"Solara Active Pharma Sciences Limited

Q1 FY27 Earnings Conference Call"

July 23, 2026

MANAGEMENT: **MR. SANDEEP RAO – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER– SOLARA ACTIVE PHARMA SCIENCES LIMITED**
MR. SARAT KUMAR – CHIEF FINANCIAL OFFICER– SOLARA ACTIVE PHARMA SCIENCES LIMITED
MR. ABHISHEK SINGHAL – INVESTOR RELATIONS - SOLARA ACTIVE PHARMA SCIENCES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Solara Active Pharma Sciences Limited Q1 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 that this conference is being recorded.

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

Abhishek Singhal: Thank you, Anushka. Good afternoon, and thank you all for joining us today for Solara Earnings Call for Q1 FY27. 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. I hope you've gone through our results release and the quarterly investor presentation that have been uploaded on our website as well as the stock exchange website.

The transcript of this call will be available in a week's time on the company's website. Please note that today's discussion will be forward-looking in nature and must be viewed in relation to risks pertaining to our business. After the end of 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. Firstly, good evening, and thank you, for all who are joining in the call today on our Q1 27 Earnings call. I sincerely appreciate your time and your presence on this call. As you must have seen, Q1 FY27 has been another quarter of stellar execution. Our overall revenues stand at INR384 crores, up 20% year-on-year.

EBITDA stands at INR63.5 crores, which is up 10% year-on-year. Our PAT is at INR16.3 crores, which is up 55% year-on-year. This is the highest EBITDA and PAT that we have achieved in the last 18 quarters. These results underscore the strength of our core business. It is an outcome of disciplined execution. It also shows that continued focus on profitable growth.

Now coming to the base business. Our base business continues to exhibit strong momentum, supported by consistent operational execution. And I reiterate the focus on profitable growth. Our base business revenues stand at INR307 crores, up 24% year-on-year. Gross margins was at INR158 crores, up 10% year-on-year and EBITDA at INR72 crores, up 8% year-on-year.

In spite of all the cost pressures we face, resulting from higher raw material prices, which was triggered by the ongoing geopolitical developments in West Asia. The sustained performance of the base business reinforces our confidence in our long-term growth potential.

Now coming to the commodity Ibuprofen business, this business continues to face profitability challenges. We reported an EBITDA margin of negative 12% amidst what we think is a difficult operating environment. While profitability remains under pressure, we witnessed a marginal sequential improvement during the quarter. Now looking forward, looking ahead, we remain committed to building on this strong foundation by driving sustainable profitability growth enhancing our margins.

And creating long-term value for all our stakeholders through a combination of disciplined execution, operational excellence and prudent capital allocation. Despite the significant headwinds driven by the West Asia crisis and its impact on all global businesses, the underlying fundamentals of our base business continue to remain strong, supported by a sound operating model and a healthy product mix across regulated markets. I would like to thank our shareholders again for your continued support and your continued faith and trust in Solara.

With this, I will now hand over to Sarat, our CFO, for his opening remarks.

Sarat Kumar: Thank you, Sandeep. Good morning, good afternoon, and warm good evening, ladies and gentlemen, and thank you for joining in today's Q1 FY '27 earnings call for Solara Active Pharma Sciences Limited. As shared by Sandeep, despite facing headwinds driven by the ongoing West Asia crisis, which led to significant challenges in terms of input cost pressures as well as supply chain challenges with respect to raw material availability.

The overall business has recorded a strong quarterly result in Q1 '27 with the business recording its highest EBITDA and PAT in the previous 18 quarters. Although our gross margins were marginally lower on a Q-on-Q basis, driven by the raw material pricing and supply challenges, which was actually triggered by the West Asia crisis, the business has delivered an EBITDA margin of 17% with an absolute EBITDA value of INR635 million, which reflects an improvement in EBITDA margin by 80 basis points Q-on-Q in addition to what Sandeep already mentioned that we have grown a 10% Y-o-Y basis. As a business, we continue to focus our efforts on operating cost leverage and margin expansion in our pursuit of chasing incremental business growth at a healthier margin profile.

Our ongoing efforts on strengthening the balance sheet has led to a reduction of net debt by roughly INR135-odd crores during the quarter, which reflects around 22% reduction in the net debt, roughly INR100 crores of that coming in from the final call money of the rights issue realized in May '26 and the balance INR35 crores were delivered from our operational cash flows.

As we speak, our net debt as on 30th of June stands at roughly INR479 crores, which reflects a net debt-to-EBITDA multiple of roughly 1.9x considering the annualized Q1 EBITDA numbers what we have reported. Further, we have a line of sight to reduce the debt to sub INR450 crores, somewhere around close to INR440-odd crores by end of March '27., considering the scheduled repayments what we have for the debt, which will further improve the net debt-to-EBITDA multiple to roughly 1.7x considering the Q1 annualized run rate.

At the end, we actually want to thank you for your support and patience as we work towards turning around the company and look forward to engaging with you all in the upcoming quarters. Now we'll be happy to take your questions, if any.

Sandeep Rao: Anushka, we are good to open the Q&A session.

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

Sajal Kapoor: Yes. Hi, team. Thank you for taking my questions and good evening to everyone on the call. I have a few questions followed by a few bookkeeping questions, but for those I'm happy to rejoin the queue and let others ask. A few questions for you first, Sandeep. As you look ahead over the next 12 to 18 months, what are the two -- what are the kind of top two or three operational priorities that will determine the next phase of Solara's turnaround?

Sandeep Rao: So Sajal, firstly, thanks for staying interested and continued interest in Solara. I really appreciate that. Answer to your question is looking forward, I have three very important levers, okay? So I'll make it three instead of two. First is expanding our existing business and seeding new businesses. And why I say that because our new pipeline will take time to bring those revenues.

So we have to depend on today's products, and we have to be able to expand the business. So expanding the existing business and seeking new business is priority number one. Priority number two is, of course, as our numbers improve, our revenues improve and we manufacture more product to meet the market demand.

We have to be able to drive operational efficiency in execution. And when I say that, I'm not talking of building any green field facilities, I'm only talking about debottlenecking capacities and finding ways to maximize the output so we can meet the commercial demand. And the third most important type for me is how we use our working capital judiciously. So it's going to be all about working capital optimization and generating the free cash that we can use to fund our business.

Sajal Kapoor: That's helpful. Sandeep and as a shareholder, I mean none of us are doing any charity. The only reason we are staying invested and interested in Solara is because we see the potential, the potential may not come in next quarter or even this year, but we nevertheless have our thesis, and that's the reason we remain patiently invested. And second, are you still comfortable with the Q2 FY '27, the current fiscal September quarter, that is time line for Ibuprofen strategic review? And are there any key milestones we as the investors should watch out before then?

Sandeep Rao: So Sajal, as we announced in our earlier quarter as well, I think you should be expecting something coming your way in H1. All we can say today is we are working towards what we think is a optimum solution to the issue. We feel fairly confident that the solution will come out of it. And I would like to address this question in the September time.

Sajal Kapoor: That's helpful. And finally, before I rejoin, as raw material costs and logistics normalize, what do you see as the biggest driver of profitability improvement over the next two quarters? Is it purely the gross margin mean reverting or going back to where we expect them to be or you expect some operating leverage in addition to gross margin?

Sandeep Rao: You want to take this question?

Sarat Kumar: Like once we have this normalized pricing reverting back to the like kind of pre West Asia crisis kind of pricing levels, most of our growth should come from our business expansion as well as gross margin expansion driven by incremental volumes what we will be selling it. Because operating leverage is something that should play out a certain bit, but we will not have too much of a growth coming just because of operating leverage. From now on, it is more about to do how we can sustain that business growth combined with gross margin expansion.

Sandeep Rao: While our opex base remains the same, we have to try and see how we put more on the top of the funnel because every -- all of it will flow into EBITDA.

Sajal Kapoor: Sure, Sandeep. And thank you for those responses. I will rejoin the queue. I've got some bookkeeping questions, but I'm happy to wait.

Moderator: Thank you. We take the next question from the line of Akash Jain from Moneycurves Analytics. Please go ahead.

Akash Jain: Just a couple of questions. One is, if I look at the gross margin, right, over the last few quarters, it has been -- it's quite a big range, right, even if I ignore the cost pressures and the gross margin impact for this quarter. In general, gross margins have been quite volatile. So any specific reason why our gross margins have been fluctuating over a much larger range? That is first question?

Second is, I'm assuming this raw material price pressure would have, on one hand, also helped us on the revenue growth side, right, because the cost -- the pricing would have also gone up a little bit. So how much of it was broadly volume-driven growth for this quarter? And how much was value growth?

And what is our ability to pass on -- because the Middle East crises doesn't seem to be passing away anytime soon. So what is our ability to pass on these increased prices to our customers? Because a business like us, I would assume that we have the ability to eventually pass on the increased prices?

Sarat Kumar: I'll take this question, Akash. See, so you had broadly two questions. One, you wanted to understand what of this particular growth has come because of increased pass-through cost in price, what we had, correct? So on that particular number on a consol level, roughly INR30-odd crores of that particular revenue number is actually driven by because of incremental cost pass-through what we had, okay? So now if you adjust those numbers, right, then my gross margin profile for a consol level is close to like 53% already, which is more or less in the range what we had always reported in the past few quarters.

Sandeep Rao: And the last question you had asked, Akash, is about us being able to pass increase to customers. I think we have a very good relationship with customers. Most customers have been accepting over this price increase because we have been extremely transparent. In many cases, we have shared with them our consumption norms and how much the solvent prices have gone up. So a lot of customers have been accepting. A few customers, it's always a challenge, but we are managing this dynamic situation. It's been challenging, but I think we've done a fairly good job at managing this with customers.

Akash Jain: My first question was actually why such a large long range in the sense that we have been -- gross margin over the last many quarters have been over a much wider range, which is not typical what we see in an API company. So I just want to understand what drives this big difference quarter-on-quarter on gross margin, even if I ignore what has happened this quarter?

Sarat Kumar: So, when you actually talk about gross margin rate, are you talking about only the base business or are you talking about overall?

Akash Jain: No, only the base business, right? Even there, 52%, 58%, we have seen that in the last quarter -- in the last 4 quarters, right? Last year, Q1, 58%, then 52% this year, so this quarter. So I'm just trying to understand there seems -- on the base business also, there seems to be a wide range on gross margins, right?

Sarat Kumar: See, again, when you talk about base business, right, so we have reported 51.3%, which is at an absolute value close to INR158-odd crores of gross margin, okay? Specific to base business, we had an increased pass-through of cost to the tune of INR17 crores, INR18-odd crores, okay?

So if you adjust for that particular number, you will be already talking about a number 54.5% kind of a level in terms of gross margin profile as compared to what we have reported in terms of 51.3%. So that 54.5% is more or less reflective of whatever we had in the previous quarters as well, 55% plus minus.

Sandeep Rao: Q2 '26 was 53%. Q3 '26 was 55% Q4 '26 was 54% and Q1 '27 is 52%. Even the math you said it should be 54%. So I think we are almost there. We are comfortable with the 50% to 55% range. Of course, the aspiration is to try and get as close to 55% as possible.

Akash Jain: Okay. And you're saying that we should be able to pass on any more increases or the current environment, some gross margin will be -- we should be able to claw back going forward?

Sandeep Rao: Yes. All of it, we will not be able to claw back the price impact, but a large amount of it customers are accepting because we've been extremely transparent.

Moderator: We take the next question from the line of Anand Mundra from Soar Wealth. Please proceed.

Anand Mundra: Sir, I wanted to check how much capital we have deployed in the Ibuprofen business?

Sarat Kumar: So currently, our deployed capital will be close to INR700-odd crores.

Anand Mundra: (Lost Voice and hence requested to repeat question which is covered in next question)

Sarat Kumar: Sorry, we lost your voice.

Anand Mundra: Sir, this includes both debt and equity both?

Sarat Kumar: Yes.

Anand Mundra: Okay. And sir, I wanted to check about the profitability of the business. Are these levels likely to sustain, which we have reported this quarter or -- and can we expect some more improvement going forward?

Sarat Kumar: See, to be honest, right, this particular quarter, what we have witnessed is ibuprofen as a commodity business, there was some shortfall of ibuprofen because most of this ibuprofen manufacturing is actually driven by solvent availability. So because of shortage in supplies overall, like some of the pricing increases, customers were more willing to accept those particular price increases.

At the same time, we also had a hit on the volumes on that particular piece. So although we have reported almost similar kind of numbers on a top line basis for ibuprofen business, adjusted for the price increase, that numbers are slightly down. So if not exactly in the same range, we will be comfortable to have a kind of a run rate somewhere between INR10 crores to INR15 crores of EBITDA level loss each quarter.

Moderator: We take the next question from the line of Ayush an Individual Investor. Please proceed. We can take the next question from the line of Parth Mehta from Antique Stock Broking. Please proceed.

Parth Mehta: Hi, my questions are more from macro perspective. So could you elaborate on the impact that fuel cost volatility has had on the business over the past few months? So fuel prices have increased again recently. How should we think about the potential impact on profit and profitability in coming quarters? And my second question is also with the new tariff schemes introduced by the U.S. President, what sort of an impact do you see on the business?

Sarat Kumar: So, with respect to the first question, what you asked in terms of the ongoing crisis, what we are seeing in pricing challenges. Yes, this is something which is an ongoing challenge, both in terms of input cost pricing as well as raw material availability. Now, you have to appreciate that most of this API key starting material or the starting material for raw materials are actually dependent on the petroleum products.

And there's an overall shortage in terms of all the solvents what we use in our manufacturing process or what our vendors use in their manufacturing processes. So one is raw material availability. Second is in terms of pricing. So pricing challenges, currently, what is our view is we have been very transparent with our customers in terms of sharing with them saying that what is the incremental cost being incurred by Solara driven by these short-term changes.

And in those cases, we have been able to just get that particular pass-through. So we are fairly confident of maintaining our absolute values of gross margin per se in terms of business value. But having said that, in terms of gross margin profile might get impacted because we will not be able to have a subsequent gross margin uptake on that particular increased cost price, what I may say.

Sandeep Rao: And in terms of your second question part on the new tariffs, this is an announcement that has come in very recently. There is no formal policy that has been released. So from my perspective, if I look at this announcement, the current status for me is the intent has been announced. There is no legal implementing framework, and we are still awaiting clarification on what the product scope is. Is it only formulations? Is it APIs? Does it have more to it? So as we get more clarity, I would be glad to sort of provide more clarity on this matter.

Parth Mehta: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Aman Chakraborty from AK Investment. Please proceed.

Aman Chakraborty: I thank you for the good set of numbers, I would say. I have basically a couple of questions. So first is, so the management, I would like to ask is the revenue increase that has been stated consistently, I think the revenue numbers are moving up. But what it seems is that the revenue seems to be essentially flat quarter-on-quarter.

Even though it should not be placed quarter-on-quarter, but I would just from the management, if there are any kind of issues relating to customer scheduling or capacity utilization or any kind of demand normalization or any kind of polymer APIs because last time, Mr. Rao had promised that they were targeting polymer APIs. So that is my first question. I'll join after this is answered, I'll get back to the second question, which I have to ask?

Sarat Kumar: Aman, thank you for this particular question. See we appreciate your insights into looking at these numbers slightly differently from what we look at. If I adjust for the numbers of increased cost price, my revenue numbers almost look like flat Q-on-Q. But at the same time, API as an industry also has a certain cyclical in terms of Q1 offtake is normally slightly lower historically and Q4 is normally slightly higher offtake for the formulation customers as well.

Given these particular facts and given a point of in terms of across quarters because we are operating from a product basket of close to 50-odd products, in which roughly 15 to 16 products contribute to 75% plus of my overall business. So any change in product mix across this particular 15 products as well as some factor of quarterly linearity, which the industry normally exhibits.

So the most ideal way of comparing that particular growth will be on a year-on-year basis. So when I look from our Q1 FY '26 to Q1 FY '27, growth in revenue is significantly higher in terms of 24%. Even if I adjust the whatever increased pass-through cost, that number will be still more than 18%, 19% of a growth, which we believe is a healthier as well as sustainable growth parameter.

Sandeep Rao: And Aman, if I look at the numbers for base business revenues, Q1 '26, we were around INR248 crores. Q2 '26, we were around INR240 crores, right? Q3, we were around INR245 crores. I think we've hit a new plateau, right? And that's Q4 '26 and Q1 '27, we've crossed that magical INR300 crores numbers. Of course, the aspiration is to do a lot more.

Aman Chakraborty: If not there is any kind of internal, I mean, strategic kind of recalibration or I understand it is unfair to be based on a quarter on quarter basis. So just want clarification and second question to you sir is regarding the R&D any kind of justification in that if this is possible I know again this is the question which ideally should not also be asked on a quarter-on-quarter basis?

Moderator: Sorry to interrupt, Mr. Aman. Your voice is breaking. Could you please rejoin the queue for the next question. Thank you. We take the next question from Gautami Agarwal, an Individual Investor. Please proceed.

Gautami Agarwal: So the progress of deleveraging has been very impressive with debt reducing further this quarter. Do you continue becoming debt free by 2029? Or does this strong cash generation provide us an opportunity to achieve this even earlier?

Sarat Kumar: We are sorry Gautami, we are slightly hesitant in giving an outlook per se, but your assumption of saying, we have an internal aspiration of becoming debt-free. Like when I say debt free, it has to be net debt free by FY '29. Obviously, we will have certain debt on the book. But from a net debt standpoint, by FY '29, we should be 0 net debt.

Gautami Agarwal: Okay. Okay, sir. Understood. And in the previous call, you had guided for 25% EBITDA margin for the base business and actually exceeded it in the Q4. Can we expect that the similar trajectory will sustain in FY '27?

Sarat Kumar: Gautami, again, we will be slightly shying away from giving an outlook, but 25% plus/minus 1% should be the margin profile what we're looking at in terms of EBITDA profile.

Gautami Agarwal: Okay. Thank you, sir. That was very helpful.

Moderator: Thank you. We take the next question from the line of Zakir Naseer, an Individual Investor. Please go ahead.

Zakir Naseer: Sandeep, would Solara reconsider the decision for the ibuprofen unit if the product turns bottoms up on the price front?

Sandeep Rao: Well, in business, all decisions can be reconsidered as long as something makes money for us and the shareholders. So we'll definitely consider, but, look, at the end of the day, ibuprofen is a commodity business, right. The margins can never compare to what we have in the base business, right. So in that sense, we have an eye out for the ibuprofen business. I don't think the dynamics of the ibuprofen business will change. And remember, we are not the only manufacturers of product. There are a couple of other big manufacturers of product in India as well.

Zakir Naseer: And would we get back the capital invested in it? Or are you expecting a small cut on that front, sir?

Sarat Kumar: See, expecting entire capital invested on ibuprofen business will be slightly farfetched. But as Sandeep mentioned, we are in the process of finalizing those next steps in Q2, and you will have to give us time till we come back with our Q2 results and we'll have more clarity on exactly what are the next steps and what is the cutoff or shaving which we are taking off.

Moderator: We take the next question from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Sarat, working capital discipline has been an important part of the turnaround. So as the business grows from here, should investors expect the current level of working capital efficiency to be broadly sustainable? Or is some normalization kind of inevitable as revenues scale? And if so, I mean, which component inventory, receivables or payables is more likely to drive that?

Sarat Kumar: So Sajal, as you rightly pointed out, working capital efficiency is something which we have worked down slight rigorously to like have this so-called turnaround at this point of time. As Sandeep always say, until we are back to back 3 to 4 quarters giving consistently growth-oriented results, we will not be in that happy space wherein we will claim that particular turnaround to be actually taking in place.

But the so-called turnaround working capital efficiency has been one of that particular piece. Having said that, going forward, as a revenue basis grow, to be honest, we don't feel our working capital efficiency will take a hit from the levels where we are operating from. In fact, we are working on putting in certain measures in terms of our S&OP planning and stuff, which are expected to improve our inventory norms towards a more healthier side. So we will be like our aspiration and we are looking forward to actually more efficiently manage working capital rather than giving in certain part of working capital efficiency for growth.

Sajal Kapoor: No, understood. Understood, sir. And finally, on the operating cash flow that we expect to generate over the next 3 years with our aspiration to be no net debt or net debt free, right? So whatever debt we'll be having towards the end of FY '29, broadly speaking, will be balanced or matched by the cash and other liquid assets?

Is it fair to say that the majority of the operating cash flow will be utilized towards the maintenance capex broadly and some minor upgrades? Or are we looking at some sort of an expansion because we are sitting on a big land parcel in Vizag, which is the newer facility. It has been twice US FDA approved?

So I'm just trying to understand what the capital allocation plan would be for the next 3 years in terms of both the maintenance, brownfield as well as greenfield kind of. I don't think we need greenfield because we already have Vizag. So maybe between the maintenance capex and the brownfield?

Sarat Kumar: So Sajal, as you rightly said that as a company, we are also kind of once bitten, and twice shy. So greenfield is something which we are currently not actively looking at this point of time. But having said that, as a business entity, we can never say no for anything. It is something which has to evolve. But at this point of time, greenfield is not part of our plan.

Now when it comes to whatever capex expansion or say, usage of the operational cash flows, what we will be generating, we expect on an average close to INR40 crores to INR50-odd crores of capex year-on-year from FY '28 and FY '29 as well. FY '27, we have already committed to close to INR55 - INR60-odd crores of capex.

Part of that is being for maintenance capex. And the balance part is something what we call it as kind of an incremental capex, which is towards debottlenecking our capacity. So there is one capex which is greenfield, which is entirely new facility. There is one which is brownfield, which is expansion of the existing facility. But we are more focused on the third category, which is within those lines, wherever we are having some bottleneck, which is actually restricting my production capacity for high-margin products, we are investing wisely on those particular lines. And we are looking to expand those lines capacity by 20%, 30%.

So that whatever capex we do, we can actually get that particular payback within, say, 2 or 3 quarters max. So with that particular aim, both in like in FY '27 also whatever capex we have committed to close to INR55-odd crores, out of that INR40 crores is towards the kind of incremental debottlenecking capex, balance INR10 crores - INR15 crores is towards maintenance capex, which requires for the plant upgrade in the utilities or stuff like that. And similar trajectory will continue for FY '28 and '29 as well.

Sajal Kapoor: No, that's helpful, sir. So just to double-click on that point of debottlenecking. I think as a business, we will get the highest ROCE if we could remove the constraint and debottleneck is the fastest and the best strategy for any company. So debottlenecking point, I understand and 30% if you could get from high-margin products purely by debottlenecking, I think the ROCE would be massive on that incremental ROCE that is?

And on the maintenance capex, usually, what happens is when you remove an old reactor and replace it with a new, you also get some efficiency benefits. So the sales that you are getting with an old -- or the yield that you are getting with an old reactor should probably improve even if you do a like-for-like replacement. Is that a fair understanding?

Sandeep Rao: So when you have old equipment, sometimes the old equipment could have some leaks or things like that, just normal wear and tear. So when you replace it with newer reactors, for example, then the operational days of the newer reactor is much better than the older reactors. So in that sense, forget the yield, just the operational days increase. So in a way, you are right. If you replace the old with the new, you will have a higher absolute volume of output. Does that answer your question?

Sajal Kapoor: That's helpful. Yes, it helps. Sandeep. Thank you so much both of you.

Moderator: Thank you. We take the next question from the line of Akash Jain from Moneycurves Analytics. Please proceed.

Akash Jain: Yes. Just one follow-up question. What is our capacity utilization on the base business? Because we have a facility in Vizag, which we, I think, much earlier we mothballed and then we had said that we'll repurpose it for the API business. So what is the capital utilization of the base business?

What -- can we use the whole Vizag facility for the base business because now the CRAMS business will -- I'm assuming the CRAMS business is getting consolidated in the base business itself. We are not demerging that business anyway. So I just want to understand what is the overall situation on the capacity utilization and on the Vizag facility?

Sarat Kumar: Akash, a few hygiene checks. So we have not yet decided what we will do with the CRAMS, whether we'll demerge or not. As we shared earlier in the earnings call of Q4, you will have to give us time till our Q2 results are out, during which time we will come up with the next steps in terms of both ibuprofen Vizag, Pondy and what we do with the CRAMS demerger or say, retrofitting Vizag into something, okay.

Now when it comes to base business, whatever we are reporting base business for the past few quarters, base business, we are broadly looking at three sites, which is Cuddalore, Bangalore and

Ambernath put together, okay? So these three sites, on an average, our average capacity utilization across sites put together is close to 70% at this point of time. I hope I've answered.

Akash Jain: And Vizag we are not using for the base facility at all, it is only for CRAMS?

Sarat Kumar: Vizag, we have not yet used for CRAMS as well. So when we said that we will retrofit Vizag, the whole plan was we will remodify Vizag for CRAMS. But as we said in our last earnings call, that plan is something which we have kept on hold until we finalize our entire plan, what we want to do with both ibuprofen as well as CRAMS. And that is something which we'll come back to you when we have our Q2 results.

Sandeep Rao: So Vizag continues to be mothballed.

Moderator: We take the next question from the line of Prince, an Individual Investor. Please proceed.

Prince: Hello. Am I audible?

Sandeep Rao: Yes, we can hear you.

Prince: Yes. Thank you. So I'll be asking this question on behalf of Prince. Firstly, congratulations on the good set of numbers, sir. So our company has appointed Mr. Ajit Manocha as the new CIO, who is from Syngene International, a very reputed name with Innovator Pharma. It's a very big event for us. So are we transitioning from a commodity product to innovator molecule following this onboarding? This could be a huge value creator for us. And I'm confident that we have an innovator pipeline here. I'll ask my second question after this?

Sandeep Rao: Yes. I mean we don't want to comment about individuals. So I think we will skip this question now.

Prince: Okay, sir. So my second question is that as per July 2025, we had developed ibuprofen via enzymatic route. So what is the update on that?

Sandeep Rao: So I will correct you there, Prince. We do not have an ibuprofen that is manufactured from enzymatic route. Ibuprofen is not manufactured by an enzymatic route.

Prince: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Shashwat Singh from Bajaj.

Shashwat Singh: So I had two set of questions. First one was that excluding the ibuprofen business, the base business delivered a 24% growth on this quarter. Could you highlight the key driver behind this performance? And do you believe this growth trajectory will be sustainable going ahead?

Sarat Kumar: If you adjust that particular price increase what we had passed through in terms of revenue growth number, so that growth should be coming around to close to 18%, 19% of year-on-year growth as compared to Q1 of '26. Now when it comes to, say, growth drivers, if you recall a few of the quarters, whenever we spoke about our business, we said that order book visibility is something we are working on, and we are working on a geographic expansion as well as new business wins.

So some of this particular growth has come because of incremental business what we could secure at different geographies where we were not earlier present. Second growth factor is right from FY '26, we have started investing in certain incremental capex, which will debottleneck our capacity and lead to higher business volumes for my high-margin products. So part of that has played out for certain products.

Since we don't give you individual product information, I'll actually refrain from that. But so if I have to put those into broad growth drivers, one is debottlenecking capacity, which led to increased volumes in high-margin products as well as certain geographic expansion, which we did over the last 1 year.

And when it comes to sustainability in the future, we are fairly confident that we should be able to sustain these levels, we are fairly confident of growing this business by at least 10% year-on-year kind of number. So we are currently running at a slightly higher than that. So we're comfortable with that.

Shashwat Singh: Okay. My next question would be looking solely at the base business. What would we consider to be a sustainable revenue growth, like you said, was 10%. So will that be for next 5 years easily? And what would be the range for EBITDA margins going ahead?

Sandeep Rao: So we will refrain from giving a 5-year outlook because the external environment, as you have noted, is so dynamic. The world has changed in the last 12 months. So we'll refrain from doing that. And in terms of revenue, all I can say is you've probably seen in our last 5 quarters. We are now operating at a very different level in the last 2 quarters than we've been in the 3 quarters prior to that. So we are hoping that we can, in the least sustain or grow on that new level that we have reached, new revenue levels.

Shashwat Singh: And sir, what about the margin front?

Sandeep Rao: Margin front, I think Sarat answered some time before.

Sarat Kumar: So we are actually comfortable of maintaining close to 52% to 55% kind of a margin range depending on the product profile what we'll have for that particular quarter.

Moderator: We take the next question from the line of Shekhar, an Individual Investor. I would request Mr. Shekhar to unmute and then speak.

Sandeep Rao: Take your next question please.

Moderator: All right sir. We take the next question from the line of Neeraj Shah, an Individual Investor. Please proceed.

Neeraj Shah: My question is on ibuprofen business. So in the previous call, you have indicated that the strategic review of the ibuprofen business would be concluded by the first half of '27. Are you on the track to meet that time line? And could you share any progress made so far?

Sandeep Rao: As of now, Neeraj, we believe we are -- I think we can say that we are on track to be resolving this matter by H1. We had given a guideline of H1. We are hopeful we can find a solution to it in that time. You'll have to please bear with us on that.

Neeraj Shah: Okay. And my other question is on profitability outlook. So the ibuprofen business witnessed an improvement in both gross margins while the EBITDA loss has also tapered this quarter compared to previous quarter. Are this level likely to sustain or can we also expect some improvement going ahead?

Sarat Kumar: So, as we commented earlier, so ibuprofen business has seen certain kind of a tactical play during Q1 because of reduced supply and relatively higher demand in the market, which led to slightly higher pricing levels. This is something which, we don't have a like long-term strategic view about how this will play out because this is something which is very dynamic depending on the solvent availability and stuff like that. So, but on an average, we expect that number to be slightly range somewhere between INR10-odd close to INR15 crores of negative EBITDA loss each quarter.

Moderator: We take the next question from line of Japreet Singh, an Individual Investor.

Japreet Singh: So sir, I wanted to understand what is the difference between our base business and ibuprofen business? Why base business have that type of pricing power? What is the difference between customer relationships in these two businesses? Is there any?

Sandeep Rao: Want to know what is the difference between base and ibuprofen?

Sarat Kumar: So see, when it comes to difference between the base and ibu business -- ibuprofen business from a customer relationship standpoint, that is something which is almost equivalent to each other because we normally work with customers who have good standing in the business. And based on our historically strong quality record as well as compliance record.

We also enjoy very good customer relationships. So when it comes to customer relationship, that is not something which can be differentiated on that particular front. Having said that, why we look into both the business separately is ibuprofen is purely commodity-driven business, which is slightly at the lower end of the value chain in terms of the API industry.

Whereas there are -- the other base business consists of molecules which are not high volume, but which are significant volume, but with a better pricing and a better margin profile because the entire manufacturing process of that molecules, what we sell in as part of base businesses are slightly complex as compared to ibuprofen.

Japreet Singh: Yes, yes. So my second question is, In this 2026 year 6, 7 months, what progress we have made?

Sarat Kumar: So we actually have -- we actively have a basket of 50 to 60 products. And every quarter on an average, we normally manufacture at least 40 of those particular products manufactured and we sell close to 50-odd products.

Japreet Singh: No, no. Sorry, you don't understand. I said in the 6, 7 months of this 2026, what progress we have made?

Sarat Kumar: What progress? Okay. Again, if I have to put the company's progress on three pillars. One is in terms of revenue growth. So if you see over the last 2, 3 quarters, we have grown our revenue base from a level of close to like INR250 crores, INR245-odd crores to INR300-plus crores level for the base business.

Now when it comes to gross margin profile, we have sustained that entire gross margin profile at a healthier margin rate of 52% plus. Now the second pillar is in terms of profitability, driven by this gross margin profile of 52% plus as well as an operating cost leverage. We have increased an absolute EBITDA margins from a range of close to INR55-odd crores for the base business to currently, we are operating at INR70-plus crores of absolute value for each quarter. Now the third pillar can be in terms of healthier balance sheet. So we have reduced our net debt by close to INR135-odd crores, which is 22% reduction in net debt in the last 6,7 months.

Japreet Singh: Okay. Thank you, sir.

Moderator: Thank you We take the next question from the line of Achuth from Rockstar Equity Research.

Achuth: Sir, my first question is on ibuprofen. Like how much amount we can get from ibuprofen business? And what do you want to do with that money sir? Going ahead.

Sandeep Rao: We haven't made any strategic decision on ibuprofen as yet. All we said is we are looking at options, Achuth. So I think in the end of H1, as we had promised last quarter, we should be having further clarity, and we'll come back to you.

Achuth: And can you provide any guidance for FY26?

Moderator: Sorry to interrupt Mr. Achuth. Could you please rejoin the queue as there are several participants waiting for their turn. We take the next question from the line of Abhay Amrutiya from Credence Wealth. Please proceed.

Abhay Amrutiya: So I just wanted to understand what are the potential risks that can -- that could derail the turnaround over the next 12 to 24 months?

Sandeep Rao: Well, the first and foremost risk is what will happen in the West Asia crisis. I think, honestly, I think we managed it. It's been very challenging because, as you know, we have limited working capital. So every rupee has to be used judiciously. So far, I think we've got a workable solution given the crisis, but we never know what the macroeconomic environment can look like.

What this crisis has done for us is raw material availability has become a challenge. So sometimes our lines are shut intermittently until we can get hold of the raw materials. Second is the raw material prices have gone up. Some customers have been kind enough to accept these price rises. Some customers have not been so willing. So that risk always exists, but that is a risk that is not in our control.

Moderator: Thank you. We take the next question from the line of Hiten from Sequent Investments.

Hiten: Yes. Sir, I have a clarification question. So you mentioned 10% growth for the base business or for the ibuprofen business?

Sarat Kumar: So again, we have not given an outlook per se, but when we had our last Q4 call also wherein most of the questions were towards what is our outlook for FY '27, we said we are looking forward to a 10% growth in our business numbers. So that is mostly towards the base business what we're talking about.

Hiten: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for the day. I would now like to hand the conference over to the management for closing comments.

Sandeep Rao: Thank you, everybody. A very interesting set of questions. As you know, we are working very hard to try and make these numbers possible. And hopefully, we'll continue on this trajectory as we meet again next quarter. Thank you.

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