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May 2, 2022

The BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

The National Stock Exchange of India Limited

Exchange Plaza, Bandra-Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 541540

Scrip Code: SOLARA

Dear Sirs,

Sub: Updated Investor presentation

Please find attached updated Investor Presentation and request you to take the same on record.

Thanking you,

Yours faithfully,

For Solara Active Pharma Sciences Limited

A handwritten signature in blue ink, appearing to read 'S. Murali Krishna', is written over a light blue grid background.

S. Murali Krishna
Company Secretary

Encl: As above.



SOLARA ANNOUNCES Q4'22 AND FY22 EARNINGS; COMPANY DECIDES TO CALL OFF MERGER WITH AURORE AND FOCUS ON ORGANIC GROWTH AND RESET

Solara Active Pharma Sciences | Q4'22 Earnings Presentation

April 29, 2022





Solara's Board today decided not to go ahead with the proposed merger with Aurore, to enable the company's focus on its core competency and organic growth

Background

- ▶ In April 2021, Solara announced a significant corporate action to merge with Aurore Life Sciences (Aurore) and build Solara into India's second-largest pure-play API Company.
- ▶ The merger was designed to further accelerate Solara's Global reach by combining the two companies.

Headwinds in the interim

- ▶ When the transaction was announced, Solara and Aurore delivered their highest ever EBITDA performance, and the momentum was expected to continue.
- ▶ Aurore has not achieved its financial goals set for FY22 mainly due to weak demand for covid products and other tactical opportunities.
- ▶ Consequently, the assumptions considered in the valuation for the merger scheme have undergone significant changes.
- ▶ Further, there are uncertainties in the merger scheme process due to disputes raised by one of the minority shareholders at a step-down subsidiary of Aurore.

Board's Direction

- ▶ Basis the above, the Board of Solara is of the opinion that this is not the opportune time for a merger with Aurore. The Board believes that Solara should reflect on the course-correction strategy and deliver targeted outcomes with organic growth.
- ▶ The Company believes that the reset strategy focused on strengthening Core Business, new R&D Programs, Continuous Improvement Programs, and effective utilization of capacities will result in long-term benefits.
- ▶ The Board of the two companies thereby agrees to withdraw the merger scheme and has further agreed that the opportunities to collaborate between Solara and Aurore will be pursued at arm's length.



The Board is delighted to welcome Jitesh Devendra as its new Managing Director, with S. Hariharan as the ED & CFO to drive the reset of the Company. Both Jitesh and Hari have held similar positions at Solara from its inception until 2020

Change in leadership

- ▶ Given the decision on the proposed merger, Rajender Rao Juvvadi, the incumbent Managing Director & Chief Executive Officer of Solara and co-founder of Aurore, has decided to resign from the Board of Solara.
- ▶ Jitesh Devendra, the Former CEO and Managing Director(MD) of Solara has been re-appointed as the company's Managing Director.
- ▶ Jitesh, along with S. Hariharan (ED and CFO) will significantly focus on driving the growth and profitability at Solara.

Brief Profile



Jitesh Devendra, *Managing Director*

Jitesh is the former CEO and MD of Solara. With over 21 years of experience, Jitesh led the North America API business and managed the Formulation P&L business of Shasun, which later merged with Strides. His efforts have led the Division into new markets, forging business relationships and introducing new products for out-licensing and partnership. Post-merger, he was responsible for the P&L business for North America and Europe Finished Dosage Form (Regulated Markets-Region 1) and the overall API business P&L.



S. Hariharan, *Executive Director and CFO*

Hari is a Cost Accountant with rich and varied experience of over 30 years in the field of Corporate Finance, Accounts, and Strategic Planning. He played a vital role in the merger process of Shasun with Strides. He has rich experience in the fields of Finance, Accounts, Secretarial, Taxation, Legal, and Information Technology functions. He has extensive experience in mergers and acquisitions.

***Resetting Solara for a
stronger bounce back***





P&L	Core Business	R&D Led Growth Business	Enhance capacity use at Vizag
Underlying Value Drivers	<ul style="list-style-type: none">▶ 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	<ul style="list-style-type: none">▶ 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	<ul style="list-style-type: none">▶ Phase 1 of the Vizag facility was commissioned in Q2'21 in order 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▶ The capacity has significant under-recovery due to a lack of regulatory approvals (Covid related delays)
Value Enablers	<ul style="list-style-type: none">▶ 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	<ul style="list-style-type: none">▶ Build on the good market presence in many of the settled business products▶ High GTM focus to seed customers for new products▶ Leverage relationships with innovators and partner on newer offerings	<ul style="list-style-type: none">▶ Get Vizag triggered for inspection▶ Focus to get new business through new launches or leverage facility for multiple products▶ Implement a CIP program through Vizag for better margins on existing products



**Q4'22
Performance**

Particulars	Core Business (Ex-Vizag)	R&D Led Growth Business	Vizag Led Business	Total
Revenue	3,669	-	-	3,669
EBITDA	404	(119)	(109)	176
EBITDA %	11%			5%
Profit Before Tax	2	(148)	(164)	(310)
Profit After Tax	330	(148)	(164)	18

**FY22
Performance**

Particulars	Core Business (Ex-Vizag)	R&D Led Growth Business	Vizag Led Business	Total
Revenue	12,884	-	-	12,884
EBITDA	2,045	(538)	(585)	922
EBITDA %	16%			7%
Profit Before Tax	586	(656)	(841)	(911)
Profit After Tax	914	(656)	(841)	(583)

- **Core Business:** EBITDA at ₹ 2,045 million with 16% margins resulting in Profit Before Tax of ₹ 586 million
- **R&D Led Growth Business:** R&D cost at ₹ 538 million. There is no new product validation sales in Q4'22 and FY22 which has resulted in EBITDA loss. Historically, there would be six-eight new product validation sales which will reduce the R&D cost.
- **Vizag Led Business:** Under recoveries of ₹ 585 million. Vizag facility was commissioned during Q3'21 and base products were manufactured for less regulated markets. However, in FY22, due to reduction in demand of base products, there were no production of base products in Vizag which resulted in under recovery of cost. 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 the same in FY23.

***Q4'22 and FY22
Financial Results***





Jitesh Devendra
Managing Director

Business Performance

- ▶ Q4'22 performance has been on the expected lines as revenues stood at ₹3,669m, a 249% growth over Q3'22 and a 19% decline versus Q4'21.
- ▶ Reported EBITDA at ₹176m for Q4'22, with margins at 4.8%. Adjusting for the inventory changes and Vizag under recovery, our Operating EBITDA now tracks at 19.7%, demonstrating a return towards the historical run rate for the base business (Ex-Vizag and R&D investments)
- ▶ Under-recovery continues at Vizag site

Business Update

- ▶ Positive trends across our businesses viz. Ibuprofens, Non-Ibuprofen Base business and CRAMS.
- ▶ While there was a situational impact on Ibuprofen revenues, the order book trends for the business remained upward.
- ▶ Our actions in strategic areas of developing the Non-Ibuprofen product portfolio, CRAMS business and new customer addition have started to yield favorable results.

Operational Update

- ▶ Continued focus on developing new products and market extensions filings
- ▶ The new business can be serviced from the currently under-utilized multi-product facility at Vizag.
- ▶ New programs were introduced for cost improvement, better site utilization, and operating cost savings.
- ▶ As the Regulatory inspection resumes, resolution of OAI at Cuddalore and triggering inspection of Vizag facility for regulated markets targeted in FY23

Future Focus

- ▶ Navigating through the short-term challenges of our overall business, however, the base business (ex-Vizag and R&D) is returning to normalcy, and we expect the business to bounce back in H2 of FY23
- ▶ Solara remains optimistic about accelerating all the levers of our strategy and we are confident in delivering long-term value to our stakeholders.



QoQ Performance (₹ In Million)

Particulars	Q4'22	Q3'22	Change
Revenue	3,669	1,051	249%
Gross margins - Normalised	1,619	327	395%
Gross margins %	44.1%	31.1%	1300 bps
Operating EBITDA	724	-808	190%
Operating EBITDA Margins	19.7%	-76.9%	
R&D Cost	-119	-135	
Under recovery - Vizag	-109	-163	
Forex gain/(Loss)	4	12	
Adjusted EBITDA	500	-1,094	
Adjusted EBITDA Margins	13.6%	-104.1%	
Increase / (decrease) in Stock	-323	154	
EBITDA	176	-940	119%
EBITDA Margins	4.8%	-89.5%	
PAT	18	-1,399	101%
Basic EPS (₹/Share)	0.53	-38.93	

YoY Performance (₹ In Million)

Particulars	Q4'22	Q4'21	Change
Revenue	3,669	4,535	-19%
Gross margins - Normalised	1,619	2,260	-28%
Gross margins %	44.1%	49.8%	-570 bps
Operating EBITDA	724	1,093	-34%
Operating EBITDA Margins	19.7%	24.1%	-437 bps
R&D Cost	-119	-140	
Under recovery - Vizag	-109	-	
Forex gain/(Loss)	4	-13	
Adjusted EBITDA	500	940	
Adjusted EBITDA Margins	13.6%	20.7%	
Increase / (decrease) in Stock	-323	110	
EBITDA	176	1,051	-83%
EBITDA Margins	4.8%	23.2%	-1836 bps
PAT	18	566	-97%
Basic EPS (₹/Share)	0.53	15.57	

Business and Operations Update

- ➔ Positive Signs of demand recovery in **Ibuprofen business especially in the Regulated markets.**
- ➔ **Demand recovery in the other molecules** business is seen in the Regulated markets.
- ➔ **Strong performance in new products:** 11% of quarterly sales in Q4'22 vs. 5% in Q4'21. New product sales indicate the sales of new products validated / commercialized during previous years.
- ➔ **CRAMS continued to deliver strong growth.** CRAMS revenue at 7% of Q4'22 revenues and current business visibility indicates similar growth momentum for FY23.
- ➔ Regulated markets revenues at 63% of Q4'22 revenues (vs. 57% in Q4'21)
- ➔ **R&D:** 4 regulated market filings this quarter. 5 market extensions were done for 4 products in this quarter. There are no new product validated revenue during current quarter.
- ➔ **Operations:** Manufacturing performance on cost reductions continues to be solid
- ➔ **Profitability:** Drop in Profitability in Q4 on account of Under-recoveries, Input cost pressures and volatility coupled with logistics cost increases further added to margin pressure.
- ➔ **Increase / (Decrease) in Stock:** ₹ 323 Mn decrease in stock in Q4'22 indicates the impact of overheads pertaining to sale of products from opening stock. In the normal circumstances, the opening stock and closing stock will remain at same levels and there will be minimal impact of Increase / (Decrease) in Stock.
- ➔ **Regulatory approval delays** leading to under-recoveries in Vizag

Q3'22 and Q4'21 data were re-casted to reflect the impact of changes in inventory and Vizag Under recovery
 The gross margins reported in Q3'22 were ₹ 481 million and in Q4'21 were ₹ 2,374 million
 The gross margins % reported in Q3'22 were 45.8% and in Q4'21 were 52.3%
 Operating EBITDA reported in Q3'22 were ₹ -817 million and in Q4'21 were ₹ 1,203 million
 Operating EBITDA % reported in Q3'22 were -77.8% and in Q4'21 were 26.5%



YoY Performance (₹ In Million)

Particulars	FY22	FY21	Change
Revenue	12,884	16,457	-21%
Gross margins	6,129	9,006	-32%
Gross margins %	47.6%	54.7%	-710 bps
Operating EBITDA	1,912	4,486	-57%
Operating EBITDA Margins	14.8%	27.3%	-1250 bps
R&D Cost	-538	-529	
Under recovery – Vizag	-585	-	
Increase / (decrease) in Stock	108	64	
Forex gain/(Loss)	25	-17	
EBITDA	922	4,004	-77%
EBITDA Margins	7.2%	24.3%	-1710 bps
PAT	-583	2,213	-127%
Basic EPS (₹/Share)	-16.18	69.00	

FY21 data re-casted to reflect the impact of changes in inventory and Vizag Under recovery
Gross margins reported in FY21 were ₹ 9,070 million; Gross margins % reported in FY21 were 55.1%
Operating EBITDA reported in FY21 were ₹ 4,550 million; Operating EBITDA % reported in FY21 were 27.7%

Business and Operations Update

- ➔ **Commercial strategy reset** in the Less regulated market in Q3'22 impacted FY22 performance
- ➔ New products contributed **5% of FY22** vs. 9% in FY21. New product sales indicate the sales of new products validated / commercialized during previous years.
- ➔ **CRAMS continued to deliver strong growth**
 - ➔ CRAMS revenues at 8% of FY22 revenues
 - ➔ Eight new customers added in FY22
 - ➔ Significant increase in the opportunity pipeline and increasing trend in ticket size of wins
- ➔ **R&D performance continues to gain momentum**
 - ➔ Ten regulated market filings during the year. 12 market extensions were filed during the year for 17 products.
 - ➔ There are no new product validated revenue during FY22.
- ➔ **Operations:** Manufacturing excellence programs are well anchored and good progress on operational performance
- ➔ **Regulated markets** revenues at 58% of FY22 revenues (vs. 71% last year)
- ➔ **Regulatory approval** delays due to COVID restrictions led to muted sales and under-recoveries from Vizag site
- ➔ **Input cost pressures and volatility impacted the overall margins.**
- ➔ **Increasing logistics costs** is further adding to the margin pressures



We expect the Net Debt to EBITDA to be at the historical levels by the end of FY23

Sources of funds (₹ In Million)

Particulars	Mar'20	Mar'21	Dec'21	Mar'22
Shareholders' funds	10,860	15,885	15,291	15,272
Less: Goodwill	-3,651	-3,651	-3,651	-3,651
Net worth	7,209	12,234	11,640	11,621
Term Loan	3,530	2,460	4,432	4,147
Working capital Loan	3,538	3,609	6,228	6,099
Gross Debt	7,068	6,069	10,660	10,246
Less: Cash including ICD	-1,068	-1,985	-1,748	-973
Net Debt	6,000	4,084	8,912	9,273
Total	13,209	16,318	20,552	20,894

Use of funds (₹ In Million)

Particulars	Mar'20	Mar'21	Dec'21	Mar'22
Net Tangible Fixed Assets	9,932	10,359	11,383	11,620
Net Non-current Assets	183	735	1,011	1,147
Net Working Capital	3,094	5,224	8,158	8,126
Total	13,209	16,318	20,552	20,894

Net Debt movement (₹ In Million)

Particulars	Term Loan	Working Capital	Cash incl. ICD	Net Debt
Opening as on 1.4.2021	2,460	3,609	(1,985)	4,084
Add: Fresh Term loan	2,624	-	-	2,624
Less: Term loan repaid	(937)	-	-	(937)
Increase in Working capital	-	2,490	-	2,490
Support Working capital / Capex	-	-	1,012	1,012
Closing as on 31.3.2022	4,147	6,099	(973)	9,273

- ➔ Net Debt to EBITDA is ~10x in FY22 and expected to reduce with combination of Debt Reduction and Improved Business Performance in FY23
- ➔ Focus on improving Net Debt to Equity which is at ~0.8x and Fixed Assets Turnover ratio at 1.4 x in FY22
- ➔ Net debt has increased from ₹ 4,084 million to ₹ 9,273 million in this Financial Year, driven by the following reasons:
 - ➔ Fresh Term loan to support Capex across the locations
 - ➔ Increased inventory build-up planned for COVID related business which is expected to be reduced substantially in FY23.
 - ➔ Increase in KSMs and raw material inventories to offset the current market volatility which is expected to normalize in FY23.
- ➔ Actions to structurally optimize inventory and right-size the working capital underway



Solara Leadership Participants



Arun. Kumar
Founder



Jitesh Devendra
Managing Director



S. Hariharan
Executive Director & CFO



1530hrs , IST



Friday, April 29



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Pre-register here for
diamond pass*

Thank you

REGISTERED OFFICE

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