SOLARA
Active Pharma Sciences

Press Release

Solara reports Q1'25 results

- ***Solara reports an improved Q1'25 performance with a Revenue of INR 3,641 Mn with a growth of 21% QoQ and 3% YoY***
- ***Adjusted EBITDA at INR 502 Mn with a growth of 33% QoQ and 151% YoY***
- ***Reported EBITDA at INR 421 Mn with a growth of 276% QoQ and 111% YoY***
- ***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%)***
- ***During the quarter, Gross debt reduced from INR 9,994 Mn to INR 8,333 Mn; a reduction of INR 1,661 Mn partly from the Rights issue and balance from Operations***
- ***Partly paid-up Rights issue was fully subscribed during the quarter***
- ***Company has strong focus on course correction measures including right sizing of inventory, free cash generation, cost optimization and improved gross margins.***
- ***Our Net Debt to EBITDA guidance is ~3 times by Q4'25. The Company is confident of beating the Net Debt to EBITDA guidance.***
- ***Manish Gupta joins Solara Board as a Non-Executive Non-Independent Director***

Bengaluru, India – Jul 22, 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 first quarter (Q1'25)

Financial Performance for Q1'25

Particulars	Q1'25	Q4'24	QoQ%	Q1'24	YoY%
Revenue	**3,641**	**3,011**	**21%**	**3,544**	**3%**
Reported Gross margins	**1,621**	**1,409**	**15%**	**1,612**	**1%**
Reported Gross margins %	*44.50%*	*46.70%*		*45.50%*	
Adjusted EBITDA*	**502**	**378**	**33%**	**200**	**151%**
Adjusted EBITDA Margins %	*13.80%*	*12.30%*		*5.60%*	
Reported EBITDA	**421**	**112**	**276%**	**200**	**111%**
Reported EBITDA Margins %	*11.60%*	*3.80%*		*5.60%*	
Adjusted PBT*	**-53**	**-1,400**		**-293**	
Adjusted PBT Margins %	-	-		-	
Reported PBT	**-134**	**-1,666**		**-293**	
Reported PBT Margins %	-	-		-	
Adjusted PAT*	**-53**	**-2,288**		**-191**	
Adjusted PAT Margins %	-	-		-	
Reported PAT	**-134**	**-2,554**		**-191**	
Reported PAT Margins %	-	-		-	

**** Adjusted for the one-off costs which will not continue in H2'25***

Commenting on the financial performance, Poorvank Purohit, **MD & CEO of the Company**, **remarked, "***We are pleased with the course correction measures initiated for the Company, leading to favorable outcomes for Q1 with much improved EBITDA margins. We see growth both on a QoQ and YoY basis.*

The Company reports an improved performance in Q1'25 with Q-o-Q Revenue growth of 21% and Reported EBITDA growth of 276%. Adjusted for the one-off costs which will not continue in H2'25, our Adjusted EBITDA stands at INR 502 Mn with EBITDA margins of 13.8%. Our Regulated market revenues have reached its historical levels of around 75% of total revenues. Our Gross margins are slightly depressed but this is more on account of aggressive inventory reduction to improve our free cash generation and will normalize in H2'25.

While we report an improved Q1 performance, we are confident that our ongoing actions on improving profitability through cost improvement programs, operating cost optimization, enhancing R&D productivity, optimizing working capital and debt will yield benefits in the coming quarters. Another important highlight for the quarter was our partly paid-up Rights issue which was fully subscribed during the quarter. Furthermore, during the quarter, we reduced our debt from INR 9,994 Mn to INR 8,333 Mn; a reduction of INR 1,661 Mn

We reaffirm our 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%"

Change in constitution of the Board:

Manish Gupta joins Solara Board as a Non-executive Non-Independent Director. He is currently the Managing Director of Jagsonpal Pharmaceuticals Ltd. He has over 30 years of corporate experience. His previous stint was with SeQuent Scientific Limited as the CEO and Managing Director for 8+ years. Previously, he has been the CEO – Pharma Business for Strides Pharma Science Limited for 4 years. Manish led SeQuent since 2014 and played a significant role in transforming the Company into India's largest and amongst 'Top 20' global animal health companies with operations in India.

Ankur Thadani, Non-Executive Non-Independent Director, resigned from the Board due to pre-occupation. The Board deeply appreciated his contributions during his tenure.

More details given in the Investor presentation

EBITDA Reconciliation

Particulars (INR m)	Q1'25	Q4'24	Q1'24	FY24
Profit/(loss) before exceptional items and tax	(134)	(443)	(293)	(2,976)
Add : Finance costs	307	304	246	1,048
Add: Depreciation and amortisation expense	251	252	259	1,033
Less: Interest income	(3)	(1)	(12)	(22)
Consolidated Reported EBITDA as per press release	**421**	**112**	**200**	**(917)**

Earnings Conference Call

The Company will conduct earnings call at **3.30 PM IST on July 22, 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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Focusing on Profitable Growth

- ✓ Solara reports an improved Q1'25 performance with a Revenue of INR 3,641 Mn with a growth of 21% QoQ and 3% YoY
- ✓ Adjusted EBITDA at INR 502 Mn with a growth of 33% QoQ and 151% YoY
- ✓ Reported EBITDA at INR 421 Mn with a growth of 276% QoQ and 111% YoY
- ✓ 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%)
- ✓ During the quarter, Gross debt reduced from INR 9,994 Mn to INR 8,333 Mn; a reduction of INR 1,661 Mn partly from the Rights issue and balance from Operations
- ✓ Partly paid-up Rights issue was fully subscribed during the quarter
- ✓ Company has strong focus on course correction measures including right sizing of inventory, free cash generation, cost optimization and improved gross margins.
- ✓ Our Net Debt to EBITDA guidance is ~3 times by Q4'25. We are confident of beating our Net Debt to EBITDA guidance.

Safe Harbor

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.

Solara reports an improved performance in Q1'25 with Q-o-Q Revenue growth of 21% and Reported EBITDA growth of 276%

SOLARA Active Pharma Sciences

Performance (₹ In Million)

Particulars	Q1'25	Q4'24	QoQ%	Q1'24	YoY%
Revenue	**3,641**	**3,011**	**21%**	**3,544**	**3%**
Reported Gross margins	**1,621**	**1,409**	**15%**	**1,612**	**1%**
Reported Gross margins %	*44.5%*	*46.7%*		*45.5%*	
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Reported PBT	**(134)**	**(1,666)**		**(293)**	
Reported PBT Margins %	-	-		-	
Adjusted PAT*	**(53)**	**(2,288)**		**(191)**	
Adjusted PAT Margins %	-	-		-	
Reported PAT	**(134)**	**(2,554)**		**(191)**	
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**** Adjusted for the one-off costs which will not continue in H2'25***

Poorvank Purohit,
MD & CEO

We are pleased with the course correction measures initiated for the Company, leading to favorable outcomes for Q1 with much improved EBITDA margins. We see a growth both on a QoQ and YoY basis.

The Company reports an improved performance in Q1'25 with Q-o-Q Revenue growth of 21% and Reported EBITDA growth of 276%. Adjusted for the one-off costs which will not continue in H2'25, our Adjusted EBITDA stands at INR 502 Mn with EBITDA margins of 13.8%. Our Regulated market revenues have reached its historical levels of around 75% of total revenues. Our Gross margins are slightly depressed but this is more on account of aggressive inventory reduction to improve our free cash generation and will normalize in H2'25.

While we report an improved Q1 performance, we are confident that our ongoing actions on improving profitability through cost improvement programs, operating cost optimization, enhancing R&D productivity, optimizing working capital and debt will yield benefits in the coming quarters.

Another important highlight for the quarter was our partly paid-up Rights issue which was fully subscribed during the quarter.

Furthermore, during the quarter, we reduced our debt from INR 9,994 Mn to INR 8,333 Mn; a reduction of INR 1,661 Mn

We reaffirm our 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%

Q1’25 performance adjusted for the Course correction measures

	Adjusted		Adjusted line items		Reported
Revenue	₹ 3,641m	-	-	=	₹ 3,641m
Gross margins	₹ 1,621m	-	-	=	₹ 1,621m
Operating cost	₹ 1,119m	+	₹ 81m*	=	₹ 1,200m
EBITDA	₹ 502m	-	₹ 81m*	=	₹ 421m
EBITDA margins	13.8%				11.6%

** Adjusted for the one-off costs which will not continue in H2’25*

Q1 Performance

Q1'25 QoQ and YoY Performance (₹ In Million)

Particulars	Q1'25	Q4'24	Change	Q1'24	Change
Revenue	**3,641**	**3,011**	**21%**	**3,544**	**3%**
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Reported EBITDA	**421**	**112**	**276%**	**200**	**111%**
Reported EBITDA Margins %	11.6%	3.8%		5.6%	
COVID Inventory provision	-	1,228		-	
Exceptional items (gain)/loss	-	(6)		-	
Depreciation	251	252		259	
Finance cost (net)	304	304		246	
Adjusted PBT*	**(53)**	**(1,400)**		**(293)**	
Adjusted PBT Margins %	-	-		-	
Reported PBT	**(134)**	**(1,666)**		**(293)**	
Reported PBT Margins %	-	-		-	
Adjusted PAT*	**(53)**	**(2,288)**		**(191)**	
Adjusted PAT Margins %	-	-		-	
Reported PAT	**(134)**	**(2,554)**		**(191)**	
Reported PAT Margins %	-	-		-	

- Regulated market constitutes 76% of our total revenues (Q4'24 - 71%; Q1'24 – 68%)
- Our ongoing actions on improving profitability through cost improvement programs, operating cost optimization, enhancing R&D productivity, optimizing working capital and debt will yield benefits in the coming quarters.
- During the quarter, we reduced our Gross debt from INR 9,994 Mn to INR 8,333 Mn; a reduction of INR 1,661 Mn
- Our aggressive actions on inventory reduction will result in improved free cash flow during the year.

**** Adjusted for the one-off costs which will not continue in H2'25***

Our Focus remains on strengthening the Balance Sheet

SOLARA Active Pharma Sciences

Sources of funds (₹ In Million)

Particulars	Mar'24	Jun'24
Shareholders' funds	9,339	10,780
Less: Goodwill	-3,651	-3,649
Net worth	**5,688**	**7,131**
Term Loan	2,391	2,034
Working capital Loan	7,603	6,299
Gross Debt	**9,994**	**8,333**
Total	**15,682**	**15,464**

Net Debt (₹ In Million)

Particulars	Amount (Rs. Mn)
Gross Debt as on 1.4.2024	**9,994**
Less: Repayment from operations	(475)
Less: Repayment from Rights issue application money	(1,186)
Gross Debt as on 30.06.2024	**8,333**
Less: Repayment for rest of the year	(1,187)
Less: Uncalled Rights issue money in which 75% will be used for debt repayment	(2,166)
Net Debt by end of FY25 after adjusting for Uncalled Rights issue money	**4,980**

Use of funds (₹ In Million)

Particulars	Mar'24	Jun'24
Net Tangible Fixed Assets	11,166	11,019
Net Non-current Assets	1	4
Net Current Assets	4,515	4,440
Total	**15,682**	**15,464**

- During the quarter, we reduced our Gross debt from INR 9,994 Mn to INR 8,333 Mn; a reduction of INR 1,661 Mn
- Out of the total Rights issue of INR 449.95 Crores, INR 157.48 Crores was received by way of Application money. 75% of the Rights money was obligated to be used for repayment of existing debt. Accordingly, the Company had repaid INR 1,186 Mn towards repayment of existing debt from the Rights issue. The balance amount of debt reduction of INR 475 Mn was repaid from the normal business operations.
- After adjusting for the uncalled Rights Issue money in which 75% will be used for debt repayment (INR 2,166 Mn), our targeted net debt by end of FY25 will be under ~INR 5,000 Mn

Update on Vizag Manufacturing Facility

SOLARA Active Pharma Sciences

Retrofitting Vizag to predominantly a large multipurpose CRAMS facility including High Potent APIs (HPAPIs)

- Vizag facility is among our largest manufacturing facility
- This facility successfully concluded USFDA inspection in May’24 with zero 483 observations, a similar outcome as its previous inspection.
- The facility is being retrofitted to predominantly focus on CRAMS & High Potent APIs (HPAPIs). As a part of this exercise, we have mothballed the facility.
- It will continue to be a second site for Ibuprofen while we focus on utilizing our capacities fully in our flagship Puducherry facility for Ibuprofen and its derivatives.
- Capex for retrofitting Vizag will be funded from internal accruals
- We expect the facility to return to commercial production by Q1 FY26.

Thank you