



SOLARA

ACTIVE PHARMA SCIENCES LTD

Initiating coverage report | Pharmaceuticals

Solara Active Pharma Sciences Ltd



Overview:

Solara is a pure-play API manufacturer with 6 manufacturing facilities and 1 R&D centre, serving 60+ countries with a portfolio of 60+ commercial APIs across pain management, anti-infectives, anti-malarials and specialty polymers. Its base business (ex-Ibuprofen) grew revenue 6% to ₹1,041 Cr in FY26 at a healthy 23.5% EBITDA margin, while the commodity Ibuprofen segment stayed loss-making (₹-53 Cr EBITDA) due to global oversupply. With net debt down from ₹999 Cr to ₹479 Cr post rights issue, Vizag capacity utilisation improving, and management actively evaluating a strategic exit from the Ibuprofen business, Solara is transitioning from a commodity-exposed API player to a focused, higher-margin regulated-market franchise.

Investment Thesis:

Solara is a turnaround story where the key value creation comes from removing the weak part of the business and improving the quality of what remains.

- Ibuprofen exit can change the earnings profile: In FY26, the Ibuprofen business generated ~₹334 Cr revenue but lost ~₹53 Cr at EBITDA level. Selling or restructuring this business can immediately remove a major drag on profitability.
- The core business is already much stronger: Ex-Ibuprofen, Solara's base business generated ~₹1,041 Cr revenue at ~23.5% EBITDA margin in FY26. Growth APIs, specialty products and CRAMS are becoming the main earnings drivers.
- Margins can improve sharply without aggressive revenue growth: We expect revenue to increase only from ₹1,369 Cr in FY26 to ~₹1,505 Cr by FY29E, but EBITDA can rise from ₹187 Cr to ~₹384 Cr as the business mix improves and Ibuprofen losses disappear.
- Debt reduction gives another boost to profit: Lower debt and better cash generation can reduce finance cost from ~₹95 Cr in FY26 to ~₹20 Cr by FY29E, helping normalised PAT reach ~₹233 Cr and EPS ~₹48.5.

We expect Solara to deliver a sharp earnings turnaround, with EBITDA growing at ~27% CAGR over FY26A-FY29E to ~₹384 crore, while EBITDA margin expands from ~14% to ~25.5%. With the expected exit of the loss-making Ibuprofen business, improving product mix and lower finance costs, PAT is expected to improve from a ₹7 crore loss in FY26 to ~₹233 crore by FY29E. We value the company at ~14x FY29E EV/EBITDA / ~24x P/E, implying an FY29 value of ~₹1,170 per share.

CMP (Rs)

749

52 week high/low (Rs) 760 / 422

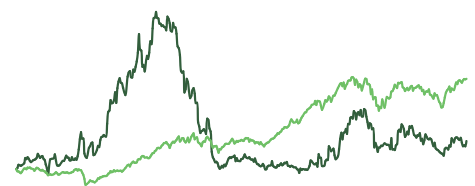
Market Cap (Rs cr.) 3,601

No. of shares (in cr.) 4.78

Relative Performance (%)

● Solara APS Ltd

● NIFTY SMALL CAP 250



Y/E Mar (₹ Cr)	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	1,284	1,369	1,415	1,336	1,505
EBITDA	206	187	259	334	384
OPM %	16%	14%	18%	25%	26%
Net Profit	1	(7)	93*	202	233
EPS (₹)	0.15	(2.05)	19.2*	42	48.5

*excluding a ₹201.9 Cr exceptional loss

Shareholding (%)	Dec-25	Mar-26	Jun-26
Promoter	42.00%	42.00%	41.93%
FII's	11.98%	11.59%	11.52%
DII's	3.64%	3.75%	3.74%
Public	42.37%	42.66%	42.79%

Report Structure

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A. Business Overview

Solara Active Pharma Sciences Limited (Solara) was incorporated in 2017 and formally commenced operations in 2018 following the demerger and consolidation of the Active Pharmaceutical Ingredient (API) business of Strides Pharma Science (formerly Strides Shasun) and the human API business of SeQuent Scientific. Operating on a unique global, pure-play standalone API model, Solara is strategically positioned to eliminate the intellectual property and commercial conflicts of interest inherent in forward-integrated peers who compete with the very formulation customers they supply.

By offering a non-competing positioning with zero forward integration into finished dosage formulations (FDF), Solara is a highly trusted, conflict-free manufacturing partner to generic and innovator pharma clients globally. This strategy enables deep client integration across highly regulated markets, with over 75% of sales historically derived from North America, Europe, and Japan.

Core Business Segments

Solara's operating model is powered by two distinct business segments with complementary value drivers:

- **Catalogue Generics (APIs):** Consists of a highly scaled and mature portfolio of over 60 commercial APIs across major therapeutic areas like gastrointestinal, central nervous system, cardiovascular, and anti-infectives. This business relies heavily on manufacturing scale, operational cost reduction, and superior regulatory compliance.
- **Contract Research & Manufacturing Services (CRAMS / CDMO):** Focuses on contract synthesis, custom development, and analytical support. Solara works closely with global partners from early clinical trials to commercial supply, offering specialized expertise in polymer chemistry and low molecular weight peptides.

Globally compliant manufacturing & R&D network

Solara runs a compliant manufacturing and R&D network across India. Its facilities regularly pass **inspections by the USFDA, EU GMP and Japan's PMDA**. The company also files around 10–12 DMFs each year.

Solara has about **2,700 KL of total reactor capacity**. Much of this capacity is approved for regulated markets, making it valuable for producing products without major new investments. **The Puducherry plant operates at nearly full capacity, while the wider network runs at around 70–75%.** This leaves room to grow by improving efficiency, removing production bottlenecks and making better use of the product mix.

Manufacturing Site & Location	Key Focus, Regulatory Approvals & Core Capabilities	
South India Facilities (Puducherry, Cuddalore, Mangaluru, & Mysuru)	Puducherry houses one of the world's largest, highly flexible Ibuprofen API facilities and a multi-purpose pilot plant. Cuddalore serves as a multi-purpose API and intermediate site. Mangaluru specializes in niche/large-volume APIs, while Mysuru acts as a critical intermediate site to secure supply.	1 AMBERNATH Multi-purpose API and intermediate facility 2 MYSURU Key intermediate manufacturing site 3 MANGALURU Niche as well as large volume APIs and advanced drug intermediates 4 VIZAG State-of-the-art greenfield facility
West & East India Facilities (Ambernath, MH & Visakhapatnam, AP)	Ambernath is a multi-purpose intermediate and API facility serving regulated markets. The Visakhapatnam (Vizag) plant is a state-of-the-art greenfield site; empty general capacity has been repurposed for dedicated polymer and CRAMS/CDMO chemistry to maximize assets and mitigate under-recovery cost drags.	5 CHENNAI Research and innovation centre 6 PUDUCHERRY One of the world's largest Ibuprofen manufacturing facilities 7 CUDDALORE Multi-purpose API and intermediate facility
R&D Centers & Hubs (Chennai & Bengaluru Centres)	Chennai R&D Centre (No. 27, Vandalur-Kelambakkam Road, Keezhakottaiyur) is staffed by 60+ scientists; drives generic API synthesis, polymer chemistry research, regulatory filing dossiers, and advanced analytical services.	

Historical Trajectory & Strategic Reset (2021–2026)

Solara's journey since 2021 reflects a clear transition from inorganic scale-up → operational turnaround → portfolio simplification and deleveraging.

Period	Key Development	Strategic Implication
2021 – Solara 2.0	Proposed an all-stock merger with Aurore Life Sciences to create one of India's largest pure-play API platforms. Aurore shareholders were to receive ~24–27% of the merged entity.	Strategy centred on scale, product diversification and manufacturing synergies.
2022 – Strategic Reset	Post-COVID demand normalisation, raw-material inflation and Aurore's weak performance disrupted merger economics. Solara withdrew the merger on 29 April 2022.	Shift from inorganic expansion to organic turnaround and balance-sheet repair.
2022–24 – Operational Turnaround	Founding leadership returned, led by Jitesh Devendra and S. Hariharan. Management launched Continuous Improvement Programs, improved plant economics and redirected underutilised Vizag capacity toward higher-value contracts.	Focus moved to margin recovery, cash generation, capacity utilisation and tighter capital allocation.
2025 – CRAMS & Polymers Demerger	Board approved separation of CRAMS and Polymers into Synthix Global Pharma Solutions Ltd. CRAMS had reached an ~₹100 crore FY25 run-rate. Synthix was proposed to absorb ~₹200 crore gross debt.	Intended to create a focused high-value CRAMS platform while materially reducing leverage at Solara.
2026 – Ibuprofen Decoupling	Severe global oversupply and pricing pressure pushed commodity Ibuprofen economics to ~(-16%) EBITDA margin. Strategic advisors were appointed to evaluate alliances, restructuring or divestment.	Objective is to remove commodity drag and improve quality and predictability of earnings.
Next Phase	Synthix demerger has been temporarily paused while the Ibuprofen restructuring roadmap is finalised, with greater clarity targeted during H1 FY27.	Successful execution could leave Solara with a simpler portfolio, lower leverage and structurally better profitability.

Solara is gradually moving away from a leveraged and commodity-sensitive API model toward a more focused portfolio with clearer separation between catalogue APIs, commodity exposures and higher-value CRAMS opportunities.

Diversified Product Portfolio Across APIs, Specialty Polymers & CRAMS

A broad regulated-market API franchise complemented by high-barrier specialty polymers and an emerging CRAMS platform

60+	10+	180+	~95
Commercialised APIs	APIs Under Development	Global DMFs	US DMFs

1. Established Generic API Franchise

Scale + Regulatory Track Record + Global Customer Base

Solara operates a diversified API portfolio across regulated and emerging markets, with products spanning multiple therapeutic categories.

Therapeutic Segment	Key Molecules	Portfolio Role
Pain & NSAIDs	Ibuprofen, Ibuprofen Sodium, Ibuprofen Lysine, DC Ibuprofen	Historically the largest volume franchise
CNS / Anti-convulsants	Gabapentin	Large established product with sticky customer relationships
Anthelmintic / Antimalarial	Praziquantel	Strong global volume position
Specialty / Neuromuscular	Sugammadex, Sapropterin	Niche, higher-value regulated-market opportunities
Anti-Infective & Others	Nizatidine, Ranitidine, Beta Blockers	Broadens portfolio beyond key anchor molecules

Current concentration:

Ibuprofen ~24% of business | Gabapentin ~8.2% | Balance diversified across other APIs

Specialty Polymers

Solara has a high-barrier specialty polymer portfolio focused on chronic kidney disease and hyperkalemia. Key products include Sevelamer, Sodium Zirconium Cyclosilicate and Patiromer, supported by complex chemistry, specialised manufacturing and limited competition.

CRAMS / CDMO

Solara provides end-to-end CRAMS/CDMO services, from early-stage development and clinical scale-up to commercial manufacturing. The business is supported by specialised chemistry capabilities and long-standing customer relationships extending beyond 10 years.

Representative API & Specialty Polymer Portfolio



B. Management Overview

Solara's leadership history has gone through multiple transitions, broadly moving from founder-led scale-up, to professional management during the COVID cycle, followed by a turnaround-focused leadership team from FY25 onward.

Promoter Profile – Arun Kumar Pillai

Arun Kumar Pillai is a veteran pharmaceutical entrepreneur with more than three decades of experience in building, restructuring and monetising pharma businesses. Before starting his entrepreneurial journey, he worked at British Pharmaceuticals Limited and founded Strides Pharmaceuticals in 1990. Strides began as a trading business and was subsequently built into a global pharmaceutical company across formulations, sterile injectables and international markets, crossing ₹1,000 crore of revenue by 2008. Over time, Pillai moved from an operating role towards a promoter, board-level and capital-allocation role.

The defining transaction of **his career was the 2013 sale of Agila Specialties, Strides' injectable business, to Mylan. The deal was announced at US\$1.6 billion, equivalent to approximately ₹8,600–9,000 crore at the prevailing exchange rate, with another US\$250 million or ~₹1,350 crore linked to certain**

conditions. This was particularly significant because, around the transaction date, Strides itself had a market capitalisation of only ~US\$1.1 billion, or ~₹5,900 crore, while FY2012 consolidated revenue was approximately ₹2,291 crore. In other words, Strides was trading at roughly 2.6x revenue, while Agila alone was sold for a value materially higher than the entire listed company's market capitalisation.

Pillai subsequently followed a similar capital-allocation approach across other businesses. He was a promoter and co-builder of Sequent Scientific, where the family-office stake was divested to Carlyle in 2020, while Solara was created in 2017–18 by demerging the API businesses of Strides and Sequent into a standalone company. He is also associated with OneSource Specialty Pharma and investment vehicles such as Agnus Capital, Pronomz Ventures and Tenshi Life Sciences. Overall, his track record reflects a recurring approach of building specialised pharma platforms, scaling them, restructuring or separating businesses and monetising assets when attractive opportunities arise.



Arun Kumar Pillai

Ajit Manocha – Chief Information Officer

Ajit Manocha joined Solara Active Pharma Sciences as Chief Information Officer (CIO) and Senior Management Personnel effective August 17, 2026. He is a technology and life-sciences transformation professional with 33+ years of experience across pharmaceuticals, CRDMOs, manufacturing and other regulated industries. His core expertise includes enterprise technology strategy, SAP/S4HANA transformation, Industry 4.0, IoT, cybersecurity, data governance and AI/ML-led digital initiatives. Solara has also highlighted his experience in working with Boards and senior management on technology strategy, cyber-risk management, intellectual-property protection and data integrity areas that are particularly important in regulated pharmaceutical manufacturing.

Manocha has spent most of his career within the pharmaceutical and life-sciences ecosystem. He worked for nearly 15 years at Ranbaxy Laboratories, where he progressed through manufacturing IT, SAP and R&D technology roles

and eventually became General Manager – IT. He subsequently joined Syngene International in 2008, where he spent a long tenure building and leading the technology function of one of India's leading CRDMO businesses. Syngene's FY15 annual report records him as Associate Vice President – Systems, having joined from Ranbaxy, while he subsequently served in senior CIO leadership roles at Syngene.

His experience at Syngene is particularly relevant for Solara, as Syngene operates in a highly regulated research and contract-manufacturing environment where technology systems need to support data integrity, regulatory compliance, manufacturing automation and customer confidentiality. Manocha has also been recognised through industry awards including the CIO 100 Award, SAP ACE Award and India's Best 50 CIOs, reflecting his long track record in enterprise technology transformation.

He holds a Master's in Computer Applications from Thapar Institute of Engineering & Technology and has completed an Advanced Management Programme at IIM Bangalore.



Ajit Manocha

Current Key Management

Name	Role	Background	Relevance to Solara
Sandeep Shashikantha Rao	Managing Director & CEO	25+ years in global pharma; previously MD of Jagsonpal Pharmaceuticals and held senior roles at Biocon and Mylan/Viatris. Joined Solara in Feb-2025.	Leads the turnaround, portfolio shift toward higher-margin APIs and expansion of the CRAMS business.
Sarat Kumar Asuri	Chief Financial Officer	18+ years in corporate finance; previously CFO of BioCina, Australia, with earlier experience within the Strides Group. Joined in Feb-2025.	Key to deleveraging, capital allocation, cost control and financial execution of the demerger.
Mohanraj Sanjeevi	Executive Director & CHRO	Long-standing HR leader at Solara; elevated to the Board in Jan-2026.	Supports organizational restructuring, talent alignment and execution through the ongoing business transformation.
Pooja Jaya Kumar	Company Secretary & Compliance Officer	Qualified Company Secretary; appointed in May-2025.	Oversees governance, statutory compliance, SEBI disclosures and corporate restructuring requirements.
Dr. Hero Velladurai	Chief Scientific Officer	Experienced pharma scientist leading API, complex chemistry, polymer and peptide R&D.	Drives new-product development and helps shift the portfolio away from mature commodity APIs.
Sundara Moorthy V.	Chief Quality Officer	25+ years across Quality Assurance, Regulatory Affairs and pharmaceutical compliance.	Critical for maintaining regulatory approvals and compliance across Solara's global manufacturing network.
Vishal Mathur	Chief Commercial Officer	Experienced pharmaceutical commercial leader focused on global API sales and customer relationships.	Drives commercial execution, customer penetration and the shift toward higher-margin products.
Manish Gupta	Non-Executive Director	Former MD & CEO of SeQuent Scientific and currently MD of Jagsonpal Pharmaceuticals; extensive M&A experience.	Brings operating, restructuring and transaction expertise relevant to the proposed CRAMS demerger.

Board Quality

The Board includes experienced professionals across audit, taxation, IP, regulation, strategy and pharmaceutical operations. Independent Director R. Ramakrishnan, a chartered accountant and law graduate with 40+ years of experience, chairs the Audit Committee, while other directors bring expertise in intellectual property, securities regulation and corporate strategy.

This provides Solara with a reasonably diversified Board skill set, particularly relevant for a business exposed to complex regulatory, capital-allocation and governance issues.

Management Transition – Key Monitorable

The main concern is the frequency of senior-management changes. Solara has had several CEOs and CFOs since FY20, including Bharath Sesha, Jitesh Devendra, Poorvank Purohit and now Sandeep Rao.

While part of this turnover coincided with the post-COVID restructuring, repeated leadership changes can affect strategic continuity and execution. The current team therefore needs to demonstrate stability through consistent delivery on margins, debt reduction, Vizag utilisation and CRAMS/Growth API scale-up.

C: Industry Overview

Indian Pharmaceutical Industry Overview

- India's pharmaceutical industry is one of the largest in the world, ranking 3rd globally by production volume and 14th by value. The sector has evolved into a key pillar of global healthcare, earning the title "Pharmacy of the World."
- As of FY24, the industry's market size stands at around USD 55–65 billion, growing at a steady 10–12% CAGR since 2000. India operates over 10,000 manufacturing units and more than 650 USFDA-approved plants, the second-highest globally.
- The domestic market is valued at USD 41 billion, driven by rising chronic diseases, better healthcare access, and increasing demand from Tier-2 and Tier-3 cities. The country supplies 20% of global generic medicines and over 60% of global vaccines, making it a crucial part of global healthcare supply chains.
- Key therapy areas such as cardiology, anti-diabetic, gastrointestinal, and oncology drugs show consistent double-digit growth. Government initiatives like the Production Linked Incentive (PLI) Scheme and Jan Aushadhi have further strengthened local manufacturing and affordability.



*Solara operates across two key segments — APIs and CRAMS. Before analyzing the company, it is important to first understand the dynamics of these two industries.

Active Pharmaceutical Ingredients (API) Industry

1. What exactly is an API?

- An Active Pharmaceutical Ingredient (API) is the actual chemical ingredient in a medicine that produces the therapeutic effect.

The pharma manufacturing chain is broadly:



For example, an API manufacturer produces the active molecule, while a formulation company converts that API into a tablet, capsule or injectable and sells the final medicine.

For an API company, therefore, the key things are not just volumes. Chemistry complexity, product mix, regulatory approvals, customer relationships, raw-material sourcing and capacity utilisation determine profitability.

2. How Large is the API Industry?

The global API market was estimated at around US\$255 billion in 2024 and is expected to reach approximately US\$359 billion by 2030, implying a CAGR of around 5.8%. Synthetic APIs remain the largest part of the market, accounting for around US\$192 billion in 2024.

India is one of the most important API manufacturing hubs globally. India has 500+ API producers, manufactures more than 500 different APIs and accounts for approximately 8% of the global API industry.

India's bulk drug and drug-intermediate exports stood at:

US\$ million	FY23	FY24	FY25
Exports	4,680	4,755	4,870
Imports	4,504	4,561	4,628

Bulk drugs and intermediates represented around 16% of India's total pharmaceutical exports in FY25.

So India is already a major API exporter, but at the same time it remains highly dependent on imported raw materials and APIs, mainly from China.

3. Not All APIs Are Equal

The API industry can broadly be divided into:

	Commodity APIs	Complex / Specialty APIs
Products	Older, high-volume molecules	Difficult/complex molecules
Competition	High	Limited
Number of suppliers	Many	Few qualified suppliers
Pricing power	Low	Better
Volume	High	Usually lower
Realisation/kg	Lower	Higher
Chemistry	Relatively standardised	Complex processes
Regulatory barrier	Moderate	High
Customer stickiness	Lower	Higher
Margin potential	Lower / volatile	Higher / more stable

A company producing a basic API such as a mature painkiller can face severe competition because many manufacturers know the chemistry and customers can shift suppliers relatively easily.

In contrast, complex APIs require difficult chemistry, specialised equipment, process know-how and regulatory approvals. Customers also need to qualify the API supplier with regulators. Once an API manufacturer becomes part of an approved formulation, changing the supplier can require additional documentation, validation and regulatory work.

Therefore:

Complexity ↑ → Competition ↓ → Customer Stickiness ↑ → Pricing Power ↑ → Margins ↑

This is why the product mix of an API company is much more important than simply looking at tonnes produced.

5. The Biggest Structural Issue – China Dependence

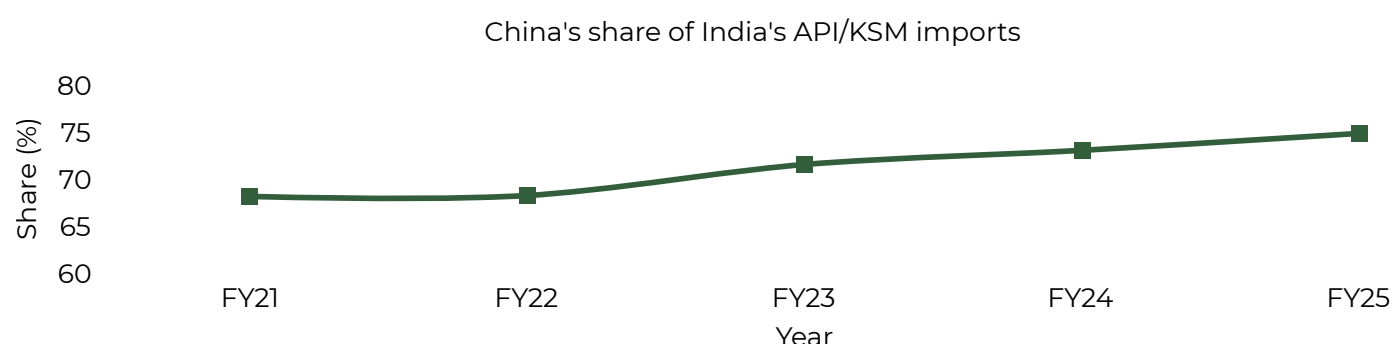
India is a major API producer but remains highly dependent on China for many KSMs, intermediates and APIs.

India's total imports of APIs, KSMs and drug intermediates increased from around ₹27,361 crore in FY21 to ₹36,124 crore in FY25.

More importantly, imports from China increased from:

₹18,646 crore → ₹27,032 crore

during the same period.

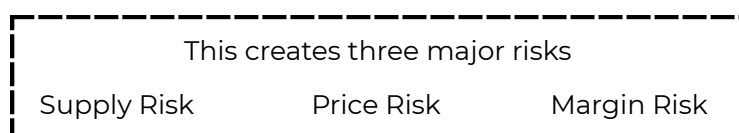


China's share consequently increased from approximately:

68% in FY21 → ~75% in FY25.

The government's separate FY25 HSN-based analysis also found China represented about 73.7% of India's imports across 200 API/bulk-drug/intermediate categories.

Some molecules remain extremely dependent on China.



Molecule / Input China's share of India's FY25 imports	
Gentamicin	99.70%
Oxytetracycline	99.70%
Erythromycin	97.70%
6-APA	95.90%
Penicillins	92.90%
Vitamin C	87.80%
Ibuprofen	80.70%

6. China+1 Opportunity & Regulatory Barriers

India's high dependence on China for KSMs and intermediates has pushed global pharma companies towards China+1 sourcing and Indian API companies towards greater backward integration. **To support this, the government launched a ₹6,940 crore Bulk Drug PLI Scheme, under which 48 projects had been approved and ~₹5,070 crore invested by March 2026.**

However, shifting API supply is not easy because regulated markets have high entry barriers. Suppliers need strong GMP compliance and regulatory approvals such as USFDA Type-II DMFs and European CEPs. India already has a strong base with around 5,637 active Type-II DMFs and 2,371 CEPs filed/received by Indian companies.

Once a customer gets its formulation approved using a particular API supplier, switching suppliers requires additional regulatory and technical work, creating strong customer stickiness.

China+1 + Backward Integration + Regulatory Approvals → Supply Diversification → Customer Stickiness → Higher Entry Barriers

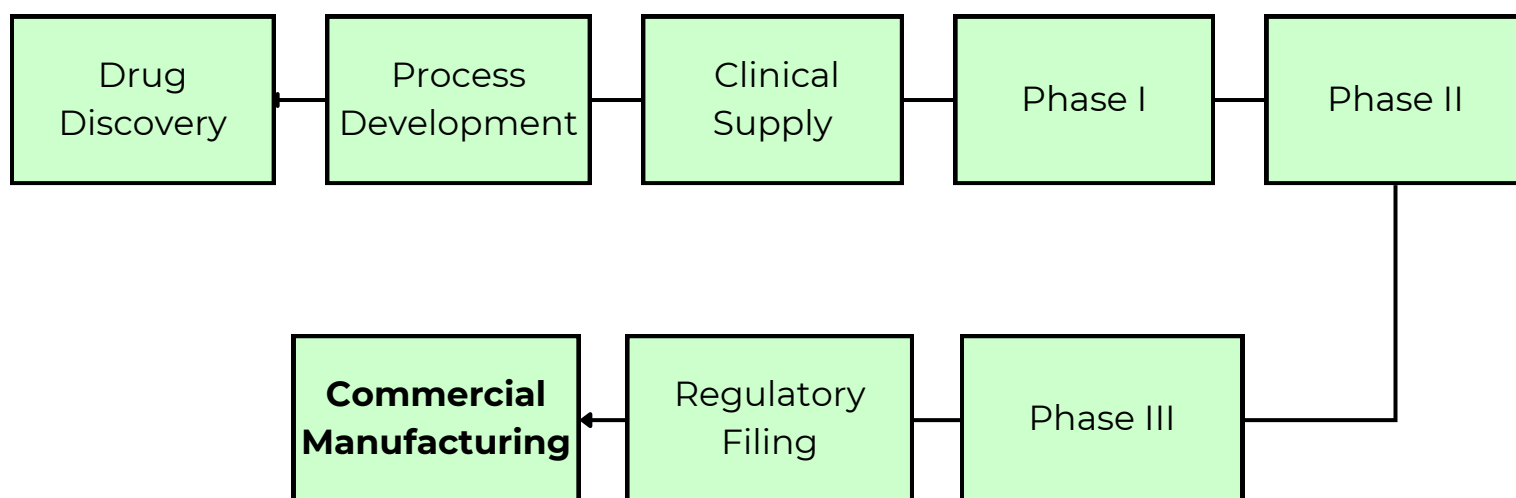
The opportunity for India is therefore not to completely replace China, but to become a larger, reliable and regulatory-compliant alternative supplier to the global pharma industry.

CRAMS / CRDMO Industry

1. What exactly is CRAMS?

CRAMS – Contract Research and Manufacturing Services is where pharma/biotech companies outsource the research, development and manufacturing of their molecules to specialised companies instead of building everything internally.

The business broadly works like:



The CRAMS player can enter at any stage. The best model is “follow the molecule” — acquire the customer during early development and continue manufacturing the same molecule if it successfully reaches commercialisation. Companies such as Laurus Labs describe their model this way, covering discovery through commercial manufacturing.

2. How Large is the Industry?

Under BCG/IPSO's innovator-focused definition, the global CRDMO industry was approximately US\$140–145 billion in 2024, while India was only US\$3–3.5 billion, or around 2–3% of the global market.

India's CRDMO industry increased from:

US\$ bn	2019	2022	2024
India CRDMO market	1.4–1.8	2.2–2.6	3.0–3.5

This represents around 15% CAGR during 2019–24, roughly twice the 7–8% global growth rate.

3. Why is CRAMS a Better Business?

In CRAMS, pharma innovators outsource the development and manufacturing of proprietary molecules to specialised partners.

Unlike generic APIs, where multiple suppliers compete mainly on price, CRAMS is driven by science, regulatory capability, execution and customer relationships.

Generic / Commodity API	CRAMS / CDMO	
Existing molecule	Customer-specific molecule	
Many suppliers	Few qualified suppliers	
Price / volume driven	Science / value driven	Complexity + Regulatory Qualification + Customer Integration → Higher Entry Barriers → Customer Stickiness → Better Margin/ROCE Potential
Lower switching cost	High switching cost	
Pricing pressure	Better pricing power	
Lower entry barrier	High technical & regulatory barrier	

4. Business Economics, India Opportunity & Key Risks

CRAMS is a high-stickiness business because once a partner develops the manufacturing process, analytical methods, scale-up and regulatory documentation for a molecule, changing suppliers requires fresh technology transfer, validation and regulatory work. This makes long-term customer relationships more likely, especially when the CRAMS player takes the molecule from development to commercial manufacturing.

India has a large opportunity in this segment. The Indian innovator-focused **CRDMO market is currently around US\$3–3.5bn, only 2–3% of the ~US\$140–145bn global market, but grew at around 15% CAGR during 2019–24. BCG/IPS0 estimates the market could reach US\$22–25bn by 2035.**

India's advantage comes from:

Strong Small-Molecule Chemistry + Established API Base + Lower Cost + Regulatory Capability + China+1

However, CRAMS also has an important risk: capex generally comes before revenue.

Capex → Development → Clinical Trials → Approval → Commercial Manufacturing

Until molecules commercialise, new capacity can remain underutilised, leading to under-recovery of fixed costs and weak EBITDA/ROCE. Once commercial volumes ramp up, utilisation and profitability can improve sharply.

Conclusion:

Particular	API Industry	CRAMS / CDMO Industry
Business Nature	Manufacturing of APIs used in finished medicines	Development & manufacturing of customer-specific molecules
Key Driver	Product mix, volume, pricing & utilisation	Science, project pipeline & molecule commercialisation
Competition	High in commodity APIs; lower in complex APIs	Limited qualified competition
Customer Stickiness	Moderate to high for regulated/complex APIs	Very high due to development & regulatory integration
Margins	Commodity APIs lower; complex APIs higher	Generally better potential as molecules commercialise
India Advantage	Strong chemistry, manufacturing base & China+1	Chemistry talent, lower cost, regulatory capability & China+1
Main Opportunity	Shift from commodity → complex/specialty APIs	Move projects from development → commercial manufacturing
Main Risk	China raw-material dependence, pricing pressure & regulatory issues	Molecule failure, delayed commercialisation & underutilised capex

D. Revenue Analysis

Year (In Crs.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue from Operation	₹521	₹1,387	₹1,322	₹1,617	₹1,268	₹1,444	₹1,289	₹1,284	₹1,369
YOY (%)		166%	-5%	22%	-22%	14%	-11%	0%	7%
3-Yr CAGR (%)				46%	-3%	3%	-7%	0%	-2%
5-Yr CAGR (%)						23%	-1%	-1%	-3%

Geography Mix	FY19	FY24	FY25	FY26
Regulated Developed Markets	76%	66%	76%	77%
Less-Regulated / ROW / India	24%	34%	24%	23%

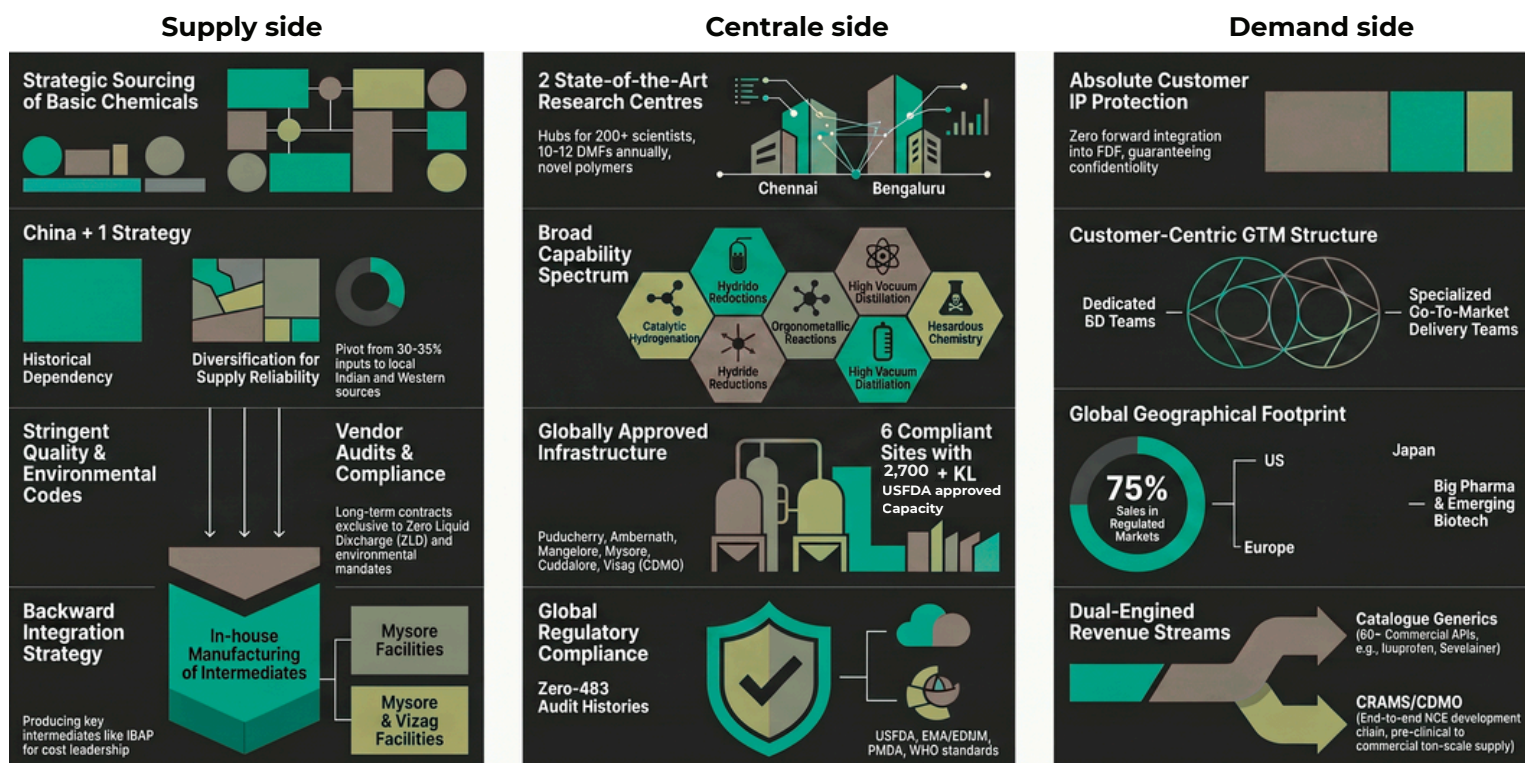
Strategic Segment	FY19	FY25	FY26	Direction
Commodity Ibuprofen	~₹630 Cr	~₹411 Cr	₹334 Cr	↓ Reducing
Growth APIs – ex Ibuprofen	~₹699 Cr	~₹765 Cr	~₹927 Cr	↑ Scaling
CRAMS & Polymers	~₹70 Cr	~₹108 Cr	~₹100 Cr	Strategic growth platform

Solara's revenue trajectory is best understood as a shift from volume-led growth to value-led growth. Between FY18 and FY21, revenue expanded from ~₹521 Cr to ~₹1,617 Cr, supported by strong Ibuprofen demand, long-term customer contracts and capacity expansion at Vizag. The cycle reversed after COVID as customers began destocking, Ibuprofen prices corrected sharply and Solara increased sales through lower-quality, less-regulated channels to absorb excess capacity. At the same time, Vizag remained underutilised due to regulatory delays, while raw-material and logistics costs increased. These factors led to a sharp decline in revenue and profitability through FY24.

From FY25 onward, management deliberately prioritised margin and cash generation over volumes. Solara exited uneconomic commodity Ibuprofen sales, shifted back toward direct regulated-market customers and increased the contribution of higher-value ex-Ibuprofen APIs, specialty polymers and CRAMS. As a result, revenue remained broadly flat initially, but gross margins and EBITDA recovered sharply. By FY26, growth returned as higher-margin Growth APIs scaled and regulated-market exposure improved, indicating that the company's future revenue growth is increasingly being driven by better product mix and customer quality rather than commodity volume expansion.

E. Value Chain

Solara Active Pharma: The Integrated Pure-Play API Value Chain



1. Sourcing operations & backward integration moat

KSM & Raw Material Sourcing

Solara's value chain begins with the procurement of basic chemicals, advanced intermediates and Key Starting Materials (KSMs) required for API manufacturing. For its large Ibuprofen business, important inputs include chemicals such as Isobutyl Benzene (IBB) and Sodium Dichromate. Given the scale of its manufacturing operations, raw-material pricing and sourcing efficiency have a direct impact on gross margins, working capital and overall profitability.

Historically, Solara sourced around 30–32% of its raw materials from China, while the majority came from domestic Indian suppliers and a smaller portion from Western markets. This dependence became a challenge during FY22–24, when raw-material inflation, logistics disruptions and supply-chain volatility put significant pressure on margins. In response, Solara increased domestic sourcing and adopted a China+1 strategy, qualifying multiple vendors for critical inputs. This reduced dependence on single-source imports and shifted the focus from simply buying at the lowest cost to building a more reliable and resilient supply chain, which is especially important for customers in regulated markets.

Input Chemical Category	Core Molecules Influenced	Primary Geographical Source	Strategic Mitigation Actions
Petroleum derivatives & basic solvents	General API catalog base	Domestic Indian sources (58%–70%)	Long-term volume contracts with domestic suppliers
Isobutyl Benzene (IBB) & Sodium Dichromate	Ibuprofen & derivatives value chain	China (30%–32% of total RM cost)	Strategic domestic vendor qualification (2 sites)
Advanced Intermediates (e.g., IBAP)	Ibuprofen APIs	In-house (Mysore & Vizag plants)	Complete backward integration to eliminate spot buys
Specialty Polymer Intermediates	Kidney care (Sevelamer)	Regulated Western sources (5%–9%)	Direct client-sponsored qualification / IP safety



In-House Backwards Integration & Margin Stabilisation

A key strength of Solara’s operating model is its backward integration into critical intermediates. Instead of relying entirely on third-party suppliers, the company manufactures important intermediates such as Isobutyl Acetophenone (IBAP) in-house, primarily at its Mysore facility. This helps Solara reduce supplier mark-ups, improve supply reliability and protect production from external disruptions such as import delays or sudden shortages.

Raw materials typically form a significant portion of API manufacturing costs, making sourcing efficiency critical to profitability. During periods of high input-cost inflation, Solara’s gross margin fell to 37.8% in FY24. As sourcing conditions improved and the company strengthened vendor qualification, backward integration and product mix, gross margin recovered sharply to 51.5% in FY25 and further to 54.1% in Q1 FY26. This shows how better control over intermediates and sourcing can directly improve cost stability, gross margins and overall earnings quality.

2. Central operations & manufacturing infrastructure

R&D Infrastructure & Scientific Capabilities

Solara’s core operations are supported by a strong R&D and process-development platform. While the company historically operated research facilities in Bengaluru and Chennai, R&D activities were subsequently consolidated at the Chennai Research Centre at Keelakottaiyur. The facility is DSIR-approved and supported by a team of 60+ scientists, with capabilities across complex generic APIs, impurity profiling, analytical development and advanced molecule characterization.

R&D spending increased significantly during the company’s intensive development phase, from around ₹10 Cr in FY18 to ₹40–45 Cr annually during FY19–FY21. More recently, spending has been rationalised to roughly ₹25 Cr per year, with greater emphasis on commercialising the existing pipeline rather than adding low-return filings. Solara has built a sizeable regulatory portfolio with 180+ global DMFs, including ~95 US DMFs. This is supported by capabilities in catalytic hydrogenation, high-vacuum distillation, hydride reductions, organometallic and Grignard reactions, hazardous chemistry and custom polymer synthesis, which are particularly important for complex APIs, specialty polymers and CRAMS opportunities.

Plant-Wise Manufacturing Footprint & Regulatory Compliance

Site Name & Location	Strategic Focus & Product Portfolio	Reactor Capacity / Approvals	Inspection Track Record
Puducherry Plant (Mathur Road, Periakalpet)	Large-scale generic APIs; primary high-volume Ibuprofen manufacturing centre	~5,000 MT Ibuprofen TPA. Approved by USFDA, CEP/EDQM, PMDA (Japan), WHO	Zero USFDA observations across multiple audits. Cleared PMDA & CEP
Cuddalore Plant (SIPCOT Industrial Complex)	Multi-purpose API and intermediate plant serving global chronic therapies	Multi-purpose capability. USFDA, WHO, Danish EU-GMP approved	Temporary OAI status in 2021 was resolved with strict CAPA; returned to compliant status
Mangalore Plant (Baikampady, Karnataka)	Specialty, high-margin APIs and advanced drug intermediates for regulated markets	USFDA, Spanish EU-GMP, MFDS Korea approved	Cleared FDA inspection in Q2 FY26; noted as a compliant and profitable site
Mysore Plant (Thandavapura, Karnataka)	Core intermediate synthesis and backward-integrated raw materials	Serves as central intermediate feed. Approved by state GMP	Intermediate site; no USFDA direct audit required. Holds valid GMP
Ambernath Plant (Anand Nagar MIDC)	Multi-purpose site for multi-product catalogue generic APIs	Flexible multi-product lines. Approved by USFDA, EDQM, WHO	Successfully cleared USFDA audit in Q2 FY26 with zero Form 483 observations
Visakhapatnam (Vizag) Greenfield Site	Flagship multi-purpose greenfield site; CDMO and Polymer hub	Almost 700 KL capacity. USFDA approved and EU CEP approved	USFDA inspection in May 2024 completed with zero Form 483 observations

Vizag Greenfield Investment & Strategic Repurposing

Solara developed its Visakhapatnam (Vizag) greenfield facility to support the next phase of capacity expansion. Phase I involved an initial capex of around ₹250 Cr, funded through a mix of roughly 30% equity and 70% term debt, while the total gross block of the facility eventually exceeded ₹500 Cr. The site was designed with nearly 700 KL of capacity, including around 3,600 TPA of Ibuprofen capacity, which increased Solara's total group Ibuprofen capacity to approximately 8,400 TPA.

However, after commissioning, Vizag operated at very low utilisation below 15% in the initial period as COVID-related travel restrictions delayed regulatory inspections and commercial approvals. This resulted in significant fixed-cost under-recovery of around ₹30–40 Cr annually, making the facility a major drag on profitability. Management subsequently reduced commodity Ibuprofen production at Vizag and began repurposing underutilised blocks toward higher-value CRAMS and speciality polymer products. The facility successfully cleared a USFDA inspection in May 2024 with zero Form 483 observations, materially improving its ability to support regulated-market products.

Product Development to Commercialisation Flow

Solara's development process moves through four broad stages:

R&D Development → Pilot Scale-Up → Process Validation → Commercial Manufacturing

At the R&D stage, the company develops the synthesis route, analytical methods and regulatory documentation for a molecule. The process is then transferred to pilot scale, where yields, impurities and manufacturing parameters are optimised. Once the process is established, Solara manufactures cGMP validation batches to demonstrate consistency and regulatory compliance. Following customer qualification and necessary regulatory approvals, the molecule is transferred to commercial-scale production, where Solara can supply multi-ton quantities under recurring customer contracts.

3. Demand side GTM & commercial execution

Pure-Play API Positioning & Customer Relationships

Solara's key commercial advantage is its position as a pure-play API manufacturer with no forward integration into finished formulations (FDFs). Since the company does not compete with its customers in downstream generic drug markets, it can position itself as a conflict-free manufacturing partner, which is particularly important for global pharma companies concerned about confidentiality, intellectual property protection and supply reliability.

Solara serves a diversified customer base comprising Big Pharma, global generic companies, innovators and emerging biotech players, with several relationships extending for 10–15+ years. Customer relationships tend to be sticky because once Solara is approved as an API supplier and included in a customer's regulatory filing, changing suppliers can require fresh qualification, validation and regulatory approvals, often taking 12–24 months. This creates meaningful switching barriers and supports recurring, multi-year business.

Direct GTM Model & Regulated-Market Focus

Solara follows a largely direct-to-customer sales model, with only around 4–6% of sales historically routed through dealers or distributors. Its Business Development team focuses on winning new business, while the Emptor customer-management program supports customers after commercialisation through supply coordination, regulatory documentation, DMF queries and logistics.

The company supplies APIs across 60+ countries, with a strong focus on regulated markets such as the US, Europe and Japan. Regulated-market contribution stood at around 76% in FY19, declined to 65% in FY22, recovered to 76% in FY25 and reached approximately 77% in FY26. This shift back toward regulated markets is strategically important because these markets generally offer stronger customer relationships, better pricing discipline and greater revenue visibility than more commoditised, less-regulated markets.

Segmental GTM & Strategic Product Mix

1. Commodity Ibuprofen: Historically 45%+ of revenue, but pricing pressure pushed the segment to a negative EBITDA margin in FY26. Its contribution has fallen to ~24%, and management is evaluating structural exit options.
2. Ibuprofen Derivatives: Products such as Ibuprofen Sodium, Lysine and DC Ibuprofen offer better margins and are less exposed to commodity pricing.
3. Growth APIs: Includes Gabapentin, Praziquantel and specialty polymers. This is now the key growth engine, with ~55% gross margin and ~25% EBITDA margin.
4. CRAMS & Polymers: A ~₹100 Cr run-rate high-value business spanning development to commercial manufacturing. The proposed Synthix demerger aims to unlock value and provide sharper strategic focus.

F. Industry Growth Driver's

The structural outlook for the API and CRAMS industry is supported by five key forces: rising chronic-drug consumption, patent expiries, increasing pharmaceutical outsourcing, China+1 supply-chain diversification and rising regulatory barriers. Together, these trends favour established manufacturers with regulatory approvals, complex chemistry capabilities and long-standing customer relationships.

Rising Chronic Disease Burden

An ageing population and the increasing incidence of chronic diseases such as diabetes, cardiovascular disorders, CNS diseases and chronic kidney disease are driving steady growth in pharmaceutical volumes. Unlike acute therapies, chronic medicines are consumed over long periods, creating recurring demand for APIs. This is particularly relevant for manufacturers with exposure to chronic therapies and specialty products, where demand tends to be more predictable and less cyclical.

Patent Expiries Expand the Generic Opportunity

A large number of pharmaceutical products continue to lose patent protection across the US, Europe and other regulated markets. Once a drug goes off-patent, multiple generic players enter the market and require qualified API suppliers with established manufacturing processes, regulatory filings and adequate commercial capacity. This creates a continuing pipeline of opportunities for merchant API manufacturers. Companies with an existing DMF portfolio and regulatory approvals are better positioned because generic customers normally select and validate API suppliers well before commercial launch.

Pharma Outsourcing is Increasing

Global pharmaceutical companies are increasingly outsourcing development and manufacturing activities to specialised CRAMS/CDMO partners. Rather than investing in dedicated capacity for every molecule, customers can use external partners for process development, clinical supply, scale-up and commercial production. This reduces capital requirements and allows innovators to focus more resources on drug discovery and commercialisation. India is an important beneficiary because of its strong chemistry talent, lower manufacturing costs and established base of regulated pharmaceutical facilities.

For API companies, this also represents an opportunity to move beyond simple product supply. A successful CRAMS relationship can begin with early-stage development and continue through clinical trials into commercial manufacturing, significantly increasing the value of each customer relationship and creating better revenue visibility.

China+1 and Supply-Chain De-risking

The pandemic, geopolitical tensions and environmental shutdowns in China highlighted the risks of depending on a single geography for pharmaceutical raw materials and APIs. Global customers are therefore increasingly adopting China+1 and dual-sourcing strategies, with India emerging as one of the key alternative manufacturing locations.

The purchasing decision has consequently moved beyond simply finding the lowest-cost supplier. Customers increasingly evaluate supply reliability, regulatory track record, alternate sourcing capability and backward integration before selecting long-term suppliers. This trend favours established Indian manufacturers that can provide competitive costs while maintaining consistent quality and uninterrupted supply.

Regulatory Barriers Strengthen Established Suppliers

Supplying APIs to regulated markets requires extensive customer qualification, plant audits, process validation, stability studies and regulatory documentation. Once an API supplier is approved and incorporated into a customer's regulatory filing, changing the supplier can involve additional validation and regulatory work. This creates meaningful switching barriers and makes established customer relationships relatively sticky.

As regulatory standards become stricter, the advantage increasingly shifts toward manufacturers with approved facilities, strong inspection histories, established DMFs and complex chemistry capabilities, rather than small manufacturers competing purely on price.

Overall, the industry is gradually shifting from a pure volume-and-cost model toward one where complexity, regulatory capability, supply reliability and customer integration determine long-term competitiveness — a transition that supports Solara's move toward higher-value and more sustainable revenue streams.

G. Company Growth Driver's

Solara's next phase of growth is being driven less by overall API market growth and more by internal portfolio restructuring, better asset utilisation, cost improvement and deleveraging. The key change is a shift away from commodity Ibuprofen toward higher-margin Growth APIs and CRAMS, while simultaneously repairing the balance sheet.

1. Growth APIs Becoming the Core Earnings Engine

Solara has been steadily reducing its dependence on commodity Ibuprofen and scaling its ex-Ibuprofen Growth API portfolio, including Gabapentin, Praziquantel and specialty polymer APIs. These products carry a significantly better margin profile, with management indicating around 55–56% gross margins and ~25% EBITDA margins. Growth APIs generated approximately ₹734 Cr in 9M FY26, making them the largest contributor to operating profitability.

2. CRAMS & Polymers – Building a Separate Growth Platform

The proposed separation of CRAMS and Polymers into Synthix Global Pharma Solutions is intended to give the business independent management, capital allocation and R&D focus. The segment generated around ₹108 Cr in FY25 and currently operates at roughly a ₹100 Cr annual run-rate, with significant long-term scaling potential. The restructuring also proposes transferring around ₹200 Cr of gross debt to Synthix, improving the financial profile of the remaining Solara catalogue API business.

3. Vizag Repurposing – Turning an Underutilised Asset Into a Growth Asset

Solara has invested more than ₹500 Cr in its Vizag facility, which historically suffered from low utilisation and significant fixed-cost under-recovery. Following the successful USFDA inspection in May 2024 with zero Form 483 observations, management has started repositioning the facility away from commodity Ibuprofen toward CRAMS, specialty polymers and higher-value manufacturing.

The key opportunity is to utilise an already-built manufacturing asset rather than undertake another large greenfield investment.

4. Cost Improvement & Margin Expansion

Management's Continuous Improvement Programs are focused on better manufacturing yields, solvent recovery, procurement optimisation and product rationalisation. Combined with the exit from uneconomic commodity volumes, these initiatives have already contributed to a significant recovery in profitability.

Gross margin improved from 37.8% in FY24 to 51.5% in FY25, demonstrating the benefit of a better product mix and tighter cost control.

5. Balance-Sheet Deleveraging

Debt reduction remains an important earnings driver because Solara entered the turnaround with a highly leveraged balance sheet. Gross debt declined from approximately ₹999 Cr in March 2024 to ₹476 Cr in June 2026 supported by the ₹450 Cr rights issue, operating cash flows and working-capital improvement.

Further debt reduction, together with the proposed Synthix restructuring, should lower interest costs, improve cash generation and strengthen ROCE.

H. Return Matrix

P&L Trend:

Particular (As % of Revenue) (In Crs.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue from Operations	₹ 521	₹ 1,387	₹ 1,322	₹ 1,617	₹ 1,268	₹ 1,444	₹ 1,289	₹ 1,284	₹ 1,369
COGS	₹271 (52.2%)	₹707 (50.8%)	₹595 (45.3%)	₹728 (44.8%)	₹659 (51.6%)	₹794 (54.6%)	₹799 (62.5%)	₹629 (48.8%)	₹685 (50.0%)
GP/GPM	₹250 (47.8%)	₹680 (49.2%)	₹727 (54.7%)	₹889 (55.2%)	₹609 (48.4%)	₹650 (45.4%)	₹490 (37.5%)	₹655 (51.2%)	₹685 (50.0%)
EBE	₹68 (13.2%)	₹180 (13.4%)	₹198 (15.4%)	₹226 (14.2%)	₹241 (18.6%)	₹231 (15.8%)	₹245 (18.9%)	₹218 (16.5%)	₹219 (16.0%)
Other expenses	₹125 (35.8%)	₹277 (33.2%)	₹264 (35.1%)	₹275 (31.3%)	₹292 (42.1%)	₹289 (36.1%)	₹335 (44.9%)	₹244 (35.1%)	₹274 (20.0%)
EBITDA/M	₹57 (12.0%)	₹213 (15.9%)	₹260 (19.6%)	₹386 (23.9%)	₹81 (6.3%)	₹134 (9.3%)	-₹95 (-7.4%)	₹206 (16.1%)	₹187 (13.7%)
D&A	₹34 (6.5%)	₹83 (6.0%)	₹94 (7.1%)	₹108 (6.7%)	₹112 (8.9%)	₹111 (7.7%)	₹103 (8.0%)	₹99 (7.7%)	₹100 (7.3%)
EBIT/M	₹29 (5.5%)	₹138 (9.9%)	₹165 (12.5%)	₹277 (17.1%)	-₹32 (-2.6%)	₹23 (1.6%)	-₹199 (-15.4%)	₹107 (8.3%)	₹87 (6.4%)
Finance Cost	₹25 (4.8%)	₹82 (5.9%)	₹78 (5.9%)	₹84 (5.2%)	₹75 (5.9%)	₹90 (6.2%)	₹106 (8.2%)	₹115 (8.9%)	₹94 (6.9%)
Other income (Inc. exceptional G/L)	₹2 (0.5%)	₹12 (0.9%)	₹27 (2.1%)	₹28 (1.8%)	₹14 (1.6%)	₹22 (1.6%)	-₹184 (0.4%)	₹9 (0.6%)	₹0 (0.0%)
PBT/M	₹2 (1.1%)	₹61 (4.9%)	₹112 (8.7%)	₹221 (13.7%)	-₹92 (-7.2%)	-₹45 (-3.1%)	-₹488 (-37.9%)	-₹1 (0.0%)	-₹7 (-0.6%)
Tax expense	₹0 (0.0%)	₹1 (0.0%)	₹0 (0.0%)	₹0 (0.0%)	-₹33 (-2.6%)	-₹23 (-1.6%)	₹79 (6.1%)	₹0 (0.0%)	₹0 (0.0%)
PAT/M	₹2 (1.1%)	₹59 (4.8%)	₹112 (8.7%)	₹221 (13.7%)	-₹59 (-4.6%)	-₹22 (-1.5%)	-₹567 (-44.0%)	-₹1 (0.0%)	-₹7 (-0.6%)
Effective Tax Rate	-70%	1%	0%	0%	-36%	-50%	16%	0%	0%

Solara's profitability improved steadily between FY18 and FY21 as the business scaled up, backward integration increased and plant utilisation improved. Revenue reached ₹1,617 Cr in FY21, while gross margin expanded to 55.2% and EBITDA margin to 23.9%. Strong demand for key APIs, particularly Ibuprofen, along with better fixed-cost absorption helped the company achieve peak profitability during this period.

The trend reversed sharply from FY22 as post-COVID destocking reduced API volumes and Ibuprofen pricing weakened. At the same time, raw-material costs remained elevated and Solara tried to push excess volumes through more price-sensitive markets, putting further pressure on realisations. The newly commissioned Vizag facility also remained significantly underutilised, resulting in high fixed-cost under-recovery. These factors pushed gross margin down to 37.5% and EBITDA margin to -7.4% by FY24. Higher borrowings and finance costs further worsened the bottom line.

FY25 marked the beginning of the operational reset. Management prioritised profitability over volumes, reduced exposure to uneconomic commodity Ibuprofen sales and increased the contribution of higher-margin growth APIs and specialty products. Revenue remained broadly flat at ₹1,284 Cr, but gross margin recovered sharply to 51.2% and EBITDA margin improved to 16.1%, showing that the turnaround was driven primarily by better product mix and cost control rather than topline growth.

In FY26, the focus shifted toward consolidating these improvements. Growth APIs continued to scale, commodity Ibuprofen exposure was reduced further, Vizag costs were rationalised and debt reduction started lowering the finance burden. Revenue recovered to ₹1,369 Cr, while the business remained profitable at the operating level. Overall, Solara's P&L has moved from a volume-led commodity model to a more disciplined, margin-focused structure, with future profitability increasingly dependent on growth APIs, better asset utilisation and lower leverage.

Employee Benefit Expense:

Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Permanent Employees	2,000	2,054	2,396	2,575	2,254	2,361	2,156	1,755	1,669
Employee benefits expenses (In Crs)	₹ 69	₹ 186	₹ 204	₹ 229	₹ 236	₹ 229	₹ 244	₹ 212	₹ 219
Median Remuneration (₹ p.a.)	NA	5.49 Lakh	5.55 Lakh	5.87 Lakh	6.30 Lakh	7.05 Lakh	7.70 Lakh	8.44 Lakh	8.59 Lakh
YoY Change in Median Salary	NA	2.60%	1.10%	5.80%	7.40%	12.00%	9.10%	9.70%	1.70%

Employee strength increased up to FY21 as Solara expanded capacity and operated at peak volumes. From FY22 onward, headcount started reducing as the company entered a restructuring phase, rationalised operations and exited lower-return activities. The decline became sharper in FY24–FY26, with permanent employees falling from 2,361 in FY23 to 1,669 in FY26.

At the same time, median remuneration continued to rise from ₹5.49 lakh in FY19 to ₹8.59 lakh in FY26. This suggests that Solara has moved toward a leaner but relatively higher-skilled workforce, with greater focus on R&D, complex APIs, specialty polymers and CRAMS rather than simply adding manpower for volume growth.

Working Capital and Cash Conversation:

Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Trade Receivable									
Days	92	73	71	80	140	130	125	96	102
Turnover	2	5	6	3	3	3	4	4	3
Inventory									
Days	126	104	150	145	243	262	208	197	170
Turnover	1.4	3.3	2.1	2.5	1.1	1.4	2.2	2	2.2
Payable									
Days	210	144	140	132	163	135	140	164	139
Turnover	0.9	2.9	2.8	2.3	2.4	2.6	2.6	2.5	2.5
Cash Conversion Cycle	8	32	81	93	220	257	193	130	132
Turnover	3.8	5.4	4.6	3.4	1.6	1.8	3.3	3.2	2.8
Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Cumulative Cash Conversion					46%	51%	63%	60%	77%
Y-O-Y Cash Conversion	83%	82%	103%	49%	-280%	107%	-113%	104%	82%

Solara's working-capital cycle was stable until FY21, with receivable days below 100 and a 93-day cash cycle. The business mainly relied on direct regulated-market relationships, with inventory rising in FY20–FY21 due to stockpiling during pandemic disruptions.

In FY22–FY24, the cycle worsened as demand declined, and Ibuprofen volumes shifted to less-regulated markets with longer credit. Receivable days rose to 140, inventory peaked at 262, and the cycle reached 257 days in FY23, locking cash in receivables and inventory.

From FY25, management reversed this by exiting lower-quality distributor business, refocusing on direct regulated-market customers, aligning production with demand. Receivable days fell to 96, inventory decreased, and the cycle shortened to 130 days, with cash flow recovering to 104%.

In FY26, working capital stabilised: receivables at 102 days, inventory at 170, and the cycle at 132 days, driven by a better sales mix, less commodity Ibuprofen exposure, and improved inventory discipline, ensuring stronger, predictable cash flow.

ROE Trend:

ROE	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
PAT/ Avg. Equity	0%	7%	11%	17%	-4%	-1%	-47%	0%	-1%
Net Profit Margin	0%	4%	9%	14%	-5%	-2%	-44%	0%	-1%
Total Asset turnover	0.6	0.7	0.6	0.7	0.5	0.5	0.5	0.6	0.6
Fixed asset turnover	1.8	2.2	1.6	1.8	1.4	1.6	1.5	1.6	1.7
Working capital turnover	7.6	7.0	4.8	4.3	2.0	1.8	2.2	3.2	3.1
Financial Leverage	2.4	2.2	2.0	1.8	1.8	1.9	2.1	2.3	1.9

Solara's ROE improved steadily up to FY21, reaching 17%, mainly because profitability expanded while asset utilisation remained healthy and leverage reduced. The trend reversed sharply from FY22 as post-COVID destocking, weak Ibuprofen pricing, higher input costs and under-utilisation at Vizag pushed margins into losses. At the same time, working capital efficiency deteriorated, with receivables and inventory absorbing more cash and reducing asset productivity. This combination drove ROE down to -47% in FY24.

From FY25, ROE began to recover as the company exited loss-making volumes, improved product mix, released working capital and reduced debt. Asset utilisation has also started improving as Vizag is being repurposed and higher-margin growth APIs scale up. With financial leverage falling from 2.3x in FY25 to 1.9x in FY26, the key driver of ROE from here will be the recovery in net profit margins rather than higher leverage.

ROCE & ROIC Trend:

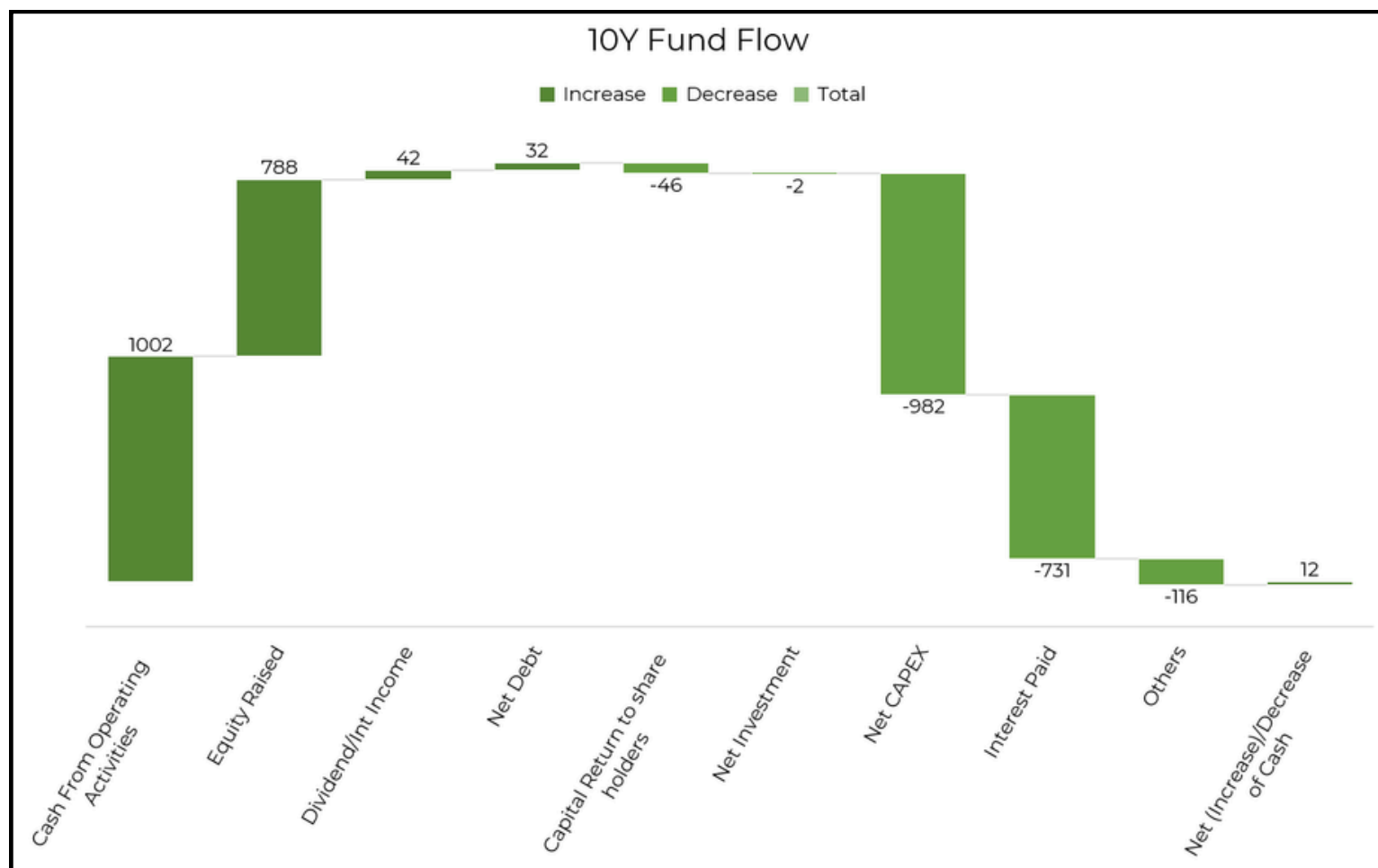
ROCE	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
EBIT post tax/Capital Employed	4%	10%	11%	15%	-1%	0%	-11%	6%	5%
NOPAT Margin	6%	10%	12%	17%	-2%	1%	-18%	8%	6%
EBITM	5%	10%	13%	17%	-3%	2%	-15%	8%	6%
Tax Rate	-2%	1%	0%	0%	36%	50%	-16%	0%	0%
Capital Employed Turnover	1.6	1.4	1.0	1.0	0.7	0.6	0.6	0.7	0.7

ROIC	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
EBIT post tax/(NB+WC)	8%	16%	15%	22%	-1%	1%	-16%	9%	7%
NOPATM	6%	10%	12%	17%	-2%	1%	-18%	8%	6%
EBITM	5%	10%	13%	17%	-3%	2%	-15%	8%	6%
Tax Rate	-2%	1%	0%	0%	36%	50%	-16%	0%	0%

Solara's return ratios improved steadily through FY21, with ROCE rising to 15% and ROIC to 22%, supported by stronger EBIT margins and better utilisation of the existing asset base. The decline from FY22 to FY24 was driven by the opposite set of factors: margins collapsed, working capital increased sharply and the large Vizag investment remained underutilised, pulling capital employed turnover down to 0.6x. As a result, ROCE fell to -11% and ROIC to -16% in FY24.

From FY25, both ratios started recovering as Solara exited low-margin products, improved working capital and reduced the drag from underutilised assets. ROCE recovered to 6% and ROIC to 9% in FY25, before moderating to 5% and 7% in FY26. ROIC remains above ROCE because it excludes goodwill and focuses more directly on tangible operating capital. Going forward, further margin recovery, better Vizag utilisation, lower working capital and the proposed business restructuring are the main levers for improving returns.

I. Fund Flow



Over the last ten years, Solara generated around ₹1,002 Cr of operating cash flow and raised nearly ₹788 Cr of equity, giving the company a sizeable pool of internal and external capital. However, most of this capital was absorbed by ₹982 Cr of net capex and ₹731 Cr of cumulative interest payments. In simple terms, almost the entire cash generated from operations and equity raised was used either to build manufacturing capacity or service the debt taken to fund that expansion.

The key issue was the timing of returns on this capital. A large part of the capex was deployed into the Vizag facility and other manufacturing upgrades, but the new capacity remained underutilised for several years. This meant Solara carried a large asset base and high borrowings without generating sufficient incremental cash flow from those assets. The ₹731 Cr cumulative interest outflow therefore became a major drag on shareholder value. The relatively small ₹32 Cr net debt increase over the full period should also not be viewed as evidence of low leverage, as it masks the sharp build-up in debt to nearly ₹1,000 Cr followed by the subsequent repayment cycle.

The recent strategy is aimed at correcting this capital-allocation mismatch. The rights issue, working-capital improvement and stronger operating cash flows have been used to reduce debt, while management is simultaneously improving utilisation of existing assets and reducing exposure to capital-intensive, loss-making commodity Ibuprofen. Going forward, the key test will be whether Solara can generate higher free cash flow from its existing asset base with materially lower interest costs, rather than relying on fresh debt or equity to fund growth.

Equity:

Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Shareholders' Fund (₹ Cr)	₹764	₹956	₹1,086	₹1,589	₹1,525	₹1,500	₹934	₹1,094	₹1,256
Equity Capital (₹ Cr)	₹25	₹26	₹27	₹36	₹36	₹36	₹36	₹40	₹45
Share Warrants & Outstandings	₹0	₹106	₹101	₹4	₹1	₹1	₹2	₹3	₹3
Other Equity (₹ Cr)	₹739	₹824	₹958	₹1,549	₹1,488	₹1,463	₹896	₹1,051	₹1,208
Equity Action	Demerger base	Warrants issued / conversion begins	Warrant conversion	Major warrant conversion	–	–	–	Rights Issue	Rights Issue calls
Issue / Conversion Price	–	₹400/share	₹400/share	₹400 & ₹500/share	–	–	–	₹375/share	₹375/share
Total Fund Raise / Issue Size	–	₹460 Cr warrant programme*	–	₹460 Cr cumulative*	–	–	–	₹449.95 Cr Rights Issue	Balance calls on Rights Issue
Purpose	Business formation	Growth / balance-sheet funding	Growth funding	Expansion / capital strengthening	–	–	–	Debt reduction & balance-sheet repair	Completion of Rights Issue funding
Reserves									
Retained Earnings	₹ -4	₹45	₹140	₹339	₹274	₹249	₹ -318	₹ -316	₹ -303

FY19–FY21 – Preferential Warrants: Solara issued 65 lakh warrants to promoter-group entities at ₹400 per share and 40 lakh warrants to TPG Growth IV at ₹500 per share, implying an aggregate issue value of approximately ₹460 Cr. The warrants were progressively converted into equity through FY19–FY21, increasing the equity base materially.

FY25 onward – Rights Issue: Solara launched a ₹449.95 Cr Rights Issue at ₹375 per share, in the ratio of 1 rights share for every 3 shares held. The issue comprised 1.20 Cr new shares. Investors initially paid ₹131.25 per share, raising ₹157.48 Cr at the application stage, with the balance payable through subsequent calls. The proceeds were primarily intended for repayment of borrowings and general corporate purposes.

Fundraising Overview:

Solara has undertaken two meaningful equity fund raises since listing, but for very different reasons. The FY19–FY21 preferential warrant issue was largely growth-oriented, funding capacity creation and R&D infrastructure, whereas the FY24–FY26 rights issue was primarily used to repair the balance sheet and reduce leverage following the FY22–FY24 downturn.

Summary of Major Fund Raises

Particular	Preferential Warrants	Rights Issue
Period	FY19–FY21	FY24–FY26
Issue Size	₹460 Cr	₹449.95 Cr
Securities Issued	1.05 Cr warrants	~1.20 Cr rights shares
Issue Price	Promoters: ₹400/share; TPG: ₹500/share	₹375/share
Key Participants	Promoter Group + TPG Growth IV	Existing shareholders
Primary Objective	Vizag capex, R&D expansion and growth funding	Debt repayment and balance-sheet repair
Nature of Raise	Expansion capital	Deleveraging capital

FY19–FY21: ₹460 Cr Preferential Warrant Issue

In February 2019, Solara approved the issuance of 1.05 Cr convertible warrants to the promoter group and TPG Growth IV. The promoter group subscribed to 65 lakh warrants at ₹400 per share, representing a commitment of ₹260 Cr, while TPG subscribed to 40 lakh warrants at ₹500 per share, representing another ₹200 Cr. The warrants were convertible into equity shares within 18 months.

The funding was structured with 25% payable upfront and the remaining 75% at conversion. Solara initially received around ₹115 Cr, followed by ₹33 Cr from the first promoter conversion in FY19, another ₹24 Cr in FY20 and the remaining ~₹288 Cr during the final conversion phase in FY21. By FY21, the entire ₹460 Cr commitment had been converted into equity.

A large part of this capital supported Solara's expansion programme, particularly the Vizag greenfield facility, while funds were also deployed toward the Chennai R&D platform, including the Sovizen acquisition, working capital and balance-sheet requirements.

FY24–FY26: ₹449.95 Cr Rights Issue

The second major fund raise came under very different circumstances. Following the post-COVID downturn, weak Ibuprofen economics and low utilisation at Vizag, gross debt had increased to around ₹999 Cr by March 2024. Solara therefore launched a ₹449.95 Cr rights issue, primarily to reduce borrowings and strengthen the balance sheet.

The company offered up to 1,19,98,755 shares at ₹375 per share, in the ratio of 1 rights share for every 3 shares held. Unlike the earlier preferential issue, the rights structure gave existing shareholders the opportunity to maintain their ownership by subscribing to their entitlement.

The issue was collected through multiple calls:

Rights Issue Stage	Amount / Share	Funds Collected
Application Money	₹131.25	₹157.48 Cr
First Call	₹135.31	~₹155 Cr
Final Call / Balance	Remaining amount	Balance toward ₹449.95 Cr
Total Issue Price	₹375/share	₹449.95 Cr

The majority of the proceeds were earmarked for debt reduction. From the initial application proceeds, approximately ₹118.61 Cr was used for repayment of borrowings, while around ₹35.87 Cr was used for general corporate purposes. A further ₹101.10 Cr from subsequent call proceeds was also directed toward loan repayment.

Shareholding Pattern of Company:

Particular	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025	Mar 2026	Jun 2026
Promoters -	40.55%	41.88%	44.11%	39.71%	40.98%	30.49%	37.94%	42.00%	41.93%
Pronomz Ventures Llp	12.38	11.88	8.88	5.89	6.48	6.48	5.57	9.73	9.71
Devicam Capital Llp	0.59	0.56	0.42	0.42	8.48	2.89	15.53	15.49	15.47
Arun Kumar Pillai	6.47	6.21	8.82	8.8	4.64	4.64	3.47	3.46	3.46
Srjr Enterprise Llp			4.73	4.72	4.72	4.72	3.54	3.53	3.52
K R Ravishankar	5.14	4.93	3.69	3.68	3.68	3.68	2.76	2.75	2.75
Karuna Business Solutions Llp	2.37	5.26	7.83	7.89	4	0.19	0.14	0.14	0.14
Chayadeep Ventures Llp	3.9	3.74	2.8	2.79	2.81	2.81	2.11	2.1	2.1
Agnus Capital Llp	3.3	3.16	2.36	2.36	2.36	2.36	1.77	1.76	1.76
Sequent Scientific Limited	2.14	2.06	1.54						
FII's -	17.36%	16.41%	13.65%	19.42%	19.30%	15.80%	14.63%	11.59%	11.52%
The Scottish Oriental Smaller Com.				2.65	3.11	3.11	2.54	2.34	2.33
Fssa Indian Subcontinent Fund						2.56	2.04	1.83	1.83
Hbm Healthcare Investments	2.37	2.28	1.35	1.5	2.18	2.18	2.18	2.17	2.17
Route One Offshore Master Fund	1.69	1.62	1.25	1.3	1.33	1.45	1.45	1.45	1.44
DII's -	7.10%	6.87%	3.98%	3.64%	2.75%	2.97%	2.61%	3.75%	3.74%
Mauryan India Fund								1.11	1.35
Turnaround Opportunities Fund						1.06	1.01	1.01	1.01
Public -	34.99%	34.62%	38.26%	37.22%	36.95%	50.73%	44.82%	42.66%	42.79%
Tpg Growth Iv Sf Pte. Ltd.		5.46	15.22	11.47	11.47	11.47	2.61	2.61	1.49
Spiracca Ventures Llp .						10.44	7.72	3.55	3.54
Authum Investment And Inf. Ltd.								3.79	3.78
Raptakos, Brett And Co. Ltd.	1.63	1.7	1.39	1.39	1.39	1.39	1.38	1.38	1.38
No. of Shareholders	61,973	53,443	58,907	77,228	76,325	73,912	75,791	70,400	70,490

Debt Analysis:

Particular in Crs.	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Total Borrowings	₹ 633	₹ 538	₹ 722	₹ 621	₹ 1,038	₹ 1,013	₹ 1,012	₹ 796	₹ 686
Long term Borrowings	₹ 243	₹ 225	₹ 233	₹ 155	₹ 283	₹ 235	₹ 106	₹ 114	₹ 110
Short Term Borrowing	₹ 390	₹ 313	₹ 489	₹ 466	₹ 755	₹ 778	₹ 906	₹ 682	₹ 576
Finance Cost	₹ 25	₹ 82	₹ 78	₹ 84	₹ 75	₹ 90	₹ 105	₹ 115	₹ 95

Average Cost of Debt	4.0%	14.1%	12.4%	12.6%	9.1%	8.8%	10.4%	12.7%	12.8%
Loans as a % of Total Asset	35%	27%	34%	24%	36%	36%	43%	36%	29%

Promoter holding has recovered to around 42% by FY26 after falling sharply during the stress period, reflecting strong promoter participation in the rights issue, while FII ownership has gradually reduced. On the balance-sheet side, total borrowings remain elevated at ₹686 Cr in FY26, with the debt mix still heavily skewed toward short-term borrowings; however, finance cost has eased to ₹95 Cr and the average cost of debt has moderated to around 13%, showing some benefit from the ongoing deleveraging efforts.

J. Competitive Advantage

Solara does have competitive advantages, but not all of them should be treated as equally strong moats. The most durable advantages come from customer qualification, regulatory capability and complex chemistry, while scale and backward integration mainly improve cost competitiveness. Importantly, the historical volatility in Ibuprofen shows that manufacturing scale alone does not protect returns when the underlying product becomes commoditised.

1. Conflict-Free Pure-Play API Positioning

Solara operates primarily as a merchant API manufacturer without competing with customers through finished formulations. This is particularly useful when working with global generic and innovator companies that are sensitive to confidentiality and intellectual-property protection. A customer can transfer process information and development work to Solara without worrying that the supplier will later compete with it in the finished-drug market.

This is a genuine commercial advantage, particularly for CRAMS/CDMO relationships, although it should be viewed as a positioning advantage rather than an unbreakable moat. Its real value becomes stronger when combined with regulatory approvals, technical capability and long-standing customer relationships.

2. Regulatory Qualification Creates High Customer Switching Costs

The strongest part of Solara's moat is the difficulty involved in replacing an approved API supplier. Once a customer has qualified Solara's manufacturing process and included the company in its regulatory filing, changing suppliers requires fresh technical qualification, validation batches, stability work and regulatory amendments. This can take considerable time and creates the risk of disrupting commercial supply.

This explains why several customer relationships have continued for more than a decade. The moat is therefore not simply the sales contract; it is the regulatory work and time already invested by the customer in approving Solara. As long as Solara maintains quality, pricing and supply reliability, there is limited incentive for a customer to switch purely for a small cost saving.

3. Complex Polymer Chemistry is the Most Attractive Technical Moat

Solara's specialty polymer portfolio is strategically more attractive than its traditional commodity API business. Products such as Sevelamer and other chronic-care polymers require specialised reaction conditions, process controls, analytical characterisation and manufacturing equipment. These capabilities take years to develop and are significantly harder to replicate than standard generic API chemistry.

The competitive advantage becomes stronger once technical capability is combined with commercial-scale manufacturing, regulatory filings and customer approvals. This limits the number of credible suppliers and provides greater pricing protection than commodity molecules. From an investor's perspective, this is one of the areas where Solara has the potential to earn structurally higher margins and returns. Any claim around the exact number of global competitors or DMF holders, however, should be independently verified before being presented as a factual moat.

4. Regulatory Track Record Supports Preferred-Supplier Status

For regulated-market API manufacturers, regulatory compliance is essential, but a consistently strong inspection history can become a competitive differentiator. Solara's ability to clear important regulatory inspections, including the Vizag USFDA inspection with zero Form 483 observations, reduces supply risk for customers and improves confidence in allocating commercial volumes to its facilities.

However, regulatory compliance should not be treated as a permanent moat by itself. One adverse inspection can quickly weaken this advantage. The real strength lies in maintaining a repeatable quality culture across multiple facilities, which becomes increasingly valuable as global pharmaceutical companies consolidate their vendor base around reliable suppliers.

5. Backward Integration Provides Cost and Supply Advantages – But Not a Permanent Moat

Solara's backward integration into intermediates such as IBAP gives it better control over raw-material availability, supplier margins and manufacturing costs. This becomes especially valuable during periods of raw-material shortages or disruption in Chinese supply chains. It can also support more consistent gross margins and improve reliability for large customers.

However, the experience of the Ibuprofen business shows the limitation of this advantage. Even with scale and backward integration, severe global oversupply and price competition were enough to make commodity Ibuprofen economically unattractive. Backward integration should therefore be viewed as an operational advantage and downside protection, rather than a guarantee of superior returns.

K. Acquisition & Corporate Transaction Analysis

Solara's transaction history shows a clear shift from capability building and expansion in the early years to portfolio simplification and capital discipline after FY22.

Year	Transaction	Consideration	Strategic Purpose
2018	Formation through demerger of Strides & SeQuent API businesses	Share-swap	Created Solara as a standalone pure-play API platform with an established manufacturing base
Feb 2018	Sovizen R&D business	₹42 Cr	Added custom synthesis, process development and CRAMS capabilities
Apr 2018	Chennai R&D Centre from Strides	₹35 Cr	Strengthened complex API development and internal R&D
Sep-2018	Strides Chemicals Pvt. Ltd.	₹131 Cr	Added the USFDA-approved Ambernath facility and regulated-market manufacturing capacity
Feb 2021	Remaining stake in Sequent Penems	Not disclosed	Increased ownership from 89.23% to 100%
Apr 2021	Proposed Aurore Life Sciences merger	All-stock	Planned to add ~800 KL capacity, expand APIs and materially increase CRAMS scale
Apr 2022	Aurore merger withdrawn	—	Weak Aurore performance, litigation and deterioration in transaction economics
Apr 2024	Sale of Sequent Penems	₹12.5 Cr proceeds	Exit non-core operations and sharpen focus on core APIs and CRAMS

Early Phase – Building R&D and Manufacturing Capability

Soon after formation, Solara acquired the Sovizen R&D business for ₹42 Cr, the Chennai R&D centre for ₹35 Cr and Strides Chemicals for ₹131 Cr. These transactions were mainly aimed at building internal R&D capability, complex chemistry expertise and regulated manufacturing capacity rather than acquiring immediate revenue. The Ambernath acquisition was particularly important as it added an established USFDA-approved manufacturing facility.

Aurore Merger – Expansion Plan Abandoned

The proposed Aurore merger in 2021 was Solara's most ambitious transaction and was expected to add around 800 KL of capacity, broaden the API portfolio and significantly expand CRAMS. However, Aurore's performance deteriorated following the post-COVID demand correction, while litigation created additional uncertainty. With Solara itself facing margin pressure and rising leverage, the Board withdrew the transaction in April 2022 and shifted focus toward an organic turnaround.

Shift Toward Portfolio Simplification

Following the downturn, management moved away from aggressive expansion and started rationalising non-core assets. Sequent Penems was sold for ₹12.5 Cr in FY24, while other inactive or non-strategic operations were also exited. The focus has increasingly shifted toward improving utilisation and returns from Solara's existing API, specialty polymer and CRAMS assets.

L. Risk Analysis

Risk Factor	Explanation	Impact	Revival Time	Mitigation Strategy	Risk Factor
Commodity API / Ibuprofen Pricing	Commodity Ibuprofen is exposed to global oversupply, Chinese competition and sharp price corrections. Solara's FY22-FY24 performance showed that even high volumes cannot protect profitability when realizations fall.	High – Lower gross margins, weak EBITDA and plant under-recovery.	2–4 Quarters	Reduce commodity Ibuprofen exposure, increase derivatives and scale higher-margin Growth APIs.	Commodity API / Ibuprofen Pricing
Product Concentration	A meaningful portion of revenue remains dependent on a relatively small number of molecules. Weakness in one large product can materially affect consolidated earnings.	High – Revenue and margin volatility.	3–6 Quarters	Diversify toward Gabapentin, Praziquantel, specialty polymers and new complex APIs.	Product Concentration
Vizag Utilisation / Asset Productivity	Significant capital has already been invested in Vizag. If the plant remains underutilised, fixed-cost absorption stays weak and the large asset base continues to suppress ROCE.	High – Lower EBITDA, FCF and ROCE.	1–3 Years	Repurpose capacity toward CRAMS, specialty polymers and higher-value APIs rather than commodity Ibuprofen.	Vizag Utilisation / Asset Productivity
CRAMS / Synthix Execution	Future value creation assumes CRAMS projects move successfully from development to commercial manufacturing and the proposed restructuring is executed effectively.	Med–High – Lower utilisation and slower earnings growth if projects are delayed.	2–4 Years	Build commercial project pipeline, deepen existing customer relationships and dedicate assets/management to CRAMS.	CRAMS / Synthix Execution
Debt & Interest Cost	Solara's historically high borrowings materially reduced PAT and financial flexibility. Another operating downturn could again stretch the balance sheet.	Med–High – Higher finance costs, weaker PAT and potential refinancing pressure.	4–8 Quarters	Rights issue proceeds, operating cash flow, working-capital release and continued debt repayment.	Debt & Interest Cost
Working Capital Risk	API businesses require significant inventory and regulatory-market customers can have long receivable cycles. Solara's CCC reached 257 days in FY23 during the downturn.	Med–High – Cash gets trapped, increasing short-term borrowing requirements.	2–4 Quarters	Tight inventory planning, direct customer sales, disciplined credit terms and better S&OP.	Working Capital Risk
Raw Material / China Dependency	Dependence on imported KSMs and intermediates exposes Solara to supply disruptions, freight costs and sudden raw-material inflation.	Medium – Gross-margin volatility and potential production disruptions.	2–4 Quarters	Backward integration, domestic vendor qualification, multiple sourcing and China+1 strategy.	Raw Material / China Dependency

M. Forensic Analysis

A. Statutory Auditors – M/s. Deloitte Haskins & Sells LLP (FRN: 117366W/W-100018)

Tenure: Deloitte has served as Solara's statutory auditor since the company's inception in 2017.

Auditor Change: There has been no change or resignation of the statutory audit firm during Solara's operating history.

Audit Fees: Consolidated statutory audit and certification fees remained broadly stable at around ₹83.2 lakh in FY25 and FY26.

Our View: Long auditor continuity with a Tier-1 audit firm is positive and reduces concerns around frequent auditor changes or opinion shopping.

B. Signing Partner Rotation

FY18–FY24: Sathya P. Koushik (Membership No. 206920).

FY25–FY26: Sandeep Kukreja (Membership No. 220411).

Reason for Change: The change was at the signing-partner level only; Deloitte continued as the statutory auditor. No auditor resignation or dispute was reported.

Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Auditor Fees (₹ Cr)	0.59	0.88	0.73	0.92	0.88	0.80	0.82	0.89	0.84
Y-O-Y % Change		49%	-17%	26%	-4%	-9%	2%	9%	-6%

Cumulative Cash Conversion

Over the last five years, Solara's cumulative cash conversion has improved from 46% in FY22 to 77% in FY26, despite the severe working-capital stress seen during FY22–FY24. The improvement reflects better inventory control, normalization of receivables and a shift away from low-quality, working-capital-intensive sales.

At 77% in FY26, cash conversion is significantly healthier, but still below ideal levels. Going forward, sustained working-capital discipline and stronger operating profitability should help Solara convert a larger proportion of accounting profits into operating cash flow.

Promoter Share Pledge Analysis

Period	Pledge Status	Key Development
FY18–FY20	No material pledge identified	Promoter holdings were largely unencumbered in the filings reviewed.
FY21 onwards	Pledge activity begins	Pronomz Ventures and other promoter-group entities created/released pledges. A May-2021 filing shows Pronomz had ~19.8 lakh shares encumbered before partial releases.
FY25	Fresh pledges created	SRJR Enterprise pledged 15 lakh shares and Pronomz Ventures pledged 81,912 shares in June 2024.
Mar 2026	Material promoter pledge	Promoters held ~42.0% of Solara, of which 63.87 lakh shares were pledged equivalent to 31.57% of promoter holdings and 13.26% of total share capital.
Jun 2026	Pledge continues	Latest June-2026 shareholding filing continues to disclose that promoter shares are under pledge.

Current Pledge Composition – Mar-26

Promoter / Promoter Group Entity	Shares Pledged
Pronomz Ventures LLP	22.76 lakh
SRJR Enterprise LLP	15.00 lakh
Arun Kumar Pillai	12.35 lakh
Agnus Capital LLP	8.50 lakh
Chayadeep Properties Pvt. Ltd.	5.26 lakh
Total	63.87 lakh

Promoter pledging isn't yet concerning from a control standpoint, but it remains a governance issue. As of March 2026, about 31.6% of promoter holdings were pledged, significantly higher than suggested by the FY25 annual report. While promoter ownership has recovered to ~42% after the rights issue, a decline in pledged shares is preferred alongside Solara's balance-sheet deleveraging. Note: The 15 lakh Authum Investment shares pledged in FY25 should not be included in the promoter pledge analysis, as Authum is a public shareholder.

Key Forensic Points:

Metric	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Depreciation Policy	SLM	SLM	SLM	SLM	SLM	SLM	SLM	SLM	SLM
Effective Tax Rate	-70%	1%	0%	0%	-36%	-50%	16%	0%	0%
Interest Coverage Ratio	2.5	2.7	3.3	4.6	1.1	1.5	-0.9	1.8	2.0
Debt/Equity Ratio	0.8	0.5	0.5	0.3	0.6	0.6	0.9	0.6	0.6
Preferential/QIP Issuance	As mentioned above in Fund Flow								

1. Depreciation Policy

Solara has consistently followed the Straight-Line Method (SLM) of depreciation from FY18 to FY26, resulting in a relatively stable and predictable depreciation charge across the asset base.

2. Effective Tax Rate

Solara's effective tax rate has remained unusually low and volatile because of carried-forward business losses, unabsorbed depreciation and deferred-tax adjustments. The FY24 tax charge was impacted by deferred-tax/MAT credit adjustments, while the return to a near-zero effective tax rate in FY25–FY26 largely reflects the availability of accumulated tax losses rather than a structurally tax-free business.

3. Interest Coverage Ratio

Interest coverage improved from 2.5x in FY18 to 4.6x in FY21, before collapsing to -0.9x in FY24 as operating profitability deteriorated while debt and finance costs remained high. The recovery to 1.8x in FY25 and 2.0x in FY26 is encouraging, but coverage is still only moderate and further improvement depends on EBITDA growth and continued deleveraging.

4. Debt / Equity Ratio

Solara's debt/equity ratio declined to 0.3x in FY21 following strong profitability and the ₹460 Cr warrant conversion, but subsequently increased to 0.9x in FY24 as losses eroded net worth and borrowings remained elevated. The ₹450 Cr rights issue and subsequent debt repayments helped bring the ratio back to around 0.6x in FY25–FY26, indicating gradual balance-sheet repair.

Related Party Transactions:

Solara's related-party transactions are well disclosed and subject to Audit Committee/shareholder approvals, but the increasing commercial dependence on promoter-linked entities, particularly Strides Pharma Science, is an important governance and earnings-quality monitorable. Under SEBI rules, material RPTs require approval from public shareholders, with interested promoters/directors excluded from voting.

Key Related Party Transactions

Related Party	Nature of Transaction	Key Financial Exposure	Fund Manager View
Strides Pharma Science	Sale of APIs/services, expense recovery and leases	FY26 transactions: ₹329.5 Cr; receivables: ₹160.5 Cr	Key monitorable – material promoter-linked revenue concentration
Aurore Life Sciences	Historical unsecured loan & commercial settlement	₹50 Cr loan; FY24 claims of ₹43.8 Cr	Historical concern, largely resolved
Chayadeep Properties	Short-term promoter-group borrowing	₹10.5 Cr FY25 / ₹9.5 Cr FY26	Low risk – short-term and fully repaid
Tenshi Pharmaceuticals	Loan + corporate guarantee support	₹18 Cr loan + ₹50 Cr guarantee	Low–Medium – indicates past liquidity dependence
Chemsynth Laboratories	Unsecured loan receivable	₹1.34 Cr	Low – immaterial, although repayment terms are weak
Synthix Global	Corporate guarantee	₹50 Cr	Monitor until demerger and debt separation are completed

1. Strides Pharma – The Most Important RPT

Strides is Solara's largest related party and the relationship originates from the 2018 demerger. Transactions have increased sharply again after the FY22–FY24 downturn. Sales and operating transactions with Strides increased from ₹117.6 Cr in FY22 to ₹215.0 Cr in FY25 and ₹329.5 Cr in FY26, equivalent to approximately 24% of Solara's FY26 consolidated revenue. The company has also proposed increasing the approved RPT limit to ₹480 Cr for FY27. The more important point is the balance outstanding: receivables from Strides increased to approximately ₹160.5 Cr in FY26, compared with ₹62.8 Cr in FY25.

Our View: These transactions are disclosed and stated to be conducted at arm's length, but the growing dependence on a promoter-linked customer creates both revenue-concentration and governance risk. We would closely monitor Strides' share of revenue, receivable balances and payment cycles rather than treating the transactions themselves as a red flag.

2. Aurore – Historical Transaction Worth Highlighting

During the proposed Aurore merger, Solara extended an unsecured ₹50 Cr loan at 10.5% interest. After the merger was cancelled, repayment was extended and the remaining principal was ultimately recovered in November 2023. More importantly, Solara subsequently settled ₹43.8 Cr of commercial claims with the Aurore group in FY24, of which ₹36.79 Cr was adjusted against revenue and ₹7.01 Cr was charged to other expenses.

Our View: This episode deserves disclosure because it involved a promoter-linked counterparty and materially affected FY24 earnings. However, with the loan recovered and merger abandoned, the exposure appears largely historical rather than an ongoing balance-sheet risk.

3. Promoter-Group Funding – Support During the Stress Period

During periods of liquidity pressure, Solara also borrowed small amounts from promoter-linked entities. It borrowed ₹10.5 Cr from Chayadeep in FY25 and ₹9.5 Cr in FY26, with both facilities repaid within their respective financial years. Separately, Tenshi Pharmaceuticals provided an ₹18 Cr short-term loan and ₹50 Cr corporate guarantee, both of which were subsequently repaid/discharged.

Our View: The amounts are not material relative to Solara's balance sheet and were repaid. However, they demonstrate that the company required promoter-group liquidity support during its stressed period. With leverage now falling, recurring dependence on such funding should reduce.

4. Chemsynth & Synthix – Smaller Monitorables

Solara continues to have an approximately ₹1.34 Cr unsecured loan to Chemsynth, which auditors highlighted because it does not have a formal repayment schedule. The amount is financially immaterial, but stronger documentation would improve governance.

Solara has also provided a ₹50 Cr corporate guarantee to Synthix Global, its wholly-owned subsidiary created for the proposed CRAMS/Polymers demerger. This should be monitored until the demerger and associated debt allocation are completed.

N. Management Remuneration & Execution Analysis

Particular (₹ Cr)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
MD / CEO Remuneration	–	₹ 3.90	₹ 9.83	₹ 8.97	₹ 0.20	₹ 2.80	₹ 6.16	₹ 3.85	₹ 6.06
CFO / Executive Director Remuneration	–	₹ 1.71	₹ 1.67	₹ 3.17	₹ 2.50	₹ 1.98	₹ 2.07	₹ 0.66	₹ 2.58
Other Disclosed KMP / WTD Remuneration	–	₹ 1.93	₹ 2.15	₹ 2.84	₹ 2.07	₹ 0.42	₹ 0.86	₹ 2.29	₹ 2.14
Total Disclosed Management Remuneration	–	₹ 7.54	₹ 13.65	₹ 14.98	₹ 4.77	₹ 5.20	₹ 9.09	₹ 6.80	₹ 10.78

Y-O-Y % Change			81%	10%	-68%	9%	75%	-25%	59%
As % of PAT		11%	11%	6%	-9%	-31%	-2%	93%	285%

Note: Aggregated from individual KMP disclosures. Remuneration includes salary, variable pay, stock-option/perquisite value and transition/severance payments where applicable; hence it should not be viewed entirely as cash compensation.

Our View: Management remuneration has been volatile mainly because of ESOP-related perquisites and frequent leadership transitions, rather than sharp increases in fixed salaries. FY20–FY21 compensation was elevated due to stock-option value, while FY24 also carried overlapping costs of outgoing and incoming management. FY26 remuneration increased as the new CEO and CFO completed their first full year.

Management Guidance vs. Execution Track Record

Commitment Year (FY)	Commitment / Guidance / Target	Target Year (FY)	Actual Execution / Results	Result vs Commitment
FY19	Commission and validate Vizag Phase I for commercial supply of new products	FY21	Phase I was commissioned, but regulated-market validations and customer approvals were delayed due to COVID-related travel restrictions	Delayed – Asset was ready, but commercial ramp-up slipped
FY20	Scale CRAMS/CDMO to ~30% of company revenue	FY23–FY24	CRAMS remained only ~5–8% of revenue and stayed subscale	Missed – Business did not scale as initially expected
FY21	Complete USFDA inspection of Vizag and begin regulated-market sales	FY22–FY23	USFDA inspection was completed only in May 2024, with zero observations	Significantly Delayed, but Cleared
FY22	Aurore merger to support 24–25% sales CAGR, ~\$750 Mn revenue and 23–25% EBITDA margin	FY25–FY26	Merger was withdrawn in April 2022; subsequent downturn led to revenue and margin contraction	Terminated / Missed
FY23	Return to ~₹400 Cr quarterly revenue run-rate with mid-teens EBITDA margin and positive PAT	Q4FY23 / Q1FY24	Q1FY24 revenue reached ~₹354 Cr, while EBITDA margin remained ~5–6% and PAT stayed negative	Partially Missed
FY24	FY25 revenue of ₹1,500 Cr+, EBITDA of ₹230–260 Cr, with Q4 exit margin of 20–22%	FY25	Revenue was ~₹1,290 Cr and EBITDA ~₹214 Cr at ~16.5% margin	Partially Achieved – Revenue missed, but margin recovery was meaningful
FY25	Reduce gross debt from ~₹999 Cr to ~₹650 Cr, and eventually below ₹500 Cr	FY25–FY26	Debt declined to ~₹776 Cr by Mar-25, ~₹623 Cr by Sep-25 and ~₹503 Cr by May-26	Largely Achieved
FY25	Bring Net Debt / EBITDA below 3.0x	FY25 Exit / FY26	Ratio improved to ~2.7x by H1FY26	Achieved

O. Annexure

PROFIT & LOSS ACCOUNT

₹ crore (FY ending 31 March)	Unit	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
PROFIT & LOSS ACCOUNT									
Revenue from operations	₹ cr	1,268.40	1,443.80	1,288.90	1,283.80	1,369.00	1,415.00	1,336.10	1,505.20
Revenue growth	%		13.80%	(10.7%)	(0.4%)	6.60%	3.40%	(5.6%)	12.70%
Gross profit	₹ cr	614.5	655	483.9	657.4	684.5	704.5	728.2	827.8
Gross margin	%	48.40%	45.40%	37.50%	51.20%	50.00%	49.80%	54.50%	55.00%
EBITDA	₹ cr	80	133.9	(95.2)	206.3	186.8	259.3	334	383.8
EBITDA margin	%	6.30%	9.30%	(7.4%)	16.10%	13.60%	18.30%	25.00%	25.50%
Depreciation & amortisation	₹ cr	(112.3)	(111.2)	(103.3)	(99.3)	(99.7)	(94.8)	(78.0)	(84.0)
EBIT	₹ cr	(32.4)	22.7	(198.5)	107	87.1	164.4	256	299.8
EBIT margin	%	(2.6%)	1.60%	(15.4%)	8.30%	6.40%	11.60%	19.20%	19.90%
Other income	₹ cr	20	22.6	5.4	8.3	6.2	8.2	9.6	19.5
Finance costs	₹ cr	(75.3)	(90.1)	(105.1)	(114.8)	(94.8)	(75.0)	(27.7)	(20.0)
PBT before exceptional items	₹ cr	(87.6)	(44.8)	(298.3)	0.5	(1.5)	97.6	237.9	299.3
Exceptional items — gain / (loss)	₹ cr	(3.5)	—	(190.2)	—	(5.9)	(201.9)	—	—
Profit / (loss) before tax	₹ cr	(91.1)	(44.8)	(488.4)	0.5	(7.4)	(104.3)	237.9	299.3
Effective tax rate	%	36.00%	50.00%	(16.0%)	—	—	5.00%	15.00%	22.00%
Tax expense	₹ cr	32.8	22.6	(78.5)	—	—	(4.9)	(35.7)	(65.8)
PROFIT / (LOSS) FOR THE YEAR (reported)	₹ cr	(58.3)	(22.3)	(567.0)	0.5	(7.4)	(109.2)	202.2	233.4
PAT — NORMALISED (excl. exceptional items)	₹ cr	(54.8)	(22.3)	(376.8)	0.5	(1.5)	92.7	202.2	233.4
PAT margin (normalised)	%	(4.3%)	(1.5%)	(29.2%)	0.00%	(0.1%)	6.60%	15.10%	15.50%
Diluted shares outstanding	cr	3.6000	3.6000	3.6000	4.0250	4.4510	4.8172	4.8172	4.8172
EPS — NORMALISED	₹	(₹15.2)	(₹6.2)	(₹104.7)	₹0.1	(₹0.3)	₹19.2	₹42.0	₹48.5
EPS — reported	₹	(₹16.2)	(₹6.2)	(₹157.5)	₹0.1	(₹1.7)	(₹22.7)	₹42.0	₹48.5

BALANCE SHEET

₹ crore (FY ending 31 March)	Unit	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
ASSETS									
Net property, plant & equipment	₹ cr	898.8	920.6	857.9	796.4	798.7	531.9	534.6	532.6
Capital work in progress	₹ cr	238.7	238.5	256.4	280.1	204.8	134.8	119.0	104.0
Goodwill	₹ cr	365.1	365.1	365.1	364.9	364.9	364.9	364.9	364.9
Other intangible assets	₹ cr	67.9	54.4	42.6	29.8	29.8	29.8	29.8	29.8
Inventories	₹ cr	575.6	558.1	359.7	317.9	317.9	246.5	258.2	274.6
Trade receivables	₹ cr	489.7	537.0	348.5	326.6	438.7	363.8	384.4	412.4
Cash, bank balances & liquid investments	₹ cr	102.8	39.6	34.6	33.8	53.3	60.0	191.0	424.5
Other assets	₹ cr	151.4	107.5	86.3	82.4	124.5	124.5	124.5	124.5
TOTAL ASSETS	₹ cr	2,889.8	2,820.7	2,351.0	2,231.8	2,332.6	1,856.1	2,006.3	2,267.3

EQUITY & LIABILITIES									
Total equity (incl. non-controlling interests)	₹ cr	1,527.2	1,502.5	936.6	1,096.9	1,255.6	1,276.3	1,478.5	1,712.0
Gross borrowings	₹ cr	892.9	883.9	866.1	686.8	667.4	226.9	150.0	150.0
Lease liabilities	₹ cr	20.0	20.0	20.0	20.0	22.0	22.0	22.0	22.0
Trade payables	₹ cr	276.0	305.9	313.0	248.6	273.4	216.6	241.5	269.1
Other liabilities & provisions	₹ cr	173.7	108.5	215.3	179.5	114.3	114.3	114.3	114.3
TOTAL EQUITY & LIABILITIES	₹ cr	2,889.8	2,820.7	2,351.0	2,231.8	2,332.6	1,856.1	2,006.3	2,267.3

CASH FLOW STATEMENT

₹ crore (FY ending 31 March)	Unit	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
OPERATING ACTIVITIES									
EBITDA	₹ cr	80.0	133.9	(95.2)	206.3	186.8	259.3	334.0	383.8
Other income received	₹ cr	20.0	22.6	5.4	8.3	6.2	8.2	9.6	19.5
Tax paid	₹ cr	(18.1)	13.5	0.9	(0.9)	(2.1)	(4.9)	(35.7)	(65.8)
(Increase) / decrease in working capital	₹ cr	(313.8)	0.7	190.6	3.0	(38.2)	(32.4)	(7.3)	(16.9)
Non-cash adjustments & other	₹ cr	(10.1)	(14.5)	7.2	(3.9)	0.3	—	—	—
NET CASH FROM OPERATING ACTIVITIES	₹ cr	(242.0)	156.3	108.9	212.8	152.9	230.2	300.6	320.5

INVESTING ACTIVITIES									
Capital expenditure	₹ cr	(208.6)	(111.3)	(41.1)	(39.9)	(52.8)	(88.0)	(65.0)	(67.0)
Net proceeds from the Ibuprofen divestment	₹ cr	—	—	—	—	—	250.1	—	—
Deposits, investments & other investing flows	₹ cr	(34.2)	4.7	32.8	6.8	(27.0)	—	—	—
NET CASH FROM INVESTING ACTIVITIES	₹ cr	(242.9)	(106.6)	(8.3)	(33.1)	(79.8)	162.1	(65.0)	(67.0)

FINANCING ACTIVITIES									
Interest paid	₹ cr	(73.4)	(87.5)	(102.6)	(113.1)	(92.2)	(75.0)	(27.7)	(20.0)
Debt drawn / (repaid) — scheduled & proceeds-funded	₹ cr	417.3	(22.9)	(2.1)	(221.4)	(116.2)	(260.1)	(45.0)	—
Cash sweep against debt	₹ cr	—	—	—	—	—	(180.4)	(31.9)	—
Equity issued — rights-issue call money	₹ cr	2.9	—	—	159.0	158.5	129.9	—	—
Dividends, issue expenses & other	₹ cr	(13.2)	(2.4)	(0.9)	(5.0)	(3.6)	—	—	—
NET CASH FROM FINANCING ACTIVITIES	₹ cr	333.6	(112.8)	(105.7)	(180.5)	(53.6)	(385.6)	(104.6)	(20.0)
NET INCREASE / (DECREASE) IN CASH	₹ cr	(151.3)	(63.1)	(5.1)	(0.8)	19.6	6.7	131.0	233.5
Opening cash & liquid investments	₹ cr	254.1	102.8	39.6	34.5	33.8	53.3	60.0	191.0
CLOSING CASH & LIQUID INVESTMENTS	₹ cr	102.8	39.6	34.5	33.8	53.3	60.0	191.0	424.5

P. Valuation of the Ibuprofen (Commodity API) Business

Standalone transaction value & value to Solara • Base year FY2025-26 (audited) • All figures ₹ crore unless stated
•September 2026

WHAT SOLARA CAN REALISE	Point estimate (Enterprise Value, cash-free / debt-free basis)
₹ 275 crore	Realistic range: ₹ 175 – 500 crore ≈ 0.8x FY26 sales ≈ 7.5x normalised mid-cycle EBITDA ≈ 60–90% of greenfield replacement cost

Note: the business is loss-making at EBITDA (FY26 EBITDA ₹ -52.96 cr), so a conventional EV/EBITDA multiple cannot be applied. Value is triangulated from four independent methods.

EXECUTIVE SUMMARY

Solara's management has appointed strategic advisors to evaluate alliances, restructuring or divestment of its commodity Ibuprofen business, which severe global oversupply and Chinese price competition have pushed to a loss. This note answers a single question: if Solara sells the Ibuprofen business, how much can it realistically fetch and what is the divestment worth to Solara?

The asset being sold is Solara's commodity Ibuprofen franchise - anchored by the Puducherry plant (one of the world's largest single Ibuprofen API sites, ~5,000 TPA, approved by USFDA, EDQM/CEP, PMDA-Japan and WHO), together with backward integration into the key raw materials Isobutyl Benzene (IBB) and Isobutyl Acetophenone (IBAP) at Mysore, and the associated product registrations. **In FY26 this business generated revenue of ₹333.74 cr and gross profit of ₹92.66 cr, but an EBITDA loss of ₹52.96 cr (a -15.9% margin).**

Because the business loses money at the **EBITDA line, its value cannot be read off an earnings multiple. We therefore triangulate value across four methods - EV/Sales, normalised (mid-cycle) EV/EBITDA, asset replacement cost, and comparable transactions / strategic value.** These converge on an enterprise value of roughly ₹175–500 cr, with a base-case point estimate of about ₹275 crore. That is ~0.8x FY26 sales, ~7.5x a normalised mid-cycle EBITDA of ~₹37 cr, and ~60–90% of the cost of building the capacity new. The upper end is a strategic-buyer outcome; the lower end is a distressed, quick exit.

The second, arguably more important, conclusion is that divesting is value-accretive to Solara even at a modest price. Removing a business that bleeds ₹53 cr of EBITDA lifts group EBITDA from ₹191.5 cr to ₹244.5 cr and the margin from 13.9% to 23.5%; ~₹275 cr of proceeds cuts net debt from ₹611 cr to ~₹336 cr and net-debt/EBITDA from 3.2x to ~1.4x. Critically, the market already ascribes close to zero (or negative) value to the Ibuprofen business today - so any positive price, plus the removal of the commodity drag and the balance-sheet overhang, is incremental value that should support a re-rating of the cleaner, higher-margin 'base business'.

Valuation summary — (Enterprise Value, ₹ cr)

Method	Bear / Distressed	Base Case	Bull / Strategic	Basis
1. EV / Sales	167	267	400	0.5x / 0.8x / 1.2x FY26 revenue
2. Normalised EV / EBITDA	120	250	411	Mid-cycle margin 8/11/14% at 6–9x, less J-curve
3. Replacement cost (realised)	110	227	455	₹4–7 cr per 100 TPA × 55–100% realisation
4. Comparable transactions	167	300	501	0.5x / 0.9x / 1.5x sales (distressed→strategic)
BLENDED VIEW (point estimate)	150	275	500	Weighted to methods 1–3; method 4 sets the strategic ceiling

The methods are mutually reinforcing: their base cases cluster at ₹227–300 cr, and the point estimate of ₹275 cr sits at the strategically-weighted centre of that cluster. See the accompanying Excel model for full workings and live-editable assumptions.

1. WHAT IS BEING SOLD — SCOPING THE IBUPROFEN BUSINESS

Solara reports its results in two blocks: a 'base business' (its higher-margin Growth APIs, specialty polymers and CRAMS/CDMO) and the 'commodity Ibuprofen business'. The divestiture candidate is the latter. Scoping it precisely matters, because the price a buyer pays is for a defined set of assets, approvals and product registrations - not for the whole company.

The asset perimeter

The core of the franchise is the Puducherry API site - described by the company as one of the world's largest single Ibuprofen facilities, with roughly 5,000 TPA of capacity and a clean multi-regulator approval history (USFDA with zero-483 observations, EDQM/CEP, PMDA-Japan and WHO). Around this sit the Ibuprofen product family (Ibuprofen, Ibuprofen Sodium, Ibuprofen Lysine and DC Ibuprofen), the global DMF/registration portfolio for these molecules, and backward integration into the two key inputs - Isobutyl Benzene (IBB) and Isobutyl Acetophenone (IBAP), the latter manufactured in-house at Mysore. This backward integration is a genuine cost advantage and a meaningful part of what a buyer acquires.

The Visakhapatnam (Vizag) greenfield site nominally holds a further ~3,600 TPA of Ibuprofen capacity, taking group nameplate to ~8,400 TPA. However, management has already repurposed much of Vizag toward CRAMS and specialty-polymer chemistry, so only part of its Ibuprofen capacity is realistically part of the sale. Our base case values ~5,500 TPA (Puducherry plus a partial Vizag allocation), with a sensitivity up to 6,500 TPA. This is an explicit, adjustable assumption in the model.

The financial starting point (FY26, audited)

Ibuprofen business — FY26	₹ cr	Comment
Revenue	333.74	+9% YoY; commodity Ibuprofen only
Gross profit (after S&D)	92.66	Gross margin 27.8%
EBITDA	(52.96)	-15.9% margin — loss-making

Source: Solara Annual Report FY2025-26, 'Highlights of FY2025-26'. The split reconciles to the group: base-business EBITDA ₹244.5 cr + Ibuprofen EBITDA (₹52.96 cr) = group EBITDA ₹191.5 cr.

2. THE VALUATION CHALLENGE — WHY A LOSS-MAKER NEEDS A DIFFERENT LENS

The single most important fact for this valuation is that the Ibuprofen business does not make money at the operating level. FY26 EBITDA was negative ₹53 cr. A negative denominator makes EV/EBITDA meaningless - you cannot multiply a loss by a multiple and get a sensible price. This rules out the approach an analyst would reflexively use for a profitable API business, and it is why headline peer multiples must be handled with care.

The loss is cyclical, not structural to the asset. Ibuprofen is a mature, high-volume molecule whose price swings violently through the cycle. During the COVID shortage of 2020–21, prices spiked and the pure-play leader IOL Chemicals earned ~31% EBITDA margins; from FY22, restarted Chinese capacity flooded the market and prices collapsed to roughly \$10/kg - about 60–75% below the peak - dragging even IOL to ~11% margins and pushing Solara's higher-cost commodity volumes below breakeven. The plant, the approvals and the backward integration are intact and valuable; it is the point in the price cycle that is punishing.

That framing dictates the four methods we use. EV/Sales sidesteps the negative-earnings problem by anchoring on revenue. Normalised EV/EBITDA restates earnings to a mid-cycle level a buyer would underwrite through the cycle. Replacement cost values the physical asset and its scarce regulatory approvals - the seller's floor. Comparable transactions and strategic logic capture what a specific acquirer would pay, including for taking competing supply out of an oversupplied market. Read together, they bracket a defensible range.

3. METHOD 1 — EV / SALES

Applying a revenue multiple to FY26 sales of ₹333.74 cr gives a first, earnings-agnostic read. The appropriate multiple for a loss-making commodity API asset is well below that of a healthy specialty business. As a market anchor, IOL Chemicals - the profitable, net-cash, world-number-one, backward-integrated Ibuprofen player - trades at only ~2.4x EV/Sales. A loss-making, non-number-one carve-out should command a fraction of that: distressed commodity-API assets typically change hands at ~0.5–1.5x sales

EV / Sales	Bear	Base	Bull
FY26 revenue (₹ cr)	333.7	333.7	333.7
EV/Sales multiple	0.5x	0.8x	1.2x
Enterprise Value (₹ cr)	167	267	400

Read: ₹167–400 cr. Weakness - a sales multiple ignores that the business currently loses money, so it likely overstates value at the low end of the cycle; it is best treated as one cross-check rather than the primary method.

4. METHOD 2 — NORMALISED (MID-CYCLE) EV / EBITDA

A disciplined buyer does not capitalise trough (or peak) earnings; it underwrites a normalised, through-cycle EBITDA. We restate the business to a mid-cycle EBITDA margin of 8%–14% (base 11%), against a historical range that runs from today's -16% trough to ~24% at the last peak, and IOL's ~11% trough / ~15% mid / ~31% peak. On ₹334 cr of revenue that is ~₹27–47 cr of normalised EBITDA (base ~₹37 cr).

We then apply a through-cycle multiple of 6–9x - deliberately below IOL's ~12.7x forward multiple, because we are valuing a non-number-one asset on normalised (not depressed) earnings and because commodity API franchises do not earn premium multiples. Finally we subtract a 'J-curve' haircut (₹10–40 cr) for the cash a buyer must inject to fund losses until the business normalises.

Normalised EV / EBITDA	Bear	Base	Bull
Normalised EBITDA margin	8%	11%	14%
Normalised EBITDA (₹ cr)	26.7	36.7	46.7
EV/EBITDA multiple	6.0x	7.5x	9.0x
Gross EV (₹ cr)	160	275	420
less: J-curve / loss-funding	(40)	(25)	(10)
Enterprise Value (₹ cr)	120	250	411

Read: ₹120–411 cr (base ₹250 cr). This is the most economically grounded method for a cyclical asset, because it values what the business earns through the cycle rather than at its worst point

5. METHOD 3 — REPLACEMENT COST / \$ PER TONNE (the seller's floor)

The strongest argument for the seller is what it would cost a buyer to build this capability from scratch. Recreating a world-scale, fully backward-integrated Ibuprofen complex with USFDA/EDQM/PMDA approvals is expensive and slow — a 4–6 year build plus the risk and time of winning regulatory approvals and being qualified into customers' filings. Scarcity of approved, world-scale capacity is precisely why a strategic buyer would prefer to acquire rather than build.

We estimate greenfield cost at ₹4–7 cr per 100 TPA of integrated capacity (base ₹5.5 cr), implying a new-build cost of ~₹200–455 cr for the ~5,000–6,500 TPA valued. A cross-check on a dollars-per-tonne basis (~\$9,000/annual tonne × ~5,500 TPA × ₹85) lands at ~₹420 cr, consistent with the upper half of that range. A second-hand / distressed asset typically realises 55–100% of replacement cost depending on how competitive the process is.

Replacement cost	Bear	Base	Bull
Capacity valued (TPA)	5,000	5,500	6,500
Greenfield capex (₹ cr/100 TPA)	4	5.5	7
Replacement cost — new (₹ cr)	200	302	455
Realisation % (second-hand)	55%	75%	100%
Replacement-based value (₹ cr)	110	227	455

Read: ₹110–455 cr. The wide spread reflects how competitive the sale process is: a distressed quick exit realises little; a contested auction for scarce approved capacity approaches full replacement cost.

6. METHOD 4 — COMPARABLE TRANSACTIONS & STRATEGIC VALUE

Clean, publicly-disclosed Ibuprofen-specific transaction multiples are scarce. The Western Ibuprofen assets (the historic BHC/Bishop-Texas process now within BASF, and SI Group's legacy line) changed hands within broader corporate deals without isolated multiples; Solara's own Ibuprofen franchise arrived via the 2017-18 Shasun/Strides/SeQuent demerger as a share-swap, not a cash price. As a class, Indian commodity-API and distressed carve-outs transact at roughly 0.5-1.5x sales.

The more important point is strategic. A global consolidator - IOL Chemicals (world #1), BASF or SI Group - that acquires 5,000-8,400 TPA of Solara's capacity does two things at once: it adds scarce, approved, backward-integrated capacity, and it removes a competitor's supply from an over-supplied market, which helps its own pricing. That dual benefit is why a strategic buyer can rationally pay near - or, in a competitive process, above - replacement cost, and it sets the upper end of our range at ~₹500 cr (~1.5x FY26 sales).

Comparable transactions	Bear	Base	Bull
FY26 revenue (₹ cr)	333.7	333.7	333.7
Transaction EV/Sales	0.5x	0.9x	1.5x
Enterprise Value (₹ cr)	167	300	501

Peer anchor — the commodity vs specialty multiple split

The table below is the sanity check that prevents over-valuing this asset. Specialty/CDMO names trade at 8-22x sales, but that is the wrong bucket. Commodity API (Aarti Drugs, IOL) sits at ~1.8-2.5x sales and ~15-20x trailing EV/EBITDA (~6-9x mid-cycle). A loss-making Ibuprofen carve-out sits below even the commodity bucket — which is exactly why its value is anchored to replacement cost, not earnings.

Company	Bucket	EV/Sales	EV/EBITDA	P/B
Divi's Labs	Specialty / CDMO	22x	69x	14.6x
Laurus Labs	Specialty / CDMO	15x	58x	18.9x
Neuland Labs	Specialty / CDMS	12x	37x	15.6x
Supriya Life	Niche specialty	8x	22x	5.7x
Aarti Drugs	Commodity API	1.8x	15x	2.6x
IOL Chemicals	Commodity (Ibu #1)	2.5x	20x	3.2x
Solara	Commodity / turnaround	2.7x	19x	1.8x

7. TRIANGULATION — THE POINT ESTIMATE

The four methods are independent yet mutually reinforcing. Their base cases cluster tightly at ₹227-300 cr; their bear cases at ₹110-167 cr; their bull cases at ₹400-501 cr. We weight methods 1-3 for the central view and treat method 4 as the strategic ceiling, arriving at a base-case enterprise value of about ₹275 crore, within a realistic range of ₹175-500 crore.

Expressed in the language a deal team would use, ₹275 cr is ~0.8x FY26 sales, ~7.5x a normalised mid-cycle EBITDA of ~₹37 cr, and ~60-90% of the estimated cost of building the capacity new. The outcome within the range is essentially a function of process design and buyer type: a distressed, bilateral, quick exit realises the lower end (~₹175 cr, closer to depreciated asset value); a competitive auction won by a strategic consolidator who values the approvals, the backward integration and the removal of competing supply realises the upper end (~₹450-500 cr). Two structural caveats attach to the headline number. First, we value the business on a cash-free, debt-free (enterprise-value) basis; ₹191 cr of Solara's gross block is pledged to lenders and would need to be released as part of any sale. Second, the outcome is sensitive to exactly how much Vizag capacity is included and to the point in the Ibuprofen price cycle at which the deal is struck — a sale agreed after prices begin to recover would fetch materially more than one struck at today's trough.

8. VALUE TO SOLARA — THE DIVESTMENT IS ACCRETIVE EVEN AT A LOW PRICE

The transaction price is only half the story. Because the Ibuprofen business is loss-making, the act of divesting it is value-creating for Solara largely regardless of the price achieved. Assuming a base-case sale at ₹275 cr with proceeds applied to debt, the group is transformed on three axes.

Before vs after (illustrative)

Metric	Before (FY26)	After	Change
Revenue (₹ cr)	1,375	1,041	-334
EBITDA (₹ cr)	191.5	244.5	53
EBITDA margin	13.90%	23.50%	+9.6pp
Net debt (₹ cr)	611	336	-275
Net debt / EBITDA	3.2x	1.4x	-1.8x
Finance cost (₹ cr, approx.)	95	62	-33

On these mechanics alone, a ₹7 cr FY26 net loss swings to an illustrative pro-forma profit of ~₹70 cr, driven by the removed EBITDA loss and lower interest - before any re-rating.

The overhang the market has already priced - and the re-rating

At the current market capitalisation, Solara's enterprise value implies roughly 15x its base-business EBITDA - meaning the market already ascribes close to zero, or negative, value to the Ibuprofen business. This is the key insight: the ₹175-500 cr a buyer would pay is therefore largely incremental value to Solara's equity, not value the market has already counted. A clean exit crystallises the base-business value, removes the commodity earnings drag, and de-risks the balance sheet all of which support a re-rating of the remaining, faster-growing, ~23%-margin business toward its cleaner peers.

Equity-value sensitivity (base-business EV/EBITDA × sale price, ₹ cr)

Sale price ↓ / Multiple →	9.0x	11.0x	13.0x
₹150 cr	1,740	2,229	2,717
₹275 cr	1,865	2,353	2,842
₹500 cr	2,090	2,578	3,067

9. KEY ASSUMPTIONS

Every number in this note is driven by the explicit, editable assumptions below (fully live in the Excel model). The valuation is deliberately transparent so each lever can be stress-tested.

Assumption	Value	Rationale
FY26 Ibuprofen revenue / GP / EBITDA	334 / 93 / (53)	AR FY25-26 audited 'Highlights'
Valued (sellable) capacity	5,500 TPA	Puducherry ~5,000 + partial Vizag
Normalised EBITDA margin (mid-cycle)	8 / 11 / 14%	Through-cycle commodity Ibuprofen (IOL ~11% trough)
EV/Sales multiple	0.5 / 0.8 / 1.2x	Distressed→strategic; IOL (profitable #1) = 2.4x
Normalised EV/EBITDA multiple	6 / 7.5 / 9x	Below IOL forward ~12.7x
Greenfield capex	₹4-7 cr / 100 TPA	Integrated API + KSM incl. approvals
Realisation vs replacement	55 / 75 / 100%	Distressed vs strategic auction
FX	₹85 / USD	Range ₹83-88
Base-case sale price (accretion)	₹275 cr	point estimate
Base-business re-rating EV/EBITDA	11.0x	Between commodity & specialty

10. RISKS & SENSITIVITIES TO THE VALUATION

- Cycle timing is the biggest single swing factor. Ibuprofen prices are ~60–75% below their last peak; a deal struck after prices begin to recover could fetch materially more, while a forced sale at the trough realises the bear case. A buyer's willingness to pay for 'up-cycle optionality' is what separates ₹175 cr from ₹500 cr.
- Buyer universe is narrow. The natural acquirers are a handful of global consolidators (IOL, BASF, SI Group) or a financial buyer with a turnaround thesis. A thin buyer pool weakens the seller's negotiating leverage and biases outcomes toward the lower half of the range.
- Deal structure and stranded costs. A slump sale versus an asset sale changes the tax outcome; Solara's large carried-forward losses (₹600 cr+ of unrecognised claims) largely stay with the parent and may not transfer, and shared services/overheads left behind ('stranded costs') can erode the accretion. Pledged assets (₹191 cr gross block) must be released.
- Scope of capacity sold. Our base case assumes ~5,500 TPA; if only Puducherry transfers (Vizag fully retained for CRAMS), replacement-based value is lower; if more usable capacity is included, higher.
- Market data is point-in-time. IOL and peer multiples and the current market cap should be refreshed to live prices before this analysis informs a trade or target price.

CONCLUSION

Solara's commodity Ibuprofen business is worth an estimated ₹175–500 crore on a standalone, cash-free/debt-free basis, with a base-case enterprise value of about ₹275 crore. Because the business loses money at EBITDA today, that value rests on the replacement cost of scarce, world-scale, multi-regulator-approved and backward-integrated capacity, on normalised through-cycle earnings, and on the strategic value of taking competing supply out of an oversupplied market — not on current profitability.

For Solara shareholders, however, the more powerful conclusion is that the divestment is accretive almost irrespective of the price. Removing a ₹53 cr EBITDA loss, deleveraging with the proceeds, and clearing a commodity overhang the market has already discounted to zero should lift both the quality and the rating of the remaining business. The strategic case for the sale is therefore strong even at the lower end of the price range; the price achieved determines how much additional value is unlocked, not whether the transaction makes sense.

Q. Valuation

CURRENT MARKET VALUATION					
Share price (NSE: SOLARA)	₹	₹749			
Diluted shares outstanding	cr	4.8172			
Market capitalisation	₹ cr	3,608.1			
Gross borrowings (30 Jun 2026)	₹ cr	532.3			
Cash & liquid investments (30 Jun 2026)	₹ cr	52.8			
Net debt (30 Jun 2026)	₹ cr	479.5			
ENTERPRISE VALUE	₹ cr	4,087.6			
Implied EV / FY27E base-business EBITDA	x	14.4x			
Implied EV / FY26A group EBITDA	x	21.9x			

EV / EBITDA EXIT VALUATION			FY29E EBITDA ↓ / multiple →					
FY29E EBITDA	₹ cr	383.8		8.0x	10.0x	12.0x	14.0x	16.0x
Exit EV / EBITDA multiple	x	14.0x						
FY29 ENTERPRISE VALUE	₹ cr	5,373.4	326.2	₹376	₹460	₹545	₹630	₹715
Less: FY29E net debt / (add back net cash)	₹ cr	(274.5)	355	₹406	₹498	₹590	₹683	₹775
FY29 EQUITY VALUE	₹ cr	5,647.9	383.8	₹435	₹535	₹635	₹735	₹835
FY29 target price per share	₹	₹1,172	412.6	₹465	₹573	₹680	₹788	₹895
Discount factor (1 + 20%) ^ 2.559 years	x	1.594	441.4	₹495	₹610	₹725	₹840	₹955
FAIR VALUE PER SHARE TODAY — EV/EBITDA	₹	₹735						

P / E EXIT VALUATION			FY29E EPS ↓ / P/E →					
FY29E normalised PAT	₹ cr	233.4		15.0x	18.0x	21.0x	24.0x	27.0x
FY29E normalised EPS	₹	₹48.5	₹38.8	₹365	₹438	₹511	₹584	₹656
Exit P / E multiple	x	24.0x	₹43.6	₹410	₹492	₹574	₹656	₹739
FY29 target price per share	₹	₹1,163	₹48.5	₹456	₹547	₹638	₹729	₹821
			₹53.3	₹501	₹602	₹702	₹802	₹903
FAIR VALUE PER SHARE TODAY — P/E	₹	₹729	₹58.2	₹547	₹656	₹766	₹875	₹985

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