

Q4 FY19 & FY19 EARNINGS UPDATE

THE



WAY



MAY 16, 2019

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PERFORMANCE HIGHLIGHTS

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BUSINESS UPDATES

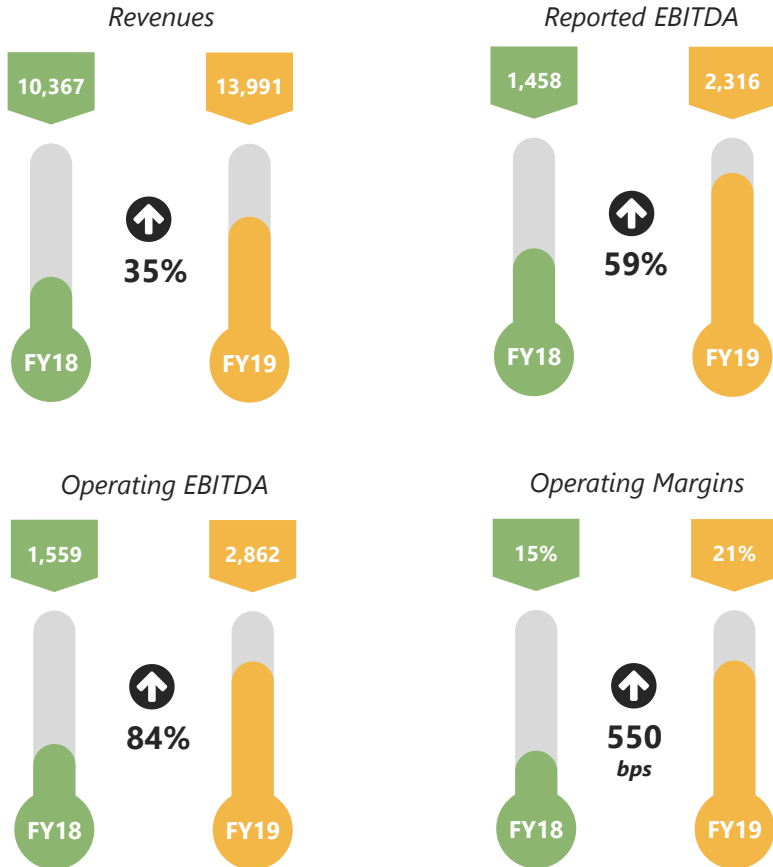
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CORPORATE UPDATES

04

FY20 OUTLOOK

FY19 delivers a consistent upward performance



CEO'S PERSPECTIVE

"FY19 was essentially the first full year of operations for Solara as an independent entity and we are delighted to have delivered a stellar growth both in revenues and profitability.

Our growth in the year has been due to a combination of base business expansion and new launches. While we filed over nine new DMFs for future launches, we have also enabled access to our existing products to several new territories and customers. We also remained buoyant on the execution front which also encompassed the integration of Sequent Human API business and Ambernath site. Our continued focus on regulatory compliance resulted in **two Zero 483 inspections** out of three FDA inspections that we underwent during the year. We remain focused on the disciplined execution of our strategies, the result of which can also be noted in the **Net Debt to EBITDA indicator which now trails below 2x** as against **4x** during the beginning of FY19.

As we move into the future, we continue to stay positive on the industry opportunity and invest in capabilities and capacities for future demand. One of the nuclei of FY 20 will be the Continuous Operational Improvement Program which we have initiated in FY 19. Our focal point of success remains in our Execution. Our theme for FY 20 is "**Growth through Efficiency**" which is one of the core values of Solara."

- Jitesh Devendra

Steady >20% operating margins in Q4FY19

QOQ MOVEMENT

Particulars	Q4 FY19	Q3 FY19	Change
Revenue	3,919	3,601	9%
Operating EBITDA	806	757	6%
<i>Operating EBITDA Margins</i>	<i>21%</i>	<i>21%</i>	
R&D Cost	-136	-104	
Forex gain/(Loss)	31	3	
Reported EBITDA	701	656	7%
<i>Reported EBITDA Margins</i>	<i>18%</i>	<i>18%</i>	

YOY MOVEMENT

Particulars	Q4 FY19	Q4 FY18	Change
Revenue	3,919	2,869	37%
Operating EBITDA	806	492	64%
<i>Operating EBITDA Margins</i>	<i>21%</i>	<i>17%</i>	<i>340 bps</i>
R&D Cost	-136	-28	
Forex gain/(Loss)	31	-47	
Reported EBITDA	701	417	68%
<i>Reported EBITDA Margins</i>	<i>18%</i>	<i>15%</i>	<i>330 bps</i>

HIGHLIGHTS

- Operating margins were steady at ~ 21%
- Operating EBITDA improvement on account of new product launches & growth in base business
- 4x increase in investments in R&D for new product development and cost improvement initiatives
- Continued momentum in the new products offtake with steady growth in the base business
- R&D efforts on track with focus on new product development and cost improvements. 5 new DMFs filed during Q4FY19
- Forex gain of ₹31mn as against gain of ₹3mn in the previous quarter due to our guarded debt strategies.
- The Working capital PCFC forex loan component has come down from \$38 Mn in March'18 to \$22 Mn in Mar'19

Regulated markets now contribute 76% to the total revenues

FY19 GEOGRAPHY MIX ¹

Particulars	H2FY19	H2FY18	YoY%	FY19	% Cont.
Regulated Markets	5,761	3,746	54%	10,633	76%
-North America	2,789	2,040	37%	5,177	37%
-EU	1,849	1,098	68%	3,498	25%
-Japan	524	120	335%	839	6%
-WHO	599	488	23%	1,119	8%
ROW markets	1,767	1,486	19%	3,358	24%
Total	7,528	5,232	44%	13,991	100%

Q4FY19 GEOGRAPHY MIX ¹

Particulars	Q4FY19	Q3FY19	Q4FY18	QoQ%	YoY%
Regulated Markets	3,024	2,737	2,238	10%	35%
-North America	1,489	1,296	1,090	15%	37%
-EU	1,019	828	775	23%	32%
-Japan	235	288	86	-18%	174%
WHO Supplies	274	324	287	-15%	-4%
ROW markets	902	864	631	5%	43%
Total	3,919	3,601	2,869	9%	37%

KEY UPDATES

Yearly Review

- The regulated markets grew 54% in H2FY19 largely driven by the US which now accounts for 37% of the revenue
- Base business in FY19 grew by 30% emanated from better capacity utilization and price.
- New products accounted for 6% of total revenue in FY19
- Top 10 customers account for 52% of revenues
- Top 10 products account for 78% of revenues
- New Market access for existing products – 15 products across 8 new markets.

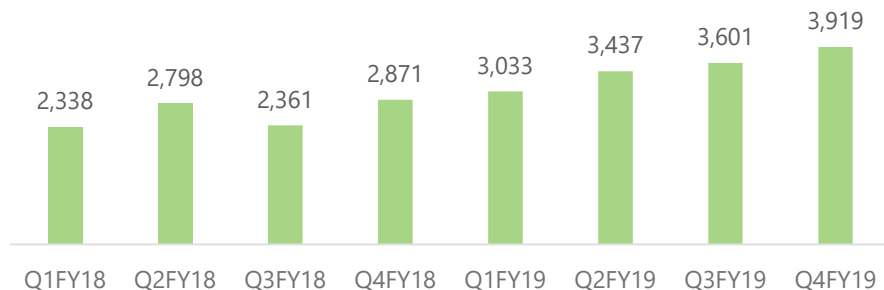
Quarterly Review

- One new product commercialized in Q4FY19 putting together a total of four new products commercialized in FY19.
- Five new DMFs filed in Q4FY19 thereby taking the total to 9 new DMFs filed in FY19
- During Q4FY19, Base business grew by 8% over Q3FY19

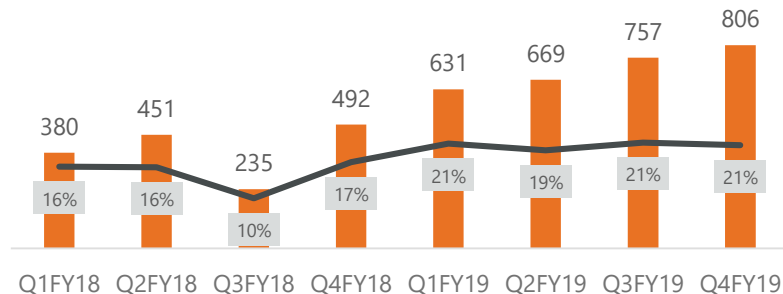
1. FY18 revenue split not available as the demerged businesses transferred into the company effective from Oct'17. Figures in ₹mn, unless a % or stated otherwise.

Over 550bps improvement in margins over 8 quarters

SIGNIFICANT GROWTH IN QUARTERLY REVENUES



OPERATING MARGIN IMPROVEMENT



FY19 VS FY18 PERFORMANCE

Particulars	FY19	FY18	YoY%
Revenue	13,991	10,367	35%
Operating EBITDA	2,862	1,559	84%
Operating EBITDA Margins	20%	15%	550 bps
R&D Cost	-448	-103	
Forex gain/(loss)	-98	2	
EBITDA	2,316	1,458	59%
EBITDA Margins	17%	14%	250 bps

HIGHLIGHTS

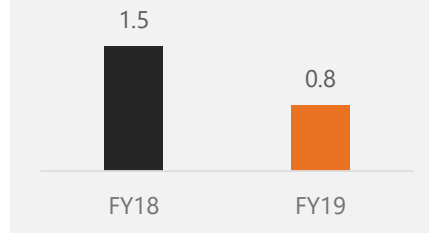
- Growth in Revenue by 35% due to continued growth in base business & new product launches.
- Operating EBITDA up by 84% due to price increase; better capacity utilization and cost improvement program
- 4x growth in R&D investments to develop new products and process improvements.

Strengthened balance sheet with improved key ratios

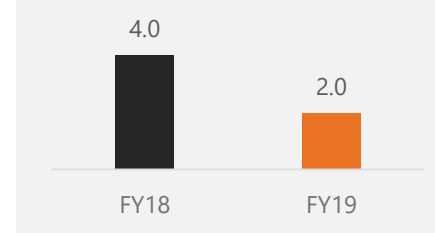
KEY BALANCE SHEET ITEMS

Balance sheet items	Mar'18	Mar'19
Shareholders' funds	7,640	9,559
Less: Goodwill	-3,634	-3,587
Networth	4,006	5,972
Term Loan	3,026	3,236
Working Capital	3,302	3,625
Less: Cash	-470	-2,245
Net Debt	5,858	4,616
Sources of Funds	9,864	10,588
Net Tangible Fixed Assets	6,703	8,034
Net Non-current Assets	1,068	190
Net Current Assets	2,093	2,364
Application of Funds	9,864	10,588

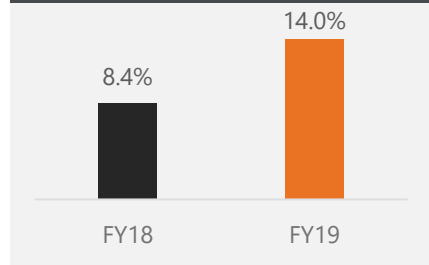
NET DEBT/EQUITY (X)



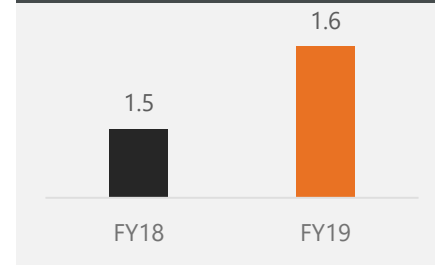
NET DEBT/EBITDA (X)



ROCE %



ASSET TURNS (X)



Dividend

- The board of directors have recommended a dividend of ₹5 per share (50% dividend) for FY19.
- The Dividend will be subject to the approval of shareholders.

Board Induction

- Ankur Thadani, Principal at TPG Growth, has been appointed as non-executive and non-independent director of the Company.
- Based in Mumbai, Ankur joined TPG in 2013 and has worked on multiple investments in Healthcare, Energy and Consumer sectors across India and the broader South-Asia region.
- He also serves on the board of CTSI, Rhea Healthcare, Fourth Partner Energy and Asiri Hospitals.
- Prior to joining TPG, he worked with India Equity Partners
- Ankur received his MBA from IIFT, where he was awarded a gold medal for all-round achievement.

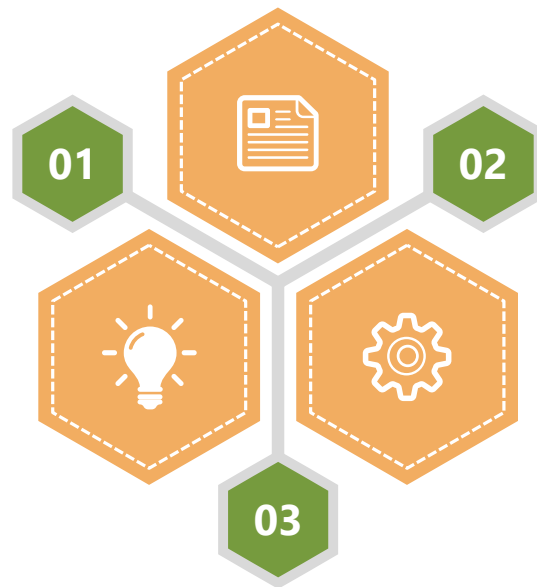
Others

- Pursuant to shareholders approval at the extraordinary general meeting held on February 27, 2019, the company has issued 10,500,000 convertible warrants of Rs. 10/- each at a premium of Rs. 390/- per warrant to promoters group and at a premium of Rs. 490/- per warrant to TPG after obtaining the approval of BSE and NSE.¹
- The Company has received preliminary consideration of Rs. 1,480 Mn towards allotment of 10,500,000 convertible warrants during the year and allotment of 1,100,000 equity shares on conversion of equivalent number of warrants to promoters' group.

¹. The terms of conversion required that each warrant to be converted into one equity share of Rs. 10/- each within eighteen months from the date of allotment of warrants.

Efficiencies in Business Operations

- Proactive cost improvement programs to stay competitive and for contributing to sustainable growth & margin expansion
- Expanding market access for our existing products to increase sales and gross margins
- Presence in Key markets by establishing our representative office
- Initiated focus efforts to build CRAMS business



Expand Capabilities

Planned new greenfield site for capacity expansion with continued investments to drive quality and compliance to the next level

Focused R&D Strategies

- Focus on developing IP to create entry barrier for competition and build strong intrinsic value
- Market specific launches with products having limited competition
- Backward integration of key intermediates
- Filing capability of 10-12 DMF/annum

Our Upcoming Greenfield site at Vizag, India



Investments

- Phase I Investment of ₹2,500m over a period of two years
- Funded through 30% equity and 70% term loan with capacity commitments from the long term customers



Focus

- Cater to future growth of Solara
- Serves as an alternate site for our Key APIs and de-risk strategy
- Planned for all regulatory approvals including USFDA, EUGMP, PMDA amongst others



Capability

- Dedicated and Multi Purpose blocks for Large Volume and Mid-Small Volume API
- Validation supply for new products
- Showcase facility for CRAMS business



Project status

- Phase-I construction planned to be completed in Q2 FY 20
- Installation of equipment by Q3 FY 20
- Validation is scheduled in Q4 FY 20

Solara Active Pharma at a glance

API only business model with large scale infrastructure, wide products and established customer relationships

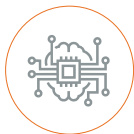
Capabilities

Complex chemistry capabilities including handling of catalytic hydrogenation, hydride reductions, organometallic reactions, hazardous reactions amongst others



Infrastructure

5 Globally compliant API and diversified facilities with capacity over 1600kl



Orientation

Consciously favoring value over volumes thereby limiting pricing pressure in the long term and creating capacities after assuring demand



Research

Pipeline of 20+ products under different stages of development



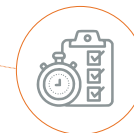
Market Presence

Presence in 75+ countries, 75%+ regulated market sales and 100+ Filings



Compliance

Commitment to highest levels of compliance, consistency and quality with zero 483s in two out of last 3 USFDA audits



Well on its path to become a leading global pure-play API company



Business Continuity

Portfolio of new products and new customers to augment current base and enable steady growth



Worldwide Presence

Established strongholds in key regulated markets and growth territories



Robust Product base

Constant stream of revenue from new product validations



Best Customer Connect

Organization Focus to win with customer delight as the primary goal



Well on its path to become a leading pure-play API company with focus on highly compliant business operations and customer advocacy

Thank you

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