

Press Release

Solara reports improved YoY growth in Q2'24 with signs of revival

- ⇒ Q2'24 Revenues at ₹4,264m up 25% YoY; Reported EBITDA at ₹382m up 27% YoY;
- ⇒ Gross margins at 44.3% in Q2'24;
- ⇒ EBITDA margins at 9.0%; YoY Improvement in EBITDA margins by 20 bps
- ⇒ Vizag under-recoveries have reduced by half in Q2'24 YoY

Bengaluru, India – November 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 second quarter (Q2'24)

Financial Performance for Q2'24

Particulars (INR m)	Q2'24	Q2'23	YoY%	H1'24	H1'23	YoY%
Revenue	4,264	3,421	25%	7,808	6,791	15%
Gross margins	1,891	1,516	25%	3,503	2,899	21%
Gross margins %	44.3%	44.3%		44.9%	42.7%	
Operating EBITDA	541	490	11%	881	853	3%
Operating EBITDA %	12.7%	14.3%		11.3%	12.6%	
EBITDA	382	300	27%	581	481	21%
EBITDA Margins %	9.0%	8.8%	20 bps	7.4%	7.1%	30 bps

Commenting on the financial performance, **Poorvank Purohit, MD & CEO of the Company**, remarked, "Q2'24 is a turnaround quarter for Solara with improved capacity utilization. Our work on the 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 have started to yield positive results for us and we will continue to focus on further improvements.

Coming to the Q2'24 performance, I am pleased to report that we had achieved 25% YoY growth in Revenues and 27% YoY growth in EBITDA. Our current order book position is strong and there is improved visibility on Vizag. We have witnessed demand recovery across our product basket leading to the top line growth in Q2'24. We are pleased to note the increase in demand for ibuprofen business. We continue to focus on Operating cost reduction, continuous improvement program (CIP), and inventory management to improve profitability. Ramp up in operations at Vizag facility led to improved capacity utilization resulting in reduction in under-recoveries"

More details are included in the attached investor presentation.

EBITDA Reconciliation

Particulars (INR m)	Q2'24	Q1'24	Q2'23	H1'24	H1'23	FY23
Profit/(loss) before exceptional items and tax	(118)	(294)	(193)	(412)	(504)	(448)
Add : Finance costs	244	246	220	490	445	901
Add: Depreciation and amortisation expense	262	259	286	521	568	1,112
Less: Interest income	(6)	(11)	(13)	(18)	(28)	(59)
Consolidated Reported EBITDA as per press release	382	200	300	581	481	1,506

Earnings Conference Call

The Company will conduct earnings call at **3.30 PM IST on November 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 73 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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Q2'24 Earnings Update | November 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**
- Improved visibility on Base business
 - Increase in demand for Ibuprofen business
 - Demand recovery across the product basket
 - Improved capacity utilization

R&D
11 market extensions were done for 10 existing products during H1'24.

- Vizag Operations**
- USFDA and CEP approval in place
 - Improved business visibility
 - Improved capacity utilization



Profitability

- Revenue for Q2'24 at ₹ 4,264 Mn; YoY growth of 25%
- Gross margins at 44.3%;
- Operating EBITDA at ₹ 492 Mn; Operating EBITDA margins at 11.5%
- EBITDA at ₹ 382 Mn; EBITDA margins at 9.0%;
- QoQ Improvement in EBITDA margins by 331 bps



Cashflows

- Net Current Assets reduction by ₹ 408 Mn in H1'24
- Gross debt at ₹ 9,729 Mn
- Gross debt has reduced by ₹ 283 Mn during H1'24

Q2'24 performance led to 25% YoY revenue growth with 27% YoY growth in EBITDA

Performance (₹ In Million)

Particulars	Q2'24	Q2'23	YoY%	H1'24	H1'23	YoY%
Revenue	4,264	3,421	25%	7,808	6,791	15%
Gross margins	1,891	1,516	25%	3,503	2,899	21%
Gross margins %	44.3%	44.3%	-	44.9%	42.7%	217 bps
EBITDA	382	300	27%	581	481	21%
EBITDA Margins %	9.0%	8.8%	20 bps	7.4%	7.1%	30 bps



Poorvank Purohit,
MD & CEO

Q2'24 is a turnaround quarter for Solara with improved capacity utilization. Our work on the 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 have started to yield positive results for us and we will continue to focus on further improvements.

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Q2'24 performance reflects YoY and QoQ Revenue growth

YoY Performance (₹ In Million)

Particulars	Q2'24	Q2'23	Change
Revenue	4,264	3,421	25%
Gross margins	1,891	1,516	25%
Gross margins %	44.3%	44.3%	-
Operating EBITDA	492	395	24%
Operating EBITDA Margins	11.5%	11.6%	
R&D Cost	(110)	(95)	
EBITDA	382	300	27%
EBITDA Margins %	9.0%	8.8%	20 bps

QoQ Performance (₹ In Million)

Particulars	Q2'24	Q1'24	Change
Revenue	4,264	3,544	20%
Gross margins	1,891	1,612	17%
Gross margins %	44.3%	45.5%	(115 bps)
Operating EBITDA	492	300	64%
Operating EBITDA Margins	11.5%	8.5%	300 bps
R&D Cost	(110)	(100)	
EBITDA	382	200	91%
EBITDA Margins	9.0%	5.6%	331 bps

Key Business Metrics

Base Business growth & profits are revived

- ▶ Regulated markets revenues at 71% of Q2'24 revenues (vs. 66% in Q2'23 and 68% in Q1'24)
- ▶ Increase in demand for Ibuprofen across various markets
- ▶ Strong order book position for the base business
- ▶ Improved capacity utilization
- ▶ CRAMS revenue at 5% of Q2'24 revenues
- ▶ Continued focus on Operating cost reduction, continuous improvement program (CIP), and inventory management

R&D velocity enhanced for the future growth

- ▶ Plan to file 5 new USDMFs in FY24.
- ▶ 3 market extensions were done for 3 existing products during Q2'24.
- ▶ 3 market extension approvals were received in Q2'24

Vizag is up and commercializing planned APIs

- ▶ Vizag under-recoveries have reduced by half in Q2'24 YoY
- ▶ Ramp up in operations at Vizag facility and improved capacity utilisation
- ▶ Currently in the process of qualifying Regulated market customers to offtake products from Vizag

YoY Performance (₹ In Million)

Particulars	H1'24	H1'23	Change
Revenue	7,808	6,791	15%
Gross margins	3,503	2,899	21%
Gross margins %	44.9%	42.7%	220 bps
Operating EBITDA	790	655	21%
Operating EBITDA Margins	10.1%	9.7%	40 bps
R&D Cost	(209)	(174)	
EBITDA	581	481	21%
EBITDA Margins %	7.4%	7.1%	30 bps

Key Business Metrics

Base Business growth & profits are revived

- ▶ Regulated markets revenues at 70% of H1'24 revenues (vs. 69% in H1'23)
- ▶ Increase in demand for Ibuprofen across various markets
- ▶ Strong order book position for the base business
- ▶ Improved capacity utilization
- ▶ CRAMS revenue at 5% of H1'24 revenues
- ▶ Continued focus on Operating cost reduction, continuous improvement program (CIP), and inventory management

R&D velocity enhanced for the future growth

- ▶ Plan to file 5 new USDMFs in FY24.
- ▶ 11 market extensions were done for 10 existing products during H1'24.
- ▶ 8 market extension approvals were received in H1'24

Vizag is up and commercializing planned APIs

- ▶ Vizag under-recoveries have reduced by half in H1'24 YoY
- ▶ Ramp up in operations at Vizag facility and improved capacity utilisation
- ▶ Currently in the process of qualifying Regulated market customers to offtake products from Vizag

(₹ In Million)

Base Business (Ex-Vizag)

Particulars	Q2'24	Q2'23	Q1'24	H1'24	H1'23
Revenue	3,933	3,421	3,326	7,259	6,791
EBITDA	542	489	341	881	854

R&D Investments

Particulars	Q2'24	Q2'23	Q1'24	H1'24	H1'23
Revenue	-	-	-	-	-
EBITDA	-110	-95	-100	-209	-174

Vizag led business

Particulars	Q2'24	Q2'23	Q1'24	H1'24	H1'23
Revenue	331	-	218	549	-
EBITDA	-50	-94	-41	-91	-199

Total Solara business

Particulars	Q2'24	Q2'23	Q1'24	H1'24	H1'23
Revenue	4,264	3,421	3,544	7,808	6,791
EBITDA	381	300	200	581	481

Base Business:

- ▶ Q2'24 EBITDA at ₹ 542 million with 13.8% margins
- ▶ QoQ Improved EBITDA margins on Core Business
- ▶ H1'24 Revenue growth 7% on Base Business
- ▶ H1'24 EBITDA at ₹ 881 million with 12.2% margins

R&D Investments:

- ▶ R&D cost at ₹ 110 million in Q2'24 & ₹ 209 million in H1'24
- ▶ Plan to file 5 new USDMFs in FY24

Vizag Under Recoveries:

- ▶ Under recoveries reduced by half YoY in Q2'24 & H1'24

Sources of funds (₹ In Million)

Particulars	Mar'23	Sep'23
Shareholders' funds	15,002	14,653
Less: Goodwill	-3,651	-3,651
Net worth	11,351	11,002
Term Loan	3,524	2,966
Working capital Loan	6,488	6,764
Gross Debt	10,012	9,729
Total	21,363	20,731

Use of funds (₹ In Million)

Particulars	Mar'23	Sep'23
Net Tangible Fixed Assets	11,830	11,614
Net Non-current Assets	1,010	1,002
Net Current Assets	8,523	8,115
Total	21,363	20,731

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	(608)	-	(608)
Change in Working capital	-	276	276
Closing as on 30.09.2023	2,965	6,764	9,729

- ▶ Term loan reduced by ₹608 million during H1'24 from ₹ 3,524 million to ₹ 2,965 million
- ▶ Gross debt has reduced by ₹ 283 million during H1'24 from ₹ 10,012 million to ₹ 9,729 million.
- ▶ Net Current Assets reduced by ₹ 408 million during Q2'24 from ₹ 8,523 million to ₹ 8,115 million

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 Leadership Participant



Poorvank Purohit

MD & CEO



P V Raghavendra Rao

CFO



15:30hrs , IST



Tuesday, November 14



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Pre-register here for
diamond pass*

Thank You



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