

BOARD'S REPORT

Dear Members,

Your Directors have pleasure in presenting the Third Annual Report of Solara Active Pharma Sciences Limited (the Company) together with the audited financial statements for the year ended March 31, 2020.

1. FINANCIAL SUMMARY

₹ in Crores

Financial Results	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Gross Revenue	1,349.26	1,398.71	1349.27	1,399.06
Profit before interest, Depreciation and Tax	276.20	231.71	279.34	231.58
Profit before tax	112.49	68.36	114.91	67.67
Profit after tax	112.49	66.35	114.52	67.09
EPS (basic) on the basis of ₹ 10/- per share	43.47	24.53	44.29	24.87
EPS (diluted) on the basis of ₹ 10/- per share	42.03	24.50	42.82	24.83

The above financial results pertains to continuing operations of the Company.

A detailed analysis of the operations of the company is provided in the management discussion and analysis report, which forms a part of this annual report.

2. BUSINESS OVERVIEW

We are a global, R&D focused, pureplay API company engaged in the manufacturing and development of APIs and offering Contract Manufacturing and Development Services for global companies. We have a highly compliant manufacturing footprint spread over six large scale multi-product facilities supported by a team of 2300+ employees. Our business is spread across 75 countries with extensive operations in the key markets of North America, Europe, Japan, South Korea and the Middle East and North Africa. We are poised to create strategic value in the B2B space with a basket of high-value products, compliant manufacturing base, long term supply assurance and strong customer advocacy.

In view of the COVID-19 advisory issued by the WHO, ICMR and local authorities, we took a temporary shutdown across our locations and have also taken several proactive measures towards providing a safe working environment for our employees and ensure business continuity for our partners. While this global pandemic has brought the world to a screeching pause, we believe that the pharmaceutical industry, globally, would see a faster pick up as the companies discharge their responsibilities towards the patients in need.

Further we have stopped the manufacturing and distribution of Ranitidine as USFDA has determined that the NDMA impurity in some formulations products increases over time when stored at higher temperatures. Ranitidine constitutes approx. 7% of our overall revenues. The process is on to find alternate products, which can effectively utilize the capacity released through ranitidine withdrawal.

3. DIVIDEND

The Board of Directors of the company are pleased to recommend a dividend of ₹ 2/- per equity share of face value of ₹ 10/- each for the financial year ended March 31, 2020 subject to the approval of the shareholders of the company at the ensuing annual general meeting scheduled to be held on August 4, 2020.

The Register of Members and Share Transfer Books will remain closed from July 30, 2020 to August 4, 2020 (both days inclusive) for the purpose of payment of dividend for the financial year ended March 31, 2020. Dividend, if approved by shareholders, will be paid within 30 days from the date of declaration of dividend.

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company has adopted a Dividend Distribution Policy. The said Policy is available on the Company's website and can be accessed at investor page of our company's website www.solara.co.in.

4. SHARE CAPITAL

The Authorized Share Capital of the Company as on March 31, 2020, stood at ₹ 1,20,00,00,000/- divided into 12,00,00,000 equity shares of ₹ 10/- each.

The authorised share capital of the Company is increased from ₹ 40 crores to ₹120 crores pursuant to merger of Strides Chemicals Pvt. Ltd. with the Company as per the scheme of amalgamation approved by NCLT. The Company has filed necessary forms with the Registrar of Companies, Mumbai, for updating the increase in authorised share capital and such form is pending for approval.

The Issued, Subscribed and Paid-up Equity share capital of the Company as on March 31, 2020, stood at ₹ 26,85,52,670/- divided into 2,68,55,267 equity shares of ₹ 10/- each.

There has been increase in the Paid-up share capital of the Company during the financial year on account of:

- a) Allotment of 2,81,000 equity shares consequent to exercise of stock options by the employees.
- b) Allotment of 8,00,000 equity shares pursuant to conversion of warrants by the promoter group entity.

5. EMPLOYEES STOCK OPTION PLAN

The Company has formulated and rolled out the "Solara Employees Stock Option Plan 2018" in the year 2018.

During the year under review, Nomination and Remuneration Committee of the Board (NRC Committee) has granted 1,90,000 options convertible into equal number of equity shares of face value of ₹ 10/- each to the senior management personnel of the Company. Statement giving detailed information on stock options granted to Employees as required under the Companies Act, 2013 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 is enclosed as Annexure 9 to this Report.

6. AMALGAMATION OF STRIDES CHEMICALS PRIVATE LIMITED

During the year, the Company's wholly owned subsidiary Strides Chemicals Private Limited (Strides Chemicals) was amalgamated with the Company.

The Honourable National Company Law Tribunal, Mumbai Bench, approved the Scheme of Amalgamation of Strides Chemicals with the Company on December 20, 2019. Accordingly, the Company has fixed Effective Date for the Scheme is February 1, 2020. The appointed date for the scheme is September 1, 2018. The Company has completed filing of necessary documents for giving effect to the Scheme.

Consequent to the amalgamation, the entire equity shares held by the Company in Strides Chemicals stands cancelled.

7. GREENFIELD PROJECT AT VIZAG

The Company's new plant situated at SEZ unit, Plot No.: 3B, 3C, 3D, Part 2 and 2A-1, APIIC-APSEZ, Atchutapuram Village, Rambilli Mandal, Visakhapatnam - 531011, Andhra Pradesh, has commenced commercial production.

8. MATERIAL CHANGES AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments occurred, affecting the financial position of the Company, between the end of the financial year and the date of this report.

9. SUBSIDIARIES

The details of Subsidiary Companies and their financial position as required under the first proviso to Section 129(3) is given in Form AOC-1 as Annexure-1 as part of this report.

10. CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standard of Corporate Governance and adhere to Corporate Governance guidelines as laid out in the Listing Regulations.

M/s. Mohan Kumar and Associates, Practicing Company Secretaries, have examined the requirements of Corporate Governance with reference to Listing Regulations and have certified the compliance, as required under Listing Regulations. The Certificate in this regard is attached to this report.

As required by Listing Regulations, a certificate from a Practicing Company Secretary that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the companies is attached to this Report as Annexure 8.

Further, Annual Secretarial Compliance Report issued by Practicing Company Secretary, pursuant to Circular dated February 8, 2019 issued by SEBI is also attached to this Report as Annexure 11.

11. MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Schedule V of Listing Regulations "Management Discussion and Analysis" is given separately and forms part of this Report.

12. NUMBER OF MEETINGS OF THE BOARD

During the financial year 2019-20, the Directors met four times i.e., on May 16, 2019; August 13, 2019; October 22, 2019 and February 6, 2020.

13. DIRECTORS & KEY MANAGERIAL PERSONNEL

As on date of this report, the Company has 8 directors comprising of 2 Executive Directors, 2 Non-Executive Directors and 4 Independent Directors. Chairman of the Board is a Non-Executive Director. The details of each member of the Board as on the date of this report forms part of Corporate Governance Report.

Retire by Rotation:

- a) Mr. S. Hariharan, Executive Director - Finance & CFO, retires by rotation at the ensuing Annual

General Meeting and being eligible, offers himself for reappointment. Your directors recommend his reappointment.

Detailed profile of the Directors is attached as Annexure 6 to this report

During the year, Mr. Bharat R Sesha appointed as Chief Executive Officer of the Company and he has been designated as Key Managerial Personnel with effect from February 6, 2020.

The following are the Key Managerial Personnel (KMPs) of the Company:

- Mr. Jitesh Devendra, Managing Director
- Mr. S. Hariharan, Executive Director-Finance & Chief Financial Officer
- Mr. Bharat R Sesha, Chief Executive Officer
- Mr. B. Sreenivasa Reddy, Chief Operating Officer, and
- Mr. S. Murali Krishna, Company Secretary

14. DECLARATION BY INDEPENDENT DIRECTORS

In accordance with Section 149(7) of the Companies Act, 2013 each Independent Director has confirmed to the Company that he / she meets the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013 and Regulation 25 of the Listing Regulations.

15. BOARD EVALUATION

The Companies Act and Listing Regulations relating to Corporate Governance contain provisions on evaluation of the performance of the Board and its Committees as a whole and Directors including Independent Directors, Non-Independent Directors and Chairperson individually. In pursuant thereof, annual evaluation of performance of the Board, working of its Committees, contribution and impact of individual directors has been carried out through a questionnaire for peer evaluation on various parameters.

16. PARTICULARS OF EMPLOYEES

The statement containing particulars in terms of Section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report and is appended herewith as Annexure 7 to the Boards' report

The statement containing particulars in terms of Section 197(12) of the Companies Act, 2013 read with rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. Considering the first proviso to Section 136(1) of the Companies Act, 2013, the Annual Report, excluding the aforesaid

information, is being sent to the members of the Company and others entitled thereto. The said information is available for inspection at the registered office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. Any shareholder interested in obtaining a copy thereof, may write to the Company Secretary in this regard.

17. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has undertaken "Corporate Social Responsibility (CSR)", initiatives in areas of Health, Education and Employability, which are projects in accordance with Schedule VII of the Companies Act, 2013.

A detailed report on CSR activities undertaken during the financial year 2019-20 is enclosed as Annexure-2 to this Report.

18. RISK MANAGEMENT

The Company has a risk management framework for identification and managing risks. In line with the requirement under SEBI listing regulations, the Company has constituted a Risk Management Committee (RMC), comprising members of the Board and Senior Management Personnel. Composition of RMC is provided in the Corporate Governance Report, which forms part of this report. RMC is entrusted with the responsibility of overseeing strategic, operational, financial risks that the organization faces, along with the adequacy of mitigation plans to address such risks. Additional details relating to Risk Management is provided in the Management Discussion and Analysis, which forms part of this report.

19. LOANS, GUARANTEES OR INVESTMENTS

Particulars of investments made, loans given and guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are provided in Note No. 49 to the Standalone Financial Statements in the Annual Report.

20. CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All the transactions with related parties are in the ordinary course of business and at arm's length basis. The transactions with related parties are disclosed in Note No. 43 to the Standalone Financial Statements in the Annual Report. The disclosure of contracts or arrangements with related parties for material transactions is furnished in Form AOC-2 as Annexure 10 as part of this report.

The Company has formulated a policy for transacting with Related Parties, which is uploaded on the website of the Company. Further, there are no materially significant related party transactions with its promoters, the directors or

the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

21. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the Regulators / Courts that would impact the going concern status of the Company and its future operations.

22. AUDITORS AND AUDIT REPORTS

Secretarial Audit Report

M/s. Mohan Kumar & Associates, Practicing Company Secretaries, Chennai, is the Secretarial Auditor for the Company.

The Secretarial Audit for the financial year 2019-20, inter-alia, included audit of compliance with the Companies Act, 2013, and the Rules made under the Act, Listing Regulations and applicable Regulations prescribed by SEBI amongst others.

The Secretarial Audit Report is enclosed as Annexure 5 to the Board's Report. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.

Statutory Auditors

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No.117366W/W-100018) was appointed as Statutory Auditors of the Company at the first Annual general meeting of the company for a period of 5 years and will hold the office till the conclusion of the 6th AGM of the Company to be held in the Financial Year 2022-23. The Auditor's report to the shareholders on the standalone and consolidated financial statement for the year ended March 31, 2020 does not contain any qualification, observation or adverse comment.

Internal Auditors

M/s. Price Waterhouse Coopers, Chartered Accountants are the Internal Auditors of the Company. The Internal Auditors carry out audit as per the audit plan defined by the Audit Committee and regularly updates the committee on their internal audit findings at the Committee's meetings.

The Internal Auditors were satisfied with the management response on the observation and recommendations made by them during the course of their audit and have expressed satisfaction with the internal systems, controls and process followed by the Company.

Cost Auditors and Cost Records

Mr. K. Suryanarayanan, Cost Accountant (Membership No.24946) has carried out the Cost Audit for the applicable business for the year under review.

Pursuant to the provisions of Section 148(3) of the Companies Act, 2013, the Board of Directors had appointed Mr. K. Suryanarayanan, Cost Accountant (Membership No.24946) as Cost Auditor of the Company for the financial year 2019-20. Proposal for ratification of remuneration of the Cost Auditor is placed before the shareholders

The company is maintaining cost records as specified under sub-section (1) of section 148 of the Companies Act, 2013.

Reporting of Frauds by Auditor

During the year under review, neither the Statutory Auditors nor the Internal Auditors has reported to the Audit committee under Section 143(12) of the Companies Act 2013, any instances or fraud committed against the company by its officers or employees, the details of which need to be mentioned in the Board's report.

23. INTERNAL FINANCIAL CONTROLS

The Company has in place well defined and adequate framework for Internal Financial Controls ("IFC") as required under Section 134 (5) (e) of the Companies Act, 2013.

During the year under review, such controls were tested and no material weaknesses in their design or operations were observed.

24. OTHER DISCLOSURES

Nature of Business of the Company

There has been no change in the nature of business of the Company during the year under review.

Public Deposits

The Company did not accept any deposits within the meaning of provisions of Chapter V - Acceptance of Deposits by Companies of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

Vigil Mechanism / Whistle Blower Policy

The Company in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of Listing Regulations has established a Whistle Blower Policy in place as part of its vigil mechanism. The policy provides appropriate avenues to the directors, employees and stakeholders of the Company to make protected disclosures in relation to the matters concerning the Company. Protected disclosures are appropriately dealt with by the Whistle Officer or the Chairman of the Audit Committee. The policy is also available on the Company's website at www.solara.co.in

Policy on Directors Appointment and Remuneration

The policy of the Company on Directors' appointment and remuneration, including the

criteria for determining qualifications, positive attributes, independence of a director and other matters, as required under Section 178 of the Companies Act, 2013 is available on the Company's website at www.solara.co.in

Insurance

The assets/ properties of the Company are adequately insured against loss due to fire, riots, earthquake, terrorism, etc., and against other perils that are considered necessary by the management.

Extract of Annual Return

An extract of Annual Return in form MGT-9 as on March 31, 2020 is attached as Annexure - 3 forming part of this Report.

Secretarial standards issued by the Institute of Company Secretaries of India (ICSI)

The Directors state that the applicable Secretarial Standards have been followed during the Financial Year 2019-20

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 134 of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is attached as Annexure - 4 to this Report.

Disclosure under the Sexual harassment of woman at workplace (Prevention, Prohibition and Redressal) Act, 2013

The company has put in place an anti-sexual harassment mechanism in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee have been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The Company has not received any complaint of sexual harassment during the year 2019-20.

25. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013 the Directors of your Company confirm that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of

the financial year and of the profit or loss of the company for that period;

- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) they have prepared the annual accounts on a going concern basis
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

26. BUSINESS RESPONSIBILITY REPORT

The Listing Regulations mandate the inclusion of the Business Responsibility Report (BRR) as part of the Annual Report for top 500 listed entities based on market capitalisation. In accordance with the Listing Regulations, we have integrated BRR disclosures into our Annual Report.

27. CAUTIONARY STATEMENT

Statements in the Annual Report, particularly those that relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ.

28. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Banks during the year under review. Your Directors also place on record their deep sense of appreciation for the continued support of customers, suppliers, employees and investors of the company.

For and on behalf of Board of Directors

Jitesh Devendra

Managing Director

S. Hariharan

Executive Director- Finance and Chief Financial Officer

Place: Bengaluru
Date: 07.05.2020