"Solara Active Pharma Sciences Limited
Q2 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to Solara Active Pharma Sciences 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Abhishek Singhal: Thank you, Iqra. Good evening and thank you all for joining us today for Solara's Earnings Call for the second quarter and half year ended September 30, 2026. Today, we have with us Sandeep, MD and CEO and Sarat, CFO of the company to share the highlights of the business and financials for the quarter and H1 FY27.

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 call, in case you have any further questions, please feel free to reach out to the Investor Relations team. I now hand over the call to Sandeep to make his opening comments.

Sandeep Rao: Thank you, Abhishek. Good morning, good afternoon, good evening, and thank you all for joining us today for our Q2 FY27 Earnings Call. I sincerely appreciate your time and presence on this call. To start with Q2 FY27 has been our best quarter in about five years. And surprisingly, it's been on all the profitability metrics, gross margin, EBITDA and PAT.

Overall, revenue grew 33% year-on-year to INR418 crores. EBITDA more than doubled to INR77 crores, up 118%. And PAT was at INR28.5 crores against a loss of around INR10 crores in the same quarter last year. And the good part is we delivered this quarter as the West Asia crisis continued. We continue to face pricing pressures and raw material availability challenges, which led to intermittent production stoppages. But despite that, I think we recorded a good set of numbers.

Some commentary on our base business. Our base business continues to lead our growth. Revenue grew 37% year-on-year to INR327 crores, staying above the INR300 crores number for the third quarter in a row. EBITDA grew 68% to INR77 crores, with the margin up about 440 basis points to 23.6%. Regulated markets continue to contribute about 78% of revenues, which reflects a very healthy product mix.

Some commentary on the Ibuprofen business. Ibuprofen this quarter has performed better than expectations, driven primarily by market dynamics. Revenue grew 21% year-on-year and 18% quarter-on-quarter to INR91 crores, supported by better price realizations as also higher volumes. The EBITDA loss has narrowed. You can see we are almost breakeven compared to the roughly INR9 crores loss that we had in Q1. The business is now close to breakeven from a loss margin of around 21% just two quarters ago. Having said this, I will reiterate that the overall environment around Ibuprofen still remains challenging, and we haven't lost our focus on

servicing large brands and marquee customers with whom traditionally we've had long-term associations. Other highlights outside of the base business, business, other highlights.

On the regulatory front, we filed our second DMF for the year. If you remember, I had mentioned that we should be filing five DMFs in this financial year. So we filed in quarter 1, one now, and we are hoping to file three more before the end of this financial year. Our Mangalore facility successfully completed an ANVISA audit in August. If you recollect, we had a successful ANVISA audit of our Cuddalore facility in May.

I am also pleased to share that CRISIL has upgraded our ESG rating from adequate to strong. That just shows about the improving health of our business.

On a very important point, I'm sure a lot of you are expecting us to talk about the strategic review of the Ibuprofen business, so I will address it upfront. This process is taking us time. We estimate that we will be able to close this in 12 weeks. So we will come back to you with an update on the outcome of the review and the next steps, as I said, in a period of 12 weeks. I personally sincerely appreciate your patience. You really supported us and be patient with us as we build our base business. And I will request a similar patience as we close out on the Ibuprofen strategic review.

Our balance sheet has strengthened meaningfully during the first half of FY '27, and Sarat will take you through the financial details. As always, I would like to thank our shareholders for your continued support and trust. And I would also like to thank the Solara teammates for all the effort that is being put in. Before I hand over to Sarat for his opening remarks, a happy festive season to all. Over to you, Sarat.

Sarat Kumar: Thank you, Sandeep. Good morning, good afternoon, and a very good evening to everyone, and thank you for joining our Q2 FY27 Earnings Call. Sandeep had already covered the headline results and the highlights of the business. So I will actually focus on the broad level financial metrics.

For this quarter, Q2 FY27, the overall business has clocked a gross margin of INR197 crores, which is roughly 28% increase over Y-o-Y as well as 9% improvement on a Q-o-Q basis. And this gross margin came at a 47.2% of gross margin profile, which is slightly higher than Q1. But albeit it is slightly lower by roughly 200 basis points as compared to last year, which was predominantly driven by incremental raw material costs as well as input costs driven due to the West Asia crisis. Having said that, our base business has clocked gross margin of 50% plus. Again, we actually do acknowledge this is slightly lower than the previous quarters driven by a fact of product mix for this quarter as well as incremental input costs, which I spoke about because of the West Asia crisis.

On the other hand, Ibuprofen gross margins has actually recovered to a 36% level during the quarter, driven by changing market dynamics, which saw a spike in demand as well as slightly better pricing as compared to the previous quarters. But as Sandeep mentioned, this is something temporary and the overall business environment is still like a commodity pricing market, and this is something which we have to watch for the next quarter as well.

On the operating cost front, we have been able to sustain our cost base roughly around INR120-odd crores, which is predominantly flat over the previous few quarters, hence, enabling the incremental gross margin flow through to the EBITDA. Our overall EBITDA margin expanded to 18.4% from 11% around last year and it is a significant improvement of roughly 720 basis points as compared to Y-o-Y and also up by close to 200 basis points as compared to Q1 of FY27.

On the depreciation front for the quarter, depreciation was close to INR266 million, which was in line with the previous quarters. However, our net finance cost has actually dropped by close to INR32 million as compared to previous quarters, and that's a reduction of roughly 16% and that has resulted because of a reduction of debt by close to INR114-odd crores during H1.

We have recorded an exceptional loss item of INR45 million, which was predominantly because of unutilized equipment lying at our Vizag facility, which we have sold, and that is something which we wanted to recover cash. And because of this, our PAT, although it has been the highest in the last five years, we had recorded a PAT of INR 28.5crs, which is roughly 75% higher on a Q-o-Q basis, resulting in an earnings per share of INR5.92 per share. Adjusted for this exceptional item, EPS would have been further better by close to INR 1 per share. For the first half of FY '27, EBITDA was consolidated at close to INR140-odd crores, up 51% at an EBITDA profile of 17.5% as compared to close to 15% last year. PAT is something which have recorded close to INR45-odd crores in H1. Again, this was as compared to H1 last year, which was almost at a breakeven level.

Net debt is something which we are focused on as a company, and we have been able to reduce net debt to close to INR500-odd crores from INR614-odd crores, which was there as on March '26. Of this reduction, INR100-odd crores came from the rights issue money, balance INR14 crores was from the operational cash flows.

Given this fact, considering the H1 Annualised EBITDA, the Net Debt to EBITDA ratio multiple has actually improved to close to 1.8x as compared to 3.2x what we had last year. And this is something we should be able to be in the similar range over the medium term. However, on a sequential basis, the net debt has moved up by close to INR20-odd crores as compared to June '26, since we had invested in additional working capital to sustain the sustained growth in the business as well as some sort of maintenance capex.

Going forward, we will continue to focus on operating cost leverage and margin expansion and on our working capital discipline and we'll try to fund our growth capex while keeping our balance sheet strong. As always, we actually thank you for your support and patience as we continue to work towards turning around the company. And now we'll be happy to take your questions, if any.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Congratulations on a very strong quarter, especially given the challenges the company has been navigating. I've got a few questions, please. First is regarding this review, Sandeep. I mean you

said the Q2 results would set out the clear path last time around in July. What is still unresolved? And has this quarter's improvement changed the options you are considering for Ibuprofen and is the INR45 million Vizag loss a one-off cleanup or the start of a wider reassessment of the INR182 crores Vizag project according to the annual report? That's my first question?

Sandeep Rao: Good afternoon, Sajal. Nice speaking to you again, and thanks for staying invested with us. Regarding the Ibuprofen review, I know we did make a mention in earlier calls that you would hear back from us in Q2. And as I said, we need to further 12 weeks and we need many of you to have patience with us because this is not an easy decision.

Nothing has changed at options Sajal. I mean the options staring at us are the couple of options that we talked about. One is repurposing the plant from being a single product dedicated facility into a multiproduct facility. And in that multiproduct facility, among others, we can do intermediates as well, the intermediates that we use for captive consumption.

And of course, the other option is the internal option of finding an appropriate buyer who can take the facility. I think nothing has changed in the options we have, but we just need a little more time to make a decision that's good for all our stakeholders. So I'm hoping that while there will be a lot of questions around it, I'm requesting everybody's patience for that additional 12 weeks to sort of come out with that final analysis. I'm sure that whatever we decide on will be extremely good for Solara as well as all the stakeholders.

Sajal Kapoor: And that Vizag one-off claim for us, is that a one-off or?

Sarat Kumar: Sajal, currently, this is something we took a call to liquidate idle equipment lying in CWIP at Vizag, which is purely one-off and hence, we have categorized that as an exceptional item. Having said that, once we complete this entire review around the Ibuprofen piece of the business, that is something at that point of time, we'll be having much more information in terms of, if we have certain wider spread as well. Otherwise, at this point of time, from Vizag standpoint, we don't foresee anything further coming at this point of time.

Sajal Kapoor: So this INR4.5 crores is purely the ibu-related assets from Vizag, right?

Sarat Kumar: Correct, yes.

Sandeep Rao: We are just trying to monetize our assets, and we got a buyer for some of these ibu assets that we had in Vizag. So we thought it's better to monetize it and have it just line idle out.

Sajal Kapoor: No, absolutely. That's smart and in fact, that's now positive. And Sandeep, I mean, just to better understand, I know we have got big pharma relationship on ibuprofen, and it has been a very long-standing relationship. Is the fact that backed on this relationship and with the same relationship with the same customers, we may be having other products as well in one or more markets?

So that is a significant dynamic? I mean, other than that relationship thing, what has changed structurally in ibuprofen, meaning cost position, customer mix or market share as opposed to simply the market being benign, thanks to the BASF-related supply disruption. And if everything

normalizes, let's say, tomorrow, we live in a random chaotic uncertain world, right? So if the BASF or some sort of a supply constraint, whatever we are facing, and that's why ibuprofen prices are high today, tomorrow, if that situation reverses, are we then back to that 10 to 15 quarter -- INR10 crores to INR15 crores quarterly loss you guided in July?

Sandeep Rao: So let's speak about ibuprofen this quarter, and I think Sarat gave a view into this. See a lot of it is macroeconomic conditions. I think the West Asia crisis continues, solvent prices are rising, raw material availability continues to be an issue. But thankfully, given the credibility we have with our customers, a lot of customers have really helped us by increasing the prices.

So it's a mix of better prices and some macroeconomic conditions that has helped us break even in this quarter, okay? And so that's the piece of ibuprofen. Will we get back to the earlier days when we had INR10 crores, INR15 crores loss, It's very difficult to say that at this time. But I can tell you that the general health of the ibuprofen business has improved as well. But in this particular instance, it's more macroeconomic conditions that's driving the breakeven.

Sajal Kapoor: Sure. And Sarat, one bookkeeping balance sheet question for you before I rejoin the queue. I see in the published number, the trade receivables have increased more than fourfold Y-o-Y. I mean what is driving that increase? Is it primarily higher revenue, longer payment terms? Or is it something like customer concentration or some late shipments that has resulted in this unusually higher receivables? Any color will be helpful?

Sarat Kumar: So as you rightly said, our trade receivables are slightly on the higher side. That is actually predominantly driven by two factors. One is, if you see our entire revenue base has actually gone up by as compared to last year by close to 50% plus, okay? Second, so right at the quarter end, again, just like most of the other companies, we also have a challenge of linearity.

Most of our billing happens in the last one week to 10 days of the quarter. And because of challenges with respect to container availability because of all this crisis, what's going on, all those shipments are actually not being able to move out by 30th of that particular month or something.

So because of that, whatever is getting moved, say, if our earlier SLAs of billing to shipment was close to two or three days, now that is extending up to five to seven days plus. So because of that, that entire chunk of one week billing plus increased revenue on an overall quarterly basis, that is actually impacting this particular trade receivables. Having said that, we have not extended any payment terms or something for any customers or we have not changed our payment terms adversely.

Moderator: Next question is from the line of Shilpa Saboo from Lotus Wealth.

Shilpa Saboo: Congratulations on the great set of numbers, sir. A small but important remark on our gross profit margin. In last three quarters, PPT, our GPM is calculated after sales and distribution costs, which is by any company. And generally, for API companies, marketing costs are 3% to 4% distribution costs are 5% to 6%. So I feel our gross profit margin is 60% and not 50%. And due to this, we might not be able to a fair valuation data?

Sandeep Rao: We take your input on board, but that's the accounting methodology that we use. But we have noted what you have to say. Thank you Shilpa.

Shilpa Saboo: Okay, sir. And secondly, out of the amount that is increased in our net debt, how much has increased on behalf of capex?

Sarat Kumar: So again, as we had previously said, we are close to committing to close to INR40 crores, INR50-odd crores of capex on a yearly basis. So out of that, on an average, every quarter, we normally spend close to INR10 crores to INR15 crores kind of a range in terms of capex. So some part will be that because of INR10 crores.

And then balance INR10 crores, INR15 crores, if you see our inventory numbers, our inventory numbers are slightly higher by close to INR20-odd crores during this quarter because again, because we are seeing so many challenges in terms of raw material security or supply issues, we want to have sufficient stocking so that we have the entire flexibility of manufacturing what we want for a particular quarter.

Moderator: Next question is from the line of Kushal Goenka from Mangal Keshav.

Kushal Goenka: Congratulations on a good result. My question is that Solara derived INR328 crores of revenue in FY '26 from Strides itself. That's like a quarter of FY '26 revenue based from a related party. And also the receivables from Strides have increased from INR63 crores to INR160 crores at a time when our balance sheet really needs some juice. A follow-up to this, what Sajal Kapoor also said that the receivables in Q2 FY '27 is around, I think, INR506 crores. So is that a majority of it from a related party? So how do you see into these transactions and what plans to maintain a more prudent receivables?

Sarat Kumar: So again, so from a related party transaction point of view, Strides on an average contributes to roughly 25% of the business only. So that business contribution has actually not changed drastically over the period. But however, for each subsequent quarter, depending on the individual product mix because, again, Strides also considers certain billings on a production campaign basis. And we also supply to Strides based on whatever production campaigns, which we run. So depending on that particular campaign-product mix, certain quarters, that number can be slightly more than 25% up to 30%-35% as well. But average for the full year will not be beyond 25%-26%.

Moderator: Next question is from the line of Ameya Deosethali from Value Equity.

Ameya Deosethali: First of all, congratulations on a good set of numbers and the plan on the base business and DMF filing seems to be doing very well. So I had a question along those lines. So on the recent filing, right, of valbenazine, what is the kind of outlook we have here with the customer in the U.S.? What are we targeting here? Are we the sole supplier? So I would appreciate if we get some more dynamics on this filing and way forward in the R&D side?

Sandeep Rao: So you are right. We have filed a DMF in this quarter. And I would not like to get into the dynamics of the individual product and to how that market goes, but we can, of course, take the question offline, right? I mean, needless to say that we do our analysis before we pick a product,

and there is a business case analysis and there are certain parameters based on number of DMFs filed or the patent expiry horizon or the market size, the kind of players in the market that decides which products we get into.

Ameya Deosethali: Right. No, I understand that. And I think I just want to highlight that is a positive because as we see DMF filing picking up, it's going to contribute further on as the business goes post ibuprofen as well, right? So I just wanted some more outlook on this. So on the R&D side, do we continue this trajectory of filing two to four DMS per year over the next three years you say?

Sandeep Rao: That's right, Ameya. I will comment on this year first because I keep saying if we can get this year right, we will get the future years right as well. This year, we believe that we can do five DMF filings. We've done one last quarter. We've done one this quarter, and I'm hopeful that we can do three more by the end of this financial year. Coming from a space where we didn't file a single DMF in the last three years, I think we have a good trajectory on the R&D efforts and the DMF filings.

Moderator: We will take our next question from the line of Ayush from Vardhman Family Office.

Ayush: Sir, just a small request on the ibuprofen side. So is that the ibuprofen business is doing great in this quarter? So we are doing well on Ibu front and the question, something the plan which I have done because we have delayed from Q2 to I think to Q3, that you have told. So it's from now Q2 FY '27. So it's been four quarters. So would you like to throw some light on the same?

Sandeep Rao: So is the ask that has the time line of our review been extended because of this performance? Is that the question?

Ayush: The question is that are the things getting better this quarter, the ibuprofen business is doing good. So we are analyzing the plan again or something like that?

Sandeep Rao: No, Ayush, it's not driven by one quarter performance we are not changing timeline because of that, of course, look, we are analyzing the situation and we are reviewing our strategic options that we have. And some of these feedbacks, including the one that people mentioned about one of the big ibuprofen manufacturers trying to exit will play on the decision that we take, right? But these factors in these strategic reviews, we are not looking at one-off or quarterly performance. There will be big strategic decisions based on big market conditions.

Moderator: Next question is from the line of Maulik Varia from 36O ONE Capital.

Maulik Varia: Sir, just wanted to understand on the base business, our gross margin is slightly under pressure. So what would be a sustainable gross margin over a medium to long term?

Sarat Kumar: So, Maulik, if you recall, we have been always maintaining that we are very comfortable to sustain a gross margin of close to 52% to 55% kind of a range. So adjusted for the raw material price increase, which we have not been able to fully recover as a pass-through mechanism due to this West Asia crisis. our reported gross margins of roughly 50.5% will be close to 53% plus. So this is something which we are comfortable in terms of retaining those levels.

Maulik Varia: Understood, sir. And also, is there any lever for our EBITDA margins to expand further?

Sarat Kumar: So from a cost perspective, I believe we will be more or so flattish in this particular range, maybe plus/minus 2%- 3% from current levels. But at the same time, now going forward, any gross margin expansion from either by expansion of volumes or expansion of territories, what we are working on, that should actually flow significantly through to the EBITDA.

Sandeep Rao: I think two things, this is Sandeep here, Maulik. I think two things that we are also working in the background is how do we manage our opex and create meaningful capacity. So all the operational excellence initiatives we are taking up and all the incremental capex programs, all the debottlenecking that we are doing with incremental capex for high-margin products will only help us better that EBITDA number.

Moderator: Next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Sandeep, how was this CPHI different from previous years from your perspective? I mean what stood out for you and team this time around?

Sandeep Rao: To start with, our stall was much bigger, brighter than better. So that's the first observation. But I think it was a very productive CPHI. I think we had a full team out there. We had a lot of customer footfall as well, and we could get that feel of reaching out to newer markets and finding newer customers for our products. So that's from a Solara perspective. From a market perspective, I think customers from some countries could not make it to CPHI, so they were solely missed, but in general, I think I saw all the big Indian and Chinese manufacturers out there at CPHI and the Europeans as well.

Sajal Kapoor: No, definitely, Sandeep the stands are very big and I had to use several angles for clicking the pictures just to get the evidence. On that CPHI, I think the key theme was AI-led manufacturing. So I mean, as AI accelerates research and more molecules move from discovery into manufacturing, that may not happen tomorrow, but maybe next year or the year after. I mean, do you see that creating a structural increase in demand for physical reactor capacity and therefore, a larger opportunity for CRAMS for us?

Sandeep Rao: Definitely, Sajal. As the product development time lines shrink and more molecules make it to the patients, I think there is a bigger role for API companies to play. So if AI helps in reducing development times, that is helpful for API companies as well, right? But I think there is a lot of play for AI even on the manufacturing front in terms of reducing cycle time, improving yield, reducing cost and so on. So AI has got a big role to play within the API companies as well, not only putting new products on the table, but also helping connect the organizations.

Moderator: Next question is from the line of Bhavika Singhvi from Niveshaay.

Bhavika Singhvi: First of all, congrats for a good set of numbers. So first question I have is on the Vizag plant, which we are -- for which we are evaluating the options. So just want to understand what view we are making like once we have the decision to sell it, where are we expecting it to use? Because in the last call, you have mentioned that you have been evaluating a few high potential API manufacturing capability?

So just wanted to understand that are we on the path to do that or have we started doing the approval process and all for that. And the second, as we are planning to like diversify from that business, have our customers started approaching us for the -- like they are ready to give us more volume so that we continue the business. Like just wanted to understand from the Vizag business, which we are evaluating?

Sandeep Rao: So, Bhavika, a couple of questions you asked us. The Vizag facility, as you know, is mothballed. We are not currently manufacturing anything there, okay? So the question of customers giving us additional products for Vizag today does not arise. Regarding the first question about selling of Vizag, I don't think we made an announcement to that effect anywhere. All we said is we're looking at strategic options for Solara.

And those strategic options sort of revolve around the CRAMS piece, the Vizag piece and ibuprofen. But we have never explicitly stated what we are going to be doing on Vizag. So I'd request your patience and wait until we complete the review, and we've asked for 12 weeks, and we will come back to you with the final answer.

Bhavika Singhvi: Yes, understood. But you mentioned before that you have like some assets might you have sold like machinery or maybe like that?

Sandeep Rao: Yes, that was just equipment. There were certain equipment that we had purchased for ibuprofen in Vizag. Since Vizag is not manufacturing ibuprofen and this is fairly new equipment. So we decided to monetize it because we had a buyer for it. So sometimes, as I was telling somebody, it's better to monetize an asset than just let it collect dust on the shelf. So that was the context behind selling specific equipment related to manufacturing, but it's got nothing to do with the site as a whole.

Bhavika Singhvi: Got it. And sir, the other thing I want to understand on the base business, like as we are doing quite good growth in that, can you make me understand like which particular molecule or the therapy area leading this growth for us and where we are seeing like major growth coming in near term from like the base business, which molecule we can expect to be a major growth driver for us?

Sandeep Rao: So, Bhavika, as an API manufacturer, we are largely therapeutic area agnostic. Our product selection is driven more by chemistry fit, regulatory complexity and customer demand rather than by a therapy area. That said, anti-infectives, cardiovascular, neurology, nephrology, anesthesia and CNS are some of the areas in which we have products. And together, they would probably account for 70% of our product offerings. But I again reiterate, as an API company, we are therapeutic area agnostic.

Moderator: Next question is from the line of Pranav Chawla from JM Financial AMC.

Pranav Chawla: Congratulations on a relatively good set of results. Sir, a couple of questions from my end. One, can you break up your base business as well as ibuprofen business growth into value on volume?

Sandeep Rao: Base and ibuprofen business on value and volume. Value, so Pranav, I think in our report out, we have given individual numbers for the base and the ibuprofen business. So value you can get from there. Volumes, we don't disclose, Pranav.

Pranav Chawla: Volume growth, by value, I mean what is the price-driven growth and what is the volume-driven growth.

Sarat Kumar: So again, so specifically, when I talk about base business, just because of this particular increased pass-through, that cost is roughly close to INR20 crores – 25-odd crores in terms of base business. And in terms of ibuprofen business, something which is an increased pass-through that is close to INR10 crores to INR12 crores odd in terms of price increase. So on a consol basis, if we have reported INR418-odd crores of revenue, out of that close to INR25 crores to INR30-odd crores will be because of price increase, balance is something which is because of volume expansion.

Pranav Chawla: Got it. And sir, incrementally, how has been your ability to pass on, say, whatever price increases that would have happened or rise in inventory cost as well as shipment, how have you been able to manage it so far? And do you see upcoming headwinds, say, in the third quarter or so? Do you expect the situation to get slightly worse in the coming quarters?

Sarat Kumar: We have been facing these headwinds almost since Q1. And if you recall, we have been reporting since Q1 a slightly lower gross margin profile as compared to historically what we have been reporting. Even for this quarter, we have reported only 50% gross margin for our base business as compared to historically, wherein we have also reported close to 53%, 55% kind of a number.

So most this GM dip of 3% something, although we are having an effort to have that price increase passed on, but we are not able to pass on to customers at every stage or, say, with every customer and every product. And this is a headwind which based on the current industry dynamic, probably this is something which we'll have to leave with for at least one, two quarters more.

Sandeep Rao: That depends on how long the crisis lasts. So that's beyond us, but we have learned to live with the crisis and make the most of the situation.

Pranav Chawla: And sir, for your base business products, how backward integrated are you? And from -- so and if you procure, say, KSMs or anything from outside, which are the key geographies from which you procure these? Can you just give some color on that as well? And that is my last question.

Sandeep Rao: We buy these KSMs from vendors from manufacturers in India. We buy them from manufacturers in China. Of course, China and India account for a bulk of the KSM purchase. Besides that, we also purchase some strategic KSMs from Europe as well.

Pranav Chawla: Can you give a breakup of how much would be India plus China together between the pie and how much?

Sarat Kumar: So roughly China would be close to 20%-25% of the procurement value what we purchase broadly. And predominantly, it is out of India, but it might be possible that our KSM vendors

starting material can be out of China. So that is something which we actually don't keep a track of where exactly that is coming out of from to a very great extent. But, broadly from our procurement perspective, 20% to 25% from China, roughly 60%, 70% in India and the balance will be in Europe.

Moderator: Next question is from the line of Apoorva Mehta from AM Investment.

Apoorva Mehta: Congrats on a great set of numbers. Sir, can you just let us know the demand scenario? How is currently you looking about demand for the API? and one more question that is it possible we become profitable on the ibuprofen side in the current quarter?

Sandeep Rao: So demand for API, as you can see in our numbers, we have increased our volumes and our revenues have gone up significantly because our customer base has increased, and we are manufacturing more of the products. So as far as we are concerned, there is a good demand for the API. As far as profitability of ibuprofen is concerned, I don't have a crystal ball, Apoorva.

I'm hoping that we can produce the same magic that we did in Q2, but a lot of it depends on macroeconomic factors, a lot of it is outside our control. So we are trying our best, as Sarat said, to try and see how much of these costs we can pass on to customers, can customers help us with increased prices? How do we manage solvent price increases? How do we manage raw material availability, but very difficult to guess whether we can keep up the same breakeven performance in Q3 as well.

Apoorva Mehta: And any possibility that quarter 3, quarter 4, the gross margin will be a little bit higher because of now we should have negotiated for price revision and everything. So there is a possibility that the gross margin can inch up a bit like 1% or 2% in third and the fourth quarter?

Sandeep Rao: This is specifically for ibuprofen that you're asking?

Apoorva Mehta: No, on the base business?

Sarat Kumar: See, like possibility of increase of gross margin is always there. But having said that, this is something because in an API environment, we normally don't have the privilege of multi-quarter contracts or say multi-quarter POs in place. And then most of the POs are normally on a kind of a revolving basis for each quarter.

And then because of all the changing price dynamics, we are also experiencing changing price dynamics, both on the supply front as well as on the input cost front. So like obviously, there is a possibility that is what we are actually working for. But to put a finger on something saying that we will improve by 2% surely for next quarter or going forward two quarters will be very difficult at this point of time.

Apoorva Mehta: And there is any seasonality in the business, like normally, we have seen like Q4 and Q3, Q4 are much stronger than Q1, Q2. Is there any seasonality or no?

Sarat Kumar: So part of our product portfolio, normally, we actually don't have a seasonality to our demand. But yes, based on our production campaigns, what we run because to actually optimize our

manufacturing capabilities, what we have in terms of capacity, we do have certain campaign productions.

Production on that is in line with the campaign demand of the customers. that might impact slight product mix for each quarter. But we don't have a seasonal demand for a certain product or something except one product, which is Oseltamivir, but again having said that, Oseltamivir, although we have the flu season, which actually runs from Q3 to Q4, there are formulators who have a practice of procuring in Q1 as well, Q2 as well, procure in Q3 as well. So this is something as a product, Oseltamivir has a seasonality factor, But from a purely commercial demand and supply perspective, I don't think that weighs too heavily on the portfolio.

Apoorva Mehta: Thanks a lot and wish you all the best. And hopefully we see some news for selling our ibuprofen plants?

Moderator: Thank you. Next question is from the line of Rahul from ACE.

Rahul: Sir, I wanted to understand that we have been trying to turn around this business for a long time. I mean we as in like the leadership team before, that was there before you as well, right? But now it seems that by the numbers in the last one or two or quarters, actually, we are able to turn around the business. So just wanted to understand what have we done differently than the previous management team that was there. So just wanted to understand on that part as well?

Sandeep Rao: So, firstly, I'd like to thank the previous management have done a good job in creating.

Moderator: I'm so sorry to interrupt you, sir. Your voice is cracking. We are not able to hear you properly.

Sandeep Rao: Can you hear me now?

Rahul: Can you hear me sir?

Sandeep Rao: I can hear you.

Rahul: Did you get my question or should I repeat it once?

Sandeep Rao: No, we got your question, Rahul. Okay. So let me go to your first question. You talked about turnaround. I'd be cautiously optimistic. I would say we've turned around if we can get another two quarters in line with the current quarter or better than the current quarter. So that for me would qualify as a turnaround. So again, let's see how the next couple of quarters pan out.

And the second question you had is what have we done differently? As I said, I want to thank the previous management done a brilliant job with the platform. I think what Sarat and I have or the whole Solara team has done differently is I think we've been very judicious. We've been very focused on execution. We've been very focused on generating cash and financial discipline excellence. And we sort of put a lot of efforts on trying to create the process and plans for high-margin products that really meet that capacity. So in general, I think we've just tried to optimise the resources and S&OP planning has really helped us make the best use of the platform.

Moderator: I'm so sorry, sir, we are not able to hear you if you are speaking. Next question is from the line of Vishal Verma from Quintillion Global LLP.

Vishal Verma: Hello and thank you for taking my questions and congratulations for a good set of numbers. Sorry, actually, I joined a little late. So I don't know if this has been asked, but my question is on any new chemistry platforms that Solara is researching on as well as what are some key therapeutic areas that we are working on? That's my question?

Sandeep Rao: So key therapeutic areas, I think I answered this. Vishal, I answered this a few minutes back, but I'll keep it concise. As an API company, we are therapeutic area agnostic. And we really select products based on chemistry, regulatory complexity and customer demand. The next question is you spoke about new chemistry.

I think we have our hands full right now based on the products we have. But typically, we look at products that have difficult chemistry. As you know, we have a very strong position in polymers. So polymers is one area which we are focusing on. But in general, we look at chemistries where we -- which lead to products that are difficult to develop.

Vishal Verma: Okay. That's' great. I got my question. Thank you very much.

Moderator: Thank you. Next question is from the line of Vandit Dharamshi from Memora Advisory Private Limited.

Vandit Dharamshi: Thank you for taking my question. Despite the drop in gross margins, we were able to hold our EBITDA margins well. In fact, our EBITDA margins have improved. So keeping everything status quo, would we have some more low-hanging fruits where we could work on or some low-hanging fruits by which we could improve our EBITDA margins from here on?

Sarat Kumar: So, Vandit, like what you said, we would not like to categorize something as a very low-hanging fruit or something, but having said that, obviously, there is a scope for improvement of EBITDA margin because we are working on certain territory expansion as well as expansion in volumes or in terms of getting a higher wallet of share from our existing customers.

So once this expansion of volume plays through and since we had already spoke that our cost is something which we don't significantly expect it to go up in tune with the revenue expansion. So that incremental gross margin should actually flow into EBITDA. So EBITDA expansion, surely, we have a scope, but these are not something which are low-hanging fruit. This is something which the teams are working on. And some things will take a few quarters, some things will take a few months in terms of a time line.

Vandit Dharamshi: Understood, sir. And my next question is on the demand environment for ibuprofen. In the last three or six months, maybe this quarter and next six months, some changes that you've been observing on ground, both locally and globally. If you could just share your thoughts on that?

Sandeep Rao: Is the question, is there an increase in demand on ibuprofen? Well, I would say yes.

Vandit Dharamshi: Not regarding demand increase. I think it would not be more than 3% - 4%. But in terms of competitive landscape, in terms of supply, maybe everything together, not just demand.

Sandeep Rao: Okay. I mean there are players in India who are increasing their capacity, right? I mean, in public domain. And then on the other side, you have players in the Western world who we hear are shutting down their facilities. So this is a time where we are just waiting and watching. Solara is qualified by a number of the marquee customers worldwide.

And we are very particular about whom we do business with. So typically, we do business with marquee customers where we have long-term associations and the business is very sticky. We try and keep away from businesses where the gross margins are very low. So like you asked, I think there's so much changing on the ground in terms of capacity expansion, some formidable players we hear are leaving that we really need to see how this whole thing pans out.

Moderator: Now we will take the last question from the line of Nishant Bhatt from EquityWorks Limited.

Nishant Bhatt: Yes. First of all, congratulations on a great set of numbers. We know that currently, our CRAMS platform is quite small. So I just wanted to know something like what are your plans or strategy to grow this CRAMS platform over the next three to five years long term? And could you share any three to four major KPIs?

Sandeep Rao: So, Nishant, you are right. Our CRAMS business is very small today. as part of our overall business. So there is lot to do, it's still at a stage where we are going out there and offering our services and offering our chemistry. And given the scale at which we operate, both small and large as well as the accreditations we have, Japan, Brazil, U.S., Europe, I think we make a very strong case of somebody who can be a CMO, CDMO partner.

So we are going out there. I'm hoping that we will be able to build this traction over the next few years. But for now, we are focused on more immediate priorities is trying to get the best out of the existing products we have because that's a near-term opportunity. So the focus today is on debottlenecking, operational excellence, cash generation, expanding the reach for our current products, invigorating our R&D engine. So CRAMS is happening in the background, but the focus today is on what we have on the plate today.

Moderator: Ladies and gentlemen, that concludes our question-and-answer session. I now hand it back to the management for closing comments.

Sandeep Rao: Thank you. I'd just like to again wish everybody a happy festive season. Thanks for staying invested in Solara. Thanks for your support. Thanks for your trust and appreciate all the patience you have shown as we go about building our company. Thanks a lot.

Sarat Kumar: Thank you.

Moderator: Thank you very much. On behalf of Solara Active Pharma Sciences Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.