



Communication Address:

**Solara Active Pharma Sciences Limited**  
2nd Floor, Admin Block  
27, Vandaloor Kelambakkam Road,  
Keelakottaiyur Village, Melakottaiyur (Post)  
Chennai – 600 127, India  
Tel : +91 44 43446700  
Fax : +91 44 47406190  
E-mail : investors@solara.co.in  
www.solara.co.in

August 21, 2023

The BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400 001

The National Stock Exchange of India Limited  
Exchange Plaza, Bandra-Kurla Complex  
Bandra (E), Mumbai – 400 051

Scrip Code: 541540

Scrip Code: SOLARA

Dear Sir / Madam,

**Subject: Transcript of the earnings conference call for the quarter ended June 30, 2023**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended June 30, 2023, conducted after the meeting of Board of Directors held on August 14, 2023, for your information and records.

The above information is also available on the website of Company at <https://solara.co.in/investor-relations/investor-update>

Thanking you,  
Yours faithfully,

**For Solara Active Pharma Sciences Limited**

**S. Murali Krishna**  
**Company Secretary**

Encl. as above



“Solara Active Pharma Sciences Limited Q1 FY-24  
Earnings Conference Call”

**August 14, 2023**



**MANAGEMENT: MR. POORVANK PUROHIT – MANAGING  
DIRECTOR & CHIEF EXECUTIVE OFFICER**

**Moderator:** Ladies and gentlemen, good day and welcome to the Solara Active Pharma Sciences Limited Q1 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Singhal. Thank you, and over to you sir.

**Abhishek Singhal:** Thanks Rico. A very good afternoon to all of you and thank you for joining us today for Solara Active Pharma Sciences Earnings Conference Call for the First Quarter Ended Financial Year 2024.

Today, we have with us Mr. Poorvank Purohit – M.D. and CEO to share the highlights of the business and financials for the quarter. I hope you have gone through our results release and the quarterly investor presentation which have been uploaded on our website as well as stock exchanges website. The transcript of this call will be available in a week's time on the company's website. Please note that today's discussion will be forward-looking in nature and must be viewed in relation to risk pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to investor relations team.

I now hand over the call to Poorvank to make his opening remarks.

**Poorvank Purohit:** Thank you Abhishek. Good evening, everyone. Thank you all for joining the call today.

I'm delighted to start Financial Year 2024 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. I'm also happy with the recent news you all would have read that we are happy with the recent outcome of the US FDA inspection at our Cuddalore facility with zero 483 inspectional observations. The result of these inspection 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 performance:

On the revenue front, we had a 5% growth Y-o-Y, year-on-year. Gross margin stood at 45.5% against 41% in the same period last year, quarter one of last year. EBITDA margin stood at 20 crore, 23% growth Y-o-Y before forex and after forex, it's still a growth of 11%. We continue to work on our key strategic priorities which include resetting and concentrating the base business, restoring R&D velocity, addressing under recovery at our newly commissioned Vizag site and expanding into new products and geographies.

Our order book continues to be strong. We are pleased to note the increase in demand for Ibuprofen as well as Ibuprofen derivatives. We continue to focus on operating cost reduction, continuous improvement programs and inventory management. With strong order book position, expansion in margin and reduced under recovery at Vizag, we have a visible growth momentum for the forthcoming quarters. On our R&D, we had eight market extensions done for 7 existing products during Q1 2024. We continue to invest in our R&D for strengthening our generic API portfolio and CRAMS to meet the growing demands of our existing products, filed as a part of increasing market share through market extensions, addressing regulatory requirements for new products.

Coming to our Vizag facility:

We have received US FDA and European CEP approval for our Vizag facility now. Our capacity utilization at Vizag has improved significantly in Q1 2024. We are currently in the process of qualifying regulated market customers to obtain products from our Vizag facility. I'm glad to share that one of our major customers has also received a US FDA approval for its product with supply of API from Vizag. We are working towards building new opportunities for sustainable growth.

Our current assets have also reduced by 34 crores in Q1 Financial Year '24, primarily due to improved collections. And our gross debts have also reduced by 14 crores in Q1 2024. We are working on comfortable debt to EBITDA ratio for the coming quarters. Our primary focus would be to improve cash flow by prudent application of capital. We continue to remain focused on the actions to improve profitability and are confident about fundamentals of Solara. So, now we are open to any questions that we can take during the call.

**Abhishek Singhal:** Rico we are open for questions now please.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Krishna Kothari, who is an Investor. Please go ahead.

**Krishna Kothari:** I have two questions. So, one concern, the Cuddalore facility, it is now cleared. So how many products are we planning to launch from this facility. And by when can we expect material revenues to start kicking in. Secondly, the gross margins have come down to 45% from 50% last quarter, what was the main reason behind the same and what's the steady state gross margins that we're targeting for FY24?

**Poorvank Purohit:** So, coming to your first question, talking about the Cuddalore facility, I can tell you that we are expecting there are close to 13 approvals pending from the site. And these approvals will actually come because once the FDA does the inspection, they issue a zero 483 and after that, what happens is, it is from official action initiated the notification goes to no action initiated, after which we start getting approvals for product after product. And so, we will have to wait for one or two months for the approvals to start getting. And then of course after that we can expect

some sales coming from Cuddalore already in this financial year. So that's question number one. Question number two, with respect to gross margins. I would not say that our gross margins have actually come down of course, as you're talking about quarter-on-quarter basis that it has come down from 50% to 45%. It is because the gross margin primarily depends on the product mix and the geography mix. The geography mix, our regulated market sales was down from 72% to 68%, which actually led to lower gross margins. But in the second half of the year, we would continue to maintain that, and our objective would be to get to 50% gross margin on a consistent level basis. Even for the last financial year, you would look at gross margin primarily it was at an average of 45%. It was only in Q4 wherein most of the companies would show a higher revenue primarily on account of year closing, which is the time when actually the sales of a lot of regulated market sales also happened for us during that quarter which resulted in higher gross margins.

**Moderator:** Thank you. Our next question is from the line of Shantanu Maheshwari, who is an Investor. Please go ahead.

**Shantanu Maheshwari:** I have a couple of questions. The first one is, could you give us an outlook in terms of overall top line growth that we are targeting to achieve in the medium term and what are the key growth drivers for us?

**Poorvank Purohit:** Okay. So, Shantanu, I can talk about currently the fundamentals of the business, we are very strong with respect to the fundamentals of the business, I can tell you from this fact that our order book has actually doubled from quarter of last year and primarily we are looking at with of course with Vizag being operational we have US FDA approval, we have CEP approvals. Secondly, we are pushing most of the customers to the Vizag facility. Number three, so our Cuddalore facility getting reclassified. Now, those are big drivers, which actually allows us to have, if you look at our guidance that we have given in previous calls, you will realize that of course we are talking about strong fundamentals going forward which will display in the growth. It is difficult to talk about number at this stage, but we are very confident about achieving, going to significant level. So, say for example, a double digit which we had actually committed in previous calls. So that is something we are talking about going forward for the coming quarter.

**Shantanu Maheshwari:** Got it. My next question is, we historically used to have EBITDA margins in early 20s which have come up in the recent years, by when we can start seeing margins inching towards historical levels. And what would be the drivers for that?

**Poorvank Purohit:** So, basically historical level we are pulling back because one what happened in the last couple of years the demand was actually down which actually allowed some of the products, especially Ibuprofen to come down, but we see that demand coming back, we see a lot of traction with existing customers and there are also a lot of new customers which are entering into this field. So, we do see a strong visibility and for the coming quarters, and definitely like I already mentioned, if you look at the historical levels also, the numbers that we are talking about for the current quarter are actually a depiction that the company is quite stable right now in terms of

achieving to those levels. So that's what I can comment and if you look at the historical levels, also when we would have been at a historical high also, the quarter 1 performance actually signifies that we are very much in-line with what we had projected at that time.

**Moderator:** Thank you. Our next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

**Tushar Manudhane:** In the presentation there is a mention about the demand increasing for Ibuprofen and its derivatives, can you elaborate on this please?

**Poorvank Purohit:** So, if you look at the Ibuprofen demand, so because of our existing set of customers actually, we were not able to fulfill those requirements because Vizag was not qualified. And because now we would be able to cater so in any case, customers are going to other competition now with the Vizag facility qualification also in place, we would cater to larger demand. Number two, also we would not only cater to the existing set of customers, we would be able to expand our wallet share with the new set of customers also. And because we have some good traction from some of the global big businesses which we have not tapped so that is where we are going to see some bit of traction coming for both Ibuprofen and derivatives. And that is something for us to see in the coming quarters.

**Tushar Manudhane:** And with respect to this customer who's got US FDA approval for having an API from Vizag site. So, can you quantify how much business is possible or when we this business start for us?

**Poorvank Purohit:** So, we had a discussion with the customer. So, they are yet to confirm that, because they've got the approval just now. And as you will know US market is dynamic so it would be awarded based on certain requirements. And so, they are working out the demand, so ideally, we should be able to pan out that plan, of course going forward but as we know that Vizag is already qualified so we are gearing up for that. So, we are trying to see if we get that, we can try to maximize that.

**Moderator:** Thank you. Our next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

**Aniket Kulkarni:** Sir, the company mentioned in its latest filings that the succession plan has been created post the exit of Mr. Aditya Puri as Chairman. So, could you speak a bit about this plan and what management and structural changes are taking place internally to put company in a better position in the years to come?

**Poorvank Purohit:** Sure. So, of course as talking about Mr. Aditya Puri, resigning, of course as this is a new development, we did have a discussion and we have already formed a committee. So, some decisions are being taken and on identifying the right Director, who would be applicable for this position. And in the next one or two months we should be able to, so then we would be having the next meeting, next call, next time we would have everything in place. And that time, plan

will already be in place and there are several corrective measures that we are taking that into account. So that is clear.

**Aniket Kulkarni:** Alright. My second question was, how do we relate crude oil prices to the gross margin for us, what happens if crude goes back to 100, so will the improvement in supply chain issues versus pre COVID time still protect the gross margins that we have?

**Poorvank Purohit:** So, can you repeat the question, you were not audible.

**Aniket Kulkarni:** So, my question was, how do we relate crude prices to the gross margins for the company. So, what happens if crude goes back to 100. So, will the improvement in supply chain issues versus pre COVID times still help in protecting the gross margins that we have?

**Poorvank Purohit:** Gross margin is a function of various factors. So, we are not only dependent on the crude pricing, but a lot of solvent prices are also there. So, there are a lot of other factors especially if you talk about the Ibuprofen per se, so there is IBB. So actually, we have lot of cost improvement programs already in place, so that the margins do not get impacted. So of course, it will not affect in the long run, because we are broadly stable. If everything gets affected at the global level, then our company will not be an exception in that case, but I can tell you that we are trying to protect our gross margin, and that I already mentioned in the beginning of the call, that how we get to the higher gross margin levels. And that would be our aspiration also and growth prospects that, we want to get to a gross margin of 50% or higher.

**Aniket Kulkarni:** Okay. Just a final question. By when should we expect the rights issue to be completed and can you elaborate what will be the proceeds be used for?

**Poorvank Purohit:** So, on the rights issue, we expect the proceeds to be completed by September, and you will. So basically, it will be notified to SEBI and then we would be submitting letter of offer. So, we are already in the process of launching that. And by the end of September, we should be good to go. I'm talking about, by that timeline we should be able to do and then we'll get some sufficient time for the shareholders to opt for that.

**Aniket Kulkarni:** Can you give any sort of hint like what will be the money be used for, for debt reduction or any other CAPEX plan or something like that, can you just elaborate?

**Poorvank Purohit:** So, what I can tell you now is, we have formed a committee for the rights issue. And the decision has been taken at the Directors level. And we are coming with a lot of things, not only this, but a lot of things will also be clear. We will be filing with the exchanges, specifically in the next, let's say it's a timeline, but I can say in the four to six weeks everything would be clear on this.

**Moderator:** Thank you. Our next question is from the line of Chinmaya Bhargava from Badrinath Family Office. Please go ahead.

**Chinmaya Bhargava:** So, we've had a challenging couple of years behind us and we've been focusing on becoming better in addressing these challenges. You've told us now that you've got a stronger order book, right now than we've had in this point last year, can you share what's happening that led to this both, on the demand side, like what's the landscape in our market and in the states as well as within the company. What has gone right?

**Poorvank Purohit:** Okay. So, when I talk about, so basically as you have seen of course when you talk about the COVID times, then of course right now what we are trying to do is, of course we have had, we know that Ibuprofen was one of the things and then we have been focusing on derivatives. But we also see a lot of traction, and a lot of other products that we have actually filed in the last couple of years. And we see a strong visibility, because what happened at Solara was, there was not enough market expansion which was done for the existing set of products. And also, for new products which were actually launched from the R&D pipeline. So, we are trying to optimize the market expansion because there are a lot of big customers which were not tapped. So, we are trying to get into there, and we see a strong visibility on each of the products, and which has been monitored very closely. That's why I am talking about a very healthy order book. And the order book has actually doubled from the last year when we did not have visibility. So, when you're talking about a visibility of a couple of months on the order book, it is actually a good sign for the business of our size wherein we are actually looking at our visibility on a long-term basis. And that's why we are confident about the forthcoming quarters on that account.

**Chinmaya Bhargava:** Okay. And on that, if you're talking about a market expansion strategy, could you share what exactly goes into your decision-making calculus to choose these particular products. Do you look at the competitive landscape from India, what internal discussions or what strategy do you use to arrive at a choice for your product?

**Poorvank Purohit:** So, if you look at our list of products we have historically, Solara have roughly close to 95 DMFs already filed in the US. And when you are talking about 95 DMFs filed in the US, it shows a bigger chunk, of course we have already spoken about two products, three products. But all these products were not fully marketed to their scale, to the size of the market which were already developed. So, while I'm talking about existing set of products, these products are already there in the pipeline. But if you want to make those products shine, as we are into the B2B business, we have identified the top customers globally, we have approached them, the discussion engagement is on there are some. So, what happens is, you get into engagement, then the samples, plant validation by its quantities, and then the qualification actually starts. So, we have some good levels of engagement on some of the other products, which allows us to bring that confidence on the existing products and new products.

**Chinmaya Bhargava:** Okay, thanks for that detail. I have one last question before I jump into the queue again which is, could you just share with our new plant like you've been calling it an under recovery, but could you share the story of what happened since it was commissioned to where we are right



now like operationally on a day to day basis what are we seeing in the plant and what needs to be done before we gain traction?

**Poorvank Purohit:** So, one of the important points when we talk about the plant was primarily on account of actually when we talk about the Vizag plant specifically, there was already under recovery and what happened was, we were not able to do that during the COVID time. And as this plant was commissioned a lot of customers who are not very keen on qualifying Vizag as a site because when you are qualifying a particular site, it requires physical audit at the plant, it requires a lot of resources to be deployed when people were not sure about the COVID time. So, when the COVID time actually went off, the push from the company came that we had to start looking at under recovery and start making the plant more profitable. It is then, at that time, that we have started looking at switching the customers from our existing set of plants to the new plant. And we are the only company which can offer one of our products from both the manufacturing plants. That's where we see traction coming and it's a bigger plant so we would be able to see a lot of traction coming from the new plant now. It is fully operational, and we are seeing, if you look at our guideline in the previous calls, we have said that you would see the revenue coming in Q3, Q4 onwards, but we have started demonstrating that there is less under recovery now. We have started demonstrating that from Q1 onwards, which itself is a very healthy sign about the business. So, which shows that of course we have started picking up and there are some of the markets wherein we have started supplying from this facility and we would also see a regulated market revenue coming from this site in the coming quarters.

**Moderator:** Thank you. Our next question is from the line of Thomas Priju from Alchemy Capital. Please go ahead.

**Thomas Priju:** Thank you. I have three, four questions. The first question was, if I heard right can you say that in four to six weeks, you all would be providing details of the rights issue?

**Poorvank Purohit:** Yes, we would. You can take the timeline as end of September, we should be ready with that, that work is ongoing, and we are very actively pursuing that, we should be able to come out with the details by end of September.

**Thomas Priju:** Understood. The second question is historically, we have done well in products like Ibu, Gaba, etc. What's the strategy on, extending the product basket, and any color you can provide on how we are planning to expand the product basket? And secondly, on the CRAMs side, as of now we may be some 10%. What's our strategy to get better CRAMS business on both these rounds you could provide some light?

**Poorvank Purohit:** Okay. So, your first question is with respect to products, how we are actually getting into the products. If I understand correctly?

**Thomas Priju:** Yes. Also, I can understand you are doing well in Ibu, Ibu derivatives, but also any strategy to expand the product basket through R&D?

**Poorvank Purohit:** So, in terms of the product basket, if you look at, in our past guidance, we have also focused on some of the polymer-based products, so, we are planning to get into several products. So, while we are trying to get optimized full value out of the existing set of products, we are looking at different chemistry capabilities, we are also looking at polymer chemistry, we are also looking at some of the high potent API capabilities also, which could be a part of the strategy going forward. And that is how we are actually looking at. As our scale is big, we would primarily look at both where the gross margins are higher for particular products, as well as high scale products which actually allow us to take the company to the next level, that's how we are looking at existing as well as new products. So that's on question number one. Question number two was?

**Thomas Priju:** On the CRAM side.

**Poorvank Purohit:** So, on the CRAMS, we are actually at 5% of the revenue as of now, but CRAMS will continue to be a focus of the company. And even if you look at our, if we talk about, we do have a plan that we want to expand our reach to various customers across geographies. So, looking at the CRAMS we would try to strengthen this going forward. Right now we are at 5%, but it requires a significant amount of time and investment in that capability until that time, we will definitely focus on the specific products which allow us to grow, because I still feel like I have already mentioned this during the call that we are close to 95 DMFs filed and I'm only talking about the US. And if you talk about the market extension, so there is still a lot of juice left in the company to capitalize on the existing set of products. While we also focus on new products, which are the products wherein we can actually we already have anchor customer and then we can start getting into those capabilities, set of capabilities this is going to be the strategy going forward.

**Thomas Priju:** And the last two questions is, assume Vizag is used only for the regulated market. So if you are able to reach that sort of a scenario, what's the maximum sales you can do from Vizag on the CAPEX that you've done so far that is one and to see how much operating leverage is possible in that plant and secondly, when would we like last one and a half year has been a rough side, but when would you be in a position to give sort of, some sort of firm guidance on a one year and three year trajectory from both the top line and EBITDA perspective?

**Poorvank Purohit:** So, what I would like to say here is that we are in any case trying to focus on the fundamentals, trying to bring that stability to the company, work on these product level on the gross margins basis and continue to improve quarter-on-quarter. And that would be the idea, talking about Vizag specifically, we do see a better utilization, I can talk about our utilization has doubled for Vizag. We can talk about specific numbers only once we start publishing those numbers in the coming quarters. And we do see that we would be fully operational in let's say next 18 months, probably. And that is something I can talk about, but yes, Vizag is something we are actually focusing on, going quarter-on-quarter and looking at it very closely so that we are able to drive revenue from that site. This is what I can comment right now and of course we can continue to discuss it during the call.

**Thomas Priju:** Lastly, as we speak at this point in time are you very confident of the business trajectory for the rest of the year and going forward?

**Poorvank Purohit:** I strongly feel that I would like to focus on the fundamentals without commenting on numbers. But definitely I feel confident about the fundamentals of the business, because when you look at fundamentals you broadly look at three, four parameters. You look at the healthy order book, you look at traction with customers, you look at the current market, you look at how you're placed against competitors, and that's why I see a strong trajectory of course, in the coming quarters and years, that's for sure so, I remain strong on the fundamentals.

**Moderator:** Thank you. Our next question is from the line of Shantanu Maheshwari, who is an Investor. Please go ahead.

**Shantanu Maheshwari:** We have marginally reduced our debt this quarter, what's our target in terms of debt reduction in Financial Year FY24?

**Poorvank Purohit:** So, as highlighted last time in our call, we would aim for a 10% reduction in Financial Year '24.

**Moderator:** Thank you. Our next question is from the line of Kiran Kumar Jituri who is an Investor. Please go ahead.

**Kiran Kumar Jituri:** Sir, during a fundamental analysis of any company, mostly we give most importance to the management part. But since last many of the quarters we could see changes at the management level is very frequent. And recently Jitesh has also resigned, and Aditya Puri has also resigned. So, just wanted to know whether anything discussed on the management level about all these changes or something or whether we should be firm enough that no further changes will be done at a management level?

**Poorvank Purohit:** So, talking about your question, I do acknowledge the fact that there has been a lot of changes at the management level. And we are very, very as a company, we are quite aware of this fact that it is very important that the management stability at the top is very important for a company to run operationally and functionally. And having said that, of course there have been old management guys, but of course like the previous management people who came for a shorter time duration which was known to everyone. But yes, of course the idea is to have a stable and healthy management so that we are able to deliver that growth. So, we do expect no changes going on from here. And that is what we can vouch for because we have taken cognizance of the fact that a lot of changes have happened at the management level, which is not good for the company in the long run. So, this is something we would consciously monitor. And not only on creating a senior leadership team, but we would also like to create a succession plan and so all these things, so that the day-to-day operations of the company are not affected at that level.

**Moderator:** Thank you. Our next question is from the line of Chinmaya Bhargava from Badrinath Family Office. Please go ahead.

**Chinmaya Bhargava:** So, in the presentation you've mentioned that you are also working on backward integration to some of these molecules, could you tell us what the backward integration is, which molecules in our basket and how these plays into our strategy ahead?

**Poorvank Purohit:** So, talking about the backward integration of course, see as we are into lot of APIs, wherein you already have other players in the market. So, our idea and objective would be to focus on continuous backward integration, so that we do not have dependence from China, but also from domestic manufacturers, and this also allows us to utilize our capacity. So, there are some plans which actually allow us to be competitive. So, into some of the customers we have actually not approached because we were not competitive for our, but our objective of doing that backward integration and CIP is that we are in line with the market prices, and we are able to offer that and so that we are able to engage more customers in the long run.

**Chinmaya Bhargava:** Okay. And which plants are we going to be producing the intermediate specs ourselves?

**Poorvank Purohit:** So, intermediates, we are already producing at one of the plant because generally you do not make API without intermediate and we do three steps, four steps in-house but yes, as a part of the strategy what happens is, when you are buying a step three, step four, so basically we are trying to look at what backward integration could be done, or what CIP could be done. Now, CIP could also be in terms of usage variance or the yield, if we are able to improve those yields, we are able to pass on those benefits to the customer. These are some of the initiatives we are looking at because as we are in that generics business, it is very important that we focus on CIP and backward integration program.

**Chinmaya Bhargava:** Okay. And could you share which chemistry is the most for us?

**Poorvank Purohit:** So, which chemistry. If you're talking about, so we are into chemical synthesis APIs only and so that will remain the focus because we are looking at route scouting so if you get to the basics of that, you look at route scouting, you look at using the best reagents possible. So, these are some of the ways that you actually look at backward integration then of course you try to make the key starting materials in-house, the third way is you try to recover the solvents possible. So, we will look at all the possibilities to come to that. And this is generally same for many of the products so, the process remains same for all the products.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. I would now like to hand the conference to the management for closing comments.

**Poorvank Purohit:** So, thank you all for joining and look forward to our next call. So, hope to speak to all of you soon. Thank you.

**Moderator:** Thank you. On behalf of Solara Active Pharma Sciences Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.