

November 11, 2025

The BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001 Scrip Code: 541540, 890202	The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai – 400 051 Symbol: SOLARA, SOLARAPP1
--	---

Dear Sir / Madam,

Subject: Transcript of the earnings conference call for the quarter and half year ended September 30, 2025.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of earnings conference call for the quarter and half year ended September 30, 2025, conducted after the meeting of Board of Directors held on November 05, 2025, 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

Pooja Jaya Kumar
Company Secretary and Compliance Officer
ICSI Membership No.: A57415

Encl.: As above



“Solara Active Pharma Sciences Limited
Q2 FY26 Earnings Conference Call”

November 05, 2025



**MANAGEMENT: MR. SANDEEP RAO – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER– SOLARA ACTIVE
PHARMA SCIENCES LIMITED
MR. SARAT KUMAR – CHIEF FINANCIAL OFFICER–
SOLARA ACTIVE PHARMA SCIENCES LIMITED
MR. ABHISHEK SINGHAL – INVESTOR RELATIONS –
SOLARA ACTIVE PHARMA SCIENCES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Solara Active Pharma Sciences Limited Q2 FY '26 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Abhishek Singhal: Thank you. Very good afternoon and thank you for joining us today for Solara earnings call for the second quarter and half year ended financial year 2026. Today, we have with us; Sandeep Rao, MD and CEO; and Sarat Kumar, CFO of the company to share the highlights of the business and financials for the quarter. I hope you've gone through our results release and the quarterly investor presentation that have been uploaded on our website as well as stock exchange website.

The transcript for this call will be available in a week's time on the company's website. Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team.

I now hand over the call to Mr. Sandeep Rao to make his opening comments.

Sandeep Rao: Thank you, Abhishek. To start with: good morning, good afternoon and good evening and thank you all for joining in today's Q2 FY '26 earnings call. At the outset, I appreciate your time and presence in the call.

Further to our earlier communications, we had informed you that the primary focus of the organization is on repivoting from reset to what we call as sustainable, scalable and reliable growth. Whilst our transformational journey remains intact, our financial performance during this quarter was impacted primarily by short-term disruptions.

And these short-term disruptions are arising from an unscheduled operational shutdown of our Mangalore facility on account of facility upgradation. This operational shutdown resulted in delayed deliveries and reduced volumes manufactured out of the facility for the quarter. Of course the positive impact of this, if I may say, is that we went through a U.S. FDA audit between 25th and 29th of August.

We successfully cleared this audit with 2 minor observations of procedural nature. If you remember in the last call, we talked about a successful inspection of our Ambarnath facility as well.

This short-term disruption is a onetime disruption. It is transitory in nature. On the financials, these short-term disruptions have impacted our current quarter financial performance. The revenue has a 2% marginal decline Q-o-Q delivering INR314 crores.

Gross margin continues to reflect a healthy profile at 51% with an absolute gross margin of INR160 crores, which reflects a decline of around 8% on a Q-o-Q basis. Our operating costs for

the quarter have increased by around INR9 crores Q-o-Q driven primarily by annual cost increases as well as onetime upgradation costs of INR4 crores related to the Mangalore facility.

The net result is an EBITDA of INR35 crores, which reflects a Q-o-Q degrowth of close to 39%, again driven primarily by sales and gross margin shortfall which was impacted by the short-term operational shutdowns and the onetime opex increase. To give you a perspective; given the Mangalore operational shutdown, we lost almost INR30 crores to INR35 crores in top line and around INR18 crores to INR20 crores at a gross margin level.

To give you a perspective; if these numbers were achieved, our performance would have been on par with Q1 if not better. While these factors did impact us in Q2, however, business contribution from regulated markets remains very strong at 75% of overall sales.

While these factors influenced current quarter results, as I mentioned earlier, they are transitory. The underlying fundamentals of the business remain strong. It is supported by a resilient operating model, a robust compliance framework and a diversified portfolio across all our key markets.

Building on a stellar compliance record, in the next couple of quarters we'll see an increased focus on operational deliveries, business expansion, our continued focus on gross margin and EBITDA growth alongside the focus on tight cost control, opex leverage, debt reduction and network optimization.

Lastly, I would like to thank our shareholders for their continued support and trust in Solara. With this, I will hand it over to Sarat, our CFO, for his opening remarks.

Sarat Kumar:

Thank you, Sandeep. Good morning, good afternoon and good evening. And first of all, thank you for joining in for our Q2 earnings call especially it being a holiday in some parts of India. As shared by Sandeep, although we are slightly disappointed as we have reported marginal degrowth in sales as well as in terms of absolute gross margin for the current quarter Q2, but I'm satisfied that our business maintains a healthy gross margin profile of 51% plus. We as a team do acknowledge that the business for the current quarter has been impacted by the short-term disruptions.

But at the same time, we are absolutely confident that both the medium-term as well as long-term business fundamentals remain the same and we look forward to a quick improvement in our financial performance in the upcoming quarters. Having said that, during this quarter as a business, we have delivered marginal degrowth on top line; but with a healthy margin profile of 51%, which is close to some 264 basis points lower on a Q-on-Q basis, which was predominantly driven because of change in the absolute product mix during this quarter.

The operating costs were higher on a Q-on-Q basis by close to INR8.9 crores which, as Sandeep mentioned, were primarily driven because of onetime operating cost of close to INR4 crores which was driven by unscheduled operational shutdown at our Mangalore facilities. Hence, this impact with a mix of decline in absolute gross margins resulted in Solara clocking an EBITDA margin of 11% with an absolute EBITDA value of INR35.2 crores, which reflects a degrowth of close to 39% Q-on-Q. But as Sandeep said, this is something which is a short-term disruption.

We, in our journey continue to focus on our operating costs as well as margin expansion, which is incremental business growth at healthier margins. Focusing on a healthier balance sheet, we have been able to reduce our debt by close to INR153-odd crores during H1 of FY '26, which reflects close to 20% reduction in our opening debt. Roughly INR113 crores of that coming from our first call money of the rights issue and balance close to INR40 crores coming from the operational cash which the business has generated.

Further, we have a line of sight to reduce our debt to close to INR446-odd crores by Q1 of FY '27, which would give us a much healthier net debt-to-EBITDA ratio of close to 1.5x. Going ahead, we will continue our ongoing actions on improving profitability through cost improvement programs, operating cost optimization and optimizing working capital and debt as we continue to pivot the organization from reset to growth.

At the end, thank you very much for your support and time and we are happy to take your questions.

Moderator:

The first question is from the line of Naman Bhansali from Nine Rivers Capital.

Naman Bhansali:

I have 2 set of questions. First is on the gross margins, which have declined even after adjusting for the deferred delivery of our higher margin products and are now below the guided range of 53% to 55%. So could you help us understand the key reasons behind this and also are we confident of reverting to the guided margin range over the coming quarters? That is the first question.

And second is on the fixed cost. So even after adjusting the onetime cost, our fixed costs stand at around INR121 crores per quarter, which is compared to the INR110 crores to INR115 crores over the past few quarters. So what is driving this increase and should we consider this particular INR121 crores as the new run rate going forward?

Sarat Kumar:

Naman, thank you for your question. I'll take the first question first. So what I understand is, as you rightly pointed out, even after adjusting for the deferred sales what we had because of the short-term disruption, our gross margin profile would be still in the range of close to 52.5% kind of a percentage put together, which as compared to earlier quarters of 54% is slightly a dip. But having said that, we will always have a certain change in product mix from each quarter to quarter, like from one quarter to the other.

So we are confident of maintaining a healthy gross margin of more than 51% - 52%, that kind of a range. But depending on individual product mix for that particular certain quarter, we can see a range between 51% to 54% - 55% kind of a number. So that was with respect to gross margin. And having said that, going forward we are also confident of maintaining that particular healthy gross margin profile of close to 51% plus. Second, when it comes to operating costs, rightly said. Even after adjusting for that particular cost, our cost base will be close to INR120-odd crores.

What is driving that number from INR115 crore kind of a range is we have gone through our annual inflationary hikes in terms of human resources costs and then few other annual

inflationary costs. And for this additional volumes, historically, we have been taking some regular shutdowns at one of the plants depending on the demand.

But with the increased volumes, we are foreseeing that we will not be required to take that shutdown, which was actually saving on that cost. So going forward on a consistent basis, we expect this cost base to hover around INR117 crores to INR120 crores depending on the volumes what we generate.

Moderator: The next question is from the line of Anand Mundra from Soar Wealth.

Anand Mundra: Sir, just wanted to understand about this shutdown. How long was the shutdown and what was the period for the same?

Sandeep Rao: The shutdown was in the month of August and we shut the plant for 3 to 4 weeks.

Anand Mundra: Okay. And what is the benefit of this shutdown, sir, in terms of upgradation in terms of production capacity or increase in capabilities?

Sandeep Rao: No, I think -- I remember in some calls, we had mentioned some of our plants are aging plants. They are old plants and they frequently require refurbishment. So this was the major upgradation exercise that we took up -- in the Mangalore facility, we took up a significant upgrade. As Sarat said, we spent almost INR4 crores to INR5 crores in that upgrade.

The good news is that thanks to the upgrade, the upgrade was followed by a U.S. FDA audit between 25th and 29th August and we successfully cleared that audit with only 2 minor observations. But that operational shutdown was a very unscheduled shutdown for 3 to 4 weeks. I hope that answers your question.

Anand Mundra: Noted, sir. Sir, another question is there's a sharper drop in revenue in regulated market in this quarter. So though there is some drop because of facility shutdown, but what about the other part, sir?

Sandeep Rao: So our contribution to regulated markets continues at 75% even in this.

Anand Mundra: Okay. With respect to absolute amount I was saying. So if you take an absolute amount number, it is sharper than the overall number.

Sandeep Rao: In all likelihood, it will be related to the shutdown in the Mangalore facility. Our Mangalore facility is among our most profitable facilities. Typically, products that come out of that facility have more than 60% gross margin and a lot of those products are headed to the regulated markets.

Anand Mundra: Okay. Sir, another question is we are consistently showing more than 50% EBITDA gross margin. So only thing which is due is revenue size. How long it will take for us to reach our historical peak of INR450 crore revenue per quarter?

Sandeep Rao: Very good question. We are also aspiring to get to that level at the earliest and we think it is achievable at some point in time. Although, more than the top line of INR450 crores, we are

more focused on the EBITDA levels. So I think going forward, we are going to make business choices of selling the right set of products to get to our EBITDA levels, but INR450 crores remains an aspirational target. Right now we are looking at 1 quarter at a time.

Anand Mundra: Okay. And sir, any guidance for this financial year with respect to EBITDA and revenue growth?

Sandeep Rao: So we have not issued any guidance, but what we said in Q1 is we've given an outlook and that outlook stated that we'll do 10% increment on sales and roughly 15%, 20% EBITDA. For now, we will stick to that.

Moderator: The next question is from the line of Jagadish Sharma, an individual investor.

Jagadish Sharma: So I have 2 questions. My first question is like how many DMF filings do we have right now and how many products are there in the market? This is my first question.

Sandeep Rao: So right now we have roughly 90 to 95 DMF filings in the U.S., of which active products are around 35 to 40.

Jagadish Sharma: Okay. My second question, sir, could you talk a little bit about our plans for launching new products and key ones which could drive growth for us for the next 2, 3 years?

Sandeep Rao: So good question because new products is the growth engine for us. So we've started the exercise on new products. In fact we've identified a number of products, which we have started working on.

But given our industry, you know that there is a life cycle in getting those products to the market. So we have to go through manufacturing validation, site approvals, regulatory approvals. So it will take 2, 3 years for us to get these new products to the market, but we have already started the process of identifying and developing these new products.

Moderator: The next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Sandeep, we have slipped into this incorrigible habit of reporting a new "onetime" volatility almost every quarter. I know you have joined recently, but Solara has a track record of solid onetime. And this is just an observation not a question. Question really is why was preventive maintenance not planned to avoid a Q2 hit? And of the INR40 million cited as the onetime shutdown cost, was any portion capital in nature or linked to compliance upgrades?

Sandeep Rao: You want to take that?

Sarat Kumar: Sajal, thank you for your question. So first of all when we say, obviously this particular shutdown was actually planned. If you recall, Sandeep said that we had this unscheduled shutdown for an extended period of 3 to 4 weeks. So based on our normal preventive schedule, we always plan a shutdown of close to 1 week kind of a timeframe, wherein we plan to do most of the refurbishments for this thing.

Now when we started this particular preventive maintenance, some of the other areas were identified, which we wanted to actually cover this as part of this particular maintenance exercise

itself. And add to that, we had some external climatic challenges in terms of extended monsoon at Mangalore, which extended this particular shutdown time from the planned 1 week to close to 3 to 4 weeks. So that's on that particular piece why this was exactly not planned.

Second question was in terms of this entire INR40 million of onetime opex what we're talking about, this is entirely opex in nature. Something which was done in terms of upgrade of the plant that has been considered as part of capex, that is not opex.

Sandeep Rao:

Sajal, Sandeep here. See, Sajal, I acknowledge the disappointment because I thought in Q1 we were already on a growth curve and I hear you loud and clear about these setbacks that Solara keeps reporting. But I'd like to see the bright side of it also that in 2 quarters, we've cleared Ambarnath and in this quarter Mangalore successfully with the FDA.

In a day and time where a lot of large companies are running into issues with the FDA, our track record is stellar. Hopefully, going ahead, both these sites are behind us in terms of compliance and now we can focus just on operational deliveries and growth that this new team set out to do.

Sajal Kapoor:

Absolutely, Sandeep. I know this is a beautiful facility. It is ex-SeQuent, this Mangalore one. So yes, I appreciate that. And next one on this exceptional sequential rise in the total expenses, can we just double-click there a bit? I mean is it related to employee cost? Is it power, logistics or R&D? What exactly is the nature of this rather steep sequential rise in expenses?

Sarat Kumar:

Okay. So I'll take this question, Sajal. So again on a kind of a quarterly run rate, excluding this onetime cost, that incremental cost is close to INR4.5 crores, INR5 crores on a quarterly basis. So just to put a color on this particular piece.

Out of this INR4.5 crores - INR5 crores, close to INR2.5 crores is in terms of incremental manpower costs partly driven by annual hikes what we roll out, which has been effective from Q2. And second, additionally is, as we said earlier, depending on the volumes, one of our sites we used to take invariably 1 month shutdown for every quarter.

But since we are doing slightly higher volumes from this particular quarter and we were kind of gearing up for higher volumes, that particular shutdown timing has reduced drastically to just 1 week instead of 1 month.

So that's the reason we said going forward, we see our base to somewhere around close to INR117 crores to INR120 crores depending on the corresponding volumes for that particular quarter. If we will require that plant to be shut down for 1 month, then probably you will see our opex base at INR116 crores, INR117 crores otherwise it will be INR119 crores - 120 crores.

Sajal Kapoor:

Understood. And sir, a couple of bookkeeping questions very quickly. The net current liabilities in the balance sheet, they exceed the assets by over INR70 crores if I read it correctly. I mean how does you the management justify continuing operations with this kind of a liquidity profile? That's one.

And then I'll just state all of them. So that's one that INR70 crores on the current liabilities. The other one is how are these current liabilities related to this delayed payments to vendors or banks and days payable outstanding kind of? Am I linking the dots correctly there?

And then on the inventory, the levels have been historically very high. Are inventories kind of getting aged or obsolete? I mean we took a write-off of the inventories COVID-related ages ago. Why the inventory levels are still high or is it for noncore molecules? I mean what exactly is the mix in that inventory, which is running at inflated levels?

Sarat Kumar:

So I'll actually take both the questions. One is in terms of what you spoke about current liabilities being higher and that is actually putting a stress on the liquidity situation of the company. That is something which we also acknowledge as fact.

But you would also have to appreciate that when we are actually planning our inventory or we are planning our entire raw material procurement, we are actually not planning that particular procurement as well as inventory levels for INR300 crores kind of a sale, which we have been reporting for the last 2 quarters.

We have an endeavor to grow those sales to close to INR350 crores plus kind of a number. So something which we had like kind of a short-term disruption and stuff like that, which has got this deferred sales. So that is having a kind of a double impact.

One is whatever is getting deferred in terms of sales from a planning standpoint, that is getting into inventory. Second, since I have already procured those raw material, that is also adding up to my current liabilities. This is on the current going on trend.

Having said that, historically, also Solara had quite a few overdue creditors, which we are gradually bringing it down. And currently, as we speak, we have close to -- our DPO like outstanding base will be close to 120 – 150 odd days as compared to our normal payment terms of 60 to 90 days payment terms. So that is something we would like to address in next 2 quarters. It would take roughly 2 quarters for us to get to a comfortable DPO of close to 75 to 90 days.

Moderator:

The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar:

Now, sir, you mentioned that we stick to about 10% revenue growth and 15% to 20% EBITDA growth. So are you talking on the adjusted basis or I mean on the reported because the loss that we have done in the second quarter so first half, our net-net we don't have any kind of profits? I mean we are 0 at the PAT level. So how should one look at -- I mean we stick to the guidance? I mean are you speaking on the adjusted basis?

Sarat Kumar:

So when we are actually talking about guidance, we are talking on FY '25 base only. So we still expect our H2 to be much stronger than H1.

Deepak Poddar:

Okay. Because ideally, that means your second half EBITDA margin has to improve substantially I mean to have that growth in EBITDA. FY '25 I think base was around INR256 crores, around about. So what's the aspirational EBITDA margins that we are looking at? You did mention that we are focused more on the EBITDA side.

- Sarat Kumar:** So see, one, if you actually recall what Sandeep said, what was sales which we got deferred by close to INR35-odd crores, that would have given us an incremental gross margin of INR18-20 crores. So that would have straight away flown down to EBITDA, as our cost base is almost consistent around INR 120crs level.
- Second is regards the aspirational EBITDA numbers, which we are tracking, which we are working towards is close to 20% margin. This is slightly higher than what we reported for FY '25, which was around 17%.
- Deepak Poddar:** And by when we are looking to achieve this aspirational margins? By fourth quarter, right?
- Sarat Kumar:** Yes, correct.
- Deepak Poddar:** Okay. Understood. And I mean 75% revenue comes from regulated market, right? So is it majority is U.S. only?
- Sandeep Rao:** No. Actually it is quite evenly distributed between U.S. and Europe. Europe is also a big market for us and smallest portion comes from Japan. When you say regulated markets, we view as U.S., Europe and Japan.
- Deepak Poddar:** Understood. Understood. So any tariff impact you see on the U.S. side?
- Sandeep Rao:** None as yet.
- Deepak Poddar:** Okay. And secondly, on the debt reduction plan that you have laid out. By May '26 we are expecting debt to reduce to INR450 crores and further because of the demerger, you would again transfer that INR200 crores to the CRAMS and polymer business. So effectively around INR250 crores would be debt that would be left here. So is my understanding correct? So how should one look at the finance cost in this business right now? I think we are doing some INR20 crores, INR21 crores per quarter, right?
- Sarat Kumar:** So currently, our finance cost is close to 13%. We would expect that to be around similar levels
- Deepak Poddar:** Okay. So basically your gross debt will reduce to INR450 crores in 1 year. So 13% of INR450 crores will be close to around about INR60 crores something. I mean that's what one should look at?
- Sarat Kumar:** Yes, correct.
- Deepak Poddar:** And this demerger, when we are planning to complete, I mean the transfer of debt and all?
- Sandeep Rao:** This is something which we are still working in progress. Once that scheme is finalized, then we'll actually come up with exact timeline.
- Deepak Poddar:** Okay. And this INR200 crores the other business will be able to service because the revenue is very small for that business, some INR100 crores.

- Sarat Kumar:** So that business, as you said so, we will have to make significant investments and that would have some significant gestation period as well and with these investments coming in, business should be able to service that.
- Sandeep Rao:** That's a growing business as well.
- Moderator:** The next question is from the line of Abhishek from Padmaja Investments.
- Abhishek:** Why are we not able to reduce our cost of debt? Just now you said that it is 13%. Our leverage position also has significantly improved, right? What are difficulties there? That's my question one.
- And question two is, I understand that as of now, you are giving us an outlook of 10% growth in revenue. Is the business capable of growing more than 10%? Did you hear my question 1?
- Sandeep Rao:** First one we could hear. Second one we are struggling.
- Abhishek:** Second one is like as of now, the outlook is 10%, right? Like is the business possible to deliver more than that going forward like in another 2 years or 3 years? Yes, that's my question 2.
- Sandeep Rao:** So I will take the second question. You're saying is this growth number possible? I think the answer is very much yes and this team is focused. As we said, our mantra has been to go from a reset to sustainable, scalable and profitable growth. So yes, we're working on it. Number of levers are there. One is finding newer markets for our products so strengthening our order books. Second is debottlenecking exercises. And in the long term we are creating the R&D pipeline. So there is a short-term and a long-term view on how we want to grow our business.
- Sarat Kumar:** Question number one, what you asked about is why is this interest cost so high and...
- Abhishek:** Correct.
- Sarat Kumar:** So currently, if you recall, like this question is also what we answered. So our current liquidity position is not very favorable. So having said that, to actually manage those particular liquidity situation, we also end up taking certain short-term sourcing of funds from here and there. But given this scenario, we expect that cost to be somewhere around that particular number itself.
- But having said that, obviously as a company, we would like to reduce our cost of debt and that is something which we actively explore. But till the time we don't sign up an agreement wherein we can get debt at a lower cost, it would be very difficult on our part to commit to that.
- Abhishek:** Okay. If I may, I have another question. After the spin-off, will the catalog API business be able to grow compared to the other Synthix, which has CRAMS and polymer chemical business? Like the guidance you are saying this 10% is for the whole consolidated entity as of now? But going forward, the one you said like debottlenecking and all, you are referring to the catalog API business, right?
- Sarat Kumar:** That is right, primarily to the catalog API business.

- Moderator:** The next question is from the line of Raghu, an individual investor.
- Raghu:** Sir, these sales which are lost, will this be serviced during the next quarter, quarter 3?
- Sandeep Rao:** The answer is that we haven't lost that business. We will operationally need to deliver to make sure that we can deliver. Yes, we will service the business in next two quarters.
- Raghu:** So the revenues which we were not able to show in Q2, those will get added up in Q3. That's what you mean?
- Sandeep Rao:** At the end of the day, we have lost 4 weeks of production. So we will have to produce as much material to cater to the business. So have purchase orders gone? The answer is no. Can we manufacture as much? That's something we will have to see as the quarter goes. But we will service that business if not in Q3, then in Q4, but that business has not gone anywhere.
- Moderator:** Next question is from the line of Amresh Kumar from Geosphere Capital.
- Amresh Kumar:** I was disconnected for a while so I'm not sure if I'm asking this question again. So my question would be on your further investments both in qualitative and quantitative terms as to what kind of money are we going to invest in this half, next year and so on?
- And secondly, when we talk about fulfilling our deferred revenue or the deferred orders, what kind of capacity utilization are we working on right now? And the third question, I'm not sure if it has been asked before. Any update on the ibuprofen pricing and your own contribution to the overall revenues in the last quarter?
- Sandeep Rao:** Okay. Future investments, look, we are not going to be making any big investments. All we are aiming to do is small bite size investments just bottlenecking our capacity. And whilst we are speaking with you, we have already done it, so it is work in progress.
- Secondly, I think your second question was about the deferred revenue, right? To the extent that we can manufacture our products, I think we should more or less make up for the lost revenue over the next quarters.
- Regarding ibu pricing, a couple of quarters back, we had said we are very picky about which customers we want to work with. Our priority is not top line. Our priority is gross margin and EBITDA. So to that extent, marquee customers where we have sticky pricing and good gross margin is where we continue to service the ibuprofen requirement, right? In terms of our total ibuprofen business for last quarter, that number was around 30%.
- Amresh Kumar:** Got it. And can we divide it between the plain and the derivatives like you did in the last quarter?
- Sandeep Rao:** So usually, we don't put up these classifications individually, we don't sort of tell you the details in these numbers. But since you're asking the question, we'll tell you that it's roughly around 20% for the plain ibu, 20% to 22% and around 8% to 10% on the derivatives.

- Amresh Kumar:** Got it. So same like last quarter. So going back to my first question on capex part. So we have already spent close to INR29 crores in the first half. So can you give a number going forward as to what this would be like?
- Sandeep Rao:** So we can't give you a number. But as you can see that considering the liquidity issues we have, we are investing our capex wisely into small bite sizes for debottleneck capacity. So we have to make sure that all our projects are executed on time so that the increased capacity kicks in and so we can fund further capex. So at this point I can't give you a number, but it will all depend on how our existing capex projects go.
- Moderator:** The next question is from the line of Prolin Nandu from Edelweiss Global.
- Prolin Nandu:** A few questions from my side. One is that constantly on the call, you have been mentioning that you are thinking about the profitable growth and picking the right client. So incremental -- and also you mentioned incremental sales will come at a higher margin. Could you just give some texture around this as to how this will happen? Will you follow the same road same kind of a plan like you did in ibuprofen where you have increased the percentage of derivatives.
- And also related to this question would be you mentioned that in our industry, it takes 2, 3 years of approval cycle and so on and so forth. So is it fair that the large part of mix improvement in our incremental sales will come only at the back end of these 2, 3 years? Or how should one think about the profitability part on incremental sales from the current base?
- Sandeep Rao:** So you've asked many questions. Let me take it one at a time. You are right. You caught us right. We are talking of profitable growth coming from incremental sales. We are making a conscious choice to put our capex into areas where we get high gross margin. Even when we want to allocate capacity, we allocate in manufacturing that give us higher gross margin. So it's a conscious call whether it's in the development or it's a product that we manufacture for sale, we are making those conscious calls to be in products that drive profit.
- In the previous quarters, we said even about ibuprofen we made a conscious call that we don't want to focus as much on the plain. We want to focus on more value-added ibuprofen, I might call it, which is the derivatives. R&D pipeline will take 2 to 3 years to see the light of the day. Till then, I think there are -- since the profitability is going to be our focus, I think there are many more things that we have to do. One is we have to find newer markets for our products so that we can improve our order book.
- We need to focus on getting cost reduction initiatives on each of our products. We need to focus on further debottlenecking of products where the demand outstrips the capacity we have. So there are a lot of different ways in which we can improve profitability.
- Prolin Nandu:** Sure. That was helpful. So just wanted to double click on this, the same aspect that you mentioned. See, finding these new markets and all, how challenging it is given our product profile while we have shown the results in ibuprofen?
- But similar sort of results are going to be possible in some of the core products where we focus on the strategic clients and maybe focus more on the derivative side. Just wanted to understand,

I mean just going by your experience talking to the customers and trying to find new markets, how easy or difficult is this going to be?

Sandeep Rao:

So there are a lot of attractive markets around the world outside the U.S., Europe and Japan. For example, there are good markets in Latin America, there are markets like South Korea, there are markets in Middle East. To this effect, if you remember, we announced that we had hired a Chief Commercial Officer a couple of quarters back, comes with immense experience in markets of course the regulated markets as well as markets outside.

From a capacity utilization standpoint, I think our facility is running at roughly 70% capacity utilization. So there's enough capacity available to cater to the new markets. So I think do we have the reach? Yes, we have the reach. We're also hiring the right talent that will open these markets for us. Do we have the capacity to manufacture products for these new customers? The answer is yes. If we can marry both of these, then I think profitable growth through incremental sales is very much possible.

Prolin Nandu:

One last question would be on the balance sheet. While you have given a road map of how we reduce the debt and maybe the demerger plans are also going to be finalized. But then as previous participants also touched upon the liquidity situation, which is a bit precarious. So do we have any sort of a backup plan in case if our projection of cash flows do not work out? How do we manage the liquidity situation there?

And also related to that would be this demerger scheme where you have called out INR200 crores will be transferred. Maybe when the demerger scheme is finally approved, maybe that entity will not have enough sales to probably cater to the debt. So do we see a scenario where before demerger, there could be some investment which might happen in that entity or it could be together with demerger, something on those lines?

Sarat Kumar:

You rightly point out. So our liquidity situation is something which we are absolutely mindful of. That is something, as I said in my previous question response, we are looking forward to roughly close to 2 quarters wherein we will actually get there. It will take roughly 2 quarters to set this right.

Your second question on your investment in that particular new business, that is something only once it is carved out, then we will have a new investment coming into that particular business. We don't anticipate any investment from our side into that particular business because this business will have significantly longer gestation period.

Moderator:

The next question is from the line of Chetan, an individual investor.

Chetan Veitanya:

I have one question. Do we have any update on the Vizag facility because last year it was taken up for retrofitting and have we started operating commercially and is there any contribution in terms of revenue to a full scale?

Sandeep Rao:

So right now that facility for the most part remains mothballed now. We will start the facility only once we have partnerships on the CRAM side.

- Moderator:** The next question is from the line of Amaya Deosanay, an individual investor.
- Amaya Deosanay:** So in last quarterly call, you had indicated that we want to pivot from a stable to a growth phase again at Solara, right? But we keep having these one-offs. So now looking at what has all happened, what is the team internally doing to avoid these incremental one-offs? Because to get back on that growth curve, we need to be able to have a visibility, right? So could you comment on that?
- Sandeep Rao:** I would want an answer to this question even before you asked it, right? We are looking forward and we want to have at least 3, 4 quarters of growth just to prove it to ourselves even more than proving it to you that we have a turnaround story here. So in that sense, we are always looking for what can get us down.
- And in this case, as Sarat mentioned this one-off, we anticipated that we will do shutdowns, but something that doesn't exceed a few days. But unfortunately, it took us at least 4 weeks of operational shutdown to get that and when it is up and running, it's more of an upgradation. So for now I don't see, but we will keep our eye out for any such things that can dampen our prospects going forward.
- Moderator:** As there are no further questions, I would now like to hand the conference over to management for closing comments.
- Sandeep Rao:** Thanks a lot, everybody. I know it's been a yoyo ride with Sarat for some time. But I will reiterate that we strongly believe in our fundamentals. I think the underlying fundamentals of our business remain strong. Continue believing in us and we thank you for your continued support and trust. Thank you.
- Moderator:** Thank you very much. On behalf of Solara Active Pharma Sciences Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you