

Press Release

Solara reports Q4'24 and FY24 results

- **Solara reports adjusted EBITDA of INR 378 Mn in Q4'24 & sequential growth over Q3'24.**
- **Solara reports significantly improved Gross Margin profile**
- **Gross Margin improves from 9 months average of 37% to 46%, 900 bps improvements in Gross Margins.**
- **Previously announced Q4'24 guidance delayed by a quarter due to unplanned US FDA inspection at Vizag facility, which concluded successfully with zero 483's**
- **Reaffirms FY25 guidance of Revenue ~Rs. 15,000 Mn & the full year EBITDA of ~Rs. 2,300 to 2,600 Mn & Q4'25 exit quarter Revenue ~ Rs. 4,000 Mn & EBITDA of ~Rs. 800 to Rs. 900 Mn with EBITDA margins of 20-22%**
- **All one-off items in the balance sheet have been addressed and provided for (including Covid inventory) and there are no further exceptional items**
- **Rights issue for INR 449.95 crores opened on May 28, 2024, 75% of which will be utilized towards debt reduction and balance will be utilized for general corporate purposes**

Bengaluru, India – May 29, 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 fourth quarter (Q4'24)

Financial Performance for Q4'24 after COVID inventory provision

Particulars (Rs. Mn)	Q4'24	Q3'24	QoQ%	Q4'23	YoY%	FY24	FY23	YoY%
Revenue	3,011	2,492	23%	3,853	-21%	12,943	14,664	-11%
Reported Gross margins	1,409	324	324%	1,909	-26%	4,891	6,716	-27%
Reported Gross margins %	46.7%	13.0%		49.5%		37.7%	45.8%	
Adjusted EBITDA	378	(643)		515	-	322	1,505	-
Adjusted EBITDA Margins %	12.3%	-		13.4%		2.5%	10.3%	
Reported EBITDA	112	(1,616)		515	-	(917)	1,505	-
Reported EBITDA Margins %	3.8%	-		13.4%		-	10.3%	
COVID Inventory provision	1,228	-		-		1,228	-	
Exceptional items (gain)/loss	(6)	628		-		674	-	
Depreciation	252	261		264		1,033	1,111	
Finance cost	304	248		201		1,032	955	
PBT	(1,666)	(2,753)		50		(4,884)	(448)	
PBT Margins %	-	-		1%		-	-	
PAT	(2,554)	(2,753)		38		(5,669)	(223)	
PAT Margins %	-	-		1%		-	-	



Commenting on the financial performance, **Poorvank Purohit, MD & CEO of the Company**, remarked, “While Solara reported a dismal FY’24, the Reset announced in the previous Earnings call has been implemented now in full stream, albeit delayed by a quarter as we had an unplanned US FDA inspection of the Vizag facility, which was part of our mothballing exercise in our network optimization. We are pleased with the successful zero 483 inspection and we are committed to retrofit Vizag to a larger multipurpose facility to funnel future growth.

During the year, we were impacted by the fire accident at our Puducherry facility and aggressive calls that we have taken on our balance sheet with regards one time provisioning of Rs. 2,026 Mn including COVID inventory and accounted for fire loss of Rs. 627 Mn.

While we reaffirm our FY’25 guidance, we are extremely confident that Solara is on the right track of the Reset and is poised to get back to its historical highs with both Revenues and EBITDA’s in the coming quarters. We further reaffirm our guidance for FY’25 FY25 guidance of Revenue of ~Rs. 15,000 Mn & the full year EBITDA of ~Rs. 2,300 to 2,600 Mn & Q4’25 exit quarter Revenue ~ Rs. 4,000 Mn & EBITDA of ~Rs. 800 to Rs. 900 Mn with EBITDA margins of 20-22%”

More details given in the Investor presentation

EBITDA Reconciliation

Particulars (INR m)	Q4’24	Q3’24	Q4’23	FY24	FY23
Profit/(loss) before exceptional items and tax	(443)	(2,126)	50	(2,976)	(448)
Add : Finance costs	304	254	220	1,048	901
Add: Depreciation and amortisation expense	252	260	264	1,033	1,112
Less: Interest income	(1)	(4)	(19)	(22)	(59)
Consolidated Reported EBITDA as per press release	112	(1,616)	515	(917)	1,506

Earnings Conference Call

The Company will conduct earnings call at **4.00 PM IST on May 29, 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.



Solara **Reset** Focusing on Profitable Growth

- ✓ Solara reports adjusted EBITDA of INR 378 Mn in Q4'24 & sequential growth over Q3'24.
- ✓ Solara reports significantly improved Gross Margin profile
- ✓ Gross Margin improves from 9 months average of 37% to 46%, 900 bps improvements in Gross Margins.
- ✓ Previously announced Q4'24 guidance delayed by a quarter due to unplanned US FDA inspection at Vizag facility, which concluded successfully with zero 483's
- ✓ Company reaffirms FY25 guidance of Revenue ~INR 15,000 Mn & the full year EBITDA ~INR. 2,300 to 2,600 Mn with Q4'25 exit quarter Revenue ~ INR. 4,000 Mn & EBITDA of ~INR 800 to INR 900 Mn (EBITDA margins of 20-22%)
- ✓ All one-off items in the balance sheet have been addressed and provided for (including Covid inventory) and there are no further exceptional items
- ✓ Rights issue for INR 449.95 crores opened on May 28, 2024, 75% of which will be utilized towards debt reduction and balance will be utilized for general corporate purposes

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.

Performance (₹ In Million)

Particulars	Q4'24	Q3'24	QoQ%	Q4'23	YoY%	FY24	FY23	YoY%
Revenue	3,011	2,492	23%	3,853	-21%	12,993	14,664	-11%
Reported Gross margins	1,409	324	324%	1,909	-26%	4,874	6,716	-27%
<i>Reported Gross margins %</i>	46.7%	13.0%		49.5%		37.5%	45.8%	
Adjusted EBITDA	378	(643)		515	-	322	1,505	-
<i>Adjusted EBITDA Margins %</i>	12.3%	-		13.4%		2.5%	10.3%	
Reported EBITDA	112	(1,616)		515	-	(917)	1,505	-
<i>Reported EBITDA Margins %</i>	3.8%	-		13.4%		-	10.3%	
PBT	(1,666)	(2,753)		50		(4,884)	(448)	
<i>PBT Margins %</i>	-	-		1%		-	-	
PAT	(2,554)	(2,753)		38		(5,669)	(223)	
<i>PAT Margins %</i>	-	-		1%		-	-	

Poorvank Purohit,
MD & CEO

While Solara reported a dismal FY'24, the reset announced in the previous earnings call has been implemented now in full stream, albeit delayed by a quarter as we had an unplanned US FDA inspection of the Vizag facility, which was part of our mothballing exercise in our network optimization. We are pleased with the successful zero 483 inspection and we are committed to retrofit Vizag to a larger multipurpose facility to funnel future growth.

During the year, we were impacted by the fire accident at our Puducherry facility and aggressive calls that we have taken on our balance sheet with regards one time provisioning of INR 2,026 Mn including COVID inventory and accounted for fire loss of INR 627 Mn.

While we reaffirm our FY'25 guidance, we are extremely confident that Solara is on the right track of the reset and is poised to get back to its historical highs with both Revenues and EBITDA's in the coming quarters. We further reaffirm our guidance for FY'25 guidance of Revenue of ~INR 15,000 Mn & the full year EBITDA of ~INR 2,300 to INR 2,600 Mn & Q4'25 exit quarter Revenue ~INR 4,000 Mn & EBITDA of ~INR 800 to INR 900 Mn with EBITDA margins of 20-22%

	Adjusted		Adjusted line items		Reported
Revenue	₹ 3,011m	-	-	=	₹ 3,011m
Gross margins	₹ 1,528m	-	₹ 119m*	=	₹ 1,409m
Operating cost	₹ 1,150m	+	₹ 147m**	=	₹ 1,297m
EBITDA	₹ 378m	-	₹ 266m	=	₹ 112m
EBITDA margins	12%				4%

* Adjusted for the One-off impact of reduction in inventory levels to the extent of INR 119 Mn resulting from our strategic actions taken to optimize the existing inventory levels

** Adjusted for the benefits from the cost optimization initiatives that was originally scheduled to flow through from Q4'24 is delayed by a quarter due to unplanned US FDA inspection at Vizag facility and which will now flow through from Q1'25 onwards

Q4'24 QoQ and YoY Performance (₹ In Million)

Particulars	Q4'24	Q3'24	Change	Q4'23	Change
Revenue	3,011	2,492	23%	3,853	-21%
Reported Gross Margins	1,409	324	324%	1,909	-26%
Reported Gross margins %	46.7%	13.0%		49.5%	
Operating EBITDA	217	(1,508)		618	
Operating EBITDA Margins %	7.1%	-		16.0%	
R&D Cost	(101)	(108)		(103)	
Adjusted EBITDA*	378	(643)		515	
Adjusted EBITDA Margins %	12.3%	-		13.4%	
Reported EBITDA	112	(1,616)		515	
Reported EBITDA Margins %	3.8%	-		13.4%	
COVID Inventory provision	1,228	-		-	
Exceptional items (gain)/loss	(6)	628		-	
Depreciation	252	261		264	
Finance cost	304	248		201	
PBT	(1,666)	(2,753)		50	
PBT Margins %	-	-		1%	
PAT	(2,554)	(2,753)		38	
PAT Margins %	-	-		1%	

- ▶ The Reset actions which we announced in the previous quarter have been initiated and taking full stream. Few actions got delayed by a quarter due to an unplanned US FDA inspection of the Vizag facility, which was part of our mothballing exercise in our network optimization.
- ▶ INR 147m cost benefits from the cost optimization initiatives that was originally scheduled to flow through from Q4'24 is delayed by a quarter and which will now flow through from Q1'25 onwards.
- ▶ One-off impact of reduction in inventory levels to the extent of INR 119 Mn resulting from our strategic actions taken to optimize the existing inventory levels.
- ▶ During the quarter, we have made a provision towards remaining Covid inventory (INR 1,228 Mn). These products were manufactured under a valid voluntary license taken from the innovator. The sales of these products could only be executed while Covid remained a pandemic which is no more the case. Consequently, the company has taken provision on a conservative basis despite the Covid inventory having a residual shelf life extending beyond patent expiry of these products.
- ▶ During the year, we were impacted by the fire accident at our Puducherry facility and the aggressive calls that we have taken on our balance sheet with regards one time provisioning of INR 2,320 Mn including Covid inventory and accounted for fire loss of INR 627 Mn.
- ▶ With all our reset actions being implemented, we reaffirm our FY'25 guidance with a Revenue of ~INR 15,000 Mn & the full year EBITDA of ~INR 2,300 to 2,600 Mn & Q4'25 exit quarter Revenue ~ INR 4,000 Mn & EBITDA margins of 20-22%

*Adjusted for the One-off impact of reduction in inventory levels to the extent of ₹ 119 Mn resulting from our strategic actions taken to optimize the existing inventory levels and Adjusted for the benefits from the cost optimization initiatives that was originally scheduled to flow through from Q4'24 is delayed by a quarter due to unplanned US FDA inspection at Vizag facility and which will now flow through from Q1'25 onwards

FY24 YoY Performance (₹ In Million)

Particulars	FY24	FY23	Change
Revenue	12,943	14,664	-11%
Reported Gross Margins	4,891	6,775	-28%
Reported Gross margins %	37.7%	46.2%	
Operating EBITDA	(497)	1,875	
Operating EBITDA Margins %	-3.8%	12.8%	
R&D Cost	(420)	(370)	
Adjusted EBITDA*	322	1,505	
Adjusted EBITDA Margins %	2.5%	10.3%	
Reported EBITDA	(917)	1,505	
Reported EBITDA Margins %	-	10.3%	
COVID Inventory provision	1,228	-	
Exceptional items (gain)/loss	674	-	
Depreciation	1,033	1,111	
Finance cost	1,048	955	
PBT	(4,884)	(448)	
PBT Margins %	-	-	
PAT	(5,669)	(223)	
PAT Margins %	-	-	

*Adjusted for the One-off impact of reduction in inventory levels to the extent of ₹ 119 Mn resulting from our strategic actions taken to optimize the existing inventory levels and Adjusted for the benefits from the cost optimization initiatives that was originally scheduled to flow through from Q4'24 is delayed by a quarter due to unplanned US FDA inspection at Vizag facility and which will now flow through from Q1'25 onwards

Sources of funds (₹ In Million)

Particulars	Mar'23	Mar'24
Shareholders' funds	15,002	9,532
Less: Goodwill	-3,651	-3,651
Net worth	11,351	5,882
Term Loan	3,524	2,391
Working capital Loan	6,488	7,603
Gross Debt	10,012	9,994
Total	21,363	15,875

Use of funds (₹ In Million)

Particulars	Mar'23	Mar'24
Net Tangible Fixed Assets	11,830	11,291
Net Non-current Assets	1,010	188
Net Current Assets	8,523	4,068
Total	21,363	15,875

- ▶ Gross debt is at INR. 9,994 Mn and remained flat during the year.
- ▶ Planned for debt reduction through Rights issue
- ▶ Net current assets reduced from INR 8,523 Mn to INR 4,068 Mn.
- ▶ Right sizing the balance sheet

- ▶ Issue size is Rs. 449.95 Crores
- ▶ Issue Price per share is Rs. 375 including a premium of Rs. 365
- ▶ No. of shares offered is 1,19,98,755
- ▶ Issue Opening date is May 28, 2024
- ▶ Issue Closing date is June 11, 2024
- ▶ Use of proceeds - 75% towards debt repayment and 25% towards general corporate expenses
- ▶ Promoters have committed to subscribe to their entitlement in full.
- ▶ Tentative call timing indicated in the letter of offer is 3 tranches of call, 35% (Rs. 131.25 per share) on application in June 2024, 35% (Rs. 131.25 per share) on first call in FY 2026 and 30% (Rs. 112.5 per share) on final call in FY 2027.

Thank you