

INVESTOR PRESENTATION & Q2 FY19 PERFORMANCE REVIEW

THE



WAY



YOUNG BUT ENTERPRISING.

SOLARA IS YOUNG BUT DIFFERENTIATED TO THE CORE WITH ITS BUSINESS MODEL

Evolution on an experienced foundation

Demonstrated operational excellence over 2 decades



- Demerged the select API business of Strides Shasun to integrate with human API business of SeQuent

- Expansion across the regulated markets with key approvals and compliance record

- Investments across the facilities to focus on quality and EHS

- Leadership position in key API's with scale of manufacturing from Low Volume to Mid to High Volume

- Demerged Human API business from SeQuent to operate as Pure Play animal healthcare company

- Organic growth with over 80% regulated market business along with profit sharing partnerships

- Strategic recourse to focus on mature APIs offering supply chain security for the regulated markets

- Started Journey to expand foot print in semi-regulated markets as an unregulated API manufacturer

Building on strong core values

Doing what is 'RITE' for the customers



Respect

We treat each other and our partners with respect. We value and respect each others time. We will always respect our competition.

Transparency

Through timely communications, it is our endeavor to keep our stakeholders, suppliers and customers aware and well informed on how we conduct our business



Integrity

In ever changing business environment one thing will always be constant is our Integrity. We will be amongst the most compliant API company in the world.

Efficiency

We will achieve highest level of efficiency through a focused approach on customer centricity and continuous improvement. We will always strive to ensure that our employees are empowered to deliver the best customer service in the industry

Pure-play APIs with focused business orientation



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 70+ countries, 75%+ regulated market sales and 100+ Filings



Compliance

Commitment to highest levels of compliance, consistency and quality with zero 483s in last 2 USFDA audits



CHANGING API LANDSCAPE.

THE API INDUSTRY GLOBALLY IS IN THE TRANSITION AND SOLARA GETS THE ADVANTAGE

While the opportunity is growing, it needs a focused play

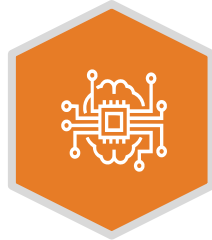


Trends indicating favorable play for companies with focused API play



USFDA's increasing oversight on APIs

- FDA's increased oversight on resulting in 483s, warning letters and import alerts



Supply chain discontinuance

- Regulatory requirements are tightening and will likely continue to do so with a push for more transparency in the supply chain. This could result in requiring certification for good manufacturing practices for key intermediates and raw materials*



IP conflicts and competing interests

- Forward integration interest of majority API players has led to concerns around potential competition with international customers along with issues around IP security and conflict



Increasing Pollution and Environmental Concerns

- Governments' increasing focus on pollution controls and zero liquid discharge
- Environmental regulations, especially in China, are putting pressure on corporations to remedy pollution problems. Some plants are being shut down or moved, causing capacity issues and supply chain interruptions from raw materials to intermediates and APIs.*

Solara is in a sweet spot amongst the peer group



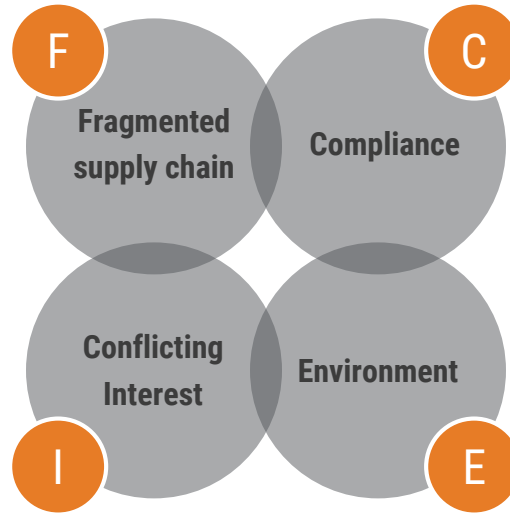
Our core strategy is in sync with the trends , focus is now on steady execution

Control over supply chain for APIs

- Comfort to customers with a backward integrated setup that ensures supply assurance of the key intermediates
- Diversified manufacturing base with mirrored capabilities for production
- Scalable infrastructure to counter supply chain oversights going forward

Non Competing Positioning

- Non-competing “pure play API” commitment with supply chain assurance



Commitment to highest levels of Compliance

- Integrated QMS from supply chain to product delivery to ensure consistent quality, efficacy and safety of products.
- Last 2 USFDA audits cleared with zero 483s

No Compromise on environment

- Focus on the processes that minimize the use and generation of hazardous substances
- Zero liquid discharge philosophy

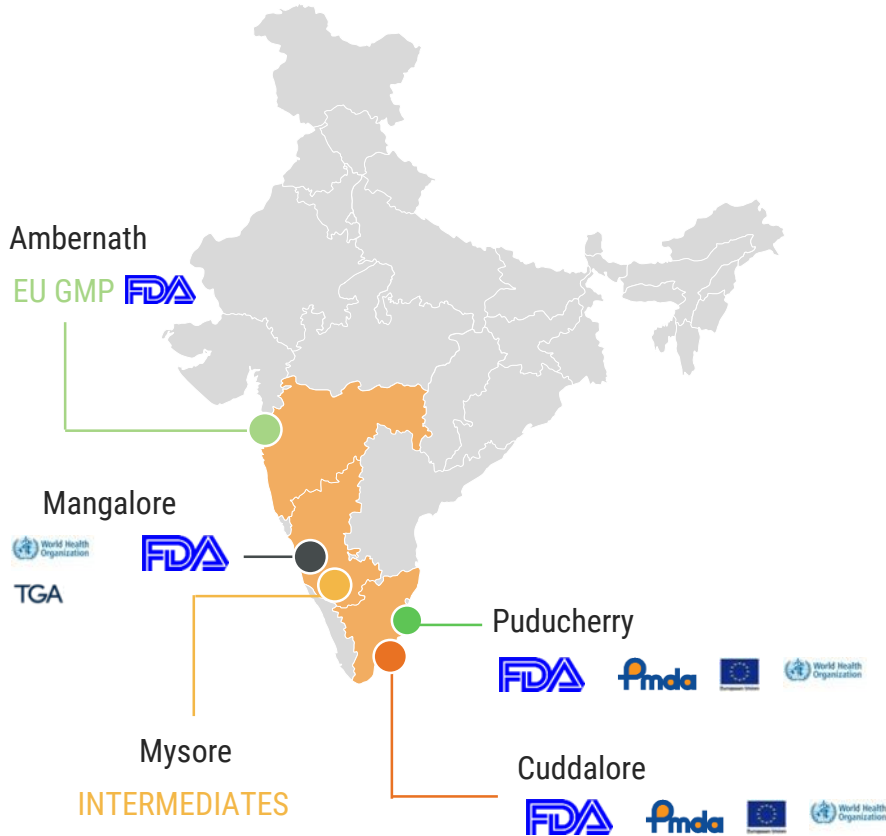
STRATEGICALLY POISED.

SOLARA IS WELL DESIGNED TO SCALE A PROMISING AND EXPANDING BUSINESS

Robust manufacturing capabilities



5 facilities with all major regulated market approvals



Core focus

- Mirrored facilities for developing products
- Deploy systems that are highly automated and stringent, specifically in the labor intensive areas.
- Focus on technology and production processes that represent a clear advantage against the industry standard



Capabilities

1,660 KL capacity with capabilities in high vacuum distillation, hydrogenation, halogenation, Grignard reaction, polymer chemistry amongst others



Key approvals

Globally compliant API facilities with all regulatory approvals and adherence to the highest quality standards



Manufacturing strategy

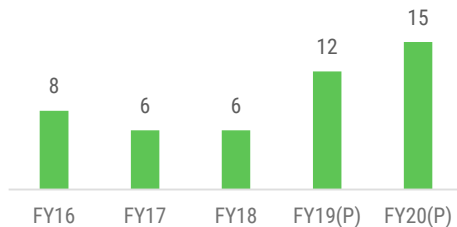
Capacity creation after assurance of demand and location based diversification for minimizing concentration risk

Wide product offerings and pipeline



Rich basket of niche high value products for the global markets

DMF FILING RUN RATE



- 50+ Commercial APIs predominantly in Anthelmintic, Anti-malarials, Anti-infective, Neuromuscular Insomnia, Anti Psychotic Hyperkalemia, amongst others
- 20+ APIs under development across across Anthelmintic, Anti-malarials, Beta blockers, Muscle relaxants, Novel Oral Anti-Coagulants, Anti-infective and other niche segments
- 120+ DMFs filed

GEOGRAPHY WISE FILINGS



72



16



13



World Health Organization

10



07

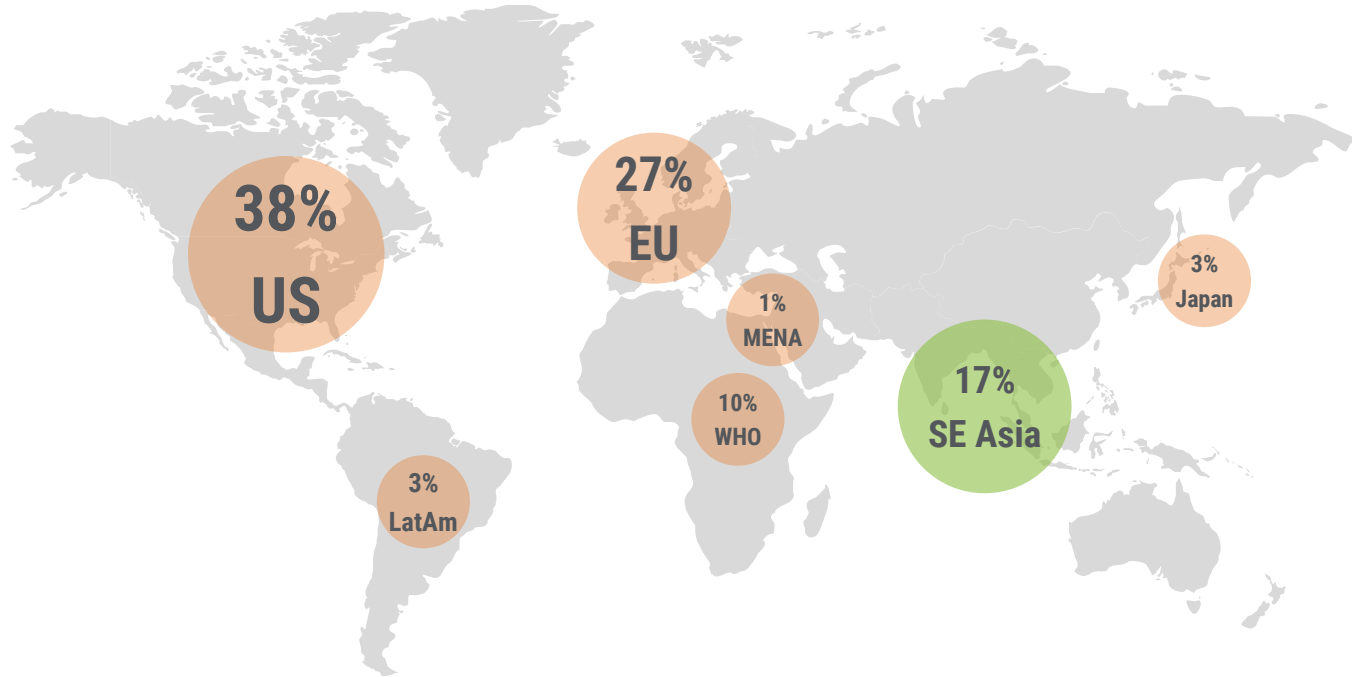


EUROPEAN MEDICINES AGENCY
SCIENCE MEDICINES HEALTH

05

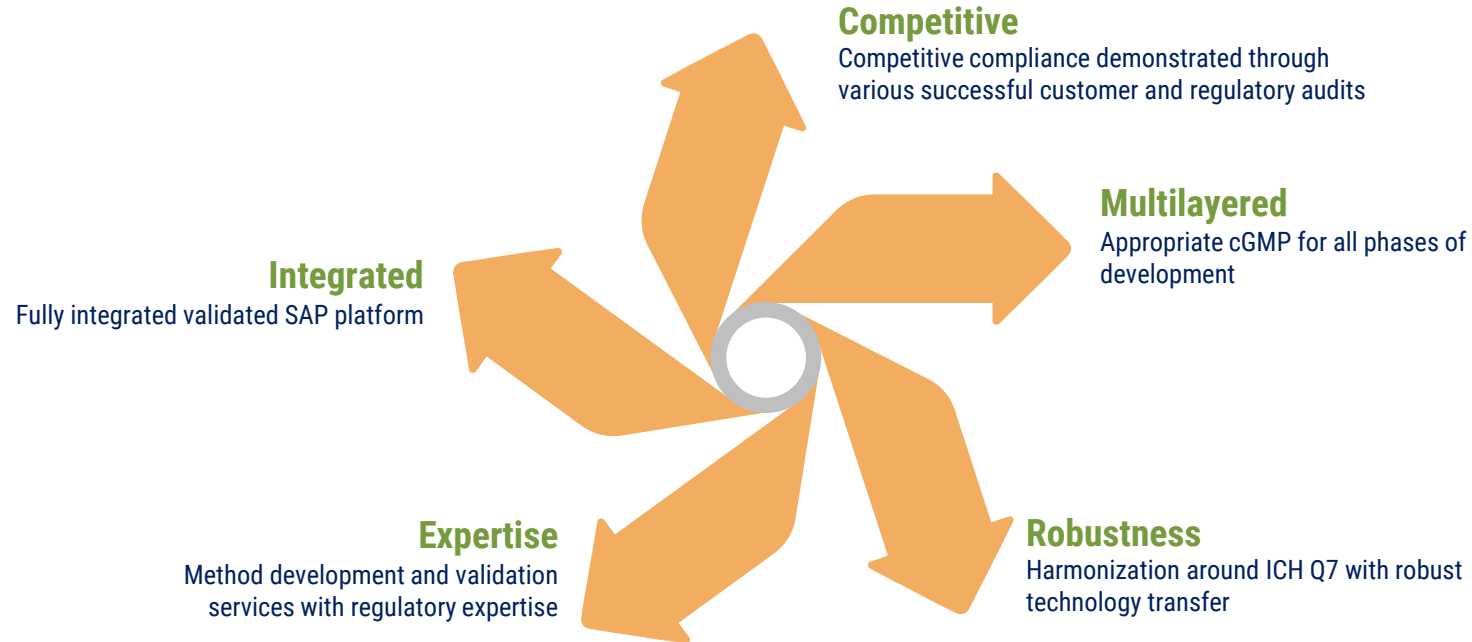
Foothold in key markets

Establishing relationship with customers ensuring business enhancement



Strong Compliance and Quality Framework

Consistently deliver high quality products that can be relied upon by both our customers and regulators



Experienced Leadership and execution team



Jitesh Devendra (Jitesh)

CEO

>20 years' experience in pharmaceutical business development predominantly in regulated markets. Jitesh has been responsible for P&L business for North America and Europe and overall responsible for API business P&L in Strides



Ranjit Kumar Singh (Ranjit)

Chief People Officer

>12 years of professional HR and Talent management experience in varied industries such as Pharmaceuticals, Information Technology, and Infrastructure.



Hariharan S. (Hari)

CFO

A Cost Accountant with >30 years experience in Corporate Finance, Accounts and Strategic planning. He played a vital role in the merger process of Shasun Pharmaceuticals Ltd. with Strides



Sundara Moorthy V. (Sundar)

Senior Vice President - Quality Management & Regulatory Affairs

Rich and diversified experience of 23 years in the Quality Management, Regulatory Affairs and Compliance functions.



Sreenivasa Reddy B. (Sreeni)

COO

>24 years of experience in Pharmaceutical Manufacturing, Technology Transfer, Project Management in setting up facilities, Quality Assurance, Plant operations and Sales & Marketing.



Swaminathan Srinivasan. (Swami)

Senior Vice President – Research and Development

>25 years of experience in Generic Pharmaceutical industry with vast exposure in Active Pharmaceutical Ingredient as well the Dosage forms with deep understanding of the industry dynamics

Independent board with strategic oversight



Deepak Vaidya

Non-Exec. Director & Chairman

Fellow member of the ICA in England and Wales. He has previously worked as the Country Head of Schroder Capital Partners (Asia) Pte. Ltd. for over 12 years. He is experienced in the corporate financial services industry in India and abroad.



Nirmal Bhogilal

Independent Director

Chairman of the Batliboi Group. He was Past President and Committee Member of the Indian Machine Tool Manufacturers Association. He has been Chairman of various committees in CII and its Western Region



R. Ramakrishnan

Independent Director

He is a practicing Chartered Accountant and a Management Consultant at Bangalore having an experience of 36 years in Direct tax matters, Audit and Assurances. He was nominated by KSIIDC for few listed Companies and currently holds directorships in reputed companies



Dr. Kausalya Santhanam

Independent Director

Founder of SciVista, she is a Patent attorney registered with IPO as well as the US PTO. She has a Ph.D in Cell biology and Immunology and her Post Doctoral training was in Cancer Biology at Center for Cellular and Molecular Biology



Ron De Vries

Independent Director

Ron de Vries enables a strategic oversight on the company's future business plans and growth initiatives. In his professional stints, he has held several positions in Gist-Brocades/DSM Netherlands, Royal DSM NV, India, and DSM Sinochem Pharmaceuticals, Singapore. He has been responsible for the global API operations, manufacturing and sourcing strategies, R&D, SHE, Quality/c-GMP, Regulatory Affairs, asset strategies and continuous improvement programs.

GROWTH STRATEGY.

INTEGRATE, EXPAND AND SEAMLESSLY EXECUTE

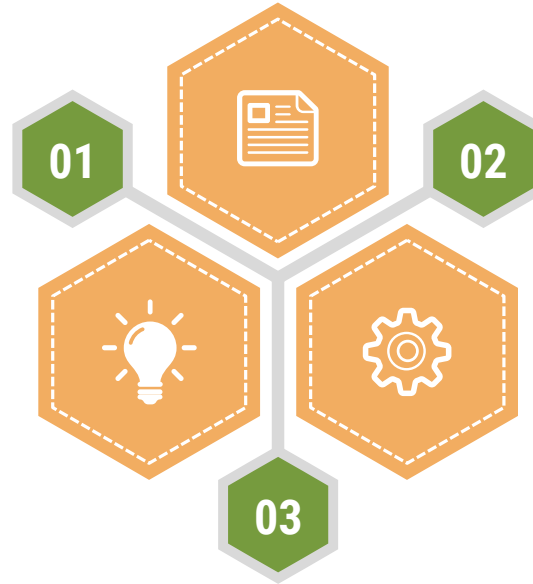
Enablers for the growth strategy



Focus on differentiated strategy led by technology, compliance, and internationally relevant infrastructure

Efficiencies in manufacturing operations

Choosing the right products , optimizing costs and finding the right balance between maintenance, modernization and operational activity



Accelerate R&D

Augmenting the existing R&D capabilities at Chennai with a state of the art facility at Jigani, Bangalore

Expand Capabilities

Step up investments drive innovation, capabilities and compliance to the next level

Efficiencies in manufacturing operations

Following a strategy of creating dedicated trains after assuring demand



Driving the asset turns from 1.0x to 1.4x

Choosing the right products , getting the right costs and finding the right balance between maintenance, modernization and operational activity



Core strategy around product selection and lean manufacturing practices



Consistency and efficiency of planned production through capacity management and process control.



Proactive cost improvement programs to stay competitive and for contributing to sustainable growth & margin expansion

Growth matrix for new products



Value creation possibility ↑

↓

Time to market / Revenue potential →

NCE-1s

- Products with ANDA filing dates in the near term
- Possibility of recovering the development costs through one time validation sales
- These products will be the backbone once launched

Phase 3 molecules

- Forward looking products under development
- Focus on developing IP to create entry barrier for competition and build strong intrinsic value

Secondary sourcing molecules

- Products are already generic/ where we are not First
- Possibility of taking market share through a better cost base or product robustness

Market specific products

- Market specific launches with products having limited competition
- Strong partnership exist in that market

Accelerate R&D engine on Technologies



- Organometallic Reaction
- Grignard Reaction
- Sandmeyer Reaction
- Reduction
- Transfer phase Reaction
- Formylation
- Dealkylation
- Carboxylation
- Chlorination



- Friedel Crafts Reaction
- Chiral Synthesis
- Buchwald-Hartwig coupling
- Halide Exchange
- Alkylation
- Ammonolysis
- Acetylation
- Chlorosulfonation

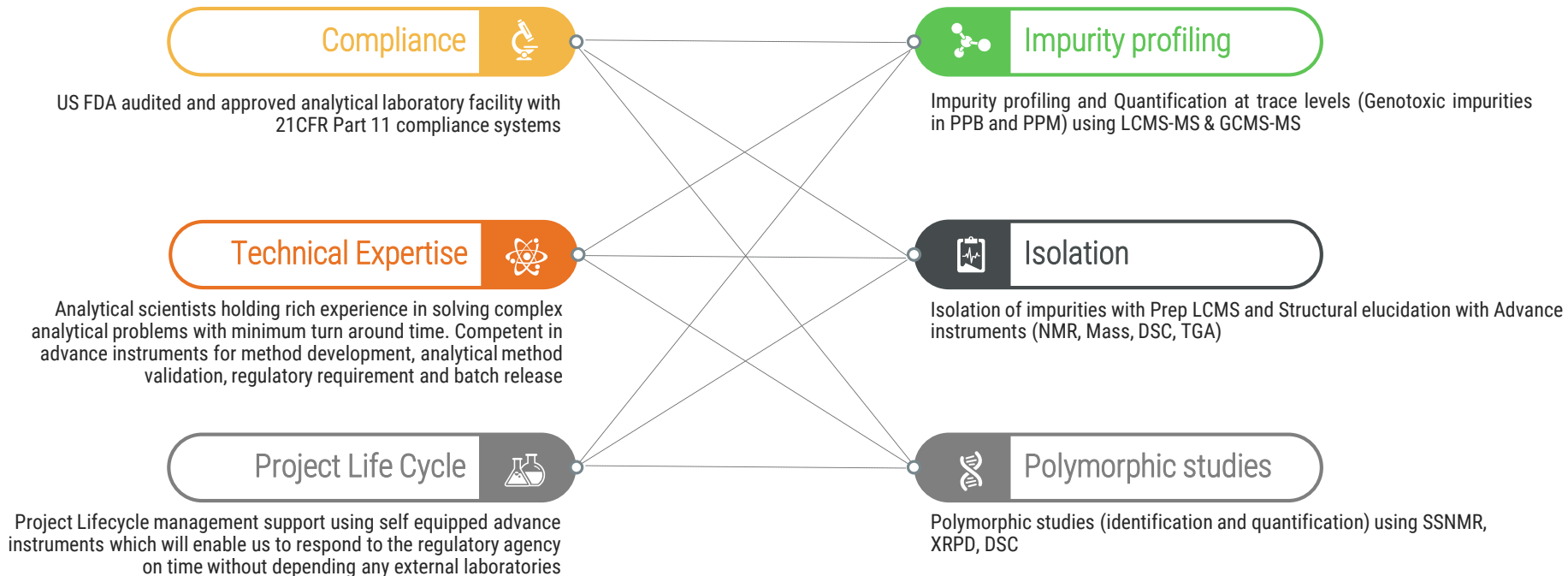


- Diazotization
- Acylation
- Amidation
- Hydrogenation
- Halogenation
- Fluorination
- Acetylation
- Oxidation
- Cyanation

Building on Analytical capabilities



Analytical method validation and method transfer as per ICH guidelines and FDA requirement for key starting materials, Intermediates & API



Sustainability strategy

Step up investments to setup flagship facility and drive innovation and compliance to the next level



Environment

Environment and health as non-negotiable values that always come first when we make choices



Chemistry

Focus on the designing of products and processes that minimize the use and generation of hazardous substances



Compliance

Significant emphasis to embed culture of quality and compliance integrity



Capacity

Building a highly automated greenfield setup with SCADA, MES and other state of the art data acquisition and process control systems

Solara Differentiators



Product

- Quality of the Product
- Matured and New API
- Pure Play API Company
- Focus approach to attain New Markets
- Continuous Improvement Program
- Customer Centricity
- Business Continuity

Value

- One Global Quality Policy
- Price and Speed
- Trust
- Regulatory needs of the New Markets
- Customer retention
- Customer feedback
- Environmental Compliance
- People

Service

- Exports to several countries
- Reliable supplier
- Non-Compete
- Dedicated Business Development team
- Transparency
- Team Emptor
- Zero Liquid Discharge (ZLD)
- Rewards & Recognition
- Succession Planning
- Value Over Volume

Q2 FY19 PERFORMANCE.

AN EVENTFUL YEAR FOR THE STRATEGIC GOALS

Key Highlights for Q2FY19



We are happy to continue our growth momentum in the second quarter with a healthy QoQ and YoY revenue growth. Overall, in H1FY19, we grew 26% in revenues with a robust 56% growth in the operating EBITDA.

We are building our future on a strong foundation of customer advocacy and resilient R&D, our cost improvement programs and foray into newer geographies. We remain excited about the opportunities that API space offers and are confident of delivering significant value."

Jitesh Devendra, MD and CEO

Quarterly Update(QoQ)

- Total Revenue was ₹3,437 Mn for Q2FY19 as compared to ₹3,033 Mn in Q1FY19, an increase of 13%.
- Operating EBITDA at ₹669 Mn for Q2FY19 as compared to ₹631 Mn during Q1FY19, an increase of 6%.
- Operating EBITDA Margin came in at 19.5% for Q2FY19 as against 20.8% for Q1FY19.
- Reported EBITDA stood at ₹495 Mn as compared to ₹466 Mn during Q1FY19, an increase of 6%.
- The Reported EBITDA factors R&D spent of ₹111 mn and ₹63 mn forex impact.

Quarterly Update(YoY)

- Total Revenue was ₹3,437 Mn for Q2FY19 as compared to ₹2,798 Mn in Q2FY18, an increase of 23%
- Operating EBITDA at ₹669 Mn jumped significantly by 48% over ₹451 Mn during Q2FY18
- Operating EBITDA Margin came in at 19.5% for Q2FY19 as against 16.3% in the corresponding period of previous financial.
- Reported EBITDA stood at ₹495 Mn as compared to ₹412 Mn during Q2FY18, an increase of 20%

H1 FY19 Update(YoY)

- Total Revenue was ₹6,470 Mn for H1FY19 as compared to ₹5,136 Mn in H1FY18, an increase of 26%
- Operating EBITDA stood at ₹1,300 Mn as compared to ₹831 Mn during H1FY18, an increase of 56%
- Operating EBITDA Margin at 20.1% for H1FY19 as against 16.2% in H1FY18
- Reported EBITDA stood at ₹961 Mn as compared to ₹811 Mn during H1FY18, an increase of 18%

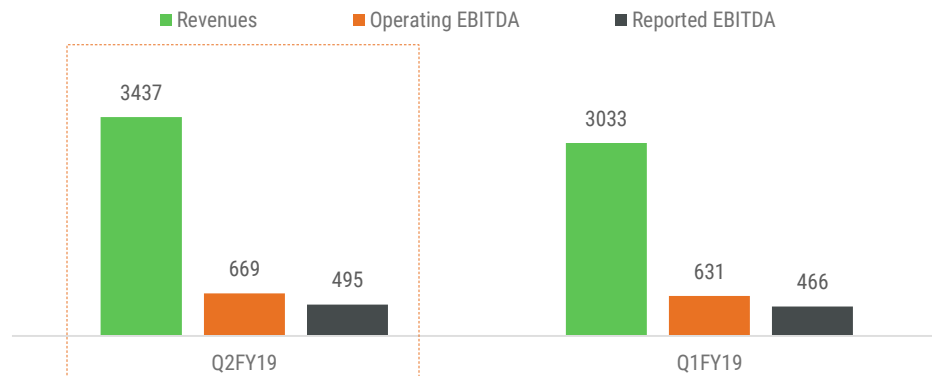
Q2FY19 Performance - QoQ



Financial Highlights

Particulars	Q2 FY19	Q1 FY19	Change
Revenue	3,437	3,033	13%
Operating EBITDA	669	631	6%
<i>Operating EBITDA Margins</i>	<i>19.5%</i>	<i>20.8%</i>	<i>-130 bps</i>
R&D Cost	-111	-97	
Forex gain/(Loss)	-63	-69	
Reported EBITDA	495	466	6%
<i>Reported EBITDA Margins</i>	<i>14.4%</i>	<i>15.3%</i>	<i>-90 bps</i>

Quarterly Trend



Key Highlights

- » Continued momentum in the new products offtake with steady growth in the base business
- » Operating margins were impacted by ~ 130 basis point gross margin drop due to higher import prices on account of foreign exchange. On a constant currency, the Operating EBITDA was significantly higher in Q2FY19 over Q1FY19.
- » R&D efforts on track with focus on new product development and cost improvements. We filed 1 new USDMF and 8 DMFs for existing products in new markets.
- » Forex impact of ₹63mn as against ₹69mn in the previous quarter. This is likely to come down further with our proactive treasury strategies.

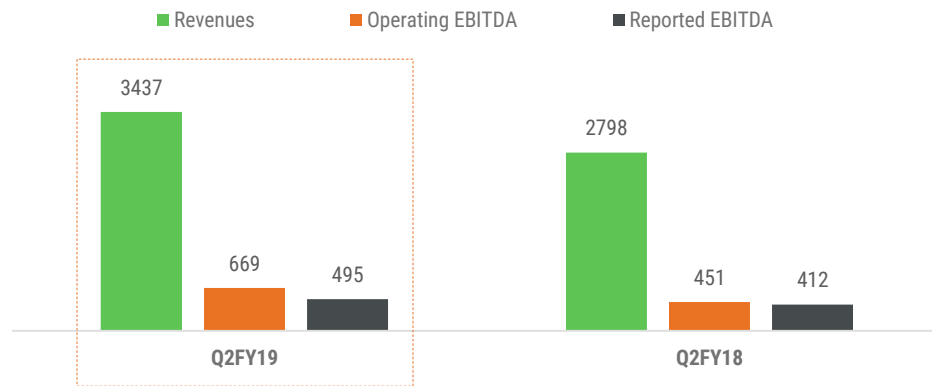
Q2FY19 Performance – YoY



Financial Highlights

Particulars	Q2 FY19	Q2 FY18	Change
Revenue	3,437	2,798	23%
Operating EBITDA	669	451	48%
<i>Operating EBITDA Margins</i>	<i>19.5%</i>	<i>16.3%</i>	<i>358 bps</i>
R&D Cost	-111	-22	
Forex gain/(Loss)	-63	-17	
Reported EBITDA	495	412	20%
<i>Reported EBITDA Margins</i>	<i>14.4%</i>	<i>14.7%</i>	<i>-30 bps</i>

Quarterly Trend



Key Highlights

- » From a geography standpoint, the regulated markets contributed 77% of sales for the quarter.
- » Operating EBITDA improvement over previous year on account of new product launches & growth in base business
- » 5x increase in investments in R&D for new product development and cost improvement initiatives
- » Forex impact of ₹63mn affected the reported EBITDA , significantly higher than Q2 of the previous year

H1FY19 Recap



H1FY19 Review

Particulars	H1FY19	H1FY18	Change
Revenue	6,470	5,136	26%
Operating EBITDA	1,300	831	56%
<i>Operating EBITDA Margins</i>	<i>20.1%</i>	<i>16.2%</i>	<i>390 bps</i>
R&D Cost	-208	-22	
Exchange gain/(loss)	-132	2	
EBITDA	961	811	18%
<i>EBITDA Margins</i>	<i>14.8%</i>	<i>15.8%</i>	<i>-100 bps</i>

Key Balance Items

Balance sheet items	Mar'18	Sep'18
Shareholders' funds	7,640	7,607
Less: Goodwill	-3,634	-3,586
Networth	4,006	4,021
Term Loan	3,027	3,376
Working Capital	3,302	3,419
Less: Cash	-470	-77
Net Borrowings	5,859	6,719
Sources of Funds	9,865	10,740
Net Tangible Fixed Assets	6,703	7,908
Net Non-current Assets	1,068	644
Net Current Assets	2,093	2,188
Application of Funds	9,865	10,740

Key Highlights

- » Growth in Revenue by 26% due to continued growth in base business & new product launches.
- » Operating EBITDA up by 56% due to price increase; volume growth and cost improvement program
- » 9x growth in R&D investments to develop new products and product robustness. Filing run-rate anticipated at 10-12 APIs/year
- » Debt increased by ₹ 860 Mn (Exchange rate impact of ₹ 143 Mn and GST refunds due for ₹ 540 Mn)
- » Debt in forex loan component has reduced from \$38 Mn in March'18 to \$ 20 Mn in Sep'18. These measures will counter the volatile currency environment.

5 years perspective



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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