

Press Release

Solara reports an improved performance YoY in Q1'24 with visible growth momentum

- ⇒ Q1'24 Revenues at ₹3,544m up 5% YoY; Reported EBITDA at ₹200m up 11% YoY;
- ⇒ Gross margins at 45.5% in Q1'24 versus 41.0% in Q1'23; YoY Improvement in Gross margins by 445 bps
- ⇒ Reported EBITDA at ₹200m, EBITDA margins at 5.6%; YoY Improvement in EBITDA margins by 20 bps
- ⇒ Reduction in under-recoveries at Vizag

Bengaluru, India – August 14, 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 first quarter (Q1'24)

Financial Performance for Q1'24

Particulars (INR m)	Q1'24	Q1'23	YoY%
Revenue	3,544	3,371	5%
Gross margins	1,612	1,383	17%
Gross margins %	45.5%	41.0%	445 bps
Operating EBITDA	342	337	
Operating EBITDA %	9.6%	10.0%	
EBITDA	200	181	11%
EBITDA Margins %	5.6%	5.4%	20 bps

Commenting on the financial performance, **Poorvank Purohit, MD & CEO of the Company**, remarked, “We are delighted to start FY 24 on a positive note, after having accomplished many of the goals we set for ourselves at the beginning of the previous year. Our current priorities are to stay focused and moving forward from what we had achieved in the last fiscal year. We continue to work on our key strategic priorities, which included resetting and concentrating the base business, restoring R&D velocity, addressing under-recoveries at our newly commissioned Vizag site, and expanding into new products and geographies. We are happy with the outcome of the USFDA inspection at our Cuddalore facility with Zero 483 inspectional observations. The result of these inspections demonstrates our commitment to regulatory excellence at our global manufacturing sites and our relentless focus on world-class quality and compliance.

Coming to the Q1'24 performance, I am pleased to report that we had achieved 5% YoY growth in Revenues and 11% YoY growth in EBITDA. Our order book continues to be strong. We are pleased to note the increase in demand for Ibuprofen and Ibuprofen derivatives. We continue to focus on Operating cost reduction, continuous improvement program (CIP), and inventory management. With Strong order book position, expansion in margins and reduced under recovery at Vizag, we have a visible growth momentum for the forthcoming quarters.”

More details are included in the attached investor presentation.

EBITDA Reconciliation

Particulars (INR m)	Q1'24	Q4'23	Q1'23	FY23
Profit/(loss) before tax	(293)	50	(311)	(448)
Add : Finance costs	246	220	225	901
Add: Depreciation and amortisation expense	259	264	281	1,112
Less: Interest income	(12)	(19)	(14)	(58)
Consolidated Reported EBITDA as per press release	200	515	181	1,507

Earnings Conference Call

The Company will conduct earnings call at **3.30 PM IST on August 14, 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.



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Q1'24 Earnings Update | August 14, 2023

**Staying Focused.
Moving Forward.**

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.

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Growth

- Base Business**
- Strong order book position for the base business
 - Increase in demand for Ibuprofen and its derivatives
 - USFDA concluded inspection at Cuddalore facility with Zero 483 inspectional observations
- R&D**
- ▶ Plan to file 5 new USDMFs in FY24.
 - ▶ 8 market extensions were done for 7 existing products during Q1'24.
- Vizag Business**
- USFDA and CEP approval in place
 - Reduction in under-recovery in Q1'24 compared with previous quarters
 - One of our major customer has received USFDA approval for its product with supply of API from Vizag.



Profitability

- **Gross margins at 45.5%**; YoY Improvement in GM by 445 bps
- **Operating EBITDA at ₹ 342 Mn**;
- **EBITDA at ₹ 200 Mn**; **EBITDA margins at 5.6%**;
- YoY Improvement in EBITDA margins by 20 bps



Cashflows

- Net Current Assets **reduction** by ₹ 341 Mn in Q1'24
- Gross debt at ₹ 9,872 Mn
- Gross debt has **reduced** by ₹ 140 Mn during Q1'24

Started FY24 on a positive note with YoY expansion in margins and reduced under recovery at Vizag

Performance (₹ In Million)

Particulars	Q1'24	Q1'23	YoY%
Revenue	3,544	3,371	5%
Gross margins	1,612	1,383	17%
Gross margins %	45.5%	41.0%	445 bps
EBITDA	200	181	11%
EBITDA Margins %	5.6%	5.4%	20 bps



Poorvank Purohit,
 MD & CEO

We are delighted to start FY 24 on a positive note, after having accomplished many of the goals we set for ourselves at the beginning of the previous year. Our current priorities are to stay focused and moving forward from what we had achieved in the last fiscal year. We continue to work on our key strategic priorities, which included resetting and concentrating the base business, restoring R&D velocity, addressing under-recoveries at our newly commissioned Vizag site, and expanding into new products and geographies. We are happy with the outcome of the USFDA inspection at our Cuddalore facility with Zero 483 inspectional observations. The result of these inspections demonstrates our commitment to regulatory excellence at our global manufacturing sites and our relentless focus on world-class quality and compliance.

Coming to the Q1'24 performance, I am pleased to report that we had achieved 5% YoY growth in Revenues and 11% YoY growth in EBITDA. Our order book continues to be strong. We are pleased to note the increase in demand for Ibuprofen and Ibuprofen derivatives. We continue to focus on Operating cost reduction, continuous improvement program (CIP), and inventory management. With Strong order book position, expansion in margins and reduced under recovery at Vizag, we have a visible growth momentum for the forthcoming quarters.

Q1'24 performance reflects YoY margin expansion

YoY Performance (₹ In Million)

Particulars	Q1'24	Q1'23	Change
Revenue	3,544	3,371	5%
Gross margins	1,612	1,383	17%
Gross margins %	45.5%	41.0%	445 bps
Operating EBITDA	342	337	
Operating EBITDA Margins	9.6%	10.0%	(40 bps)
R&D Cost	(100)	(80)	
Under recovery – Vizag	(41)	(94)	
EBITDA before Forex	201	163	23%
EBITDA before Forex Margins %	5.7%	4.8%	
Forex gain / (loss)	(1)	18	
EBITDA	200	181	11%
EBITDA Margins %	5.6%	5.4%	20 bps
PAT	(191)	(165)	
Basic EPS (₹/Share)	(5.43)	(4.56)	

QoQ Performance (₹ In Million)

Particulars	Q1'24	Q4'23	Change
Revenue	3,544	3,853	(8%)
Gross margins	1,612	1,939	(17%)
Gross margins %	45.5%	50.3%	
Operating EBITDA	342	712	(52%)
Operating EBITDA Margins	9.6%	18.5%	
R&D Cost	(100)	(103)	
Under recovery - Vizag	(41)	(87)	
EBITDA before Forex	201	522	(62%)
EBITDA before Forex Margins %	5.7%	13.5%	
Forex gain / (loss)	(1)	(7)	
EBITDA	200	515	(61%)
EBITDA Margins	5.6%	13.4%	
PAT	(191)	38	
Basic EPS (₹/Share)	(5.43)	1.05	

Key Business Metrics

Base Business growth & profits are revived

- ▶ Regulated markets revenues at 68% of Q1'24 revenues (vs. 66% in Q1'23 and 72% in Q4'23)
- ▶ Strong order book position for the base business
- ▶ Increase in demand for Ibuprofen & its derivatives.
- ▶ CRAMS revenue at 5% of Q4'23 revenues
- ▶ Continued focus on Operating cost reduction, continuous improvement program (CIP), and inventory management
- ▶ USFDA concluded inspection at Cuddalore facility with Zero 483 inspectional observations

R&D velocity enhanced for the future growth

- ▶ Plan to file 5 new USDMFs in FY24.
- ▶ 8 market extensions were done for 7 existing products during Q1'24.
- ▶ 5 market extension approvals were received in Q1'24.

Vizag is up and commercializing planned APIs

- ▶ Reduction in under-recoveries by ₹ 46 million in Q1'24
- ▶ USFDA approval received in Q4'23 and currently in the process of qualifying Regulated market customers to offtake products from Vizag
- ▶ One of our major customer has received USFDA approval for its product with supply of API from Vizag.

Improved Vizag utilisation

(₹ In Million)

Core Business (Ex-Vizag)

Particulars	Q1'24	Q1'23	Q4'23
Revenue	3,326	3,371	3,707
EBITDA	341	355	705
EBITDA %	10.3%	10.5%	19.0%

R&D Investments

Particulars	Q1'24	Q1'23	Q4'23
Revenue	-	-	-
EBITDA	-100	-80	-103
EBITDA %	-	-	-

Vizag led business

Particulars	Q1'24	Q1'23	Q4'23
Revenue	218	-	146
EBITDA	-41	-94	-87
EBITDA %	-	-	-

Total Solara business

Particulars	Q1'24	Q1'23	Q4'23
Revenue	3,544	3,371	3,853
EBITDA	200	181	515
EBITDA %	5.6%	5.4%	13.4%

Core Business:

- ▶ Q1'24 EBITDA at ₹ 341 million with 10.3% margins
- ▶ USFDA concluded inspection at Cuddalore facility with Zero 483 inspectional observations

R&D Investments:

- ▶ R&D cost at ₹ 100 million in Q1'24
- ▶ Plan to file 5 new USDMFs in FY24

Vizag Under Recoveries:

- ▶ Under recoveries of ₹ 41 million in Q1'24, a reduction of ₹ 46 million from ₹ 87 million in Q4'23.

With the improved operating performance, our focus remains on strengthening the balance sheet



Sources of funds (₹ In Million)

Particulars	Mar'23	Jun'23
Shareholders' funds	15,002	14,807
Less: Goodwill	-3,651	-3,651
Net worth	11,351	11,156
Term Loan	3,524	3,255
Working capital Loan	6,488	6,617
Gross Debt	10,012	9,872
Total	21,363	21,028

Use of funds (₹ In Million)

Particulars	Mar'23	Jun'23
Net Tangible Fixed Assets	11,830	11,796
Net Non-current Assets	1,010	1,050
Net Current Assets	8,523	8,182
Total	21,363	21,028

Gross Debt movement (₹ In Million)

Particulars	Term Loan	Working Capital	Gross Debt
Opening as on 1.4.2023	3,524	6,488	10,012
Add: Fresh Term loan	49	-	49
Less: Term loan repaid	(317)	-	(317)
Change in Working capital	-	129	129
Closing as on 30.06.2023	3,255	6,617	9,872


- ▶ Term loan reduced by ₹269 million during Q1'24 from ₹ 3,524 million to ₹ 3,255 million
- ▶ Gross debt has reduced by ₹ 140 million during Q1'24 from ₹ 10,012 million to ₹ 9,872 million.
- ▶ Net Current Assets reduced by ₹ 341 million during Q1'24 from ₹ 8,523 million to ₹ 8,182 million
- ▶ Actions to structurally right-size the working capital and debt are being implemented

With major course correction behind us, we remain on track to deliver sustainable performance

Ongoing actions



Improvement in offtake of Base Business and New products



Growth in CRAMS Business through low molecular weight peptides and material sciences



Polymer Chemistry
Expanding our portfolio in polymer based chemistry products



Reduction in Vizag Under Recovery with sales initiated recently



Filings in focus markets (Brazil and China)



CIP & Backward Integration Execution



Expected Outcome



Stronger revenue growth



EBITDA Improvement



Improved Debt to EBITDA ratio

Solara Earnings Conference Call on Monday, 14th August 2023 at 3:30 pm IST



Solara Leadership Participant




Poorvank Purohit
MD & CEO




15:30hrs , IST



Monday, August 14



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Thank You



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