Management Discussion

Abhishek Singhal - Investor Relations Consultant, Solara Active Pharma Sciences Limited
Sir. Thank you, Anishma. Good evening, and thank you for -- thank you all for joining us today for Solara Active Pharma Sciences Limited earnings call for Q1 FY27. Today we have with us Sandeep, MD and CEO, and Sharad, CFO of the company, to share the highlights of the business and financials for the quarter. I hope you've gone through our results release and the quarterly investor presentation that have been uploaded on our website as well as the stock exchange website. The transcript for this call will be available in a week's time on the company's website.

Please note that today's discussion will be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team. I now hand over the call to Sanjeev to make his opening comments.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you, Abhishek. Firstly, good evening and thank you for all who are joining in the call today on our Q1 '27 earnings call. I sincerely appreciate your time and your presence on this call. As you must have seen, Q1 FY27 has been another quarter of stellar execution. Our overall revenues stand at, uh, INR384 crores, up 20% year on year. EBITDA stands at INR63.5 crores, which is up 10% year on year. Our PAT is at INR16.3 crores, which is up 55% year on year. Uh, this is the highest EBITDA and PAT that we have achieved in the last 18 quarters.

Uh, these results underscore the strength of our core business. Uh, it is an outcome of disciplined execution. It also shows our continued focus on profitable growth. Now coming to the base business, Our base business continues to exhibit strong momentum supported by consistent operational execution, and I reiterate the focus on profitable growth. Our base business revenues stand at INR307 crores, up 24% year-on-year. Gross margins at INR158 crores, up 10% year-on-year. And EBITDA at INR72 crores, up 8% year on year in spite of all the cost pressures we faced resulting from higher raw material prices, which was triggered by the ongoing geopolitical developments in West Asia.

The sustained performance of the base business reinforces our confidence in our long-term growth potential. Coming to the -- now coming to the commodity ibuprofen business, This business continues to face profitability challenges. We reported an EBITDA margin of -12% amidst what we think is a difficult operating environment. While profitability remains under pressure, we witnessed a marginal sequential improvement during the quarter. Now looking forward, looking ahead, we remain committed to building on this strong foundation by driving sustainable profitability growth enhancing our margins and creating long-term value for all our stakeholders through a combination of disciplined execution, operational excellence, and prudent capital allocation.

Uh, despite the significant headwinds, uh, driven by the West Asia crisis and its impact on all global businesses, the underlying fundamentals of our base business continue to remain strong. Supported by a sound operating model and a healthy product mix across regulated markets. I would like to thank our shareholders again for your continued support and your continued faith and trust in Solara Active Pharma Sciences Limited. With this, I will now hand over to Sarath, our CFO, for his opening remarks.

Thank you, Sandeep. Good morning, good afternoon, and Warm good evening, ladies and

gentlemen, and thank you for joining me in today's Q1 FY27 earnings call for Solara Active Pharma Sciences Limited. As shared by Sandeep, despite facing headwinds driven by the ongoing West Asia crisis, which led to significant challenges in terms of input cost pressures as well as supply chain challenges with respect to raw material availability, the overall business has recorded a strong quarterly result in Q1 '27, with the business recording its highest EBITDA and PAT in the previous 18 quarters.

Although our gross margins were marginally lower on a Q-on-Q basis, driven by the raw material pricing and supply challenges, which was actually triggered by the West Asia crisis, the business has delivered an EBITDA margin of 17% with an absolute EBITDA value of INR635 million, which reflects an improvement in EBITDA margins by 18 basis points Q-on-Q. In addition to what Sandeep already mentioned, that we have grown on a 10% YOY basis. As a business, we continue to focus our efforts on operating cost leverage and margin expansion in a pursuit of chasing incremental business growth at a healthier margin profile.

Our ongoing efforts on strengthening the balance sheet has led to reduction of net debt by roughly INR135 odd crores during the quarter, which reflects around 22% reduction in the net debt. Roughly INR100 crores of that coming in from the final call, final call money of the rights issue realized on May 26th, and the balance INR35 crores were delivered from our operational cash flows. As we speak, our net debt as of 30th of June stands at roughly INR479 crores, which reflects a net debt to EBITDA multiple of roughly 1.9x considering the annualized Q1 EBITDA numbers what we have reported.

Further, we have a line of sight to reduce the debt to sub-450 crores, somewhere around close to 440-odd crores by end of March '27, considering the scheduled repayments what we have for the debt, which will further improve the net debt-to-EBITDA multiple to roughly 1.7x, considering the Q1 annualized run rate. At the end, we actually want to thank you for your support and patience as we work towards turning around the company and look forward to engaging with you all in the upcoming quarters. Now we'll be happy to take your questions, if any. I'm sure we are good to open the Q&A session.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] We take the first question from the line of Sargeant Kapoor from Antifragile Thinking. Please proceed.

Sajal Kapoor - Analyst, Antifragile Thinking
Yeah, hi team, thank you for taking my questions and good evening to everyone on the call. And I have few questions followed by a few bookkeeping questions, but for those I'm happy to rejoin the queue and let others ask. And few questions for you first, Sandeep. And as, as you look ahead over the next 12 to 18 months, what are the two -- what are the kind of top 2 or 3 operational priorities that will determine the next phase of Solara turnaround?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, hi, thanks for staying continued interest in Solara. I really appreciate that. Uh, you know, answer to your question is, looking forward, uh, I have 3 very important levers. Okay, so I'll make it 3 instead of 2. First is expanding our existing business and seeding new businesses. And why I say that,

because our new pipeline will take time to bring the revenue. So we have to depend on today's products and we have to be able to expand the business. So expanding the existing business and seeding new business is priority number 1.

Priority number 2 is, of course, as our numbers improve, improve our revenues, improve and we manufacture more product to meet the market demand. We have to be able to drive operational efficiency and execution. And when I say that, I'm not talking of building any greenfield facilities. I'm only talking of debottlenecking capacities and finding ways to maximize the output so we can meet the commercial demands. And the third most important driver for me is how we use our working capital judiciously.

So it's going to be all about working capital optimization and generating the free cash that we can use to fund our business.

Sajal Kapoor - Analyst, Antifragile Thinking
That's helpful, Sandeep. And as a shareholder, I mean, none of us are doing any charity. The only reason we are staying invested and interested in Solara is because we see the potential. The potential may not come in next quarter or even this year, but we nevertheless have our thesis, and that's the reason we, we remain patiently invested. And second Are you still comfortable with the Q2 FY27, the current fiscal September quarter, that is timeline for Ibuprofen strategic review? And are there any key milestones we as investors should watch out before then?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, Sajal, as we announced in our earlier quarter as well, I think you should be expecting something coming your way in H1. Uh, all we can say today is we are working towards what we think is an optimum solution to the issue. We feel fairly confident that a solution will come out of it, and I would like to address this question in the September time frame.

Sajal Kapoor - Analyst, Antifragile Thinking
Sure, that's, that's reassuring, helpful. And finally, before I rejoin, and as raw material costs and logistics normalize And what do you see as the biggest driver of profitability improvement over the next 2 quarters? Is it purely the gross margin mean reverting or going back to where we expect them to be, or you expect some operating leverage in addition to gross margin?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Hi, Prashil. So, uh, like, once we, once we have this normalized pricing reverting back to the, like, kind of pre-West Asia crisis kind pricing levels. Most of our growth should come from business expansion as well as gross margin expansion driven by incremental volumes, what we will be selling it. Because operating leverage is something that should play out certain bit, but we will not have too much of a growth coming just because of operating, operating leverage. From now on, it is more about to do how we can sustain that business growth combined with gross margin expansion.

While our optics base remains the same, we have to try and see how we could move on the top of the funnel because every -- all of it will flow into a

Sajal Kapoor - Analyst, Antifragile Thinking
Picture. Sure, Sandeep. And thank you for those responses. I will rejoin the queue. I've got some

bookkeeping questions, but I'm happy to wait.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you. Thank you, Sajir.

Operator
Thank you. We take the next question from the line of Akash Jain from Money Curse Analytics. Please proceed.

Analyst
Yeah, hi, uh, just a couple of questions. Uh, one is if I look at the gross margin, right, over the last few quarters, it has been a -- it's a quite a big range, right? Even if I ignore the, the cost pressures and the gross margin impact for this quarter, in general, gross margins have been quite volatile. So any specific reason why our gross margins have been fluctuating over a much larger range? That is first question. Second is, I'm assuming this raw material price pressure would have on one hand also helped us on the revenue growth side, right?

Because the cost -- the pricing would also have gone up a little bit. So how much of it was broadly volume-driven growth for this quarter and how much was value growth? And what is our ability to pass on? Because the Middle East crisis doesn't seem to be passing away anytime soon. So what is our ability to pass on these increased prices to our customers? Because a business like ours, I would assume that we have the ability to eventually pass on the increased prices. Yeah, thank you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
I'll take this question, Akash. See, uh, so you had broadly two questions. One, you wanted to understand what of this particular growth has come because of price, uh, increased pass-through cost what we had, correct? So on that particular number, on a console level Roughly, uh, 30-odd crores of that particular revenue numbers is actually driven by -- because of incremental cost pass-through what we had. Okay, so now if you adjust those numbers, right, then my gross margin profile for a console level is close to like, uh, 53% already, which is more or less in the range what we had always reported in the past few quarters.

Okay, and the last question you had asked, Akash, is about us being able to pass these to customers. I think we have a very good relationship with customers. Most customers have been accepting of our price increase because we have been extremely transparent. Uh, in many cases we have shared with them our consumption norms and how much the solvent prices have gone up. So a lot of customers have been accepting. Few customers, it's always a challenge, but we are managing the dynamic situation. It's been challenging, but I think we've done a fairly good job at managing this with customers.

Analyst
No, my first question was actually why such a large, long range, in the sense that we have been -- gross margin over the last many quarters have been over a much wider range, which is not typical what we see in an API company. So I just want to understand what drives this big difference quarter on quarter on gross margin, if I ignore what has happened this quarter.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, when you actually talk about gross margin rates, are you talking about only the base business or are you talking about, uh, the base

Analyst
Business, right? Even there, 52%, 58%, we have seen that in the last quarter -- in the last 4 quarters, right? Even last year, Q1, 58%, then 52% this year. So this quarter -- so I'm just trying to understand that there seems to be on the base business also, there seems to be a wide range on on gross margins, right?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
See, again, um, when you talk about, uh, base business, right, so we had reported 51.3%, which is at an absolute value close to INR158 crores of gross margin, okay. Specific to, specific to base business, we had an increased, increased pass-through of cost to the tune of INR17-18 crores, okay. So if you adjust for that particular number, you will be already talking about a number of 44.5 kind of a gross margin profile. So 44 -- uh, sorry, uh, 54.5 kind of a level in terms of gross margin profile as compared to what we had reported in number 51.3%.

So that 54.5 is more or less reflective of whatever we had in the previous quarters as well. 55 plus Q2 '26 was 53%, Q3 '26 was 55%, Q4 '26 was 54%. And Q1 '27 is 52%. Yeah, even the math you said, so I think we are, we are almost there. We are, we are comfortable with the 50 to 55% range. Of course, the aspiration is to try and get as close to 55 as possible.

Analyst
Okay, and you're saying that we should be able to pass on any more increases or the current environment, some gross margin will be -- we should be able to claw back going forward?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Yeah, all of it we will not be able to claw back with price impact, but a large amount of it customers are accepting because we've been extremely transparent.

Analyst
Thank you so much.

Operator
Thank you. We take the next question from the line of Anand Mudra from Saurabh Pelt. Please proceed.

Analyst
Hello, hello. Thank you, sir. Thanks for the opportunity. Sir, I wanted to check how much capital we have deployed in the iBlue ocean business. So, uh, currently our deployed capital will be close to 700 odd crores. Sorry, we lost your voice. This includes both debt and equity, both. Yes. Okay. And sir, uh, wanted to check about the profitability of the business. Are these levels likely to sustain which we have reported this quarter, or -- and can we expect some more improvement going forward? See, to be honest, right, uh, this particular quarter what we have witnessed is ibuprofen as a commodity business.

There was some shortfall of ibuprofen because most of this ibuprofen manufacturing is actually driven by solvent availability. So because of shortage in supplies overall, like, uh, some of the pricing increases, increases, customers were more willing to accept those particular price increases. Uh, at the same time, we also had a hit on the volumes on that particular piece. So although we have reported almost similar kind of numbers on a top line basis for Ibuprofen business, adjusted for the price increase, that numbers are slightly down.

So not, it's not exactly in the same range. We will be comfortable to have a kind of a runway somewhere between 12-13 odd crores kind of a loss on quarterly basis, somewhere between 10 to 12 each quarter.

Operator
Sorry to interrupt, Mr. Anand, your voice is breaking. Could you please fix that? Could you please rejoin the queue once again?

Analyst
You can take the next question, Anushka.

Operator
Yes, sure. Okay. We take the next question from the line of Ayush, an individual investor. Please proceed.

Analyst
Aishwarya, what's the problem? We can't hear the question.

Operator
We'll check. Mr. Aish, can you please check your line? Hello. Can we proceed to the next question?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Yes, please.

Operator
All right, sir. [Operator Instructions] We take the next question from the line of Parth Mehta from Antic Stock Broking. Please proceed.

Analyst
Hi, my questions are more from macro perspective. So could you elaborate on the impact that fuel cost volatility has had on the business over the past few months? So fuel prices have increased again recently. How should we think about the potential impact on profit and profitability in coming quarters? And my second question is also with the new Tariff schemes introduced by the US President, what sort of an impact do you see on the business?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, with respect to the first question, what you asked in terms of the ongoing crisis, what we are seeing pricing challenges, yes, this is something which is an ongoing challenge both in terms of input cost pricing as well as raw material availability. Now, if you have to appreciate that most of this API, uh, key starting material, or the starting material for raw materials, are actually dependent on

the petroleum products. And there's an overall shortage in terms of all these solvents, uh, solvents what we use in our manufacturing process, or what our vendors use in, in their manufacturing processes.

So one is raw material availability. Second is in terms of pricing. So pricing challenges currently, what, what is our view is we have been very transparent with our customers in terms of sharing with them saying that what is the incremental cost being incurred by Solara Active Pharma Sciences Limited driven by these short-term changes. And, and in those cases, we have been able to just get that particular pass-through. So we are fairly confident of maintaining our absolute values of gross margin, or say, uh, per se, in terms of business value.

But having said that, in terms of gross margin profile, might get impacted because we will not be able to have a subsequent gross margin uptake on that particular increased cost price, what I may say. And in terms of your second question, uh, part on the, uh, new tariffs, this is a -- this is an announcement that has come in very recently. There is no formal policy that has been released. So from my perspective, if I look at this announcement, the current status for me is the intent has been announced, there is no legal implementing framework And we are still awaiting clarification what the product scope is.

Is it only formulations? Is it APIs? Does it have more to it? So as we get more clarity, I will be glad to sort of provide more clarity on this matter. Okay. Yeah, thank you.

Operator
Thank you. We take the next question from the line of Aman Chakraborty from AK Investment, please proceed.

Amlan Chakraborty - Analyst, AK Investing Company
Good evening, team Solara Active Pharma Sciences Limited. I thank you for the good set of numbers, I would say. I have basically a couple of questions. So first is, um, so the management, I would like to ask, is the revenue increase that has been stated consistently -- I think the revenue numbers are going up, but what it seems is that the revenue seems to be, uh, essentially flat quarter on quarter, even though ideally it should not be case quarter on quarter. But I would just from the management if there are any kind of issues, uh, relating to customer scheduling or utilization or any kind of demand normalization or any kind of polymer APIs, because last time Mr.

Rao had promised that they were targeting polymer APIs. So that is my question. I'll join after this is answered and get back to the second question. Thank you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Aman, thank you for this particular -- see, we appreciate your insights into looking at these numbers slightly differently from what we look at. If I adjust for the numbers of increased cost price my revenue numbers almost look like flat Q1-Q. But at the same time, API as an industry also has a certain cycle there in terms of Q1 offtake is normally slightly lower, uh, historically, and Q4 is normally slightly higher offtake for the, uh, formulation, uh, formulation customers as well. Uh, given these particular facts and given, uh, uh, given a point of, in terms of across quarters, because we are operating from a product basket of close to 50-odd products in which roughly 15 to 16 products contribute to 75% plus of my overall business.

So any change in product mix across these particular 15 products, as well as some factor of

quarterly linearity which the industry normally exhibits So the most ideal way of comparing that particular growth will be on a year-on-year basis. So when I look from Q1 FY26 to Q1 FY27, growth in revenue is significantly higher in terms of 24%. Even if I adjust the whatever increased pass-through cost, that number will be still more than 18-19% of a growth, which we believe is a healthier, healthier as well as sustainable growth parameter.

And, uh, if I look at the numbers for base business revenues Q1 '26, we were around 248 crores. Q2 '26, we were around 240 crores, right? Q3, we were around 245 crores. I think we hit a new plateau, right? And that's Q4 '26 and Q1 '27, we've crossed that magical 300 numbers. Of course, the aspiration is to do a lot more.

Amlan Chakraborty - Analyst, AK Investing Company
There is any kind of internal, I mean, like strategy kind of recalibration or sort. I understand it is on a quarter-on-quarter basis. So I just wanted to -- my second question to you, sir, is regarding -- which have been probably asking from the last -- any kind of explanation that if that is possible. I know, again, this is a question which ideally should not also be asking,

Operator
Sorry to interrupt, Mr. Amlan, your voice is breaking. Could you please rejoin the queue for the next question?

Amlan Chakraborty - Analyst, AK Investing Company
Thank you.

Operator
We take the next question from the line of Gautami Agarwal, an individual investor. Please proceed. Hello sir, am I audible?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Yes, we can hear you properly.

Analyst
So the progress of deleveraging has been very impressive with debt reducing further this quarter. Do you continue it becoming debt-free by 2029, or does this strong cash generation provide us an opportunity to achieve this even earlier? Thanks so much.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, we are slightly hesitant in giving an outlook, outlook per se, but, uh, your assumption of saying that, uh, we have an internal aspiration of becoming debt-free like when I say debt-free, it has to be, uh, net debt-free by FY29. Obviously we will have certain debt on the book, but from a net debt standpoint, by FY29 we should be zero, zero net debt.

Analyst
Okay, okay, sir, understood. And in the previous call, you have guided for 25% EBITDA margin, uh, for the base business and actually exceeded it in the Q4. Can we expect that the similar trajectory will sustain in FY27?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Uh, got me. Again, uh, we will be slightly shying away from giving an output, but, uh, 25% plus minus 1, uh, 1% should be the margin profile what we are looking at in terms of EBITDA profile.

Operator
Okay, okay, thank you, sir. That was very helpful. Thank you. We take the next question from the line of Zaki Naseer, for an individual investor, please proceed.

Analyst
Good afternoon, and, uh, uh, somebody, uh, would Solara reconsider the decision for the ibuprofen unit if, if the product turns, um, bottoms up on the price front, sir? Well, in business, all decisions can be reconsidered as long as something makes money for us and the shareholders. So we definitely consider -- but it's, it's, it's a -- look, at the end of the day, ibuprofen is a commodity business, right? The margins can never compare to what we have in the base business, right? So in that sense, we, we have an eye out for the ibuprofen business.

I don't think the dynamics of the ibuprofen business will change. And remember, we are not the only manufacturer of the product. There are a couple of other big manufacturers of the product in India as well. Would we get back the capital invested in it, or are you expecting a small cut on that front,

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Sir? See, expecting entire capital invested on ibuprofen business will be slightly far-fetched. But as Sandeep mentioned, we are in the process of finalizing those next steps in Q2, and you will have to give us time till we come back with our Q2 results when we'll have more clarity on exactly what are the next steps and what is the cutoff or shaving which we are taking off. Thank you, sir. Best wishes. Thank you. Thank you. Thank you. Thank you.

Operator
We take the next question from the line of Sajal Kapoor from Antifragile Thinking. Please proceed.

Sajal Kapoor - Analyst, Antifragile Thinking
Yeah, thank you for the follow-up. And working capital discipline has been an important part of the turnaround. So as the business grows from here, should investors expect the current level of working capital efficiency to be Broadly sustainable, or is some normalization kind of inevitable as revenues scale? And if so, I mean, which component -- inventory, receivables, or payables -- is more likely to drive that?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, as you rightly pointed out, working capital efficiency is something which we have worked down, uh, slightly rigorously to, uh, like have this turn of like so-called turnaround at this point of time. As Sandeep always says, until we are back to back 3 to 4 quarters giving consistently good, good-oriented results, we will not be in that happy space wherein we will claim that particular turnaround to be actually taking in place. But, but the so-called turnaround working capital efficiency has been one of that particular piece.

Having said that, going forward as a revenue basis grow. Uh, to be honest, we don't feel our

working capital efficiency will take a hit from, from the levels where we are operating from. In fact, we are working on, uh, putting in certain measures in terms of our S&OP planning and stuff, which are expected to improve our inventory norms towards a more healthier side. So we will be like our aspiration, and we are looking forward to actually more efficiently manage working capital rather than giving in certain, certain part of working capital efficiency for growth.

Sajal Kapoor - Analyst, Antifragile Thinking
No, understood, understood, understood. Thank you for that. And finally, on the operating cash flow that we expect to generate over the next 3 years with our aspiration to be no net debt or net debt-free, right? So whatever that will be having towards the end of FY29, broadly speaking, will be, um balanced or matched by the, the cash and other liquid assets. Is it, is it fair to say that the majority of the operating cash flow will be utilized toward the maintenance CapEx broadly and some minor upgrades, or are we looking at some sort of an expansion?

Because we are sitting on a big land parcel in Wisek. Which is the newer facility, it has been twice USFD approved. So I'm just trying to understand, you know, what the capital allocation plan would be for the next 3 years in terms of both, um, the, um, the maintenance brownfield as well as greenfield kind of a -- I, I don't think we need greenfield because we already have BISEC. So maybe between the maintenance CapEx and the brownfield.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, as you rightly said that, uh, as a company we are also kind of, uh, once bitten twice shy. So greenfield is something which we are currently not, uh, not actively looking at, uh, at this point of time. But having said that, uh, as a business entity, we can never say no for anything. It is something which has to evolve over. But at this point of time, greenfield is not part of our plan. Now when it comes to whatever CapEx expansion, or say usage of the operational cash flows, what we will be generating, uh, we expect on an average close to INR40-50 odd crores of of CapEx year on year from FY28 and FY29 as well.

FY27, we have, we have already committed to close to 55-60 odd crores of CapEx. Part of that is being for maintenance CapEx, and, and the balance part is something what we call it as kind of an incremental CapEx, which is, which is towards debottlenecking my capacity. So there is one CapEx which is greenfield, which is entirely new facility. There is one which is brownfield, which is expansion of the existing facility. But we are more focused on the third category, which is within those lines, wherever we are having some bottleneck which is, which is actually restricting my, uh, production capacity for high margin products.

We are investing wisely on those particular lines, and we are looking to expand those lines capacity by 20-30% so that whatever CapEx I do, we can actually get that particular payback within, say, 2 or 3 quarters max. So with that particular aim, both in like in FY27 also, whatever CapEx we have committed to close to INR55 out of that INR40 crores is towards this kind of incremental debottlenecking CapEx. Balance INR10-15 is towards maintenance CapEx which requires for the plant upgrade into the utilities or stuff like that.

And similar trajectory will continue for FY28 and '29 as well.

Sajal Kapoor - Analyst, Antifragile Thinking
No, that's helpful. So just to double-click on that point of debottlenecking, I think as a business we

will get the highest RoCE if we could remove the constraint and debottleneck. And is the fastest and the, and the, and the, and the best strategy for any, any company. So the bottleneck point I understand, and 30% if you could get from, you know, high margin products purely by debottlenecking, I think the RoCE would be massive on, on that incremental RoCE, that is. And On the maintenance CapEx, usually what happens is when you remove an old reactor and replace it with a new, you also get some efficiency benefits.

So the sales that you are getting with an old, um, or the yield that you are getting with an old reactor should probably improve even if you do a like-for-like replacement. Is that a fair understanding?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, so when you have old equipment, sometimes the old equipment could have some leaks or things like that, just normal wear and tear. So when you replace it with newer reactors, for example, then the operational days of the newer reactor is much better than the older reactors. In that sense, forget the yield, just the operational days increase. So in a way, you are right. If you, if you replace the old with the new, you will have a higher absolute volume of output. Does that answer your question?

That is helpful.

Sajal Kapoor - Analyst, Antifragile Thinking
Yeah, it helps. Yeah, it helps indeed. Thank you so much, and both of you, thank you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you.

Operator
Thank you. We take the next question from the line of Akash Jain from Moneycurves Analytics. Please proceed.

Analyst
Yeah, just one follow-up question. What is our capacity utilization on the base business? Because we have a facility in Vizag which we, I think, you much earlier we had mouthballed, and then we had said that we'll repurpose it for the API business. So what is the capacity utilization of the base business? What can we use the whole Vizag facility for the base business? Because now the trans business will -- I'm assuming the trans business is getting consolidated in the base business itself. We are not demerging that business anyway.

So I just want to understand what is the overall situation on the capacity utilization and on the Vizag facility. Thank you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Aakash, few hygiene checks. So we have not yet decided what we will do with the trans, whether we will demerge or not. As we shared earlier in the earnings call of Q4, you will have to give us time till our Q2 results are out, during which time we will come up with the next steps in terms of both ibuprofen, Wyzant, Pondi, and what we do with the Cramsteam merger, or say, uh, retrofitting Wyzant into something. Okay, now when it comes to base business, whatever we are reporting base

business for the past few quarters, base business we are broadly looking at 3 sites, which is Cuttalore, Mangalore, and, and Ambarnath put together.

Okay, so these 3 sites on an average, our average capacity utilization across sites put together is close to 70% at this point of time. And

Analyst
Why is it, why is it we are not using for the base facility at all? It is only for cramps.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So why is that? We are not yet used for cramps as well. So what, so when we said that we will talk about The whole plan was we will remodify WiseAct for CRAMS, but, but as we said in our last earnings call, that, uh, that plan is something which we have kept on hold till we finalize our entire plan, what we want to do with both Ibuprofen as well as CRAMS. And that is something which will come back to you when we have our Q2 results. So of course, while we speak, WiseAct continues to be mothballed.

Analyst
Understood. And thank you so much, thank you so much for the clarity.

Operator
Thank you. We take the next question from the line of Prince, an individual investor. Please proceed. Hello, am I audible?

Analyst
Yeah, we can hear you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Yeah, thank you. So I'll be asking this question on behalf of Prince. Firstly, congratulations on the good set of numbers, sir. So our company has appointed Mr. Ajit Manocha as the new CIO. Who is from Singene International, a very reputed name with innovator pharma. It's a very big event for us. So are we transitioning from a commodity product to innovator molecule following this onboarding? This could be a huge value creator for us, and I'm confident that we have an innovator pipeline here.

Analyst
Ask my second question after this, sir.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Yeah, I mean, we don't want to comment about individuals, so I think we will skip this question now.

Analyst
Okay, sir. So my second question is that as per July 2025, we had developed ibuprofen via enzymatic route. So what is the update on that?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So I will correct you there, Prince. We do not have an ibuprofen that is manufactured through

enzymatic route.

Analyst
Okay, okay, thank you. Our

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Ibuprofen is not manufactured in enzymatic route.

Analyst
Okay, thank you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you.

Operator
Thank you. We take the next question from the line of Shashwant Singh. From Bajaj, please proceed.

Analyst
Uh, good afternoon, sir. Thank you for the opportunity. So I had two set of questions. First one was that the excluding the ibuprofen business, the base business delivered a 25-24% growth on, uh, on this quarter. Could you highlight the key driver behind this performance and do you believe this growth trajectory will be sustainable going ahead?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
If you adjust that particular price increase what we had passed through in terms of revenue growth number, so that growth should be coming around to close to So that number will be close to 18-19% of year-on-year growth as compared to Q1 of '26. Now, when it comes to, say, growth drivers, if you recall a few of the quarters, whenever we spoke about our business, we said that order book visibility is something we are working on, and we are working on a geographic expansion as well as new business seeding.

So some of this particular growth has come because of incremental business, what we could secure at different geographies where we, where we were not earlier present. Our second growth factor is right from FY26, we have started investing in certain incremental CapEx which will debottleneck my capacity and lead to higher business volumes for my high margin products. So part of that has played out for certain products. Since we don't give you individual product products information, I'll actually refrain from that.

But so if I have to put those broad growth drivers, one is debottlenecking capacity, which led to increased volumes in high-margin products, as well as certain geographic expansion which we did over the last 1 year. And when it comes to sustainability in the future, we are fairly confident that we should be able to -- as we said earlier also, we are fairly confident of growing this business by at least 10% year on year. Kind of number. So we are currently, uh, trading at a slightly higher than that.

We're comfortable with that.

Analyst
Okay, thank you, sir. My next question would be, looking solely at the base business, what would we consider to be a sustainable revenue growth? Like you said, was, uh, 10%. So will that be, uh, for next 5 years easily? And what would be the range for EBITDA margins going ahead?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So we will refrain from giving a 5-year outlook because the external environment, as you have noted, is so dynamic. The world has changed in the last 12 months, so we'll refrain from doing that. And in terms of revenue, revenue, all I can say is you've probably seen our last 5 quarters, we are now operating at a very different level in the last 2 quarters than we've been in 3 quarters prior to that. So we are hoping that we can at least sustain or grow on that new level that we have reached, new revenue levels.

Analyst
And sir, what about the margin front?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Margin front, I think, uh, Sarath answered sometime before. So we are actually comfortable of maintaining close to 52 to 55% kind of a margin range depending on the product profile what we'll have for that particular quarter. Okay, thank you, sir. That's all from my side. Thank you.

Operator
Thank you. We take the next question from the line of Shekhar, an individual investor. Please proceed. I would request Mr. Shekhar to unmute and then speak.

Analyst
Move to your next question, please.

Operator
All right, sir. We take the next question from the line of Neeraj Shah, an individual investor. Please proceed.

Analyst
Uh, hello. My question is on, uh, IB token business. So in the previous call, you have indicated that the strategic review of the ibuprofen business would be concluded by the first half of '27. Are you on the track to meet that timeline, and could you share any progress made so far?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
As of now, we believe we, we have, we are, uh, I think we can say that we are on track. To be resolving this matter by H1. We have given a guideline of H1. We are hopeful we can find a solution to it in that time. You have to please bear with us on that.

Analyst
Okay. And my other question is on profitability outlook. So the ibuprofen business witnessed an improvement in both gross margins while the EBITDA losses also tapered this quarter compared to previous quarter. At this level, likely to sustain, or can we also expect some improvement going

ahead?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, uh, yes, as you committed earlier, so ibuprofen business has seen certain kind of a tactical play during Q1 because of reduced demand in the market, which led to slightly higher pricing levels. This is something which we are -- we don't have a like long-term strategic view about how this will play out because this is something which is very dynamic depending on the solvent availability and stuff like that. So, but on an average, we expect that number to be slightly ranging around in somewhere between 10 crore close to 15 crore of negative EBITDA loss each quarter.

Analyst
Okay, okay, thank you. This was helpful.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you.

Operator
Thank you. We take the next question from the line of Japreet Singh, an individual investor. Please proceed.

Analyst
Thank you. Am I audible? Yes, we can hear you. So, sir, I wanted to understand what is the difference between our base business and hydro protein business? Why base business have that type of pricing power. What is the difference between customer relationships in these two businesses? Is there any -- he wants to know what is the difference between base and high. So, uh, so you see, when it comes to difference between the base and I do business, I do different business, from a, from a customer relationship standpoint, that is something which is almost equivalent to each other because we normally work with customers who have good standing in the business.

And based on our historically strong quality record as well as compliance record, we also enjoy very good customer relationships. So, so when it comes to customer relationship, that is not something which can be differentiated on that particular front. Having said that, why we look into both this business separately is ibuprofen is purely commodity-driven business which is slightly at the lower end of the value chain in terms of the API industry, whereas there are the other base business consists of molecules which are not high volume but which are significant volume but with a better pricing and a better margin profile because the entire manufacturing process of that molecules what we sell in as part of base business are slightly complex as compared to ibuprofen.

Okay, yes, yes. So my second question is, in this 2026 year, 6-7 months, what products we have made? So we actually have -- we actively have a basket of 50 to 60 products, and every quarter on an average we normally manufacture at least 40 of those particular products manufactured percent and we sell close to 50 or products. No, no, sorry, see, I don't understand. I said

Abhishek Singhal - Investor Relations Consultant, Solara Active Pharma Sciences Limited
In this 6-7 months of this 2026, what progress we have made.

Analyst
What progress? Okay,

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Again, if I have to put my, uh, put the company's progress on 3 pillars, one is in terms of revenue growth. So if you see over the last 2 2-3 quarters, we have grown our revenue base from a level of close to, like, say, 250-245 or close to 300+ crore level for the base business. Okay, now when it comes to gross margin profile, we have sustained that particular entire gross margin profile at a healthier margin rate of 52% plus. Uh, now, now the second pillar is in terms of profitability. Driven by this gross margin profile of 52% plus, as well as an operating cost leverage.

We have increased an absolute EBITDA margins from a range of close to INR55 odd crores for the base business to currently we are operating at INR70, INR70+ crores of absolute value for each quarter. Now the third pillar can be in terms of healthier balance sheet. So we have reduced our net debt by close to INR135 odd crores, which is 22% reduction in net debt in the last 6 months. In the last 6 months. Okay, thank you, sir. Thank you.

Operator
Thank you. We take the next question from the line of Achut from Rockstar Equity Research. Please proceed.

Analyst
Uh, like, uh, how much amount we can get from ibuprofen business and what you want to do with that money? So going ahead,

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
We haven't made any strategic decision on ibuprofen yet. All we said is we are looking at options. So I think in the end of H1, as we had promised last quarter, we should be having further clarity and we'll come back to you.

Analyst
And can you provide any guidance?

Operator
Could you please rejoin the queue as there are several participants waiting for their turn. We take the next question from the line of Abhay Amrutia from Credence Wealth. Please proceed.

Analyst
Hi, am I audible? Yeah, we can hear you, Abhay. Yeah, so thank you so much for taking my question. So I just wanted to understand what are the potential risks that can, you know, that could derail the turnaround over the next 12 to 24 months? Well, the first and foremost risk is what will happen in the West Asia crisis. I think honestly, I think we managed it. It's been very challenging because as you know, we have limited working capital, so every rupee has to be used judiciously. So far, I think we've got a workable solution given the crisis, but we never know what the macroeconomic environment can do.

Reflect. What this crisis has done for us is raw material availability has become a challenge. So

sometimes our lines are shut intermittently till we can get hold of the raw materials. Second is the raw material prices have gone up. Some customers have been kind enough to accept these price rises. Some customers have not been so willing. So that risk always exists, but that is a risk that is not in our control. Okay, okay, sir. Thank you, thank you. That helps.

Operator
Thank you. We take the next question from the line of Hiten from Sequent Investments. Please proceed.

Analyst
Yeah, I want to -- I have a clarification question. So you mentioned 10% growth for the base business or for the iBook business? So again, um, we have not given an outlook per se, but we, when we had our last, uh, like Q4 call also, when very most of the questions were towards what is our outlook for FY27, we said we are looking forward to 10% growth in, in our business number. So that is mostly towards the base business, base business what we're talking about. Okay, okay. Thank you.

Operator
Thank you, ladies and gentlemen. We take that as the last question for the day and would now like to hand the conference over to the management for closing comments.

Analyst
Uh, thank you everybody. Very interesting set of questions. As you know, we are working very hard to try and make these numbers possible, and hopefully we'll continue on this trajectory. Industry as we meet again next quarter. Thank you.

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