaction, polymer chemistry amongst others



Key approvals

Globally compliant API facilities with all regulatory approvals and adherence to the highest quality standards



Manufacturing strategy

Capacity creation after assurance of demand and location based diversification for minimizing concentration risk

Wide product offerings and pipeline

Rich basket of niche high value products for the global markets



50+

APIs

Predominantly in Anthelmintic, Anti-malarials, Anti-infective, Neuromuscular Insomnia, Anti Psychotic Hyperkalemia, amongst others



20+

APIs under development

across Anthelmintic, Anti-malarials, Beta blockers, Muscle relaxants, Novel Oral Anti-Coagulants, Anti-infective and other niche segments



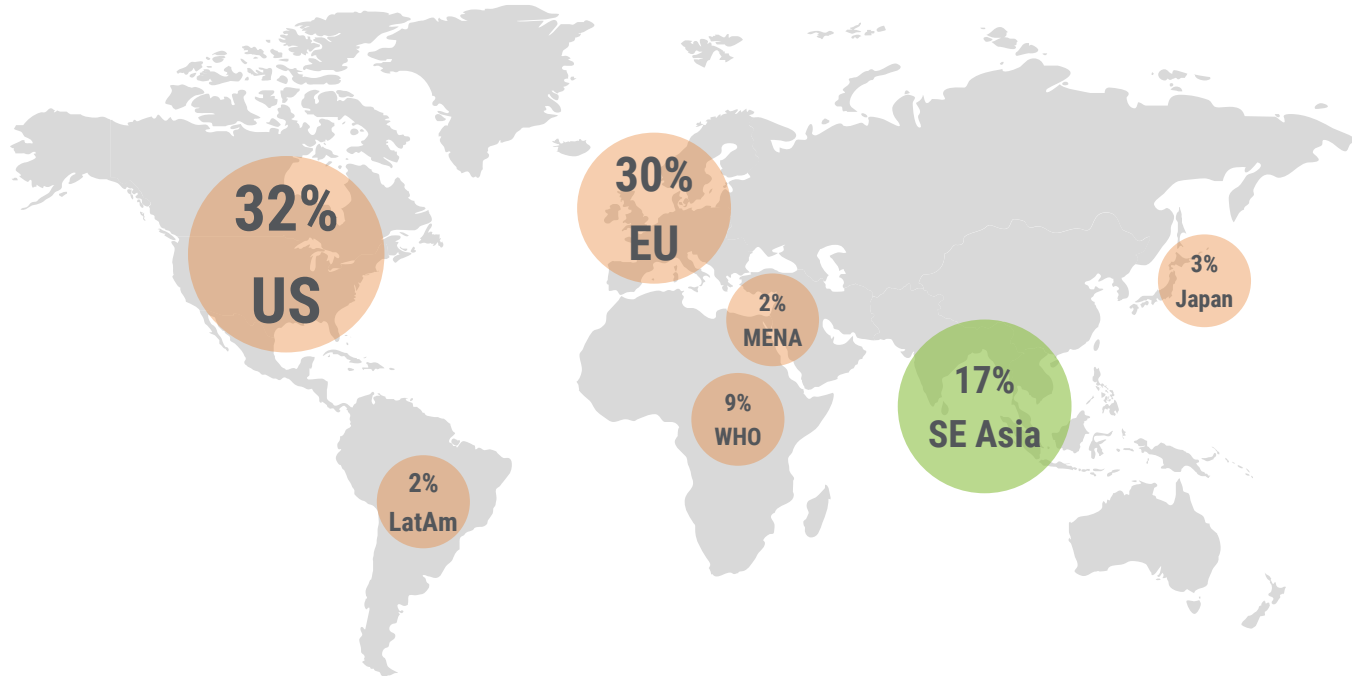
130+

DMFs filed

with regulators across US, UK, Japan and Korea

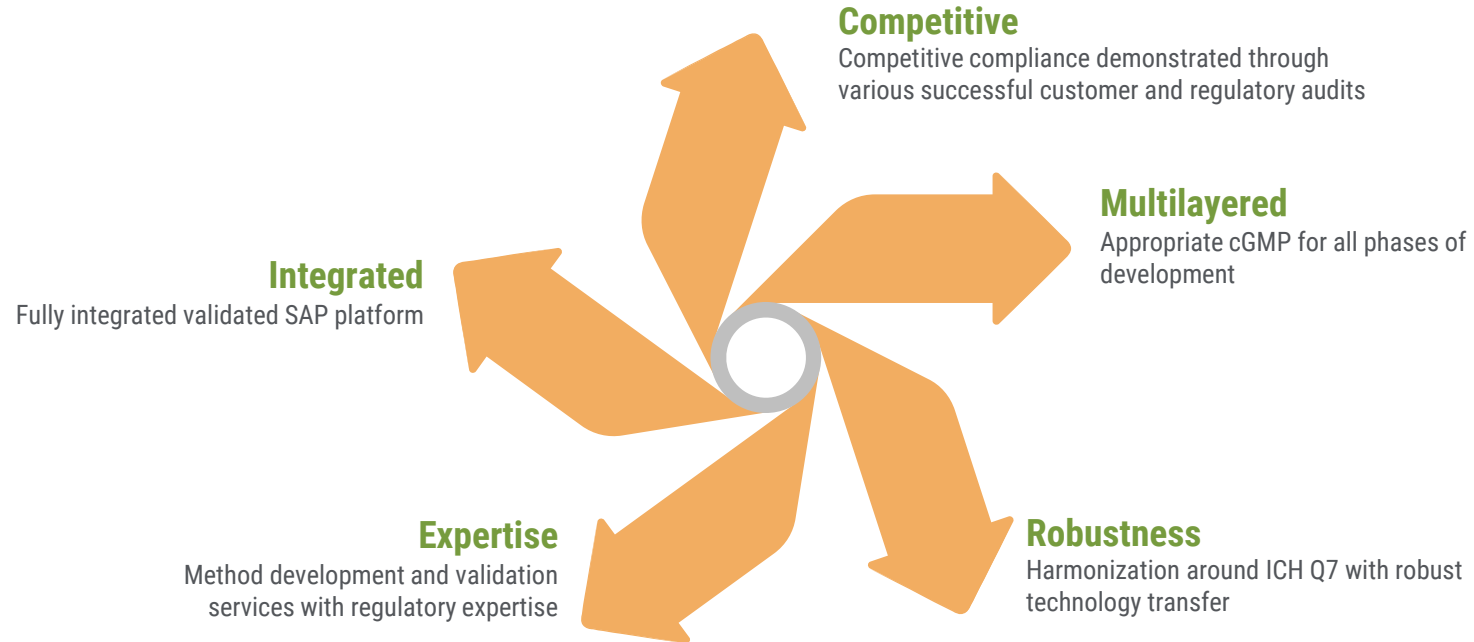
Foothold in key markets

Establishing relationship with customers ensuring business enhancement



Strong Compliance and Quality Framework

Consistently deliver high quality products that can be relied upon by both our customers and regulators



Experienced Leadership and execution team



Jitesh Devendra (Jitesh)

CEO

Jitesh has more than 20 years' experience and has led the North America API business as well as managed the Formulations P&L business of erstwhile Shasun Pharmaceuticals Limited, which got merged with Strides Shasun Limited. Jitesh has been responsible for P&L business for North America and Europe Finished Dosage Form (Regulated Markets-Region 1) and overall responsible for API business P&L.



Hariharan S. (Hari)

CFO

Hariharan is a Cost Accountant with rich and varied experience of more than 30 years in field of Corporate Finance, Accounts and Strategic planning. He played a vital role in the merger process of Shasun Pharmaceuticals Ltd. with Strides Shasun Limited.



Sreenivasa Reddy B. (Sreeni)

COO

Sreeni has over 24 years of experience in Pharmaceutical Manufacturing, Technology Transfer, Project Management in setting up facilities, Quality Assurance, Plant operations and Sales & Marketing.

Experienced Leadership and execution team



Dr. Sathyanarayan (Sathya)

Head – Employee Relations and CSR

Dr. Sathyanarayan has more than three decades of experience in HR. He has served in International Airports Authority of India – Calcutta Airport, Various units of HMT and BEML in various capacities.



Ranjit Kumar Singh (Ranjit)

Chief People Officer

Ranjit joined Solara in December, 2017, prior to which he was the Head HR for Allergan India. He has a Bachelor's Degree in Mathematics from St. Xavier Collage and received his MBA from Xavier Institute of Social Service. Ranjit has more than 12 years of professional experience in varied industries such as Pharmaceuticals, Information Technology, and Infrastructure.



Sundara Moorthy V. (Sundar)

Senior Vice President - Quality Management & Regulatory Affairs

Sundara Moorthy has done his Post Graduation in Organic Chemistry. He has rich and diversified experience of 23 years in the Quality Management, Regulatory Affairs and Compliance functions.

Independent board with strategic oversight



Deepak Vaidya

Non-Exec. Director & proposed Chairman

Fellow member of the ICA in England and Wales. He has previously worked as the Country Head of Schroder Capital Partners (Asia) Pte. Ltd. for over 12 years. He is experienced in the corporate financial services industry in India and abroad.



Nirmal Bhogilal

Independent Director

Chairman of the Batliboi Group. He was Past President and Committee Member of the Indian Machine Tool Manufacturers Association. He has been Chairman of various committees in CII and its Western Region



R. Ramakrishnan

Independent Director

He is a practicing Chartered Accountant and a Management Consultant at Bangalore having an experience of 36 years in Direct tax matters, Audit and Assurances. He was nominated by KSIIDC for few listed Companies and currently holds directorships in reputed companies



Jagdish V. Dore

Independent Director

MD of Sidvim Life Sciences. Prior to this, he established Sandoz in India as key contributor to Sandoz globally. He was also CEO and Managing Director of Matrix Laboratories Limited (now Mylan).



Dr. Kausalya Santhanam

Independent Director

Founder of SciVista, she is a Patent attorney registered with IPO as well as the US PTO. She has a Ph.D in Cell biology and Immunology and her Post Doctoral training was in Cancer Biology at Center for Cellular and Molecular Biology

GROWTH STRATEGY.

INTEGRATE, EXPAND AND SEAMLESSLY EXECUTE

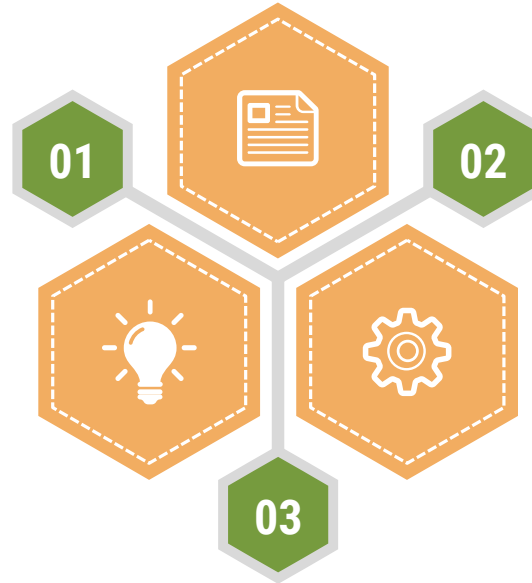
Enablers for the growth strategy



Focus on differentiated strategy led by technology, compliance, and internationally relevant infrastructure

Sweat Assets

Choosing the right products and finding the right balance between maintenance, modernization and operational activity



Accelerate R&D

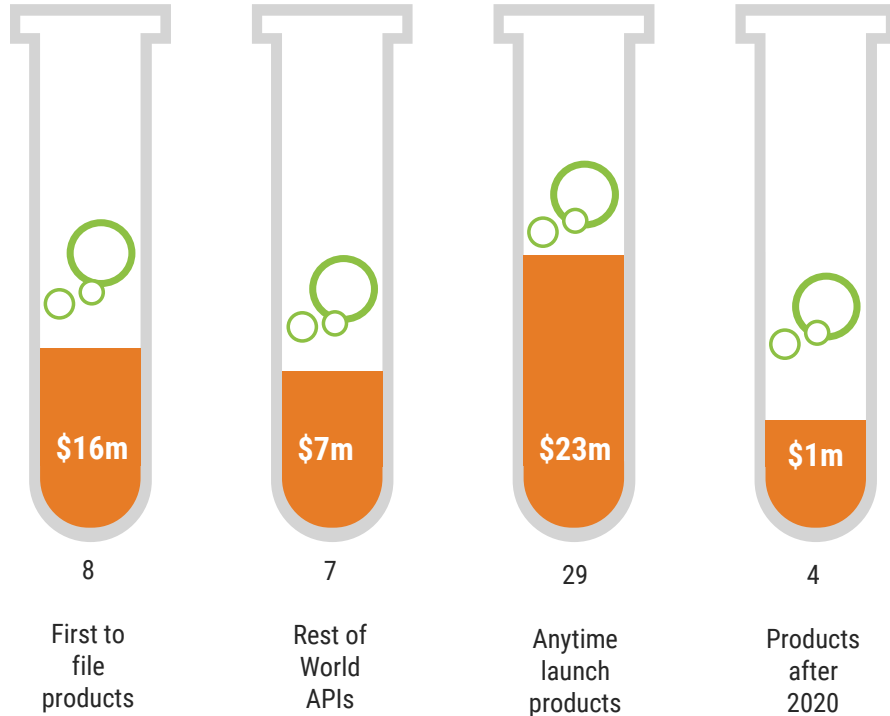
Augmenting the existing R&D capabilities at Chennai with a state of the art facility at Jigani, Bangalore

Expand Capabilities

Step up investments drive innovation, capabilities and compliance to the next level

Accelerate R&D engine

A strong R&D base to propel growth



Augmenting the existing R&D capabilities at Chennai with a state of the art facility at Jigani, Bangalore



Propelling the growth with the product development targeting a \$46m opportunity



Prime focus to develop products with complex chemistry such as polymer chemistry & provide support to existing products.

Expand Capabilities

Step up investments to setup flagship facility and drive innovation and compliance to the next level



Environment

Environment and health as non-negotiable values that always come first when we make choices



Chemistry

Focus on the designing of products and processes that minimize the use and generation of hazardous substances



Compliance

Significant emphasis to embed culture of quality and compliance integrity



Capacity

Building a highly automated greenfield setup with SCADA, MES and other state of the art data acquisition and process control systems

Q4 FY18 PERFORMANCE.

AN EVENTFUL YEAR FOR THE STRATEGIC GOALS

Key Highlights for Q4FY18 and FY18



Solara with combined API businesses of Strides Shasun and Sequent(Human APIs) is well poised to emerge as a significant pure-play API company. The focus is clearly on regulatory compliance and high-quality product offerings to customers across the Globe.

Jitesh Devendra
MD and CEO

Q4 Financial Performance

- Net Revenues at ₹3,043mn, registering a growth of 17.7% Quarter on Quarter(QoQ) over Q3FY18
- Earnings Before Interest Taxation, Depreciation and Amortization(EBITDA) at ₹383 mn, registering a growth of 64.1% QoQ
- EBITDA margins(EBITDA/Net Revenues) at 12.61%, up by 357 basis points(bps) QoQ

FY18 Financial Performance

- Net Revenues at ₹11,214mn , registering a growth of 18.5% Year on year(YoY) over FY17
- EBITDA at ₹1,438 mn, reporting a growth of 16.2% YoY
- EBITDA margins at 12.8% for FY18

Operational Developments

- New R&D centre set up in Bangalore completed and integrated with the operations
- Integration of all sites as per the scheme of merger now completed
- Name Change to Solara Active Pharma Sciences completed with the revamped website and branding for the customers
- Received listing approval from NSE and awaiting BSE approval and SEBI exemption approval

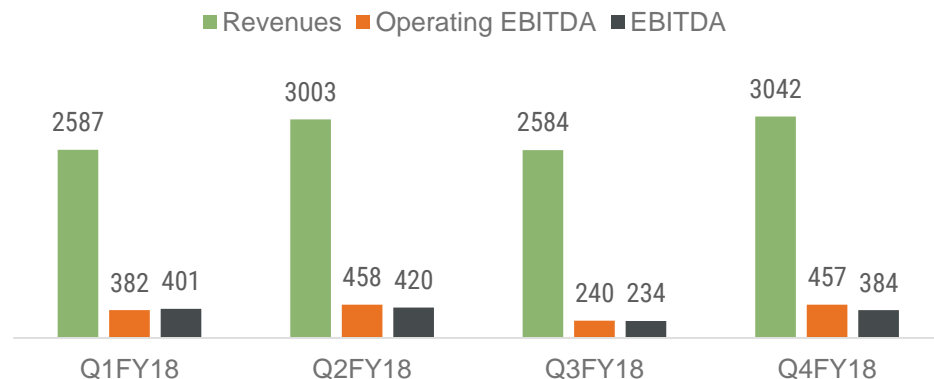
Q4FY18 Performance



Q4FY18 Review

Particulars	Q4 FY18	Q3 FY18	Change
Revenue	3,042	2,584	17.7%
Operating EBITDA	457	240	90.9%
Operating EBITDA Margins	15.0%	9.3%	
R&D Cost	(27)	(53)	-49.5%
Exchange gain/(loss)	(47)	47	-200.3%
EBITDA	384	234	64.1%
EBITDA Margins	12.6%	9.0%	

QoQ Trend



Key Highlights

- » Sales growth driven by normalisation of supplies on expected lines
- » From a geography standpoint, US contributed 36% of sales for the quarter and was largely flat QoQ. Europe contributed 23% of sales for the quarter and grew 44% QoQ driven by improved supplies. ROW contributed 41% of sales for the quarter and grew 31% QoQ driven by improved supplies
- » Exchange loss of ₹47mn impacted EBITDA performance

FY18 Performance



Q4FY18 Review

Particulars	FY18 Proforma	FY17 Proforma	Change
Revenue	11,215	9,463	18.5%
Operating EBITDA	1,537	1,186	29.6%
Operating EBITDA Margins	13.7%	12.5%	
R&D Cost	-101	-	0.0%
Exchange gain/(loss)	2	51	-95.8%
EBITDA	1,438	1,237	16.2%
EBITDA Margins	12.8%	13.1%	

Key Balance Items

Balance sheet items	Value in ₹m
Shareholders' funds	7,640
Less: Goodwill	-3,634
Networth	4,006
Term Loan	3,027
Working Capital	3,302
Less: Cash	-470
Net Borrowings	5,859
Tangible Assets	6,981
Intangible Assets	1,008
Total Assets	7,988

Key Highlights

- » Fiscal ended with a stellar growth of 18.5% and in building Solara as one of the leading API companies with pureplay API focus
- » The Company expanded its operating EBITDA from ₹1,186mn to ₹1,537mn registering a robust 30% growth in absolute terms
- » The investments in R&D accounted to ₹101mn. These investments are pivotal for company's play in the next orbit of growth with new products and pipeline
- » Company's net debt to EBITDA stood at 4.08 while its asset turns improved to 1.40x

Consolidated FY18 Income Statement



PARTICULARS	Q4 FY18 Audited	Q3 FY18 Unaudited	FY18 Proforma	FY17 Proforma
Revenue	3,042	2,584	11,214	9,463
Material Consumption	(1,550)	(1,384)	(5,794)	(5,029)
Gross Margin	1,492	1,200	5,420	4,434
%	49.1%	46.4%	48.3%	46.9%
Operating Expenses	(1,035)	(960)	(3,883)	(3,249)
Operating EBITDA	457	240	1,537	1,186
%	15.0%	9.3%	13.7%	12.5%
R&D Cost	(27)	(53)	(101)	-
Exchange gain/(loss)	(47)	47	2	51
EBITDA	384	234	1,438	1,237
%	12.6%	9.0%	12.8%	13.1%
Finance cost (net)	(123)	(125)	(402)	(270)
Depreciation	(176)	(191)	(671)	(551)
Exceptional item	-	-	218	(31)
Earnings Before Tax	84	-82	583	385
Taxes	(21)	23	(61)	(84)
Earnings After Tax	63	(60)	522	300
Minority Interest	(0)	(0)	(0)	(1)
Earnings from continued operations	63	(60)	523	302

Solara- 5 years perspective



Business Continuity

Portfolio of new products and new customers to augment current base and enable steady growth



Worldwide Presence

Established strongholds in key regulated markets and growth territories



Robust Product base

Constant stream of revenue from new product validations



Best Customer Connect

Organization Focus to win with customer delight as the primary goal



Strive to be amongst the Top 10 pure play Global Active Pharmaceutical Ingredients company that builds significant value for stakeholders while committing to protect Human life and the environment

THANK YOU.

www.solara.co.in

