

Press Release

Solara announces Q1'23 Financial Results

- ⇒ Q1'23 demonstrates a steady start as the base business starts to regain traction
- ⇒ Quarterly Revenues stood at ₹3,371m with reported EBITDA at ₹181m
- ⇒ Regulated markets back to >60% of the total revenues leading to improved gross margins
- ⇒ Significant operational initiatives introduced to improve profitability, on track for a bounce back in H2'23

Bengaluru, India – August 4, 2022: Solara Active Pharma Sciences Ltd (Solara) (NSE: SOLARA; BSE: 541540), a leading Active Pharmaceutical Ingredient / CRAMS company, today announced the financial results for the first quarter (Q1'23)

Financial Performance for Q1'23 (Excluding Vizag Facility)

Particulars (INR m)	Q1'23	Q4'22	Q1'22	QoQ%	YoY%
Revenue	3,371	3,669	4,115	-8%	-18%
Gross margins	1,401	1,299	2,308	8%	-39%
Gross margins %	41.6%	35.4%	56.1%		
Operating EBITDA	477	513	1,325	-7%	-64%
Operating EBITDA %	14.2%	14.0%	32.2%		
EBITDA	289	285	1,067	1%	-73%
EBITDA Margins %	8.6%	7.8%	25.9%		

Financial Performance for Q1'23 (Reported)

Particulars (INR m)	Q1'23	Q4'22	Q1'22	QoQ%	YoY%
Revenue	3,371	3,669	4,115	-8%	-18%
Gross margins	1,401	1,299	2,308	8%	-39%
Gross margins %	41.6%	35.4%	56.1%		
Operating EBITDA	369	404	1,208	-9%	-69%
Operating EBITDA %	10.9%	11.0%	29.3%		
EBITDA	181	176	950	2%	-81%
EBITDA Margins %	5.4%	4.8%	23.1%		

Commenting on the financial performance, **Jitesh Devendra**, the Managing Director of the Company, remarked, "Coming from a challenging fiscal, we had a steady start to the year. While our business continue to witness headwinds, our course correction strategy is now in action. Our first 100 days of the year have primarily been focused on bringing back the momentum we had on customer centricity by better networking, rekindling the R&D focus, and adding even more products under the cost improvement basket. We have been selective in the business and have focused mainly on the products that are more relevant for the longer payout of our plan. Consequently, our Q1'23 performance aligns with our expectations for the base business (ex-Vizag). While we have not seen the historical peak demand, the off-take for our main products is improving each month, and we continue to see green shoots. The Vizag strategy is playing to plan, and our focus is to get the site approved by the authorities at the earliest. Q1

developments give us confidence that the company is on the recovery path, and we are well on course with a stronger bounce back in the second half of FY23. Our next 100-day priority will be to continue building on the actions that we have initiated in Q1 and intense focus on getting into growth, improving our cashflows, and strengthening the balance sheet.”

More details are included in the attached investor presentation.

EBITDA Reconciliation

Particulars (INR m)	Q1'23	Q4'22	Q1'22	FY22
Profit/(loss) before exceptional items and tax	(311)	(297)	507	(876)
Add : Finance costs	225	215	190	753
Add: Depreciation and amortisation expense	281	278	277	1,123
Less: Interest income	(14)	(20)	(23)	(78)
Consolidated Reported EBITDA as per press release	181	176	950	922

Earnings Conference Call

The Company will conduct earnings call at **4.00 PM IST on August 4, 2022**, where the Management will discuss the Company’s performance and answer questions from participants. To participate in this conference call, please dial the numbers provided below ten minutes ahead of the scheduled start time. The dial-in numbers for this call are **+91 22 6280 1346 or +91 22 7115 8247**. Please note that the conference call transcript will be uploaded on the Company website in due course.

About Solara

Solara Active Pharma Sciences Ltd (BSE-541540, NSE-SOLARA), headquartered in Bengaluru, India, offers a basket of diversified, high-value Commercial APIs and Contract manufacturing services in over 75 countries. It has a manufacturing base comprising five globally compliant API facilities, with approvals including the USFDA, EU GMP, and PMDA in Japan.

Investor / Analyst contact

Abhishek Singhal

✉ abhishek.singhal@solara.co.in

☎ +91 99877 66968

Statutory and corporate affairs

Murali Krishna S

Raghavan. V

✉ investors@solara.co.in

Disclaimer: Certain statements in this document are not historical facts and are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political, or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Solara Active Pharma Sciences Ltd will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Q1'23 Earnings Update

Solara Active Pharma Sciences
August 4, 2022

Staying Focused.
Rebuilding Resilience.



Performance Ex- Vizag (₹ In Million)

Particulars	Q1'23	Q4'22	Q1'22	QoQ%	YoY%
Revenue	3,371	3,669	4,115	-8%	-18%
Gross margins	1,401	1,299	2,308	8%	-39%
Gross margins %	41.6%	35.4%	56.1%		
Operating EBITDA	477	513	1,325	-7%	-64%
Operating EBITDA %	14.2%	14.0%	32.2%		
EBITDA	289	285	1,067	1%	-73%
EBITDA Margins	8.6%	7.8%	25.9%		

Performance with Vizag (₹ In Million)

Particulars	Q1'23	Q4'22	Q1'22	QoQ%	YoY%
Revenue	3,371	3,669	4,115	-8%	-18%
Gross margins	1,401	1,299	2,308	8%	-39%
Gross margins %	41.6%	35.4%	56.1%		
Operating EBITDA	369	404	1,208	-9%	-69%
Operating EBITDA %	10.9%	11.0%	29.3%		
EBITDA	181	176	950	2%	-81%
EBITDA Margins	5.4%	4.8%	23.1%		



Coming from a challenging fiscal, we had a steady start to the year. While our business continue to witness headwinds, our course correction strategy is now in action. Our first 100 days of the year have primarily been focused on bringing back the momentum we had on customer centricity by better networking, rekindling the R&D focus, and adding even more products under the cost improvement basket. We have been selective in the business and have focused mainly on the products that are more relevant for the longer ployout of our plan.

Consequently, our Q1'23 performance aligns with our expectations for the base business (ex-Vizag). While we have not seen the historical peak demand, the off-take for our main products is improving each month, and we continue to see green shoots. The Vizag strategy is playing to plan, and our focus is to get the site approved by the authorities at the earliest.

Q1 developments give us confidence that the company is on the recovery path, and we are well on course with a stronger bounce back in the second half of FY23. Our next 100-day priority will be to continue building on the actions that we have initiated in Q1 and intense focus on getting into growth, improving our cashflows, and strengthening the balance sheet.

Jitesh Devendra
Managing Director



Our course correction strategy is playing out for each of the business verticals as planned for FY23



Priority

Revive Base Business growth & profits

Recalibrate R&D for high velocity

Enhance capacity usage at Vizag




Underlying Value Drivers

- ▶ **Base Ibuprofen and Ibuprofen derivative** business with 30+ years legacy and dual manufacturing site with backward integration
- ▶ **Non-Ibuprofen business** comprising of high-value products differentiated by scale or integration
- ▶ **Fast Growing CRAMS business** with a wide gamut of service offerings.

- ▶ **High R&D velocity** to deliver new products every year
- ▶ **Product selection strategy** on new molecules, quick-to-launch approaches, and market extensions
- ▶ Focus on the **selection of higher margin molecules** with emphasis on leveraging **strong chemistry capabilities**

- ▶ Phase 1 of the **Vizag facility** was commissioned in Q2'21 to expand capacities for Ibuprofen and other multiple products.
- ▶ **Capacity designed to support backward integration** and enable new API launches with supply chain security
- ▶ Multipurpose Plant to support new product validation for **future growth**



Our Value Enablers

- ▶ Diversification of **customer base on large volume products**
- ▶ Continued focus on **CIPs and backward integration**
- ▶ **Focus on new markets** for existing products
- ▶ Building levers for higher **regulated market sales**

- ▶ Build on the **good market presence** in many of the settled business products
- ▶ **High GTM focus** on seeding customers for new products
- ▶ **Leverage relationships with innovators** and partner on newer offerings

- ▶ Get Vizag triggered for inspection.
- ▶ Focus on getting new **business through new launches or leverage facility** for multiple products
- ▶ Implement a **CIP program** through Vizag for better margins on existing products

QoQ Performance (₹ In Million)

Particulars	Q1'23	Q4'22	Change
Revenue	3,371	3,669	-8%
Gross margins	1,401	1,299	8%
Gross margins %	41.6%	35.4%	620 bps
Operating EBITDA	369	404	-9%
Operating EBITDA Margins	10.9%	11.0%	-10 bps
R&D Cost	(80)	(119)	
Under recovery – Vizag	(108)	(109)	
EBITDA	181	176	2%
EBITDA Margins	5.4%	4.8%	60 bps
PAT	(165)	18	
Basic EPS (₹/Share)	(4.56)	0.53	

YoY Performance (₹ In Million)

Particulars	Q1'23	Q1'22	Change
Revenue	3,371	4,115	-18%
Gross margins	1,401	2,308	-39%
Gross margins %	41.6%	56.1%	
Operating EBITDA	369	1,208	-69%
Operating EBITDA Margins	10.9%	29.3%	
R&D Cost	(80)	(141)	
Under recovery - Vizag	(108)	(117)	
EBITDA	181	950	-81%
EBITDA Margins	5.4%	23.1%	
PAT	(165)	501	
Basic EPS (₹/Share)	(4.56)	13.95	

*Q1'22 data were re-casted to reflect Vizag Under recovery

Key Business Metrics for FY23

Revive Base Business growth & profits

- ▶ Regulated markets revenues at 66% of Q1'23 revenues (vs. 43% in Q1'22), led to higher gross margins for the quarter
- ▶ Increase in demand for Ibuprofen derivatives and other new products; New products accounted for 6% of Q1'23 revenues
- ▶ CRAMS continued to deliver strong growth. CRAMS revenue at 5% of Q1'23 revenues; Significant new business seeded
- ▶ Continued focus on Operating cost reduction and inventory management

Recalibrate R&D for high velocity

- ▶ Re-initiated stronger focus on R&D and added 15+ new programs for the year ; On track to file 6 new DMFs in FY23
- ▶ Significant focus on products with high gross margins and cost improvement programs initiated for high volume products

Enhance capacity usage at Vizag

- ▶ Initiated validation supplies to customers to trigger regulatory inspection
- ▶ Backward integration project shall be in operation in Q3'23
- ▶ Planning certain product supplies to less regulated markets in Q3'23

While we have improved our balance sheet, the key ratios will see a further pick up in H2'23

Sources of funds (₹ In Million)

Particulars	Mar'20	Mar'21	Mar'22	Jun'22
Shareholders' funds	10,860	15,885	15,248	15,087
Less: Goodwill	-3,651	-3,651	-3,651	-3,651
Net worth	7,209	12,234	11,597	11,436
Term Loan	3,530	2,460	4,147	3,775
Working capital Loan	3,538	3,609	6,099	5,980
Gross Debt	7,068	6,069	10,246	9,755
Less: Cash & Cash Equiv.	-1,068	-1,985	-973	-599
Net Debt	6,000	4,084	9,273	9,156
Total	13,209	16,318	20,870	20,592

Use of funds (₹ In Million)

Particulars	Mar'20	Mar'21	Mar'22	Jun'22
Net Tangible Fixed Assets	9,932	10,359	11,620	11,639
Net Non-current Assets	183	735	1,124	1,331
Net Current Assets	3,094	5,224	8,126	7,622
Total	13,209	16,318	20,870	20,592

Net Debt movement (₹ In Million)

Particulars	Term Loan	Working Capital	Cash & CE	Net Debt
Opening as on 1.4.2022	4,147	6,099	(973)	9,273
Add: Fresh Term loan	-	-	-	-
Less: Term loan repaid	(372)	-	-	(372)
Reduction in Working capital	-	(119)	-	(119)
Working capital Loan repaid/ Capex	-	-	(374)	(374)
Closing as on 30.6.2022	3,775	5,980	(599)	9,156

- ▶ Net debt has been reduced from ₹ 9,273 million to ₹ 9,156 million during this quarter. No fresh loans were availed during the quarter. Cash balance utilized to fund capex and reduction of Working capital loan..
- ▶ Net Current Assets reduced from ₹ 8,126 million to ₹ 7,622 million primarily due to reduction in Inventory.
- ▶ Actions to structurally optimize inventory and right-size the working capital being implemented

Q1'23 Performance

Particulars	Core Business (Ex-Vizag)	R&D Led Growth Business	Vizag Under Recoveries	Total
Revenue	3,371	-	-	3,371
EBITDA	369	(80)	(108)	181
EBITDA %	11%			5%
Profit Before Tax	(5)	(111)	(195)	(311)

Q4'22 Performance

Particulars	Core Business (Ex-Vizag)	R&D Led Growth Business	Vizag Under Recoveries	Total
Revenue	3,669	-	-	3,669
EBITDA	404	(119)	(109)	176
EBITDA %	11%			5%
Profit Before Tax	2	(148)	(164)	(310)

- ▶ **Core Business:** EBITDA at ₹ 369 million with 11% margins
- ▶ **R&D Led Growth Business:** R&D cost at ₹ 80 million. We plan to file 6 new product filings in FY23.
- ▶ **Vizag Under Recoveries:** Under recoveries of ₹ 108 million. The Vizag facility to be maintained at cGMP condition to meet the regulatory requirement. Due to COVID, the regulatory inspection was not triggered, and the Company expects to trigger regulatory inspection in FY23.

Solara Leadership Participants



Jitesh Devendra
Managing Director



S. Hariharan
Executive Director & CFO



16:00hrs , IST



Thursday, August 4



+91 22 6280 1346
+91 22 7115 8247



Pre-register here for
diamond pass*

Thank You



CORPORATE OFFICE

Second Floor, Admin Block, 27, Vandaloor Kelambakkam Road, Keelakottaiyur Village, Melakottaiyur (PO), Chennai – 600 127 Tel.: +91 44 4740 6200; Fax: +91 44 4740 6190

REGISTERED OFFICE

201, Devavrata, Sector 17, Vashi, Navi Mumbai - 400 703.
Tel.: +91 22 2789 2924
Fax No. +91 22 2789 2942
Email: investors@solara.co.in
Website: www.solara.co.in
CIN: L24230MH2017PLC291636