



# “Solara Active Pharma Sciences Corporate Update Call”

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**ANALYST: MR. ABHISHEK SINGHAL**

**MANAGEMENT: MR. BHARAT R. SESA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – SOLARA ACTIVE PHARMA SCIENCES  
MR. SUBHASH ANAND - EXECUTIVE DIRECTOR (FINANCE) & CHIEF FINANCIAL OFFICER - SOLARA ACTIVE PHARMA SCIENCES  
MR. RAJENDER RAO JUVVADI - FOUNDER & MANAGING DIRECTOR – AURORE LIFE SCIENCES  
MR. AMIT KAPTAIN – CHIEF OPERATING OFFICER - AURORE LIFE SCIENCES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Corporate Update 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Singhal. Thank you, and over to you, Sir!

**Abhishek Singhal:** Thank you Mallika. A very good morning and thank you for joining us today for Solara Active Pharma Sciences, Corporate Update Conference Call. Today we have with us Bharat, Solara’s MD & CEO and Subhash, Solara’s Executive Director, Finance & CFO along with management of Aurore life sciences represented by Raj, Founder & MD and Amit Kaptin, COO, to discuss the corporate update around the merger of Aurore with Solara. I hope you have gone through our investor communication, which has been uploaded on the stock exchanges. We request you to restrict your questions around the corporate update only. Please note that today’s discussion maybe forward looking in nature and must be viewed in relation with this pertaining to our business. After the end of this 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 Bharat to make the opening comments.

**Bharat Sesha:** Thank you Abhishek. Good morning everyone, thank you for joining this call today. As we battle the second wave of COVID in many parts of our country, I want to wish you and your loved one’s safety and health for the time ahead. I am delighted to address you today after announcement of the merger with Aurore Life Sciences. It is an important milestone in the journey of Solara towards being a leading global pure-play API and CRAMS player. It is a merger not only of two growing companies but also a merger of two companies with similar philosophies about customer centricity, world-class quality and compliance and above all, strong employee engagement. As I have stated in the past, the lever of inorganic growth is something that Solara has been keenly exploring and this merger is an exciting milestone for us. The merger makes sense on many aspects. It adds heft to parts of our strategy which were our focus areas. It solves for some of the areas of attention for Solara and hence accelerates our growth trajectory.

Let me call out some salient points and the strategic rationale behind this merger. First there is almost complete complementarity of our product portfolio, which effectively means we have the full revenue and margin benefit of the additional products that Aurore brings to the combined entity. Aurore has scaled up its market presence in various products considerably over the last few years and as you are all aware Solara, has made significant investments in capacities including the multipurpose plant in Vizag. This will ensure that the growth of the molecules that Aurore brings to the table is supported by the capacity that Solara has, both new and existing. The addition of two sites, one of which is FDA approved from the Aurore family means that we can now have multiple site-based supply security for many of our key products. This will further underpin the positioning that we have had at Solara as a

reliable partner for many of our customers. In addition to this, Aurore's capabilities and capacities for intermediate manufacturing plays well into Solara's strategy towards supply chain de-risking by either in-sourcing or backward integrating key starting materials for our products. Aurore will be a force multiplier to our new product introduction capability, and it addresses a very important priority area for us in Solara. We anticipate that we can triple our new product introductions to about 25 a year with the addition of the capabilities and competencies that Aurore brings.

Let me also touch on the CRAMS business. Aurore brings significant CRAMS business to the combined entity. Our CRAMS footprint will now triple in size and this provides us with a scale to grow at a much faster trajectory than planned in the CRAMS vertical. In short, this merger addresses key priority areas for Solara and is fully in line with its stated strategy of accelerating growth via an inorganic play. We are most excited to welcome Raj and his team. They bring stellar track record of rapid scaling and strong customer relationships with strong R&D productivity and speed. All of these will add and multiply the significant strengths that Solara has built over the last few years. I now request Raj to share his thoughts along with a short intro about Aurore and then Subhash will give some more details on the transaction. Thank you. Over to you Raj!

**Rajender Rao Juvvadi:** Thanks Bharat. Good morning all. It is a pleasure to be part of this call. We are excited about the journey that we we are about to begin as a combined entity. Just to give a little bit of intro about myself. I started Aurore in early 2017 after exiting RA Chem. I had co-founded RA Chem in year 2003 and ran it till 2017 before I exited myself. This is my second innings, but this is also about creating a company, which is a pure-play API company with a lot of learnings from the past and after 14 years, I have learned to create a pure-play API company that would strongly excel in R&D, create a valuable product portfolio with customer-oriented product identification strategy. It is also possible for creating scale through emphasis on efficiencies, backward integration and provide a credible topline assurance to customers across global markets with whom the Aurore team and I have worked over the last two-and-a-half decades. It is also one of the important things to have regulatory success and facilities as early as possible. This is what led to the foundation of Aurore and I think in three-and-a-half years or four years now, Aurore has obtained a very strong product portfolio, created manufacturing capacities, undertaken a lot of product validations and filings while developing a very good marquee customer base and then reach a stage where Aurore's growth stands at an inflection point now. It is time for us to join forces with Solara to go to the next level of our journey.. This merger is going on the required trajectory to achieve this objective. We will focus on contributing the combined entity all our strength that we have as an R&D team, in terms of market reach, as product seller and adding to the multiple DMF filings each year. I think that is a small story about Aurore. I will now leave it to Subhash to take it up from here.

**Subhash Anand:** Thanks Raj, thanks Bharat and good morning everyone. Let me start by sharing important points of deal structure. Aurore to merge with Solara in an all stock options transaction. Shareholders of Aurore shall be issued 13.3 million equity shares of Solara and shareholders of Aurore will have 27%

ownership in the merged entity. With this merger, Aurore Life Science Private Limited, Empyrean Life Sciences and Hydra Active Pharma shall be merged with Solara. Post-merger, Solara will hold 67% stake in Aurore Pharmaceuticals Private Limited, that is an existing subsidiary of Aurore Life Science. Post-merger, 67% ownership of that subsidiary will be with Solara. Post-merger, the promoter group holding shall be 55.21% and public holding will be 44.79%. The appointed date of merger would be April 1, 2021 and merger process is expected to be completed by Q4 FY2021/2022, subject to approvals of shareholders and regulators.

Coming to financials, the merger in EPS accretive right from the beginning and will enhance important financial ratios for Solara. Providing a few highlights of the same: Aurore's EBITDA is at 32.4% of revenue, combined EBITDA will be 26% plus of the revenue, up by 200 basis points from Solara's current level. Aurore's asset turns is at 2x level currently and asset turn of the combined entity will inch up to 1.7x. ROCE for the combined entity will be 20% plus, up by 200 basis points. Strong balance sheet with net debt to EBITDA ratio at 1x. Operating leverage to drive significant free cash flow generation and help Solara to perceive growth alternates which are available in future. With a healthy balance sheet and synergy across various levers as Bharat talked about, Solara is positioned exceptionally well for the future. I will hand over back to Abhishek for next step.

**Abhishek Singhal:**

Mallika can we take the Q&A please now.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Alankar Garude from Macquarie. Please go ahead.

**Alankar Garude:**

Congrats to both the managements on the deal. Sir, my first question is: Can you talk a bit about the synergies from the deal, especially given the fact that you mentioned the product portfolios are largely different and is it possible to quantify any of these benefits?

**Bharat Sessa:**

As we said and you have pointed out rightly, the complementarity of the product portfolio is almost total. There is just one common product where we actually don't have common customers, so it opens up opportunities for us at Solara as a combined entity in spaces we are not present in right now, for example ARV. So, there are benefits that we will accrue through the complementarity of the product portfolio. We are not at a stage yet to quantify what this will be Alankar, once we get the formal approvals from the shareholders, we will definitely come back, and we will have a more elaborate and detailed and granular discussion on synergies and all aspects of it. But the broader theme here is that the complementarity of product portfolio is almost total and that is important for us to expand our product portfolio in the market.

**Alankar Garude:**

Sir my second question is the combined entity will now have broadly 10% plus contribution coming in from CRAMS. That is the number for FY2021, so will we still continue to look out for an acquisition in the CRAMS space after this merger?

- Bharat Sessa:** Yes, it is a good question Alankar. We still have a very strong balance sheet and we have stated our intentions in the past that we will continue to look for inorganic ways of growing CRAMS, the journey does not stop with this merger. We will continue to look for assets in the west and that has been our preference as we have stated in the past, to further accelerate our CRAMS growth. So, for the actions and the methods to do that, we will continue to explore.
- Alankar Garude:** One final question to Raj. Raj the business has grown quite well since inception in the last four years, so can you take us through how exactly Aurore has evolved over the last three to four years and what has been the key driving factors for the strong growth as well as strong profitability?
- Rajender Rao Juvvadi:** Thanks, Alankar. I think we started off with creating R&D centers as well as building the product portfolio. While we did outsource lot of manufacturing initially, as capacities are not immediately available. As of today though, we have a very strong R&D team of 120 people and that has been the key driver for the growth for us in terms of product development, speed up filing and validation. In the middle of 2018, we acquired a regulatory facility and started our journey of validations from that and at the same time we bought in a sick company i.e. a distressed asset and we started building up Greenfield in that site and that site got commissioned last year for a part of the capacity and the additional capacity is just about ready to be occupied. So till that time we used a lot of outsourcing facilities and a lot of capacity buildings to enable us to deliver the products that we were developing and we focused on a lot of sales in the emerging market since. Because unless you get approvals, you cannot send it to the regulated market. So that journey started in that manner and it come to a state where a lot of approvals have started coming from the beginning of this year, so we see a lot of regulatory shift that is happening with these approvals coming in from here onwards. A lot of growth will also happen because of our intermediate business or CRAMS business as we call it now and a significant customer base in the CRAMS area that is a consistent part of the business that goes on from here on.
- Alankar Garude:** Thank you Sir. I have more questions I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Investment Management. Please go ahead.
- Ashwini Agarwal:** Congratulations on the transaction. On the face of it, it looks very promising. Couple of questions, one is that, now that we are already at the start of fiscal 2022, how do you look at the growth prospects of fiscal 2022 for the combined entity? If I may look to make some forecast into the future, how should we think about the growth of the combined entity? In your opinion, how long will it take for the two companies to benefit from each other's customers, each other's reach and so on?
- Bharat Sessa:** Thanks Ashwini. Let me try and address that. We are in the process of kind of identifying the synergies that will not only come from the operations, cost, supply chain etc. but also from the

customer base, market and product portfolio, so I can give you a directional response. We will come back as I said earlier in the coming months with a more granular and elaborate discussion on the synergies. Directionally, Solara has been on a growth trajectory as you know, we have been in the silent period now for the quarter, so we will come back in our quarterly call and we will give you more granularity on our view for FY2022. Directionally, we continue to accelerate our growth and with the merger, we expect that it will be in the same direction. We will accelerate our growth going forward both on top and bottom line. We will come back with more details Ashwini, when we go for a quarterly call in a few weeks.

**Ashwini Agarwal:** The second one is that while you disclosed the financials of the new entity on a full year basis for March 2021, could you help me understand what are the financials for APPL the partly owned subsidiary 67%?

**Subhash Anand:** Let me give an answer. APPL is 67% of ALS subsidiary and in terms of topline, it contributes roughly around 70 - 75 Crores for nine months. So, on full year basis it will be around 100 Crores, but it is a CMO, so it works on cost plus basis. So, it has a limited margin and negligible PAT at this point of time.

**Bharat Sesha:** Just to add to that, all the IP's, EBITDA and the revenue is consolidated in Aurore Life Sciences.

**Ashwini Agarwal:** The pro forma numbers that you have indicated in your presentation; is that net of the minority interest?

**Rajender Rao Juvvadi:** Yes.

**Ashwini Agarwal:** Alright thanks. I have more questions I will come back. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Sriraam Rathi from ICICI Securities. Please go ahead.

**Sriraam Rathi:** Congratulations on this merger. Sir just two questions, firstly if I just look at something in your presentation you have mentioned DMFs which have been triggered for site variations and ANDA filing which could be decent opportunity for Solara, if you can just throw some light on that and what kind of thoughts are there and what kind of upsides you get, not in quantitative terms but just to get an idea?

**Bharat Sesha:** So, you are talking about the filings Aurore has that is the question, right?

**Sriraam Rathi:** Yes, because I mean it was mentioned that there are four DMF filings, which have witnessed source variations.

- Amit Kaptain:** Hi Sriram, this is Amit Kaptain here. So, we have in all about 20 US DMF filings, out of which 4 have been accessed by customers, which means that the customers have filed with us awaiting approval and some of the approvals are expected actually in this financial year, which will be commercially launched. None of these products overlap and as what Bharat mentioned as well, there is not really overlap on the portfolio at all. Does that answer your question Sriram?
- Sriraam Rathi:** No Sir, my question was particularly that in the presentation it was mentioned that there are four DMF filings, which have witnessed site variations and maybe from the customers who would have filed initially from other manufacturer initially and might have shifted to Aurore.
- Amit Kaptain:** Yes, to clarify here. The four product DMFs which are filed have been accessed by customers and they are doing an alternative source with us. They are qualifying Aurore as a source in their files and their ANDAs are either under approval with us being qualified or in the process of filing, that is what it meant.
- Sriraam Rathi:** Secondly, generally for Solara we had the guidance of 15% revenue and 20% EBITDA CAGR. Will that hold now also on this high base just to get an idea?
- Bharat Sesha:** So, Sriram with the guidance we have given was up to this FY2021 we have not updated our guidance beyond FY2021 and we will do so in the call that comes up in the coming weeks when we declare our FY2021 full results and we will update the guidance at that time. As we had reiterated, the guidance that we had given in the last quarterly call was also for FY2021 Sriram.
- Sriraam Rathi:** Lastly just one question, how is the product concentration in Aurore portfolio? Maybe the top five product contribution or something like that
- Amit Kaptain:** Let us say the top 10 products for us contributes to almost about 20% of the revenue and if I have to include let us say the CDMO space also because one of the customers for whom we do the contract manufacturing also forms a significant part of the revenue. So, that contributes to almost about a total of 29%. Just on a standalone basis, if you see the top 10 products contributing 20%, it also tells you that we have let us say a far diverse reach in terms of markets and in terms of customers also.
- Sriraam Rathi:** Got it Sir and that will also hold true in terms of products also?
- Bharat Sesha:** Right.
- Sriraam Rathi:** Thank you so much Sir. I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Tarang Agarwal from Old Bridge Capital. Please go ahead.

- Tarang Agarwal:** Congratulations. On the face of it, the deal looks really nice. I had three questions; one is there any debt on Aurore's books?
- Subhash Anand:** Yes, in fact there is debt of around 270 Crores in Aurore books.
- Tarang Agarwal:** What is the goodwill that is likely to be created, once the merger consummates?
- Subhash Anand:** No, we are in process of evaluating, we will come back with once we have clarity on the numbers. So, in the next call when we come back with more details, we will update.
- Tarang Agarwal:** Last question. Sir, the capital employed in your current business around September 30, 2020 is at about 1600 Crores. From whatever I have gathered in the presentation, Aurore is being valued at about 1900 Crores. 1870 Crores to be exact plus about 270 Crores of debt. So, that translates to about 2000 Crores of incremental capital. For a ROCE of 20% on the combined entity, profitability must grow rather steeply, so just wanted to get some sense on what is going to really drive the profitability of the combined entity as compared to what it is today?
- Bharat Sesha:** So, I think Raj will also address this. As we have also described in the merger documents, there is an inherent enhancement of profitability ratios in the mix of business that Aurore brings and that will definitely be accretive on the margins and the profitability for the combined entity. In terms of the specific factors that are driving that, I will ask Raj to step in now and give some colour on that.
- Rajender Rao Juvvadi:** Yes, a significant part of sales has been API going to emerging markets now. With all the approvals coming in, we actually received around a few approaches in the first quarter of Jan, Feb, March. So, all these sales into the regulated markets creates better margins further that we go by and that would improve the profitability for all of us.
- Tarang Agarwal:** When do you anticipate reaching this?
- Rajender Rao Juvvadi:** We already have four approvals to European market in the first four months, so the qualification process is flawless and has already started and commitments from customers for these products has also started. So, this year we will see a significant amount of increase in the regulated market for API and we are also going in-house manufacturing from a lot of outsource. So, that also improves the profitability for us because these costs do not exist because in-house manufacturing has been going up.
- Tarang Agarwal:** Okay thank you, all the best.
- Moderator:** Thank you. The next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.

**Ujwal Shah:** Sir, in your presentation you have mentioned on the CRAMS part, that a significant sales does come from Japan and Korea and on the China impetus, they already have a good filing. So can you just throw some light in terms of CRAMS? What is the trend that Aurore brings in, and how significantly this opportunity will gather for Solara in terms of new market introduction?

**Bharat Sesha:** Let me again try and address it first and then Raj I am sure, will add to it. The CRAMS footprint is now tripled with the addition of the CRAMS business that Aurore brings in and as we have also indicated in the investor deck, the relationships that Aurore has with innovators on high value molecules is something that we expect we can leverage and bring more business to the combined entity. So, we see definitely a positive momentum on the CRAMS business. We should also keep in mind now, that we have added significant scale to what was a nascent business. I have been saying in all quarterly calls that is an incubation business and is a nascent business for Solara, so this gives us an immediate ramp up of scale and that is crucial and vital as we grow our CRAMS business going forward. This we expect will be very strong momentum again for our combined entity going forward. I will just make one more comment on the markets that you called out and then I will ask Raj to add. We have always indicated in prior calls that less regulated markets, non-regulated markets plus APAC are all areas where we continue to look for growth. With the addition of the Aurore footprint, particularly in markets like Japan and Korea, our APAC presence is now significant and that footprint is very, very important. As we all know in markets like Korea and Japan, once we are with a customer and we continue to deliver consistent quality on a regular basis, which we have been doing, the stickiness is very high. So, we think that this move of getting the merger going will help us significantly also in those markets and to the point on China, we currently have seven filings from Solara and with the addition of the seven submissions from Aurore, this more or less doubles number of DMF/submissions we have in the China market; again, as a leading indicator of growth that we can achieve in the China market in the coming years. I will now hand it over to Raj to add more color.

**Amit Kaptin:** Thanks Bharath, this is Amit here. So yes, I think there has been a special emphasis and focus for the relationships that we actually have, particularly in Korea, China and Japan and that also catapulted the growth in this year for us as well. This is also one value add that we actually bring in the merger, whereby the relationship what we bring and also the filings and the traction that we have in these markets will significantly add value. There is a good amount of commercialization which actually happened in the last year and there is a good number of approvals and commercialization which will actually happen in this year as well. So, this will certainly add a lot of value in the combined entity.

**Ujwal Shah:** Secondly on the API piece, the Aurore does have a very good investment in developing ARV product. So, where are we currently in terms of this development filing etc., and do we have the entire portfolio of the ARV products or is it that we are focusing on some products as of now?

**Amit Kaptin:** Yes , we have not gone full-fledged in all kinds of ARV products but we have identified say about five products to start with. These also comes with our unique strategy of how we go ahead and

develop products for the anchor customers. So, these are based on our relationship and certain customers who had the gaps in their supply chain which we kind of filled in and that actually kind of helped us build our strength in to this segment which we will consolidate in the next 12 to 24 months together. One of the important elements here also is, it is a very cost driven business, so we have also built significant strength on the backward integration which has been the philosophy of Aurore as well. So, all these products are almost completely backward integrated which helps us bring in the cost competitiveness elements to help our customers win,

**Ujwal Shah:** Lastly on the Capex part. Some part of our Solara's Capex would be used by Aurore. So, any Capex guidance for Solara has changed because of these Capex's considering our own requirement in the future, now that some portion would be utilized by Aurore? Are we planning to add new capacities and how do we see Capex over next two, three years?

**Bharat Sesha:** So, we will come back with more granularity on this in our quarterly call and the point you make is very valid that we now have existing capacities which can be well leveraged by the growth that Aurore will bring and in terms of the guidance for future Capex for Solara, we will come back to it in a quarterly call that is coming up in a few weeks.

**Ujwal Shah:** Sure, thanks I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Alankar Garude from Macquarie. Please go ahead.

**Alankar Garude:** Sir what is the capital employed for Aurore as of FY2021 end?

**Subhash Anand:** Okay capital employed of Aurore will be around 500 Crores.

**Alankar Garude:** Is it possible to quantify the extent of backward integration, so for example 40 plus commercialized products broadly, what would be the extent of backward integration for these products as well as the ones in the pipeline?

**Rajender Rao Juvvadi:** It depends on product to product, if you see in a lot of products, we actually go back to as basic as possible except that what we cannot do in volumes. Otherwise, most of the products we have built in, our own KSMs as well into making a lot of these products and wherever we started the KSM, we have done subsequently after the filing go back and make the KSM also and that has been our strategy. That is why it changes on the length of the chemistry and types of products. So, it is not easy to address in specific way but product to product, it varies to the extent of backward integration.

**Alankar Garude:** And maybe two questions for Bharat. Sir so the CRAMS sales for Solara has given us 75 Crores in the presentation, I thought it is much higher than that so has there been some realignment in the CRAMS business for Solara in the run up to this deal?

- Bharat Sessa:** So Alankar good question. So, this year the CRAMS business we had a couple of big customers who reprioritize to make products related to the pandemic. So, this year we have seen actually no offtake on a couple of key products from our customers which will normalize over the course of next year, so there is no change in the growth trajectory it is an event, and a situation takes a blip that we had this year Alankar.
- Alankar Garude:** And one final question, maybe Bharat and Raj and Amit also can also chip in. So, what role exactly will Raj and the entire management team of Aurore have at Solara?
- Bharat Sessa:** So, we are very excited to have what Aurore brings in terms of the entrepreneurial spirit, the ability to bring momentum to our R&D filings but in terms of the granularity of the roles etc., please give us some time to come back as we said. Once we get the approvals, we will come back with very granular details on all of these questions Alankar, so you will have to be a bit patient on this one.
- Alankar Garude:** Sure, great, thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.
- Tushar Manudhane:** Congrats for the deal. Just a couple of questions from my end. First of all, even if I leave aside the CRAMS business, just would like to understand how the pricing and the volume growth has been on a portfolio level ex of CRAMS business for Aurore?
- Amit Kaptin:** Hi this is Amit here. Your question was with respect to how it has grown?
- Tushar Manudhane:** Yes, at the portfolio level how has been the pricing and the volume growth for last couple of years excluding the CRAMS business?
- Amit Kaptin:** Yes so the first two years we focused on getting customer approval for all the CRAMS business because we need source changes and source validations. The last year has shown a significant traction in terms of the approvals, product by product and so a part of the CRAMS business comes from main customers in Europe, Japan, China and Korea. All these customers are all where regulatory approvals were given last year. That is sort of given in terms of last year. We would have a consistent growth in the current year also from some of these customers again.
- Tushar Manudhane:** Sir on the CRAMS business...
- Subhash Anand:** Pardon me could you repeat the question again.

- Tushar Manudhane:** Just I would like to understand the way you explained the CRAMS part. For non-CRAMS part of the Aurore, how has the price volume growth shaped up over the last couple of years at the portfolio level if not product specific?
- Subhash Anand:** In fact, it is more led by new product and volume. It is not driven much by price led growth, isn't that right Amit?
- Amit Kaptin:** Yes, correct Subhash.
- Tushar Manudhane:** So effectively like CRAMS is presumably the high margin business but even if I leave aside that still the rest of the portfolio is at a very decent EBITDA margin so can that be taken as a margin at a sustainable level going forward?
- Amit Kaptin:** Yes, that could be, and this is what we mentioned also. The EBITDA is also sustainable with respect to the combination of the API as well as the CRAMS.
- Tushar Manudhane:** Okay Sir, that is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Agarawal from DAM Capital. Please go ahead.
- Nitin Agarawal:** Sir on your API capacity and the capabilities in Aurore, can you highlight a little bit more around that and if there is a big focus area, is it largely from a perspective of backward integration for Aurore its own products or intermediates in general essentially are the separate focus area for the business?
- Rajender Rao Juvvadi:** See, the intermediates will be a separate focus area for the business as well and a lot of backward integration is also present for the existing products, so it is a combination of both.
- Nitin Agarawal:** And the comment that we have made in the presentation around Aurore's intermediate accessibility is helping significantly in backward integration for Solara's portfolio. If you can just give your touch point to look at on that.
- Rajender Rao Juvvadi:** That is what we are going to work on. We will bring in strength in terms of few products we have already identified. I think we will be focusing on improving through cost improvement programs and working on a backward integration because that is the strength that we bring to the team together.
- Bharat Sesha:** Absolutely! Just to add a point to that Nitin. We have already, as Raj mentioned have identified three products where we will benefit from the backward integration capabilities of Aurore and we will work together and identify more such opportunities going forward.
- Nitin Agarawal:** Three products you mentioned in Solara portfolio, right?

- Bharat Sesha:** Yes, that is for launch in FY2022. So, these are not products that are already there. It is all launch in FY2022. We will work on identifying more products as we go through the integration discussions.
- Nitin Agarawal:** Secondly on Aurore's contract manufacturing business, can you just help us understand little bit more around the nature of this business. Is this largely around the contract manufacturing for operating in front of the innovators or most of it is for innovative products which are under patent? What is the typical broader nature of the CRAMS that we do in Aurore?
- Amit Kaptin:** This is a mix of both of that. We bought in a facility which was from Mylan, actually now Viatriis. So, with that came along certain products that we actually could do for them, that is number one. But it also being a CRAMS focused business, we also do a mix of both for some innovator customers as well as some other customers specially in the regulated space for which we do the CRAMS.
- Nitin Agarawal:** And Sir when you look at the combined entity, Amit, how does it change its competitive position on the CRAMS arena especially on the CDMO side? Does it do anything? How does it in your assessment change your position with the clients?
- Bharat Sesha:** Let me try and address that Nitin. So, what Aurore brings not just is the heft of the business size but also relationships that they have developed with innovator companies which is the key indicator of why they have grown so well in the CRAMS space. In addition to that, there are some capabilities on chemistry that Aurore brings which Solara does not have currently to offer to our CRAMS customers. So, we can consider the science, the capabilities, the capacities, the customer relationships, all of which will be accretive to our CRAMS space as I have been reemphasizing before. Our CRAMS business is showing the right kind of growth and this will just accelerate that by adding the scale to it, so that the momentum will get even faster now.
- Nitin Agarawal:** Second and last one I mean on this ARV business that you talked about in Aurore, ARV is a high-volume business which has very, very competitive players out there. I mean so what competencies and what will be bring to the table to be incrementally more relevant in building this business because we are talking about seriously well stretched players?
- Rajender Rao Juvvadi:** See we mostly start some of these products based on the chemistry and the scale that we can achieve and with the anchor customer in mind. So, we have anchor customer for some of the products that we have started and that is how we entered this area and then when we look into the competitiveness, we were able to meet the customer expectations. I am sure, yes, these were volume products, there will be a little bit more capacities and that is what we must plan now but with the anchor customers that we have, they are very comfortable with the margins that we make for these products.
- Nitin Agarawal:** thank you and best of luck.
- Moderator:** Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.

- Jigar Valia:** My first question or clarification is with regards to the follow-up on the product concentration. You mentioned that you have 40 plus products and the top ten products constitute 20% including CDMO about 29%. Does it mean that the overall that there is not the long tail of a smaller value products rather rest of the other products and kind of nearly equal size?
- Rajender Rao Juvvadi:** That is the current scenario because we have a lot of CRAMS business as well, but as we grow ahead our top ten products should normally contribute more than 50% - 60%. The long-term strategy will be our high margin products and the top ten products which would eventually as we go with all the approvals in all the markets, would contribute close to 50% to 60% for total products.
- Jigar Valia:** Next question is with regards to this 67% stake in Aurore Pharma. So, one is if you can say what is the share of Aurore Pharma within overall Aurore Life Group and what is the plan with regards to the balance 33%?
- Rajender Rao Juvvadi:** See the Aurore Life Sciences owns around 67% in Aurore Pharmaceuticals. We have a very good relationship with the investors who have joined us when we bought this facility. We will be working together to address this issue and by the time we will meet you next, I am sure you will have a better answer to that because this happens in a quick stream. So, we have a very cooperative partner with us and we will come back to you on that.
- Jigar Valia:** And the share of Aurore pharma within the overall Aurore Life a smaller part or it is a larger part.
- Amit Kaptin:** CRAMS.
- Jigar Valia:** It is a CRAMS part of it. Okay. Next question is we have our asset turnaround almost 2x. I want to understand that what percentage of our manufacturing is outsourced and what is done captive?
- Rajender Rao Juvvadi:** See if you look at last year it will be 50%/50% because our second plant just got operational towards the middle of last year and in that plant, the additional capacity is just about operational now. So, if you look at what's coming next on 12 months basis, we will find a significant asset size turnover increasing because now most of the manufacturing is going into this new plant.
- Jigar Valia:** Thank you so much and congratulations.
- Moderator:** Thank you. The next question is from the line of Harshil Patil from Sharekhan. Please go ahead.
- Harshil Patil:** Congratulations for the deal Sir. Sir just most of my questions have been answered, just need one data point. Sir is it possible for you to kind of share what would be the contribution from top markets to our revenues or probably any flavor of the revenue mix for Aurore?
- Rajender Rao Juvvadi:** Could you repeat the question.

- Harshil Patil:** Yes, Sir my question was if you could give some data point as to what the share of top markets for Aurore would be or maybe any flavor of the revenue mix for Aurore Life Sciences including the CRAMS.
- Amit Kaptin:** So, we will come back with more granularity on this as we go through the process here and we should be able to give you more traction in the call in next couple of months.
- Harshil Patil:** Okay Sir, thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Cindrella from Centrum Broking. Please go ahead.
- Cindrella Carvalho:** Sir just wanted two clarifications from your end. On the API side, can we highlight which are our market share leading products, I mean if you can give some color maybe not exactly if you want to specify the product, but if you could highlight out of the ten top products what you have mentioned, how many would be market share leaders, in which area they would be, it would be helpful.
- Amit Kaptin:** So, we are not taking the names of the product but what I can tell you is that let us say the top ten products what we have today over a period of say another 12 or 24 months, the concentration might slightly change as a lot of approvals come in into this year and the following year. So, the aim has always been to take a leadership position to be among the top three and that is how the entire strategy has been built, so all that I can tell you is, out of these ten products currently today, eight products out of them are slated to be one of the top three in terms of global market share amongst the API players.
- Cindrella Carvalho:** The other clarification and similarly on the CRAMS side also do we have any concentration in terms of our customers out of the 29% revenue that you specified?
- Amit Kaptin:** So, as we mentioned, the CRAMS business predominantly focuses on three markets today. One is Korea, second is Japan and third is Europe. So, three markets constitute predominantly the total business that we have. Now the focus here is more towards going towards the west as much as we will consolidate more in Japan as well. And, I think the total combined entity, the strength that we bring in terms of relationship as what I mentioned earlier this will be complementing the kind of initiatives that we had at Aurore and to get that with Solara.
- Cindrella Carvalho:** I was asking on the customer side if you can highlight the concentration in Aurore thing.
- Amit Kaptin:** So today predominantly the concentration of the current business what we had in the last year, it is a mix of these three markets. It is not really one single market that I can directly call it out, but I would say that the approvals which are likely to come in and specially for this year and the following, we will have more business coming in from Europe.

- Cindrella Carvalho:** And this one is broader question, so just want to understand this. I do not know to what extent you can provide the color I want to know. You have mentioned the line saying that the promoter's API interest is all in line now with this merger of all the API entities. How should you look at it going ahead? And there is a certain news article also in-between which were highlighting with some of the exit strategy for some of the promoters, so I just want you to clarify this to whatever the extent you could, thank you.
- Bharat Sesha:** So Cindrella, what we meant to say is that there is a common promoter and I will be able to explain in depth. The family office of Arun Kumar had invested in Aurore and backed Raj in the Aurore investment and of course our investors in Solara. What we meant to say is that this merger aligns all the API interests of the promoter and makes it into one platform, which is what we were trying to indicate.
- Cindrella Carvalho:** So, any comment on the certain developments that...
- Bharat Sesha:** Sorry I am not able to hear fully Cindrella can you be a bit louder.
- Cindrella Carvalho:** I said any comment on some portion of it being exited by the promoter or any discussion on that level?
- Bharat Sesha:** No comment on that.
- Cindrella Carvalho:** Thank you so much and all the very best.
- Moderator:** Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** My question pertains to, if you could give the sales mix between high volume products and the value-added products for Aurore.
- Amit Kaptin:** We are not able to share at this point of time.
- Charulata Gaidhani:** And what would be the cost of debt.
- Subhash Anand:** The cost of debt will be normal as what it is at this point of time. Interest rate is around 10%.
- Charulata Gaidhani:** And in terms of the filings what are your expectations in terms of approvals.
- Bharat Sesha:** So, I think Amit already mentioned it that Aurore already has four letters of access granted for the US DMF filings of its products. From the combined entity's perspective, we have been guiding in Solara 8 to 10 US DMF filings a year. We anticipate this could significantly increase with a combination of

the competencies that Aurore bring, so the new product introductions can be around 25 a year. This is how our anticipation of the combined entities output of new products going forward is.

**Charulata Gaidhani:** Yes, in terms of filings that is fine. In terms of approvals do you have target date that have come on?

**Rajender Rao Juvvadi** So, we have received 4 approvals already in the last four months, but it is very difficult to predict the speed of approvals because of the COVID situation. Whenever we write to the authorities, they are coming back to us saying that they need more time, so difficult to predict at this point of time but we expect another seven to eight approvals as we go ahead from the previous filings that you asked.

**Charulata Gaidhani:** So FY2022, there would not be new launches?

**Bharat Sesha:** No, there will be many new launches and the approval date of the current filings is very much up to the regulator. We have already have quite some filings that have happened from both companies in FY2021, all of this will be approved over the course of the coming year. So, there will be multiple launches in FY2022. What we are trying to say is that we cannot exactly predict how many of the filings will get accessed or will have LOA granted. That depends basically on the regulatory speed of approvals which is something that is difficult to predict, but we are very confident that we will have multiple product launches in FY2022.

**Charulata Gaidhani:** Thank you all the best.

**Moderator:** Thank you. Ladies and gentlemen this was the last question for today, I would now like to hand the conference over to Mr. Bharat, MD & CEO from Solara Active Pharma Sciences Limited for closing comments.

**Bharat Sesha:** Thank you, and once again really appreciate that all of you could join this call today. I want to leave you with some key takeaways that I hope we were able to communicate over the course of the last one hour. This merger is EPS accretive and margin accretive from day one, this provides almost complete complementarity of products, significantly increases the capability and the speed in which we can file DMFs and launch new products. It gives us the opportunity to strategically address one of the areas of focus which is to do with the backward integrating some KSMs and add heft, size, scale and customer contacts for our CRAMS business, to put it on a different growth trajectory. Overall, we are delighted and excited to have this merger come to success and we look forward to talking to you in more detail after we get the requisite approvals. Thank you once again.

**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.