

Press Release

Solara reports Q3'24 and 9m'24 results

- ⇒ Q3'24 Revenues at ₹ 2,492 Mn, down by 38% YoY;
- ⇒ Q3'24 Reported EBITDA at (₹ 1,616 Mn);
- ⇒ Q3'24 is severally impacted by one-off items;
 - a. Fire incident in Puducherry and temporary deferment of sales
 - b. A complete Reset of our business model to restore to Key Regulated market player

Bengaluru, India – February 14, 2024: Solara Active Pharma Sciences Ltd (Solara) (NSE: SOLARA; BSE: 541540), a leading Active Pharmaceutical Ingredient / CRAMS company, today announced the financial results for the third quarter (Q3'24)

Updates on Q4'24 and strong FY25 guidance

Q4'24

- ⇒ Q4'24 Revenues are expected to be at ₹ 4,000 Mn+ and EBITDA is expected to be at ₹ 400 Mn+

FY25

- ⇒ Solara announces a Strong Outlook for FY25 by Reset of its Operations
- ⇒ Focus on free cash generation and margin expansion leading to strong growth in profitability and margins and customer advocacy.
- ⇒ FY25 Revenues are expected to be at ₹ 15,000 Mn+
- ⇒ EBITDA is expected to be at ₹ 2,300-2,600 Mn with EBITDA margins of 15%-17%

Q4'25 Exit quarter

- ⇒ Q4'25 Exit quarter Revenue run-rate expected to be at ₹ 4,000 Mn+
- ⇒ EBITDA run-rate expected to be at ₹ 800-900 Mn with EBITDA margins of 20%-22%
- ⇒ Net Debt to EBITDA at less than 3 times by Q4'25 Exit quarter.

Update on Rights issue

- ⇒ Further to the announcement made by the Company on July 5, 2023 regarding fund raising through a Rights issue, the Company has appointed a Merchant Banker for the proposed issue.
- ⇒ The Company is in the process of filing the offer document with the Stock Exchanges
- ⇒ The issue price and the exact size will be decided by the Rights Issue committee on receipt of in-principle approval from the Stock Exchanges
- ⇒ Promoters are committed to subscribe to the issue to the extent of their holdings and are also willing to subscribe and underwrite the unsubscribed portion of the public holdings.

Financial Performance for Q3'24

Particulars (INR m)	Q3'24	Q3'23	YoY%	9M'24	9M'23	YoY%
Revenue	2,492	4,019	-38%	10,300	10,810	-5%
Reported Gross margins	324	1,902	-83%	3,827	4,801	-20%
Reported Gross margins %	13.0%	47.3%		37.2%	44.4%	
Reported EBITDA	(1,616)	510	-	(1,034)	991	-
Reported EBITDA Margins %	-	12.7%		-	9.2%	



Commenting on the financial performance, **Poorvank Purohit, MD & CEO of the Company**, remarked, “Q3’24 is a difficult quarter for Solara majorly impacted by the fire incident and also by the one-off impact of the reset strategy. The fire incident occurred at our Puducherry facility and the resultant fire caused injuries to 14 workers and 12 workers were recovered and discharged while 2 have succumbed to injuries despite best efforts put to recover them. The fire also caused damage to our existing plant and equipment and inventories. There was disruption in the production at the Puducherry facility for a brief period and post corrective actions, permissions to commence production was accorded by end of Dec’23. We resumed supplies to Regulated markets in Jan’24. The losses arising on account of the fire incident have been accounted under exceptional item. The insurance claims have been made and no deferred income is considered in our results.

Our revenues have seen a reduction during Q3’24 majorly impacted by the fire incident. Intended shipments for the quarter were deferred to Q4’24 due to additional documentation and quality and customer approvals post the fire incident also resulted in lower Revenues and also impacted Gross margins. Our Gross margins have been impacted by the one-off impact of the reset strategy to discontinue few products and optimize inventory.

We will now aggressively focus on product profitability, cost control and cost improvement program (CIP), better cash flows and debt reduction. With significant headwinds behind us and with our reset strategy in place, we aim to turnaround and deliver 20-22% EBITDA margins by Q4FY25”

More details given in the Investor presentation

EBITDA Reconciliation

Particulars (INR m)	Q3’24	Q2’24	Q3’23	9m’24	9m’23	FY23
Profit/(loss) before exceptional items and tax	(2,126)	(118)	6	(2,538)	(499)	(448)
Add : Finance costs	254	244	236	744	681	901
Add: Depreciation and amortisation expense	260	262	280	781	847	1,112
Less: Interest income	(4)	(6)	(12)	(21)	(39)	(59)
Consolidated Reported EBITDA as per press release	(1,616)	382	510	(1,034)	991	1,506

Earnings Conference Call

The Company will conduct earnings call at **3.00 PM IST on February 14, 2024**, 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.



Q3'24 AND 9m'24 RESULTS

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.

Q3'24 has been majorly impacted by the fire incident and by the one-off impact of our reset strategy

	Reported	Adjustments	Adjusted
Revenue	₹ 2,492m	+ ₹ 1,850m*	= ₹ 4,342m
Gross margins	₹ 324m	+ ₹ 1,512m**	= ₹ 1,836m
Operating cost	₹ 1,940m	- ₹ 492m**	= ₹ 1,448m
EBITDA	(₹ 1,616m)	+ ₹ 2,004m**	= ₹ 388m
EBITDA margins			= 9%

* Adjusted for fire incident impact. Refer page 4 for more details
 ** Adjusted for fire incident impact and reset impact. Refer page 4 for more details

Fire incident impact and the one-off impact of our reset strategy

Fire Incident Impact

- Loss of revenues of ~ ₹1,300 Mn due to production disruptions after the fire incident at Puducherry resulted in lower gross margins to the extent of ~ ₹640 Mn
- Post corrective actions, permissions to commence production was accorded by end of Dec'23. Resumed supplies to Regulated markets in Jan'24.
- Solara is adequately insured to cover these loss of profits. The insurance claims have been made and no deferred income on account of insurance claims is considered in our results.

Deferred Revenues

- Intended shipments for the quarter to the extent of ~₹550 Mn of revenues and ~₹360 Mn gross margins were deferred to Q4'24 due to additional documentation and quality and customer approvals post the fire incident.

Reset Impact

- The Company has reset its strategy to revert to its pre-COVID focus on being a pre-dominantly regulated market player and to focus on customer retention and cost leadership.
- **One-off impact on Q3'24 EBITDA of ₹1,004Mn on account of resetting the operations.**
 - As part of our Reset Strategy, several long tail products have been discontinued resulting in a provisioning of discontinued products to the extent of ₹ 203 Mn and loss on liquidation of discontinued products to the extent of ₹ 134 Mn.
 - One-off impact of reduction in inventory levels to the extent of ₹ 175 Mn resulting from our strategic actions taken to optimize the existing inventory levels
 - The Company has been carrying long outstanding receivables related to post COVID sales which have been provided - ₹ 492 Mn

Focus on Profitable Growth

- Aggressive focus on products with high profitability
- Categorization of products based on profitability per KL
- Discontinuance of products that do not deliver minimum profitability thresholds and where we do not control cash flows.

Cost Improvement

- Focus on Cost control and Cost Improvement programs through alternate vendors to achieve improved COGS.
- Reduced operating cost by austerity measures without impacting business continuity.

Network Optimization

- Manufacturing network optimization by consolidation of assets and capacities

Revenue and Margin expansion

- Expanding margins by focusing on profitable growth, cost improvement and network optimization which will lead our Revenues reverting to **₹4,000m** per quarter with improved gross margins and EBITDA in the range of **20-22%**

Optimization of Inventory and Working Capital

- Optimization of existing high inventory levels through robust Sales and Operational Planning (S&OP)
- Reducing working capital days and improve cash cycle
- Improved free cash flows by Q4'25

Debt Reduction

- Net Debt to EBITDA at **less than ~3 times** by Q4'25

Guidance for Q4'24 & FY25

	Revenues	EBITDA	EBITDA Margins
FY23 Performance	₹ 14,663m	₹ 1,507m	10%
9m'24 Adjusted Performance	₹ 12,150m	₹ 970m	8%
Q4'24 Guidance	₹ 4,000m+	₹ 400m+	10%
FY25 Guidance	₹ 15,000m+	₹ 2,300m-₹ 2,600m	15%-17%
Q4'25 Exit quarter Run-rate	₹ 4,000m+	₹ 800m-₹ 900m	20%-22%

Expected outcome of the reset strategy:

- ❖ Expanding margins by focusing on profitable growth, cost improvement and network optimization which will lead our Revenues reverting to ₹4,000m per quarter with improved gross margins and EBITDA in the range of 20-22% by Q4'25.
- ❖ Q4'25 Exit quarter Revenue run-rate remain flat at ₹4,000m because of discontinuance of some of the products and it will get replaced with products with high profitability.

- Further to the announcement made by the Company on July 5, 2023 regarding fund raising through a Rights Issue, the Company has appointed a Merchant Banker for the proposed issue.
- We are in the process of filing the offer document with the Stock Exchanges
- The issue price and the exact size will be decided by the Rights Issue committee on receipt of in-principle approval from the Stock Exchanges.
- Promoters are committed to subscribe to the issue to the extent of their holdings and are also willing to subscribe and underwrite the unsubscribed portion of the public holdings.

Q3 FY24 results majorly impacted by the fire incident

Performance (₹ In Million)

Particulars	Q3'24	Q3'23	YoY%	9M'24	9M'23	YoY%
Revenue	2,492	4,019	-38%	10,300	10,810	-5%
Reported Gross margins	324	1,902	-83%	3,827	4,801	-20%
Reported Gross margins %	13.0%	47.3%		37.2%	44.4%	
Reported EBITDA	(1,616)	510	-	(1,034)	991	-
Reported EBITDA Margins %	-	12.7%		-	9.2%	



Poorvank Purohit,
MD & CEO

Q3'24 is a difficult quarter for Solara majorly impacted by the fire incident and also by the one-off impact of the reset strategy. The fire incident occurred at our Puducherry facility and the resultant fire caused injuries to 14 workers and 12 workers were recovered and discharged while 2 have succumbed to injuries despite best efforts put to recover them. The fire also caused damage to our existing plant and equipment and inventories. There was disruption in the production at the Puducherry facility for a brief period and post corrective actions, permissions to commence production was accorded by end of Dec'23. We resumed supplies to Regulated markets in Jan'24. The losses arising on account of the fire incident have been accounted under exceptional item. The insurance claims have been made and no deferred income is considered in our results.

Our revenues have seen a reduction during Q3'24 majorly impacted by production disruptions post the fire incident. Intended shipments for the quarter were deferred to Q4'24 due to additional documentation and quality and customer approvals post the fire incident also resulted in lower Revenues and also impacted Gross margins.

Our Gross margins have been impacted by the one-off impact of the reset strategy to discontinue few products and optimize inventory.

We will now aggressively focus on product profitability, cost control and cost improvement program (CIP), better cash flows and debt reduction.

With significant headwinds behind us and with our reset strategy in place, we aim to turnaround and deliver 20-22% EBITDA margins by Q4FY25.

Q3'24 performance majorly impacted by the fire incident

YoY Performance (₹ In Million)

Particulars	Q3'24	Q3'23	Change
Revenue	2,492	4,019	-38%
Reported Gross Margins	324	1,902	-83%
Reported Gross margins %	13.0%	47.3%	
Operating EBITDA	(1,508)	605	
Operating EBITDA Margins %	-	15.0%	
R&D Cost	(108)	(95)	
Reported EBITDA	(1,616)	510	
Reported EBITDA Margins %	-	12.7%	

QoQ Performance (₹ In Million)

Particulars	Q3'24	Q2'24	Change
Revenue	2,492	4,264	-42%
Reported Gross Margins	324	1,931	-83%
Reported Gross margins %	13.0%	45.3%	
Operating EBITDA	(1,508)	587	
Operating EBITDA Margins %	-	13.8%	
R&D Cost	(108)	(100)	
Reported EBITDA	(1,616)	382	
Reported EBITDA Margins %	-	9.0%	

► **Impact of fire incident at Puducherry facility:**

- Loss of revenues of ~ ₹1,300 Mn due to production disruptions after the fire incident at Puducherry resulted in lower gross margins to the extent of ~ ₹640 Mn
- Shipment delays to Regulated market customers after the fire incident.
- Losses of Rs. 628 Mn arising on account of the fire incident have been accounted under exceptional item.
- Insurance claim submitted and under progress. No deferred income on account of insurance claims is considered in our results.

► **Strategic actions on optimizing high inventory levels:**

- Strategic actions to reduce the overall inventory and working capital levels.
- One-off impact of provision for discontinued products held in inventory for Rs. 203 Mn and loss on liquidation of discontinued products held in inventory of Rs. 134 Mn.
- One-off impact of reduction in inventory levels to the extent of ₹ 175 Mn resulting from our strategic actions taken to optimize the existing inventory levels

► **Deferred Revenue:**

- Intended shipments for the quarter to the extent of ~₹550 Mn of revenues and ~₹360 Mn gross margins was deferred to Q4'24 due to additional documentation and quality and customer approvals post the fire incident.

► **Business highlights:**

- Resumed production at Puducherry facility after Post corrective actions and permissions to commence production was accorded.
- Regulated markets revenues at 61% of Q3'24 revenues (vs. 68% in Q3'23 and 71% in Q2'24)
- Change in geography mix with lower Regulated markets sales impacted Gross margins for Q3.
- Strategic initiatives in progress to deliver 20-22% EBITDA margins by Q4FY25 exit quarter.

YoY Performance (₹ In Million)

Particulars	9M'24	9M'23	Change
Revenue	10,300	10,810	-5%
Reported Gross Margins	3,827	4,801	-20%
Reported Gross margins %	37.2%	44.4%	
Operating EBITDA	(716)	1,260	
Operating EBITDA Margins %	-	11.7%	
R&D Cost	(318)	(270)	
Reported EBITDA	(1,034)	991	
Reported EBITDA Margins %	-	9.2%	

► **Impact of fire incident at Puducherry facility:**

- Loss of revenues of ~ ₹1,300 Mn due to production disruptions after the fire incident at Puducherry resulted in lower gross margins to the extent of ~ ₹640 Mn
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► **Strategic actions on optimizing high inventory levels:**

- Strategic actions to reduce the overall inventory and working capital levels.
- One-off impact of provision for discontinued products held in inventory for Rs. 203 Mn and loss on liquidation of discontinued products held in inventory of Rs. 134 Mn.
- One-off impact of reduction in inventory levels to the extent of ₹ 188 Mn resulting from our strategic actions taken to optimize the existing inventory levels

► **Deferred Revenue:**

- Intended shipments for the quarter to the extent of ~₹550 Mn of revenues and ~₹360 Mn gross margins was deferred to Q4'24 due to additional documentation and quality and customer approvals post the fire incident.

► **Business highlights:**

- Resumed production at Puducherry facility after Post corrective actions and permissions to commence production was accorded.
- Regulated markets revenues at 68% of 9m'24 revenues (vs. 70% in 9m'23)
- Change in geography mix with lower Regulated markets sales impacted Gross margins for Q3.
- Strategic initiatives in progress to deliver 20-22% EBITDA margins by Q4FY25 exit quarter.

Our focus remains on strengthening the balance sheet

Sources of funds (₹ In Million)

Particulars	Mar'23	Dec'23
Shareholders' funds	15,002	11,891
Less: Goodwill	-3,651	-3,651
Net worth	11,351	8,240
Term Loan	3,524	2,680
Working capital Loan	6,488	6,584
Gross Debt	10,012	9,264
Total	21,363	17,504

Use of funds (₹ In Million)

Particulars	Mar'23	Dec'23
Net Tangible Fixed Assets	11,830	11,312
Net Non-current Assets	1,010	947
Net Current Assets	8,523	5,245
Total	21,363	17,504

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	(893)	-	(893)
Change in Working capital	-	96	96
Closing as on 31.12.2023	2,680	6,584	9,264

- ▶ Term loan reduced by ₹893 million during 9M'24 from ₹ 3,524 million to ₹ 2,680 million
- ▶ Gross debt has reduced by ₹ 748 million during 9M'24 from ₹ 10,012 million to ₹ 9,264 million.

IMPACT OF FIRE INCIDENT AT OUR PUDUCHERRY FACILITY

- **Injuries to 14 operators/contract workers**
- **Unfortunately, 2 of them succumbed to injuries**
- **Damage to two blocks - Recovery, Special product packing – Buildings & Machineries**
- **Damage to few Inventories under production**
- **Loss of production during the intermittent period**

- **Consequently, we had taken an exceptional loss of ₹628 Mn due to this fire incident in this quarter. Solara is adequately insured to cover this loss. No deferred income on account of Insurance claims is considered in our results.**
- The fire incident occurred at our Puducherry facility in C Shift on 4th November 2023 around 9.30 pm. Out of the 76 blocks, recovery block no-40 and Special Product Packing were impacted.
- The resultant fire caused injuries to 14 operators/ contract workers. Out of 14 Operators & Contract Workmen who were affected due to the fire incident, 12 were discharged from the hospital while the remaining 2 succumbed to injuries despite best efforts put to recover them. The 12 persons discharged have recovered well.
- The company immediately swung into action and with the help of the Fire department and the support of the Puducherry government officials, the fire was brought under control and the injured were shifted to hospitals in Chennai and Puducherry.
- Out of the 76 Blocks, Two blocks (Block no 40 & 12), were prohibited from use till the plant is rebuilt and all corrective and preventive measures are taken. The affected 2 blocks are getting dismantled and new blocks are getting rebuilt. The construction work is getting executed on a fast-track basis.
- Alternate arrangements have been made to execute the recovery and special grade Ibuprofen within the same site. Production has resumed for Ibuprofen.
- In terms of Business continuity, the facility manufactures Ibuprofen and with the recent approvals from regulators and certain key customers, we expect to be back to full steam in this Plant.
- Safety continues to remain a top priority for Solara, and we have implemented the learnings from the incident in other units.
- Solara is committed to Safety and have taken various measures like Implementation of enhanced safety measures to prevent fire and strengthening of Fire Fighting Systems.



Arun Kumar
Founder & Promoter



Poorvank Purohit
MD & CEO



P V Raghavendra Rao
CFO



15:00hrs , IST



Wednesday, February 14



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Pre-register here for
diamond pass*

Thank You



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