Management Discussion

Abhishek Singhal - Investor Relations, Solara Active Pharma Sciences Limited
Thank you, Ikra. Good evening, and thank you all for joining us today for Solara's earnings call for the second quarter and half year ended September 30, 2026. Today we have with us Sandeep, MD and CEO; and Sara, CFO of the company, to share the highlights of business and financials of the quarter and H1 FY27. I hope you've gone through our results release and quarterly investor presentation that have been uploaded on our website as well as stock exchange website. The transcript for this call will be available in a week's time on the company's website.

Please note today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the 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 Sandeep to make his opening comments.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you, Abhishek. Good morning, good afternoon, good evening, and thank you all for joining us today for our Q2 FY27 earnings call. I sincerely appreciate your time and presence on this call. To start with, Q2 FY27, has been our best quarter in about five years, and surprisingly it's been on all the profitability metrics, gross margin, EBITDA, and PAT. Overall revenue grew 33% year on year to INR418 crores. EBITDA more than doubled to INR77 crores, up 118%, and PAT was at INR28.5 crores against a loss of around INR10 crores in the same quarter last year. And the good part is we delivered this quarter as the West Asia crisis continued. We continue to face pricing pressures and raw material availability challenges, which led to intermittent production stoppages, but despite that I think we recorded a good set of numbers.

Some commentary on our base business. Our base business continues to lead our growth. Revenue grew 37% year on year to INR327 crores, staying above the INR300 crore number for the third quarter in a row. EBITDA grew 68% to INR77 crores, with the margin up about 440 basis points to 23.6%. Regulatory regulated markets continue to contribute about 78% of revenues, which reflects a very healthy product mix.

Some commentary on the ibuprofen business. Ibuprofen this quarter has performed better than expectations, driven primarily by market dynamics. Revenue grew 21% year on year and 18% quarter on quarter to INR91 crores, supported by better price realizations as also higher volumes. The EBITDA loss has narrowed. You can see we are almost breakeven compared to the roughly INR9 crore loss that we had in Q1. The business is now close to breakeven, uh, from a loss margin of around 21% just two quarters ago. Having said this, I will reiterate that the overall environment around ibuprofen still remains challenging, and we haven't lost our focus on servicing large brands and marquee customers with whom traditionally we've had the long-term associations.

Other highlights outside of the base business, line of business, other highlights on the regulatory front, we filed our second DMF for the year. If you remember, I had mentioned that we should be filing five DMFs in this financial year. So we've filed one in quarter one, one now, and we're hoping to file three more before the end of this financial year. our Mangalore facility successfully completed an Anvisa audit in August. If you recollect, we had a successful Anvisa audit of our Cuddalore facility in May. I am also pleased to share that CRISIL has upgraded our ESG rating from adequate to strong. That just shows about the improving health of our business.

On a very important point, I'm sure a lot of you are expecting us to talk about the strategic review of the ibuprofen business, so I will address it up front. This process is taking us time. We estimate that we will be able to close this in 12 weeks, so we will come back to you with an update on the outcome of the review and the next steps, as I said, in a period of 12 weeks. I personally sincerely appreciate your patience. You really supported us and been patient with us as we built our base business, and I will request a similar patience as we close out on the ibuprofen strategic review. Our balance sheet has strengthened meaningfully during the first half of FY27, and Sarat will take you through the financial details.

As always, I would like to thank our shareholders for your continued support and trust, and I would also like to thank the Solara teammates for all the effort that is being put in.

Before I hand over to Sarat for his opening remarks, happy festive season to all. Over to you, Sarat.

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
Thank you, Sandeep. Good morning, good afternoon, and a very good evening to everyone, and thank you for joining our Q2 FY27 earnings call. Sandeep had already covered the headline results and the highlights of the business, so I will actually focus on the broad-level financial metrics.

For this quarter, Q2 FY27, the overall business has clocked a gross margin of INR197 crores odd, which is roughly 28% increase over Y-O-Y as well as 9% improvement on a Q-o-Q basis. and this gross margin came at a 47.2% of gross margin profile, which is slightly higher than Q1, but albeit it is slightly lower by roughly 200 basis points as compared to last year, which was predominantly driven by incremental raw material costs as well as input costs driven due to the West Asia crisis.

Having said that, our base business has clocked gross margin of 50% plus. Again, we actually do acknowledge this is slightly lower than the previous quarters, driven by a factor of product mix for this quarter as well as incremental input cost which I spoke about because of the West Asia crisis. On the other hand, ibuprofen gross margins has actually recovered to a 36% level during the quarter, driven by changing market dynamics which saw a spike in demand as well as slightly better pricing as compared to the previous quarters. But as Sandeep mentioned, this is something commodity pricing market and this is something which we have to watch for the next quarter as well.

On the operating cost front, we have been able to sustain our cost base roughly around INR120 odd crores, which is predominantly flat over the previous few quarters, hence enabling the incremental gross margin flow through to the EBITDA. Our overall EBITDA margin expanded to 18.4% from 11% around last year, and it is a significant improvement of roughly 720 basis points as compared to Y-O-Y. And also up by close to 200 basis points as compared to Q1 of FY27.

On the depreciation front for the quarter, depreciation was close to INR266 million, which was in line with the previous quarters. However, our net finance cost has actually dropped by close to INR27 million odd -- INR27 odd million as compared to previous quarters, and that's a reduction of roughly 17%. And that has resulted because of reduction of debt by close to INR114 crore during S1.

We have recorded an exceptional loss item of INR45 million, which was predominantly because of unutilized equipment lying at our Vizag facility, which we have sold, and that is something which we wanted to recover cash. And because of this, our PAT, although it has been the highest in the last five years, we had recorded a PAT which is roughly 75% higher on a Q-O-Q basis, resulting in an earnings per share of INR5.92 per share. Adjusted for this exceptional item, EPS would have been further better by close to INR1 per share.

For the first half of FY27, EBITDA was consolidated at close to INR140 odd crores, up 51%, at an

EBITDA profile of 17.5% as compared to close to 15% last year. PAT is something which we have recorded close to INR45 odd crores in H1. Again, this was something as compared to H1. H1 was almost at a breakeven level. Net debt is something which we have focused -- focused on as a company and we have been able to reduce net debt to close to INR500 odd crores from INR614 odd crores which was there as on March 26. Of this reduction, INR100 odd crores came from the rights issue money. Balance 14 crores was from the operating cash flows.

Given this fact, net debt has -- net debt to EBITDA ratio multiple has actually improved to close to 1.8x as compared to 3.2x what we had last year. And this is something we should be able to be in the similar range over the next medium term. However, on a sequential basis, the net debt has moved up by close to INR20 odd crores as compared to June 26. Since we had invested in additional working capital to sustain the -- sustain growth in the business as well as some sort of maintenance capex. Going forward, we will continue to focus on operating cost leverage and margin expansion on our working capital discipline [Technical Issues] be happy to take your questions. Thank you

Questions & Answers

Operator
Thank you very much, sir. We will now begin the question-and-answer session. [Operator Instructions] First question is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor - Analyst, Antifragile Thinking
Yeah, hi, thanks for the opportunity. Hi, Sandeep and Sarat, congratulations on a very strong quarter, especially given the challenges the company has been navigating. I've got a few questions, please. First is regarding this review, Sandeep. I mean, you said the Q2 results would set out the clear path last time around in July. What is still unresolved, and has this quarter's improvement changed the options you are considering? And is the INR45 million Vizag loss a one-off cleanup or the start of a wider reassessment of the INR182 crore Vizag project according to the annual report? That's my first question. Thank you.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Ood afternoon, Sajal. Nice speaking to you again, and thanks for staying invested with us. Regarding the buprofen review, I know we did make a mention in earlier calls that you would hear back from us in Q2. And as I said, we need to -- we need many of you to have patience with us because this is not an easy decision. Nothing has changed in our options, Sajal. I mean, the options staring at us are the couple of options that we talked about. One is repurposing the plant from being a single product dedicated facility into a multi-product facility. And in that multi-product facility, among others, we can do intermediates as well, the intermediates that we use for capsule consumption. And of course, the other option is the eternal option of finding an appropriate buyer who can take the facility.

I think nothing has changed in the options we have, but we just need a little more time to make a decision that's good for all our stakeholders. So I'm hoping that, while there will be a lot of questions around it, I'm requesting everybody's patience for that additional 12 weeks to sort of come out with that final analysis. I'm sure that, that whatever we decide on will be extremely good for Solara as well as all the stakeholders.

Sajal Kapoor - Analyst, Antifragile Thinking
Sure, sure, thank you. And that Vizag one-off claim, Sarat, is that -- is that a one-off or a...

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
Sajal, currently that is something which is a purely one-off and hence we have actually categorized that as an exceptional item. Having said that, once we complete this entire review around the ibuprofen piece of the business, that is something at that point of time we'll be having much more information in terms of if we have certain wider spread as well. Otherwise, at this point of time, from Vizag standpoint we don't foresee anything further coming at this point of time.

Sajal Kapoor - Analyst, Antifragile Thinking
So, this, this INR4.5 crore is purely the ibu-related assets from Vizag, right?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Correct, yes. We are just trying to monetize our assets and we got a buyer for some of these ibuprofen assets that we had in Vizag. So we thought it's better to monetize it than have it just lying idle out there.

Sajal Kapoor - Analyst, Antifragile Thinking
No, absolutely. That -- that's in fact, that's now positive. And Sandeep, I mean, just to better understand, I know we have got big pharma relationship on ibuprofen and it has been a very longstanding relationship, and with the same relationship with the same customers, we may be having other products as well in one or more markets. So that is a significant dynamic. I mean, other than that relationship thing, what has changed structurally in ibuprofen, meaning cost position, customer mix, or market share as opposed to simply, you know, the market being benign, thanks to the BASF related supply disruption.

And if, you know, everything normalizes, let's say tomorrow, we live in a random, chaotic, uncertain world, right? So if the BASF or some sort of a supply constraint whatever we are facing and that's why ibuprofen prices are high today. Tomorrow if that situation reverses, are we then back to that 10 to 15 quarter -- INR10 crore to INR15 crore quarterly loss you guided in July?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So let's speak about ibuprofen this quarter, and I think Sarat gave a view into this. See, a lot of it is macroeconomic conditions. I think the West Asia crisis continues, solvent prices are rising, raw material availability continues to be an issue. But thankfully given the credibility we have with our customers, a lot of customers have really helped us by increasing the prices, right? So it's a mix of better prices and some macroeconomic conditions that has helped us breakeven in this quarter. Okay. And, so that's the piece on ibuprofen. Will we get back to the earlier days when we had INR10 crores, INR15 crores, it's very difficult to say that at this time, but I can tell you that the general health of the ibuprofen business has improved as well, but in this particular instance it's more macroeconomic conditions that's driving the breakeven.

Sajal Kapoor - Analyst, Antifragile Thinking
Sure, sure. And Sarat one bookkeeping balance sheet question for you before I rejoin the queue. I see in the published numbers the trade receivables have increased more than fourfold Y-O-Y. I

mean, what is driving that increase? And is it primarily higher revenue, longer payment terms? Or is it something like customer concentration or some late shipment that has resulted in this unusually high receivables? Any color will be helpful. Thank you.

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So, as you rightly said, our trade receivables are slightly on the higher side. That is actually predominantly driven by two factors. One is, if you see, our entire revenue base has actually gone up by, as compared to last year, by close to 50% plus, okay. Second, so right at the quarter end, again just like most of the other companies, we also have a challenge of linearity. Most of our billing happens in the last one week to 10 days of the quarter. And because of challenges with respect to container availability because of all this crisis what's going on, all those shipments are actually not being able to move out by 30th of -- 30th of that particular month or something.

So because of that, whatever is getting moved, say, if my earlier SLAs of billing to shipment was close to two or three days, now that is extending up to five to seven days plus. So because of that, that entire chunk of one week billing plus increased revenue on an overall quarterly basis, that is actually impacting this particular trade receivables. Having said that, we have not extended any payment terms or something for any customers or we have not changed our payment terms adversely.

Sajal Kapoor - Analyst, Antifragile Thinking
No, that's helpful. I've got more questions. I will rejoin the queue. Thank you.

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
Thank you.

Operator
Thank you. Next question is from the line of Shilpa Sabu from Lotus Wealth. Please go ahead.

Shilpa Sabu - Analyst, Lotus Wealth
Uh, thank you for taking my questions and congratulations on the great set of numbers, sir. A small but important remark on our gross profit margins. In last three quarters, CPT, our GPM is calculated after sales and distribution cost, which is done by any company. And generally for API companies, marketing costs are 3% to 4%, distribution costs are 5% to 6%. So I feel our gross profit margin is 60% and not 50%, and due to this we might not be able to get a fair valuation.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
We take your input on board, but that's the accounting methodology that we use, but we have noted what you have to say. Thank you. Thank you, Shilpa.

Shilpa Sabu - Analyst, Lotus Wealth
Okay, sir. And, secondly, out of the amount that is increased in our net debt, how much has increased on behalf of capex?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So again, as we had previously said, we we are close to committing to close to INR40 crores to INR50 odd crores of capex on a yearly basis. So out of that, on an average, every quarter we normally spend close to INR10 crores to INR15 crores kind of a range in terms of capex. So, some

part will be that because of 10, and then balance INR10 crores to INR15 crores is if you see our inventory numbers, our inventory numbers are slightly higher by close to INR20 odd crores during this quarter. Because again, because we are seeing so many challenges in terms of raw material security versus supply issues, we want to have sufficient stocking so that we have the entire flexibility of manufacturing what we want for a particular quarter.

Shilpa Sabu - Analyst, Lotus Wealth
Yes, sir. Thank you so much.

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

Operator
Thank you. Next question is from the line of Kushal Goenka from Mangal Keshav. Please go ahead.

Kushal Goenka - Analyst, Mangal Keshav
Yeah, hello Sandeep and Sarat, congratulations on a good result. A question is that Solara derived INR328 crore of revenue in FY26 from Strides itself. That's like a quarter of FY26 revenue based from a related party. And also the receivables from Strides have increased from INR63 crore to INR160 crore at a time when our balance sheet really needs some juice. Even follow-up to this, what Sajal Kapoor also said that the receivables in Q2 FY27 is around, I think INR506 crore. So is that a majority of it from a related party? So how do you see into these transactions and what plans to maintain a more prudent receivable?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So again -- so from a related party transaction point of view, Strides on an average contributes to roughly 25% of the business only. So, that business contribution has actually not changed drastically over a quarter -- over the period. But, however, for each subsequent quarter depending on the individual product mix, because again, Strides also considers certain billings on a production campaign basis and we also supply to Strides based on whatever production campaigns which we run. So depending on that particular thing, certain quarters that number can be slightly more than 25%, up to 30%, 5% as well. But average for the full year will not be beyond 25%, 26%.

Operator
Thank you. Next question is from the line of Ameya Deosthali from ValueEquity. Please go ahead.

Ameya Deosthali - Analyst, ValueEquity
Hi, am I audible?

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

Operator
Yes.

Ameya Deosthali - Analyst, ValueEquity
First of all, congratulations on a good set of numbers and the plan on the base business and DMF

filing seems to be going very well. So I had a question along those lines. So, on the recent filing, right, of Valbenazine, what is the kind of outlook we have here with the customer in the US? What are we targeting here? Are we the sole supplier? So I would Appreciate if we get some more dynamics on this filing and the way forward in the R&D side.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So you are right, we have filed a DMF in this quarter, and I would not like to get into the dynamics of the -- to how that market goes, but we can of course take the question offline, right? I mean, needless to say that we do our analysis defore we pick a product, and there is -- there are certain reasons based on number of DMFs filed or the patent expiry horizon or the market size, the kind of players in the market that decides which products we get into.

Ameya Deosthali - Analyst, ValueEquity
Right, right. No, I understand that, and I think I just want to highlight that as a positive gesture because as you see, DMF filing picking up, it's going to contribute further on as the business goes post-ibuprofen as well, right? So I just wanted some more outlook on this. So on the R&D side, do we continue this trajectory of filing two to four DMS per year over the next three years?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
That's right, Ameya. I will -- I will comment on this year first because I keep saying if you can get this year right, we will get the future years right as well. This year we believe that we can do five DMS filings. We've done one last quarter, we've done one this quarter, and I'm hopeful that we can do three more by the end of this financial. Coming from a space where we didn't file a single DMF in the last three years, I think we have a good trajectory on the R&D efforts and the DMF filings.

Ameya Deosthali - Analyst, ValueEquity
Right. This is great to hear. Thanks and all the best to you.

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

Operator
Thank you. [Operator Instructions]We will take our next question from the line of Ayush from Verdamann Family Office. Please go ahead.

Ayush - Analyst, Verdamann Family Office
Hello, am I audible?

Operator
You are audible. Yes,

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
We can hear you, Ayush.

Ayush - Analyst, Verdamann Family Office
Sir, just a small request, and on the ibuprofen side, so is that ibuprofen business is doing great in this quarter so we are reassessing [Indecipherable] or something, the plan which I have done because we have delayed from ibuprofen from Q3 that you have told. So it's from now Q2 FY27, so it's been four quarters. So would you like to throw some light on the same?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, is the ask that has the timeline of our review been extended because of this ibuprofen performance? Is that the question?

Ayush - Analyst, Verdamann Family Office
No, the question is that are we reassessing the things, this quarter the ibuprofen business is doing good, so we are analyzing the plan again or something like that?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
No, no, no, I wish it's -- we are not -- of course, look, we are analyzing the -- we are reviewing our strategic options that we have. And some of these feedbacks, including the one that people mentioned about one of these big ibuprofen manufacturers trying to exit will play on the decision that we take, right? But these -- in these strategy reviews we are not looking at one-off or quarterly performance. There will be big strategic decisions based on big market conditions.

Operator
Thank you. Next question is from the line of Maulik Vaidya from 361 Capital. Please go ahead.

Maulik Vaidya - Analyst, 361 Capital
Hi, sir. Thank you for the opportunity. I hope I'm audible. So just wanted to understand, on the base business our gross margin is slightly under pressure. So what would be a sustainable gross margin over a medium to long term?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So, Maulik, if you -- so we have been always maintaining that we are very comfortable to sustain a gross margin of close to 52% to 55% kind of a range. So, adjusted for the raw material price increase which we have not been able to fully recover as a pass-through mechanism due to this West Asia crisis. So once we adjust to those numbers, we are reported gross margins of roughly 50.5% will be close to 53 plus. So this is something which we are comfortable in terms of retaining those levels.

Maulik Vaidya - Analyst, 361 Capital
Understood, sir. Also, is there any lever for our EBITDA margins to expand further?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So, from a cost perspective, I believe we will be more or so flattish in this particular range, maybe a plus minus 2%, 3% here. But at the same time, now going forward, any gross margin expansion from either by expansion of volumes or expansion of territories what we are working on, that should actually flow significantly through to the EBITDA.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
I think two things. This is Sandeep here, Maulik. I think two things that we're also working in the background is how do we manage our opex and create meaningful capacity. So all the operational excellence initiatives we are taking up and all the incremental debottlenecking that we are doing with incremental capex for high-margin products will only help us better at EBITDA number.

Maulik Vaidya - Analyst, 361 Capital
Understood, sir. Thank you so much.

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

Operator
Thank you. Next question is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor - Analyst, Antifragile Thinking
Yes, thanks for the follow-up again. Sandeep, how was this CPHI different from previous years from your perspective? I mean, what stood out for you and team this time around?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
To start with, our stall was much bigger, brighter and better. So that's the first observation. But I think it was a -- it was a very productive CPHI. I think we had a full team out there. We had a lot of customer footfall as well, and we could get that feel of reaching out to newer markets and finding newer customers for our products. So that's from a Solara perspective. From a market perspective I think customers from some countries could not make it to CPHI, so they were sorely missed, right? But in general, I think I saw all the big Indian and Chinese manufacturers out there at CPHI, and the Europeans as well

Sajal Kapoor - Analyst, Antifragile Thinking
No, definitely, Sandeep [Foreign Speech] I had to go around several angles [Foreign Speech] just to get the evidence, right? On that CPHI, I think the key theme was AI-led manufacturing. So, I mean, as AI accelerates research and more molecules move from discovery into manufacturing, that may not happen tomorrow but maybe next year or the year after. I mean, do you see that creating a structural increase in demand for physical reactor capacity and therefore a larger opportunity for CRAMS products?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Definitely, Sajal. As the product development timelines shrink and more molecules make it to the patients, I think there is a bigger role for API companies to play. So if AI helps in reducing development times, that is helpful for API companies as well, right? But I think there is a -- there is a lot of play for AI even on the manufacturing front in terms of reducing cycle time, improving yield, reducing cost and so on. So AI has got a big role to play within the API companies as well, not only putting new products on the table but also helping connect the organizations.

Operator
Thank you. Next question is from the line of Bhavika Singhvi from Niveshaay. Please go ahead.

Bhavika Singhvi - Analyst, Niveshaay
Yeah, thank you for the opportunity. First of all, many congrats for a good set of numbers. So, sir, first question I have is on the Vizag plan, which we are -- for which we are evaluating the options. Just want to understand what view we are making, like once we have the decision to sell it, were we uh, expecting it to use because in the last call you have mentioned that you have been evaluating a few high potential API manufacturing capability. So just wanted to understand that, are we on the path to do that or have we started doing the approval process and all for that?

And the second, as we are planning to, like, diversify from that business, have our customers started approaching us for the, like, hey are ready to give us more volume so that we continue the business? Like, just wanted to understand from the Vizag business which we are evaluating?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, Bhavika, a couple of questions you asked us. The Vizag facility, as you know, is mothballed. We are not currently manufacturing anything there, okay. So the question of customers giving us additional products for Vizag today does not arise.

Regarding the first question about selling off Vizag, I don't think we made an announcement to that effect anywhere. All we said is we're looking at strategic options for Solara, and those strategic options sort of revolve around the CRAMS piece, the Vizag piece, and ibuprofen. But we have never explicitly stated what we are going to be doing on Vizag. So I, I'd request your patience and wait till we complete the review. And we've asked for 12 weeks, and we will come back to you with the final answer.

Bhavika Singhvi - Analyst, Niveshaay
Yeah, yeah, understood. But you mentioned before that you have like some assets, might you have sold, like machinery or maybe like that?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Yes, that was just equipment. There were certain equipment that we had purchased for ibuprofen in Vizag. Since Vizag is not manufacturing ibuprofen and this is fairly new equipment, so we decided to monetize it because we have -- we had a buyer for it. So sometimes as I was telling somebody, it's better to monetize an asset than just let it collect dust on the shelf. So that was the context behind selling specific equipment related to ibuprofen manufacturing, but it's got nothing to do with the site as a whole.

Bhavika Singhvi - Analyst, Niveshaay
Got it. And sir, the other thing I want to understand on the base business, like, as we are doing quite good growth in that, can you make me understand like which particular molecule or the therapy area are leading this growth for us and where we are seeing like major growth coming in near term from like the base business, which molecule we can expect to be a major growth driver for us?

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

So, Bhavika, as an API manufacturer, we are largely therapeutic area agnostic. Our product selection is driven more by chemistry fit, regulatory complexity and customer demand rather than by a therapy area. That said, anti-infectives, cardiovascular, neurology, nephrology, NSPC, and CNS are some of the areas in which we have products, and together they would probably account for 70% of our product offerings. But again -- I again reiterate, as an API company we are therapeutic therapeutic area agnostic.

Shilpa Sabu - Analyst, Lotus Wealth
Perfect. Okay, that's all. Thank you.

Operator
Thank you. [Operator Instructions] Next question is from the line of Pranav Chawla from JM Financial AMC. Please go ahead.

Pranav Chawla - Analyst, JM Financial AMC
Hi, good evening, sir. Congratulations on a relatively good set of results. Sir, a couple of questions from my end. One, can you break up your base business as well as ibuprofen business growth into value on volume?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Base and ibuprofen business on value and volume. So, Pranav, I think in our report out we had given individual numbers for the base and the ibuprofen business. So value you can get from there. Volumes we don't disclose for now.

Pranav Chawla - Analyst, JM Financial AMC
Volume by value I mean, what is the price-driven growth and what is the volume-driven growth?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So again -- so, specifically when I talked about base business just because of this particular increased pass-through, that cost is roughly close to INR20 crores, INR22 odd crores in terms of base business. And in terms ibuprofen business, something which is an increased pass-through, that is close to INR10 crores to INR12 crores odd in terms of price increase. So on a consolidated basis if we have reported INR418 odd crores of revenue, out of that close to INR25 crores to INR30-odd crores will be because of price increase. Balance is something which is because of volume expansion.

Apoorva Mehta - Analyst, AM Investment
Got it. And sir, incrementally how has been your ability to pass on, say whatever price increases that would have happened or rise in inventory cost as well as shipment, how have you been able to manage it so far? And do you see upcoming headwinds, say, in the third quarter or so? Do you expect the situation to get slightly worse in the coming quarters?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So we have been facing these headwinds almost since Q1, and if you recall, we have been reporting since Q1 a slightly lower gross margin profile as compared to historically what we have been reporting. Even for this quarter we have reported only 50% gross margin for our base business as compared to historically wherein we have also reported close to 53%, 55% kind of a number. So

most of this 3% is something, although we are having an effort to have that price increase passed on, but we are not able to pass on to customers at every stage or say with every customer and every product. And this is a headwind which based on the current industry dynamic probably this is something which we'll have to live with for at least one, two quarters more.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
That depends on how long the crisis lasts, so that's beyond us. But we have learned to live with the crisis and make the most of the situation.

Pranav Chawla - Analyst, JM Financial AMC
Correct. And Sir, for your base business products, how backward integrated are you? And from -- and if you procure, say, KSMs, anything from outside, which are the key geographies from which you procure these, can you just give some color on that as well? And that is my last question.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
We buy these KSMs from vendors -- from manufacturers in India. We buy them from manufacturers in China. Of course, China and India account for a bulk of the KSM purchase. Besides that, we also purchase some strategic KSMs from Europe as well.

Ameya Deosthali - Analyst, ValueEquity
Can you give a breakup of how much would be India plus China together between the pie and how much...

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So, roughly China would be close to 20%, 25% of the procurement value what we purchase broadly, and predominantly it is out of India, but It might be possible that our KSM vendors' starting material can be out of China. So that is something which we actually don't keep track of where exactly that is coming out of from to a very great extent. But -- so broadly from our procurement perspective, 20% to 25% from China, roughly 60%, 70% in India, and the balance will be in Europe.

Pranav Chawla - Analyst, JM Financial AMC
Got it. Perfect. Thank you so much, sir.

Operator
Thank you. Next question is from the line of Apoorva Mehta from AM Investment. Please go ahead.

Apoorva Mehta - Analyst, AM Investment
Yes, sir. Congratulations on a great set of numbers. Sir, can you just let us know the demand scenario? How is currently you're looking about demand for the APIs? And one more question that, is it possible we become profitable on the ibuprofen side in the current quarter?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So demand for API as you can see in our numbers we have, our volumes -- our revenues have gone up significantly because our customer base has increased and we are manufacturing more of the products. So as far as we are concerned, there is a good demand for the API.

Apoorva Mehta - Analyst, AM Investment
Okay.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
As far as profitability of ibuprofen is concerned, I don't have a crystal ball, Apoorva. I am hoping that we can produce the same magic that we did in Q2, but a lot of it depends on macroeconomic factors. A lot of it is outside our control. So we are trying our best, as Sarat said, to try and see how much of these costs we can pass on to customers, can customers help us with increased prices? How do we manage solvent price increases? How do we manage raw material availability? But very difficult to guess whether we can keep up the same breakeven performance in Q3 as well.

Apoorva Mehta - Analyst, AM Investment
Okay. And any possibility that, you know, quarter three, quarter four, the gross margin will be a little bit higher because of now we should have negotiated for price revision, everything. So there is a possibility that the gross margin can inch up a bit, like 1% or 2% in third and the fourth quarter?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
This is specifically For ibuprofen that you are asking?

Apoorva Mehta - Analyst, AM Investment
No, no, no, no, on the base business.

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
See, like possibility of increase of gross margin is always there. But having said that, it's something because in an API environment we normally don't have the privilege of multi-quarter contracts or say multi-quarter POs in place. And then most of the POs are normally on a kind of a revolving basis for each quarter. And then because of all this changing price dynamics, we are also like experiencing changing price dynamics both on the supply front as well as on the input cost front. So, like, obviously that -- obviously there's a possibility. That is what we are actually working for. But to put a like finger on something saying that we will improve by 2% surely for next quarter or say going for two quarters will be very difficult at this point of time.

Apoorva Mehta - Analyst, AM Investment
And there is any seasonality in the business? Like normally we have seen like Q4 and -- Q3, Q4 are much stronger than Q1, Q2. Is there any seasonality or no?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, part of our product portfolio, normally we actually don't have a seasonality to our demand. But yes, based On our production campaigns what we run, because to actually optimize our manufacturing capabilities what we have in terms of capacity, we do have certain campaign productions, one that is aligned with the campaign demand of the customers. That might impact slight product mix for each quarter, but we don't have a seasonal demand for a certain product or something except one product which is Oseltamivir. But again, having said that, Oseltamivir, although we have this this flu season which actually runs from Q3 to Q4, there are formulators who have a practice of procuring Q1 as well, Q2 as well, procuring Q3 as well. So this is something as a

product, Oseltamivir has a seasonality factor, but from a purely commercial demand and supply perspective, I don't think that weighs too heavily on the portfolio.

Apoorva Mehta - Analyst, AM Investment
Okay, thanks a lot and wish you all the best, and hopefully we see some news for selling our ibuprofen plants.

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

Apoorva Mehta - Analyst, AM Investment
Yeah,

Operator
Thank you. Next question is from the line of Rahul from ACE. Please go ahead.

Rahul - Analyst, ACE
Thank you for the opportunity. Sir, I wanted to understand that, you know, we have been trying to, you know, turn around this business for a long time. I mean, we as in like, you know, the leadership team before -- that was there before you as well, right? But now it seems by the numbers in the last one or two quarters actually we are able to turn around the business. So just wanted to understand what have we done differently than the previous management team that was there? So just wanted to understand on that part as well.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So firstly, I'd like to thank the previous management. I think they've done a brilliant job in creating this platform.

Operator
I'm so sorry to interrupt you, sir. Your voice is cracking. We are not able to hear you properly.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Can you -- can you hear me now?

Rahul - Analyst, ACE
Can you -- can you hear me, sir?

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

Rahul - Analyst, ACE
Yeah. Did you get my question or should I repeat it once?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
No, no, we got your question, Rahul. Okay, so let me go to your first question. You talked about

turnaround. I'd be cautiously optimistic. I would say we've turned around if we can get another two quarters in line with the current quarter or better than the current quarter. So that for me would qualify as a turnaround. So again, let's see how the next couple of quarters pan out.

And the second question you had is what have we done differently. As I said, I want to thank the previous management, they have done a brilliant job with the platform. I think what Sarat and I have and the whole Solara team has done differently is, I think very -- we've been very judicious, we've been very focused on execution, we've been very focused on generating cash and financial discipline, and we've sort of put a lot of efforts on trying to create the products for high-margin products that really need that capacity. So in general I think we've just tried -- it's just the planning has really helped us make the platform [Indecipherable]

Operator
I'm so sorry sir, we are not able to hear you if you are speaking.

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
Can we take the next question?

Operator
Sure, sir. Next question is from the line of Vishal Verma from Quintillion Global LLP. Please go ahead.

Vishal Verma - Analyst, Quintillion Global LLP
Hello, and thank you for taking my question and congratulations for a good set of numbers. Sorry, actually I joined a little late, so I don't know if this is being asked, but my question is on any new chemistry platforms that Solara is researching on as well as what are some key therapeutic areas that we are working on? Yeah, that's my question.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, key therapeutic areas, I think I answered, Vishal, I answered this a few minutes back, but I'll keep it concise. As an API company, we are therapeutic area agnostic and we really select products based on chemistry, regulatory complexity and customer demand.

The next question is, you spoke about new chemistry. I think we have our hands full right now based on the products we have, but typically we look at products that have difficult chemistry. As you know, we have a very strong position in polymers, so polymers is one area which we are focusing on. But in general we look at chemistries where we -- which lead to products that are difficult to develop.

Vishal Verma - Analyst, Quintillion Global LLP
Okay, okay, that's great, great, great. That was my question. Thank you. Thank you very much.

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

Operator
Thank you. Next question is from the line of Vandit Dharamshi from Memora Advisory Private Limited. Please go ahead.

Vandit Dharamshi - Analyst, Memora Advisory Private Limited
Hi, sir, thank you for taking my question. Despite the drop in gross margins, you were able to hold our EBITDA margins well. In fact, EBITDA margins have improved. So, keeping everything status quo, would we have some more low-hanging fruits where we could -- we could work on some low-hanging fruits by which we could improve our EBITDA margins from here on?

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
So, Vandit, we would not like to categorize something as a very low-hanging fruit or something because -- but having said that, obviously there is a scope for improvement of EBITDA margin because we are working on certain territory expansion as well as expansion in volumes, or say in terms of getting a higher wallet of share from our existing customers. So once this expansion of volume plays through and since we had already spoke that our cost is something which we don't significantly expect it to go up in tune with our revenue expansion, So that incremental gross margin should actually flow into EBITDA. So EBITDA expansion, surely we have a scope, but these are not something which are low-hanging fruit. This is something which the teams are working on and some things will take few quarters, some things will take few months in terms of a timeline.

Vandit Dharamshi - Analyst, Memora Advisory Private Limited
Understood, sir. And my next question is on the demand environment for ibuprofen. I the last three or six months, maybe this quarter and next six months, some changes that you've been observing on ground, both locally and globally. If you could just share your thoughts on that.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Iis the question, is there an increase in demand on ibuprofen? Well, I would say...

Kushal Goenka - Analyst, Mangal Keshav
Not really, regarding demand increase. I think it would not be more than 3%, 4%, but in terms of competitive landscape, in terms of supply, maybe everything together, not just demand.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Okay, I mean -- okay, I mean, there are players in India who are increasing their capacity, right? I mean, it's split in public domain. And then on the other side you have players in the Western world who we hear are shutting down their facilities. So this is a -- this is a time where we are just waiting and watching. Solara is qualified by a number of the marquee customers worldwide, and we are very particular about whom we do business with. So typically we do business with marquee customers where we have long-term associations as the business is very sticky. We try and keep away from businesses where the gross margins are very low. So, like you asked, I think there's so much changing on the ground in terms of capacity expansion, some formidable players we hear are leaving, that we really need to see how this whole thing pans out.

Vandit Dharamshi - Analyst, Memora Advisory Private Limited
Understood sir. Thank you so much and wishing you all the very best.

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

Operator
Thank you. Now we will take the last question from the line of Nishant Bhatt from Equity Works Limited. Please go ahead.

Nishant Bhatt - Analyst, Equity Works Limited
Am I audible?

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

Nishant Bhatt - Analyst, Equity Works Limited
Yeah, first of all, congratulations on a great set of numbers. We know that currently our CRAMS platform is quite small, so I just wanted to know some, like, what are your plans or strategy to grow this CRAMS platform over the next three to five years long term? And could you share any three to four, you know, measurable KPIs?

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
So, Nishant, you are right. Our CRAMS business is very small today as part of our overall business. So there is -- it's still at a stage where we are going out there and offering our services and offering our chemistry. And given the scale at which we operate, both small and large as well as the accreditations we have, you know, Japan, Brazil, US, Europe, I think we make a very strong case for somebody who can be a CMO, CDMO partner. So we are going out there. I'm hoping that we will be able to build this traction over the next few years, but for now we are focused on more immediate priorities is trying to get the best out of the existing products we have because that's a near-term opportunity. So the focus today is on debottlenecking, operational excellence, cash generation, expanding the reach for our current products, invigorating our R&D engine. So CRAMS is happening in the background, but the focus today is on what we have in the play today.

Operator
Yeah, thank you. Ladies and gentlemen, that concludes our question-and-answer session. I now hand it back to the management for closing comments.

Sandeep Rao - Managing Director & Chief Executive Officer, Solara Active Pharma Sciences Limited
Thank you. I'd just like to again wish everybody a happy festive season. Thanks for staying invested in Solara. Thanks for your support. Thanks for your trust. And appreciate all the patience you have shown as we go about building our company. Thanks a lot.

Sarat Kumar - Chief Financial Officer, Solara Active Pharma Sciences Limited
Thank you.

Operator
[Operator Closing Remarks]