

**Press Release**

## **Solara announces improved Q2'23 Financial Results**

- ⇒ *Q2'23 demonstrates improved gross margin performance of the base business*
- ⇒ *Quarterly Revenues stood at ₹3,421m, with reported EBITDA at ₹300m*
- ⇒ *Gross margin at 44.2% in Q2'23 versus 41.6% in Q1'23*
- ⇒ *Regulated markets back to >60% of the total revenues*
- ⇒ *Vizag facility receives CEP for Ibuprofen manufacturing, commercial production to commence in Q3'23 with European supplies starting from FY24*
- ⇒ *Significant operational initiatives introduced to improve profitability, on track for a bounce back in H2'23*

**Bengaluru, India – November 9, 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 second quarter (Q2'23)

### **Financial Performance for Q2'23**

<b>Particulars (INR m)</b>	<b>Q2'23</b>	<b>Q1'23</b>	<b>Q2'22</b>	<b>QoQ%</b>	<b>YoY%</b>
<b>Revenue</b>	<b>3,421</b>	<b>3,371</b>	<b>4,049</b>	<b>2%</b>	<b>-15%</b>
Gross margins	1,514	1,401	2,161	8%	-30%
Gross margins %	44.2%	41.6%	53.4%		
<b>Operating EBITDA</b>	<b>526</b>	<b>369</b>	<b>1,028</b>	<b>43%</b>	<b>-49%</b>
Operating EBITDA %	15.3%	10.9%	25.4%		
<b>EBITDA</b>	<b>300</b>	<b>181</b>	<b>736</b>	<b>66%</b>	<b>-59%</b>
EBITDA Margins %	8.8%	5.4%	18.2%		

Commenting on the financial performance, **Jitesh Devendra**, the Managing Director of the Company, remarked, "We are upbeat about the growth prospects of Solara. Our Q2 improved performance has played out as per our plan with our actions on CIP programs, new market extensions, new product filings, and focus on building the CRAMS business which will yield the results from the second half of this fiscal year.

With the approval of Ibuprofen DMF from CDE China for our Puducherry site and Ibuprofen CEP from EDQM for our Vizag site, we believe we are the only Company to offer Ibuprofen from two manufacturing locations.

We continue strengthening our position on Ibuprofen and its derivatives while adding new customers and markets for our other key Products. Overall, we remain on the right track to deliver a strong recovery."

**More details are included in the attached investor presentation.**

## EBITDA Reconciliation

Particulars (INR m)	Q2'23	Q1'23	Q2'22	H1'23	H1'22	FY22
Profit/(loss) before exceptional items and tax	(193)	(311)	298	(504)	805	(876)
Add : Finance costs	220	225	170	445	360	753
Add: Depreciation and amortisation expense	286	281	284	568	561	1,123
Less: Interest income	(13)	(14)	(16)	(27)	(39)	(78)
<b>Consolidated Reported EBITDA as per press release</b>	<b>300</b>	<b>181</b>	<b>736</b>	<b>481</b>	<b>1,686</b>	<b>922</b>

## Earnings Conference Call

The Company will conduct an earnings call at **4.00 PM IST on November 9, 2022**, where the Management will discuss the Company's performance and answer questions from participants. To participate in this conference call, please dial the below numbers 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 six globally compliant API facilities, with approvals including the USFDA, EU GMP, and PMDA in Japan.

### Investor / Analyst contact

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### Statutory and corporate affairs

**Murali Krishna S**

**Raghavan. V**

✉ [investors@solara.co.in](mailto: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.*

# Q2'23 Earnings Update

Solara Active Pharma Sciences

November 9, 2022



Staying Focused.  
**Rebuilding Resilience.**



## Growth

### Base Business

- Growth momentum of API business in Q2 compared to Q1
- Improvement in CRAMS new business closure
- CDE China's approval for Ibuprofen DMF received

### Vizag Business

- CEP approval to manufacture Ibuprofen from flagship Vizag facility received
- USFDA inspection triggered by our Major Customer

### R&D led Business

- Validations initiated for 2 Products in Q2 – Filing in Q3.
- On track to file 6 DMFs this FY



## Profitability

- Revenues at Rs. 3,421 Mn; ~85% of historical quarterly run-rate.
- Increase in GM by 270 bps over Q1'23
- Improvement in Operating EBITDA by 441 bps over Q1'23
- EBITDA at Rs. 300 Mn; grown by 66% over Q1'23



## Cashflows

- Net Working Capital Reduction by Rs. 658 Mn in H1'23
- Net debt Rs. 9,154 Mn, reduced by Rs. 119 Mn in H1'23

Performance with Vizag (₹ In Million)

Particulars	Q2'23	Q1'23	Q2'22	QoQ%	YoY%
<b>Revenue</b>	<b>3,421</b>	<b>3,371</b>	<b>4,049</b>	<b>2%</b>	<b>-15%</b>
Gross margins	1,514	1,401	2,161	8%	-30%
Gross margins %	44.2%	41.6%	53.4%		
<b>Operating EBITDA</b>	<b>526</b>	<b>369</b>	<b>1,028</b>	<b>43%</b>	<b>-49%</b>
Operating EBITDA %	15.3%	10.9%	25.4%		
<b>EBITDA</b>	<b>300</b>	<b>181</b>	<b>736</b>	<b>66%</b>	<b>-59%</b>
EBITDA Margins	8.8%	5.4%	18.2%		

Performance Ex- Vizag (₹ In Million)

Particulars	Q2'23	Q1'23	Q2'22	QoQ%	YoY%
<b>Revenue</b>	<b>3,421</b>	<b>3,371</b>	<b>4,049</b>	<b>2%</b>	<b>-15%</b>
Gross margins	1,514	1,401	2,161	8%	-30%
Gross margins %	44.2%	41.6%	53.4%		
<b>Operating EBITDA</b>	<b>656</b>	<b>477</b>	<b>1,177</b>	<b>38%</b>	<b>-44%</b>
Operating EBITDA %	19.2%	14.2%	29.1%		
<b>EBITDA</b>	<b>431</b>	<b>289</b>	<b>885</b>	<b>49%</b>	<b>-51%</b>
EBITDA Margins	12.6%	8.6%	21.9%		



*We are upbeat about the growth prospects of Solara. Our Q2 improved performance has played out as per our plan with our actions on CIP programs, new market extensions, new product filings, and focus on building the CRAMS business which will yield the results from the second half of this fiscal year.*

*With the approval of Ibuprofen DMF from CDE China for our Puducherry site and Ibuprofen CEP from EDQM for our Vizag site, we believe we are the only Company to offer Ibuprofen from two manufacturing locations.*

*We continue strengthening our position on Ibuprofen and its derivatives while adding new customers and markets for our other key Products. Overall, we remain on the right track to deliver a strong recovery.*

**Jitesh Devendra**  
Managing Director

# The outlook remains positive for a stronger performance in the near term

## Actions Taken



Improvement in offtake of Base Business



Growth in CRAMS Business



CIP & Backward Integration Execution



Reduction in Vizag Under Recovery with sales initiating from Q3



Filings in focus markets (Brazil and China)



Improvement in new products offtake



## Expected Outcome



Revenue to Historical level of minimum INR4,000m/quarter



EBITDA Improvement – Double Digit EBITDA



Turning PAT Positive

## QoQ Performance (₹ In Million)

Particulars	Q2'23	Q1'23	Change
<b>Revenue</b>	<b>3,421</b>	<b>3,371</b>	<b>2%</b>
Gross margins	1,514	1,401	8%
Gross margins %	44.2%	41.6%	270 bps
<b>Operating EBITDA</b>	<b>526</b>	<b>369</b>	<b>43%</b>
Operating EBITDA Margins	15.3%	10.9%	441 bps
R&D Cost	(95)	(80)	
Under recovery – Vizag	(131)	(108)	
<b>EBITDA</b>	<b>300</b>	<b>181</b>	<b>66%</b>
EBITDA Margins	8.8%	5.4%	340 bps
<b>PAT</b>	<b>(99)</b>	<b>(165)</b>	
Basic EPS (₹/Share)	(2.77)	(4.56)	

## YoY Performance (₹ In Million)

Particulars	Q2'23	Q2'22	Change
<b>Revenue</b>	<b>3,421</b>	<b>4,049</b>	<b>-15%</b>
Gross margins	1,514	2,161	-30%
Gross margins %	44.2%	53.4%	
<b>Operating EBITDA</b>	<b>526</b>	<b>1,028</b>	<b>-49%</b>
Operating EBITDA Margins	15.3%	25.4%	
R&D Cost	(95)	(143)	
Under recovery - Vizag	(131)	(149)	
<b>EBITDA</b>	<b>300</b>	<b>736</b>	<b>-59%</b>
EBITDA Margins	8.8%	18.2%	
<b>PAT</b>	<b>(99)</b>	<b>297</b>	
Basic EPS (₹/Share)	(2.77)	8.27	

\*Q2'22 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 Q2'23 revenues (vs. 44% in Q2'22), led to higher gross margins for the quarter
- ▶ Increase in demand for Ibuprofen derivatives and other new products; New products accounted for 11% of Q2'23 revenues
- ▶ CRAMS continued to deliver strong growth. CRAMS revenue at 5% of Q2'23 revenues;
- ▶ Continued focus on Operating cost reduction, continuous improvement program (CIP) 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
- ▶ Eight market extensions were done for nine existing products
- ▶ During the quarter, CDE China has approved Solara's Ibuprofen API for domestic market.
- ▶ Four market extension approvals received in H1'23
- ▶ 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
- ▶ CEP approval to manufacture Ibuprofen from flagship Vizag facility has been received.
- ▶ During the quarter, the company has initiated action for triggering regulatory inspection.
- ▶ Included Vizag as additional site for manufacture of Ibuprofen for US and EU.
- ▶ Backward integration project shall be in operation in Q4'23
- ▶ Planning certain product supplies to less regulated markets in Q3'23

Q2'23  
Performance

Particulars	Core Business (Ex-Vizag)	R&D Led Growth Business	Vizag Under Recoveries	Total
Revenue	3,421	-	-	3,421
EBITDA	526	(95)	(131)	300
EBITDA %	15%			9%
Profit After Tax	244	(127)	(216)	(99)

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 After Tax	141	(111)	(195)	(165)

Q2'23 Performance:

- ▶ **Core Business:** EBITDA at ₹ 526 million with 15% margins
- ▶ **R&D Led Growth Business:** R&D cost at ₹ 95 million. We plan to file 6 new product filings in FY23. Validation sales expected in H2'23.
- ▶ **Vizag Under Recoveries:** Under recoveries of ₹ 131 million. The Vizag facility to be maintained at cGMP condition to meet the regulatory requirement. During the quarter, the Company has initiated action for triggering regulatory inspection. CEP approval to manufacture Ibuprofen from flagship Vizag facility has been received. This will reduce the under recoveries in the coming quarters.



# Net Working Capital Reduction by INR 658Mn has been a positive outcome of our controllership

## Sources of funds (₹ In Million)

Particulars	Mar'22	Jun'22	Sep'22
Shareholders' funds	15,248	15,087	14,984
Less: Goodwill	-3,651	-3,651	-3,651
<b>Net worth</b>	<b>11,597</b>	<b>11,436</b>	<b>11,333</b>
Term Loan	4,147	3,775	3,464
Working capital Loan	6,099	5,980	6,146
<b>Gross Debt</b>	<b>10,246</b>	<b>9,755</b>	<b>9,610</b>
Less: Cash & Cash Equiv.	-973	-599	-456
<b>Net Debt</b>	<b>9,273</b>	<b>9,156</b>	<b>9,154</b>
<b>Total</b>	<b>20,870</b>	<b>20,592</b>	<b>20,487</b>

## Use of funds (₹ In Million)

Particulars	Mar'22	Jun'22	Sep'22
Net Tangible Fixed Assets	11,620	11,639	11,691
Net Non-current Assets	1,124	1,331	1,328
Net Current Assets	8,126	7,622	7,468
<b>Total</b>	<b>20,870</b>	<b>20,592</b>	<b>20,487</b>

## Net Debt movement (₹ In Million)

Particulars	Term Loan	Working Capital	Cash & CE	Net Debt
<b>Opening as on 1.4.2022</b>	<b>4,147</b>	<b>6,099</b>	<b>(973)</b>	<b>9,273</b>
Add: Fresh Term loan	-	-	-	-
Less: Term loan repaid	(683)	-	-	(683)
Change in Working capital	-	47	-	47
Capex / Others	-	-	(517)	(517)
<b>Closing as on 30.9.2022</b>	<b>3,464</b>	<b>6,146</b>	<b>(456)</b>	<b>9,154</b>

- ▶ Term loan which is mainly for Vizag project reduced by ₹ 683 million during H1 from ₹ 4,147 million to ₹ 3,464 million
- ▶ Net debt has reduced by ₹ 119 million during H1 from ₹ 9,273 million to ₹ 9,154 million.
- ▶ Net Current Assets reduced by ₹ 658 million during H1 from ₹ 8,126 million to ₹ 7,468 million primarily due to reduction in Inventory and GST.
- ▶ Actions to structurally right-size the working capital being implemented



## Revive Base Business growth & profits

- ▶ **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.



## Recalibrate R&D for high velocity

- ▶ **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**



## Enhance capacity usage at Vizag

- ▶ 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**

## Priority



## Underlying Value Drivers



## 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

- ▶ **Action taken for triggering Regulatory Inspection:** One of the Customer has filed PAS for Ibuprofen manufactured in Vizag for USFDA and CEP. CEP approval to manufacture Ibuprofen from flagship Vizag facility has been received.
- ▶ 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

### Solara Leadership Participants



**Jitesh Devendra**  
*Managing Director*



**S. Hariharan**  
*Executive Director & CFO*



16:00hrs , IST



Wednesday, November 9



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Pre-register here for  
diamond pass\*

# Thank You



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