

Press Release

Solara returns to positive growth; crosses ₹ 4,000m of quarterly revenues with improved EBITDA and PAT; growth and margin expansion momentum to continue.

- ⇒ Quarterly Revenues stood at ₹4,019m, back to historical quarterly run-rate
- ⇒ Gross margins at 47.3% in Q3'23 versus 44.2% in Q2'23; QoQ Improvement in Gross margins by 308 bps
- ⇒ Reported EBITDA at ₹510m, EBITDA margins at 12.7%; QoQ Improvement in EBITDA margins by 392 bps
- ⇒ Reduction in under-recoveries at Vizag
- ⇒ Achieved positive PAT in Q3'23

Bengaluru, India – January 25, 2023: Solara Active Pharma Sciences Ltd (Solara) (NSE: SOLARA; BSE: 541540), a leading Active Pharmaceutical Ingredient / CRAMS company, today announced the financial results for the third quarter (Q3'23)

Financial Performance for Q3'23

Particulars (INR m)	Q3'23	Q2'23	Q3'22	QoQ%	YoY%	9m'23	9m'22	YoY%
Revenue	4,019	3,421	1,051	17%	282%	10,811	9,215	17%
Gross margins	1,902	1,514	493	26%	285%	4,801	4,963	-3%
Gross margins %	47.3%	44.2%	47.0%			44.4%	53.9%	
Operating EBITDA	700	526	(642)	33%	-	1,593	1,594	-
Operating EBITDA %	17.4%	15.3%	-61.1%			14.7%	17.3%	
EBITDA	510	300	(940)	70%	-	991	746	33%
EBITDA Margins %	12.7%	8.8%	-89.5%			9.2%	8.1%	

Commenting on the financial performance, **Jitesh Devendra, Managing Director of the Company**, remarked, "Q3'23 is a turnaround quarter for Solara as we achieved most of the targeted goals when we embarked on the course-correction journey last year. We have returned to positive growth territory, and our base business is also trending to historical performance levels on the margins. While this reset journey has taken its time, on behalf of the promoters, the Board, and the management, we thank all our investors for reposing faith in the Company as we build out Solara for the future.

We are on the right path of recovery. Our order book continues to improve each quarter, and cost improvement plans (CIPs) have started to deliver outcomes resulting in better profitability in the coming quarters.

The investments we have made in new products since the inception of Solara are yielding results. We continue to invest in our R&D for strengthening our generic API portfolio and CRAMS, to meet the growing demands for our existing products filed as part of increasing market share through market extensions, addressing regulatory requirements for new products.



We have commenced commercial production at our Vizag facility resulting in a reduction of under-recovery. We are making good progress for regulatory accreditations for our Vizag facility first one being CEP approval for Ibuprofen.

Overall, we have established a strong foundation which led to the improvements our business has shown, and we are very confident of the future ahead of us.

We are pleased to announce that the Board has approved the appointment of **Mr. Poorvank Purohit** as **Chief Executive Officer**. Poorvank comes with 19+ years of strong B2B experience in both APIs and Finished dosage forms. He holds a strong, technical, commercial and management background. His experience will support Solara's growth strategy."

More details are included in the attached investor presentation.

EBITDA Reconciliation

Particulars (INR m)	Q3'23	Q2'23	Q3'22	9m'23	9m'22	FY22
Profit/(loss) before exceptional items and tax	6	(193)	(1,384)	(499)	(579)	(876)
Add : Finance costs	236	220	178	681	538	753
Add: Depreciation and amortisation expense	280	286	284	847	845	1,123
Less: Interest income	(12)	(13)	(19)	(39)	(58)	(78)
Consolidated Reported EBITDA as per press release	510	300	(940)	991	746	922

Earnings Conference Call

The Company will conduct earnings call at **3.30 PM IST on January 25, 2023**, 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.

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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.

Solara returns to historical growth; growth and margin expansion momentum to continue.

Solara Active Pharma Sciences
Q3'23 Earnings Update | January 25, 2023



Staying Focused.
Rebuilding Resilience.

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Growth



Base Business

- Strong growth momentum in Q3'23 compared to Q1'23 and Q2'23.
- Improvement in the new CRAMS business closure
- CDE China's approval for Ibuprofen DMF received

Vizag Business

- Vizag site started manufacture of intermediates and final API in Q3'23
- CEP approval to manufacture Ibuprofen from the flagship Vizag facility received
- USFDA inspection triggered by our Major Customer

R&D

- Filed two new DMFs in Q3'23.
- On track to file six DMFs in FY23

Profitability



- **Revenues** at ₹ **4,019 Mn**; at historical quarterly run-rate.
- **Gross margins** at **47.3%**; QoQ Improvement in GM by 308 bps
- **Operating EBITDA** at ₹ **700 Mn**; QoQ Improvement in Operating EBITDA margins by 203 bps
- **EBITDA** at ₹ **510 Mn**; **EBITDA margins** at **12.7%**; QoQ Improvement in EBITDA margins by 392 bps
- EBITDA grew by **70%** over Q2'23
- Achieved PAT positive in Q3'23

Cashflows



- Net Working Capital **reduction** by ₹ **419 Mn** in 9m'23
- Term loan **reduced** by ₹ **627 Mn** from ₹ 4,147 Mn to ₹ 3,520 Mn
- Working capital loan **increased** by ₹ **284 Mn** to support growth in the business.
- Net debt at ₹ **9,442 Mn**



Jitesh Devendra
Managing Director

Performance with Vizag (₹ In Million)

Particulars	Q3'23	Q2'23	Q3'22	QoQ%	YoY%
Revenue	4,019	3,421	1,051	17%	282%
Gross margins	1,902	1,514	493	26%	285%
Gross margins %	47.3%	44.2%	47.0%	308 bps	30 bps
EBITDA	510	300	(940)	70%	-
EBITDA Margins %	12.7%	8.8%	-89.5%	392 bps	-
PAT	4	(99)	(1,399)		

Performance Ex- Vizag (₹ In Million)

Particulars	Q3'23	Q2'23	Q3'22	QoQ%	YoY%
Revenue	3,947	3,421	1,051	15%	276%
Gross margins	1,845	1,514	493	22%	274%
Gross margins %	46.7%	44.2%	47.0%	250 bps	-
EBITDA	605	431	(777)	40%	-
EBITDA Margins %	15.3%	12.6%	-74.0%	274 bps	-
PAT	99	32	(1,236)		



Q3'23 is a turnaround quarter for Solara as we achieved most of the targeted goals when we embarked on the course-correction journey last year. We have returned to positive growth territory, and our base business is also trending to historical performance levels on the margins. While this reset journey has taken its time, on behalf of the promoters, the Board, and the management, we thank all our investors for reposing faith in the Company as we build out Solara for the future.

We are on the right path of recovery. Our order book continues to improve each quarter, and cost improvement plans(CIPs) have started to deliver outcomes resulting in better profitability in the coming quarters.

The investments we have made in new products since the inception of Solara are yielding results. We continue to invest in our R&D for strengthening our generic API portfolio and CRAMS, to meet the growing demands for our existing products filed as part of increasing market share through market extensions, addressing regulatory requirements for new products.

We have commenced commercial production at our Vizag facility resulting in a reduction of under-recovery. We are making good progress for regulatory accreditations for our Vizag facility first one being CEP approval for Ibuprofen.

Overall, we have established a strong foundation which led to the improvements our business has shown, and we are very confident of the future ahead of us.

QoQ improvement in growth and profitability reflects a stronger outlook for the future

QoQ Performance (₹ In Million)

Particulars	Q3'23	Q2'23	Change
Revenue	4,019	3,421	17%
Gross margins	1,902	1,514	26%
Gross margins %	47.3%	44.2%	308 bps
Operating EBITDA	700	526	33%
Operating EBITDA Margins	17.4%	15.3%	203 bps
R&D Cost	(95)	(95)	
Under recovery – Vizag	(95)	(131)	
EBITDA	510	300	70%
EBITDA Margins	12.7%	8.8%	392 bps
PAT	4	(99)	
Basic EPS (₹/Share)	0.12	(2.77)	

YoY Performance (₹ In Million)

Particulars	Q3'23	Q3'22	Change
Revenue	4,019	1,051	282%
Gross margins	1,902	493	285%
Gross margins %	47.3%	47.0%	
Operating EBITDA	700	(642)	
Operating EBITDA Margins	17.4%	-61.1%	
R&D Cost	(95)	(135)	
Under recovery - Vizag	(95)	(163)	
EBITDA	510	(940)	
EBITDA Margins	12.7%	-89.5%	
PAT	4	(1,399)	
Basic EPS (₹/Share)	0.12	(38.93)	

Key Business Metrics

Base Business growth & profits are revived

- ▶ Regulated markets revenues at 72% of Q3'23 revenues (vs. 53% in Q3'22 and 69% in Q2'23)
- ▶ Increase in demand for Ibuprofen derivatives and other new products; New products accounted for 12% of Q3'23 revenues
- ▶ CRAMS continued to deliver strong growth. CRAMS revenue at 5% of Q3'23 revenues;
- ▶ Continued focus on Operating cost reduction, continuous improvement program (CIP), and inventory management

R&D velocity enhanced for the future growth

- ▶ Re-initiated stronger focus on R&D and added 15+ new programs for the year; Filed two new DMFs in Q3'23 and on track to file four new DMFs in Q4'23 with a total plan of six new DMFs in FY23.
- ▶ Five market extensions were done for five existing products during Q3'23.
- ▶ Three market extension approvals were received in Q3'23.

Vizag is up and commercializing planned APIs

- ▶ Vizag site started manufacture of intermediates and final API in Q3'23, resulting in a reduction of under-recoveries at Vizag.
- ▶ CEP approval to manufacture Ibuprofen from the flagship Vizag facility has been received. EU Inspection expected in Q4'23.
- ▶ USFDA inspection triggered by our Major Customer

9m'23 performance led to 17% revenue growth with 33% uptick in EBITDA margins

9M Performance (₹ In Million)

Particulars	9m'23	9m'22	Change
Revenue	10,811	9,215	17%
Gross margins	4,811	4,963	-3%
Gross margins %	44.5%	53.9%	
Operating EBITDA	1,595	1,594	
Operating EBITDA Margins	14.7%	17.3%	
R&D Cost	(270)	(419)	
Under recovery – Vizag	(334)	(429)	
EBITDA	991	746	33%
EBITDA Margins	9.2%	8.1%	110 bps

Key Business Metrics

Base Business growth & profits are revived

- ▶ Regulated markets revenues at 70% of 9m'23 revenues (vs. 53% in 9m'22)
- ▶ Increase in demand for Ibuprofen derivatives and other new products; New products accounted for 12% of 9m'23 revenues
- ▶ CRAMS continued to deliver strong growth. CRAMS revenue at 5% of 9m'23 revenues;
- ▶ Continued focus on Operating cost reduction, continuous improvement program (CIP), and inventory management

R&D velocity enhanced for the future growth

- ▶ On track to file four new DMFs in Q4'23 with a total plan of six new DMFs in FY23.
- ▶ Nine market extensions were done for Fifteen existing products during 9M'23.
- ▶ Ten market extension approvals were obtained in 9m'23.

Vizag is up and commercializing planned APIs

- ▶ Vizag site started manufacture of intermediates and final API in Q3'23, resulting in a reduction of under-recoveries at Vizag.
- ▶ CEP approval to manufacture Ibuprofen from the flagship Vizag facility has been received. EU Inspection expected in Q4'23.
- ▶ USFDA inspection triggered by our Major Customer

Reduction in Vizag under-recoveries and the regulatory actions will drive near term opportunities

(₹ In Million)

Core Business (Ex-Vizag)

Particulars	Q1'23	Q2'23	Q3'23	9m'23
Revenue	3,371	3,421	3,947	10,739
EBITDA	369	526	700	1,595
EBITDA %	10.9%	15.4%	17.7%	14.9%
Profit After Tax	141	244	312	697

R&D Investments

Particulars	Q1'23	Q2'23	Q3'23	9m'23
Revenue	-	-	-	-
EBITDA	(80)	(95)	(95)	(270)
EBITDA %	-	-	-	-
Profit After Tax	(111)	(127)	(126)	(364)

Vizag led business

Particulars	Q1'23	Q2'23	Q3'23	9m'23
Revenue	-	-	72	72
EBITDA	(108)	(131)	(95)	(334)
EBITDA %	-	-	-	-
Profit After Tax	(195)	(216)	(183)	(594)

Total Solara business

Particulars	Q1'23	Q2'23	Q3'23	9m'23
Revenue	3,371	3,421	4,019	10,811
EBITDA	181	300	510	991
EBITDA %	5.4%	8.8%	12.7%	9.2%
Profit After Tax	(165)	(99)	4	(260)

Core Business:

- ▶ Q3'23 EBITDA at ₹ 700 million with 17.7% margins

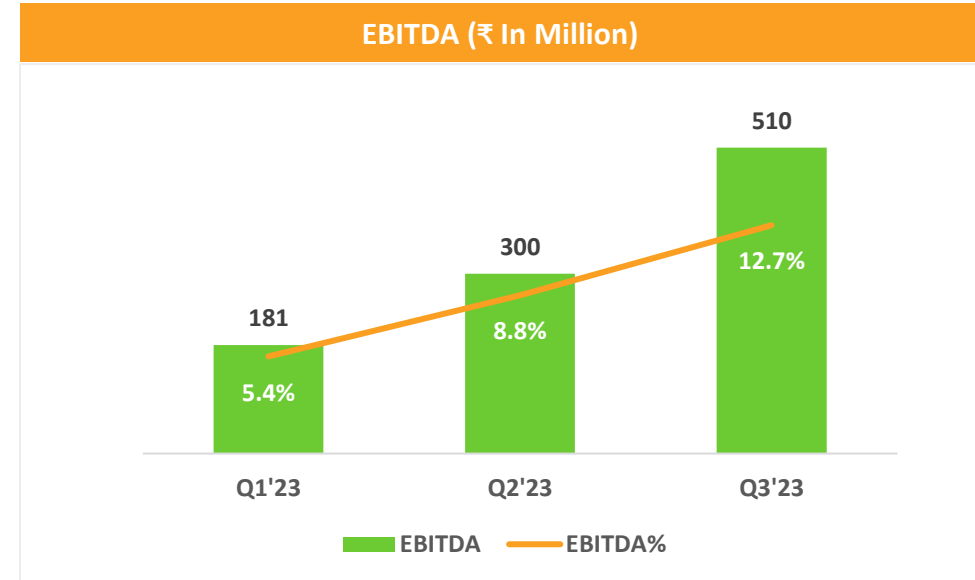
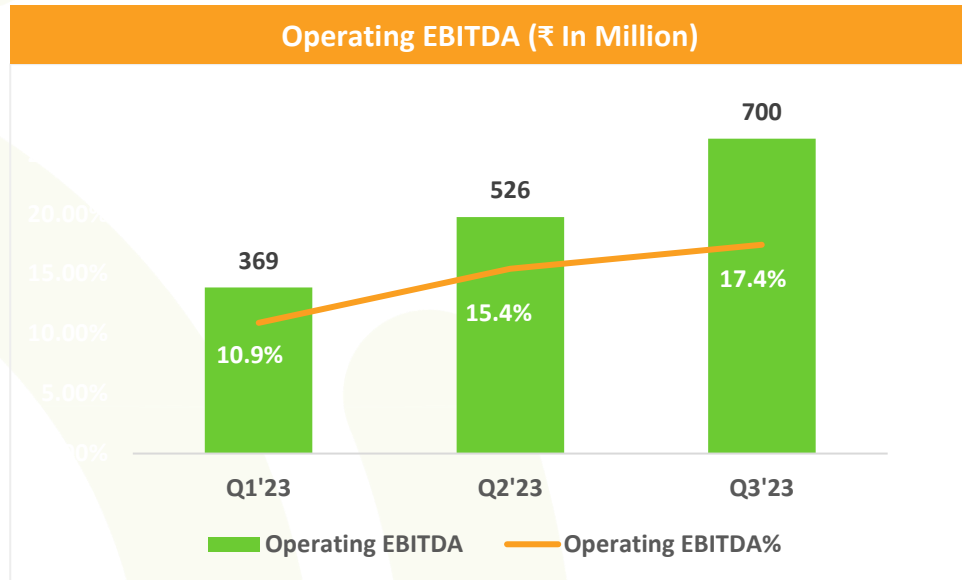
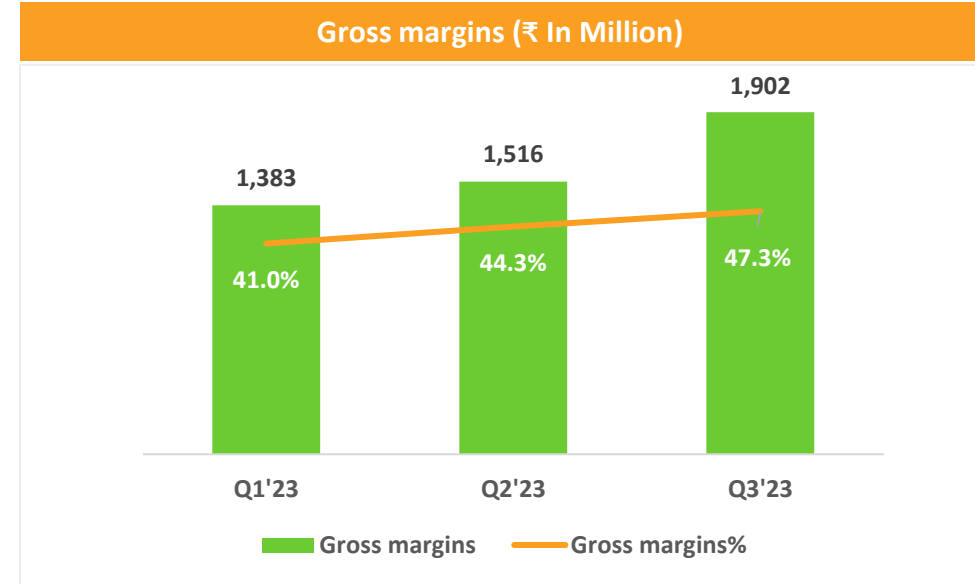
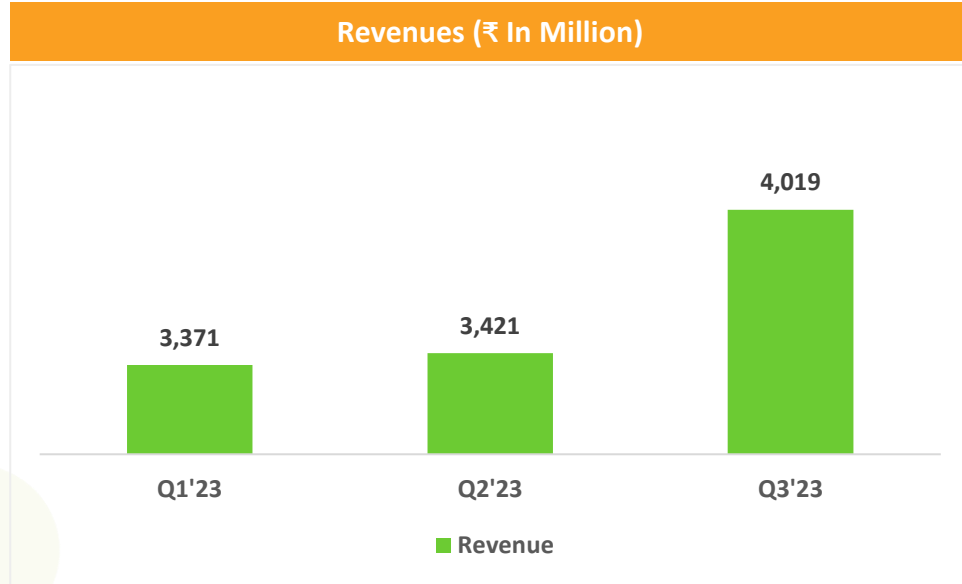
R&D Investments:

- ▶ R&D cost at ₹ 95 million.
- ▶ Plan to file another four USDMFs in Q4'23, with six USDMFs planned for FY23.
- ▶ Validation sales are expected in Q4'23.

Vizag Under Recoveries:

- ▶ Under recoveries of ₹ 95 million, a reduction of ₹ 36 million from ₹ 131 million in Q2'23.
- ▶ During the last quarter, the Company has initiated action for triggering a regulatory inspection.
- ▶ CEP approval to manufacture Ibuprofen from the flagship Vizag facility has been received.
- ▶ Certain product supplies were made to less regulated markets in Q3'23, and this will reduce the under-recoveries in the coming quarters.

We are on the right path of recovery demonstrated by QoQ improvement in performance



Sources of funds (₹ In Million)

Particulars	Mar'22	Sep'22	Dec'22
Shareholders' funds	15,248	14,984	15,010
Less: Goodwill	-3,651	-3,651	-3,651
Net worth	11,597	11,333	11,359
Term Loan	4,147	3,464	3,520
Working capital Loan	6,099	6,146	6,383
Gross Debt	10,246	9,610	9,903
Less: Cash & Cash Equiv.	-973	-456	-461
Net Debt	9,273	9,154	9,442
Total	20,870	20,487	20,801

Use of funds (₹ In Million)

Particulars	Mar'22	Sep'22	Dec'22
Net Tangible Fixed Assets	11,620	11,691	11,695
Net Non-current Assets	1,124	1,328	1,399
Net Current Assets	8,126	7,468	7,707
Total	20,870	20,487	20,801

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	358	-	-	358
Less: Term loan repaid	(985)	-	-	(985)
Change in Working capital	-	284	-	284
Capex / Others	-	-	(512)	(512)
Closing as on 31.12.2022	3,520	6,383	(461)	9,442

- ▶ Term loan reduced by ₹627 million during 9m'23 from ₹ 4,147 million to ₹ 3,520 million
- ▶ Net debt has increased by ₹ 169 million during 9m'23 from ₹ 9,273 million to ₹ 9,442 million.
- ▶ Net Current Assets reduced by ₹ 419 million during 9m'23 from ₹ 8,126 million to ₹ 7,707 million primarily due to reduction in Inventory and GST.
- ▶ Actions to structurally right-size the working capital being implemented

We remain on track with our course-correction plan and deliver sustainable long-term performance

Ongoing actions



Improvement in offtake of Base Business



Growth in CRAMS Business



CIP & Backward Integration Execution



Reduction in Vizag Under Recovery with sales initiated recently



Filings in focus markets (Brazil and China)



Improvement in new products offtake



Expected Outcome



Stronger revenue growth



EBITDA Improvement – Mid teens EBITDA margins



PAT and EPS Improvement

Solara Leadership Participants



Jitesh Devendra
Managing Director



S. Hariharan
Executive Director & CFO



15:30hrs , IST



Wednesday, January 25



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Pre-register here for
diamond pass*

Thank You



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