"Caplin Point Laboratories Limited Q4 & FY '25 Earnings Conference Call"

May 15, 2025

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Moderator: Ladies and gentlemen, good morning and welcome to Caplin Point Laboratories Limited Q4 and FY '25 Earnings Conference Call hosted by Batlivala & Karani Securities.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Julie Mehta from Batliwala and Karani Securities. Please go ahead, ma'am.

Julie Mehta: Thank you. Good afternoon, everyone. On behalf of B&K Securities, we would like to welcome you all to the 4Q FY '24-'25 Conference Call of Caplin Point Laboratories Limited.

I take this opportunity to welcome the Management of Caplin Point Labs represented by Mr. C.C. Paarthipan, who is Chairman of the company and Mr. Vivek Partheeban, who is the COO of the company. And we also have today with us Dr. Sridhar Ganesan, Managing Director; Mr. D. Muralidharan – CFO; and Mr. Sathya Narayanan – Deputy CFO.

I would now like to hand the conference over to Caplin Point Management for the opening remarks, post which we will open the session for Q&A. Over to you, sir.

Vivek Partheeban: Thank you to everyone that has joined. Thank you also to B&K for hosting the call. And welcome you all to discuss the results of Q4 and FY '25.

Please note that a copy of all our disclosures are available on the Investors section of our website as well as on the Stock Exchanges. And also do know that anything said on this call which reflects our outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

The conference call is being recorded and the transcript, along with the audio, will be made available on the company's website as well as the exchanges. Please do note that this audio conference call is corporate material of Caplin Point and cannot be copied, rebroadcasted or attributed in press or media without specific written consent of the company.

With that, I would like to now hand over the floor to our Chairman for his opening remarks.

C.C. Paarthipan: Thank you. Good afternoon. Welcome to all to our investors call. Let me start with a footnote actually of a French philosopher who once said, "One's life has value so long as one contributes value to the lives of others."

However, evolutionary biology tells that this is easier said than done. Humans are hardwired, try to survive and in the race to the fittest, compassion becomes a casualty. That we at Caplin strongly believe that empathy is leadership essential in the world of technology. We practiced it and we always followed the concept of catering to the bottom of the pyramid with quality generics at affordable prices to our customers. That's how that made all the differences actually to our business and now the asset quality is as follows:

1. Fixed assets Rs. 700 crore invested in the last five years, Liquid assets Rs. 2,500 crore of which cash and cash equivalent is Rs. 1,180 crore. The road less traveled continued to strive for value monopolies, and the world of techno feudalism that creates digital monopolies and digital landlords. Our value proposition in CSL, the USFDA facility, our deviations and job orders in the shop floor has reduced drastically in addition to the OOS and OOP from QC. This is possible only because of the woman empowerment in the shop floor and also in the grassroots of quality control. When most of the big companies fully automate and digitalize the whole system and the shop floor and other areas, we have achieved this productivity with compliance only with partial automation and digitalization. This will be replicated in all our new and old facilities.
2. Now coming to Pondi factory, that is Pondicherry factory where we export our products to RoW market, we are planning to reduce the cost by utilizing our own QC/QA professional in our Pondicherry factory to do the outsourcing of quality products at a better price compared to our present cost in the facility. The products which we outsource is going to be in the Pondicherry state. We are sure that now we can create a cost reduction of 25% to 30% from compared to our earlier overheads.
3. Number 3, we have developed 2 popular peptide injections for the RoW market where the patent expires by the early next year. Further, we also plan to launch in the regulated markets too.
4. Caplin received first insulin product approval in Central America. We have plans to file more doses in other Latin American countries which is in progress.
5. We have established a warehouse in Chile. In addition to the government business, we have already started actually supplying products to the private market too. So far we have registered 95 products and this will result in increase of sales, cash flow and profit.
6. We are also in discussion with some Chinese medium sized companies to import biosimilar key starting materials for full finish in India.
7. The current update of Mexico, we have filed 30 products and received approval for 13 products. Products in the pipeline is in the region of 60 plus to be filed in the next 12 months through internal and outsourced manufacturers.
8. We have completed API R&D for 51 general injectables and 34 Onco injectables and Onco OSD, which in total is 85. We now plan to manufacture these APIs in a Chinese facility where it is easier to chase the economies of scale. These products will also be manufactured at a later date in India for captive consumption. Once the facilities are ready, these general injection facility, which of course you know is nearing completion, after that we will use it actually for our captive consumption in India. We will also manufacture some of the APIs using this Chinese facility for the supply of our RoW markets, which again will be an asset light model.

9. Our CP-1, the Pondicherry facility is all set to launch a unique double-chamber pre-filled syringe in all existing markets of Latin America. We are sure, actually, that this product also will make a difference to our actually bottom line as there are only two multinationals that are in this business today.
10. After completing the market tracker for our own sales and marketing, we now plan to create a cost control tracker through a dashboard with the help of our finance and IT teams. The benefits are as follows:
    a) The tracker will enforce physical discipline at every department level in the Company.
    b) The MIS on the tracker will come through the finance team, which will arrest any cash leakage.
    c) It will also help us to go for projected versus actuals and cost versus benefit to monitor and review the financial activities.
11. We are also working on an NC-1, which is in the nascent state.

The rest of the business highlights will be actually shared with you, especially on the US front by COO and the numbers will be detailed by our CFO.

Finally, a narrative:

"When science arrives at the border, philosophy must come forward to its horizons, setting bigger goal to be pursued. This is the only way to avoid saturation and escape the fallacy of limited understanding."

Thank you. Thank you very much.

I now invite the COO to give his presentation.

Vivek Partheeban: Thank you, Chairman. I will give you a little bit more background on the U.S. entity, Caplin Steriles and also some of the newer entities that we have taken on. Obviously, we are very happy to close out another strong year for Caplin Steriles with growth across all the segments. Of course, the numbers of it which will be detailed by our CFO, we have grown 5x in revenues in the last five years.

In fact, our EBITDA also has grown significantly this year. It won't be out of place to mention that the bottom-line growth is due to the completion of certain milestone projects and payments that we have received for that. But not only that, we have also seen that some of these newer approvals that we have had especially in ophthalmics have started to begin contributing quite significantly to the bottom line in terms of profit share that we received from our partners.

When it comes to approvals, I think we have had a good year. We have had eight approvals this year. We have launched most of them. We also acquired a couple of products from another Indian MNC, and we look forward to bringing this to market within the next 12 months. We are also hopeful of receiving another 10 to 12 products' approvals this year. In fact, 13 products are under active review with FDA and those should come through hopefully in the coming few quarters.

In addition to this, we also have a meaningful number of products that have been approved in Canada, Australia and hopefully in South Africa also in the coming year. We are slowly progressing along in Brazil. Hopefully I think next year we can start to see a little bit more traction in Brazil.

I think I want to also touch upon our front end over here. In fact, when we began our ideas of pivoting our business model from B2B into, I wouldn't say we have entirely pivoted into a B2C, but we are sort of heading in that direction a little bit, but many people had some questions over why we are doing this considering how well we are growing in Caplin Steriles.

See, we took this conscious decision based on multiple factors. The primary one of it being that there is always going to be other companies, maybe mostly smaller companies like CMOs that are able to offer lower prices than us. They might not be able to match us in terms of the compliance record or the productivity that we have. But when it comes to costs, there are companies that will be able to offer a more aggressive and potentially less sustainable pricing than us.

Number 2, with the amount of competition our B2B partners being the size that they are, they are always going to ensure that their margins are not affected. So, they are going to be squeezing the manufacturers into providing lesser and lesser prices.

And three, the most important one of all is that our pattern of success has always been in control of the front end. So, that continues on with us launching a label of our own. We are happy to say that within the first couple of months of us launching our own label, we have done over $2.5 million in sales. And we have set up contracts with seven large distribution and wholesale companies in the U.S., the three largest ones are on a weekly ordering cycle with us and we receive intermittent orders from the others as well.

We have also set up direct contracting with about 24 health systems in the U.S., as we actively try and convert many of the other ones that we are in discussions with today. The break up in sales is anywhere between 70% to 75% wholesale sales and the other 25% to 30% is direct. Eventually our idea will be to pivot that into a 70-30 favoring the direct sales.

In addition to that, our Oncology Injectable division also has been completed. We are going for trials in the next few weeks on that. Our API for general category has also been completed and we will be going for trials in June on that as well. And from a market perspective, we are making very good progress in countries like Mexico, Chile and slowly in Brazil as well.

And definitely, I think as Chairman mentioned, our improvement in productivity in Caplin Steriles has been due to very, very close monitoring. In fact, from the highest level as you all might have heard in previous con call, the Chairman has already moved his base to very close to Caplin Steriles over the last three years and also due in part to this Women's Empowerment Movement that we have been taking on in the last couple of quarters. We hope for that to really gather strength in the coming few quarters and really make a marked difference to both productivity, compliance, integrity and safety that we maintain at our facilities all over.

I would like to just hand over the floor to our CFO for some color on the numbers before we can open up for questions. Thank you.

D. Muralidharan: Thank you, Mr. Vivek. Good evening to all the participants who have taken time off to attend our investors call to brief about the Results of FY '25 and the ending March '25.

During the call discussing our 1st Quarter ended June 24, I started by saying what is well begun is half done. Now we are very pleased to inform you that we not only began well, but also sustained the momentum and ended the financial year with lot of milestones. Results are gratifying with growth in all key parameters.

Total revenue crosses Rs. 2,000 crores at Rs. 2,034 crores, registering a growth of 15% over the previous year. PAT crossing Rs. 500 crores at Rs. 541 crores, registering a growth of 17% over previous years, 2017-18 revenue becoming PAT of 2025, FY '25 PBT of Rs. 671 crores exceeding revenue of 2018-19 which was Rs. 658 crores, all time high gross margin of 60.2%, PBT of 33.3. That is every rupee sold 1/3 is flowing into PBT and all-time high PAT of 26.6%.

Coming to our Chairman's vision of having products closer to customers was realized through bringing the channel partners at major markets served by us under the Caplin Group. This has paid rich dividends.

The following achievements bear testimony.

- Growth from 2019-20 March 20 when we acquired the Guatemalan channel partners to 2024-25 .
- Revenue grew from Rs. 905 crores to Rs. 2,034 crores, which is 2.25x. PBT from Rs. 269 crores to Rs. 677 crores, which is 2.51x, and PAT from Rs. 215 crores to Rs. 541 crores, which is 2.52x.
- Cash and cash equivalents were Rs. 470 crores at that time. Now it is Rs. 1,180 crores, increase of Rs. 710 crores after investing Rs. 700 crores in fixed assets, as Chairman mentioned out of our own accruals.
- Liquid assets was Rs. 751 crores. It is almost gone up 2.86x to 2,150 crores. Net worth was Rs. 948 crores. Now it is whopping Rs. 2,850 crores, which is 3x.
- The most important point to note is that the inventory of Rs. 335 crores reported in the balance sheet is cost which would yield revenue of close to Rs. 900 crores when sold. It is even more important that around Rs. 500 crores out of the Rs. 900 crores sale value is closer to the customer that is in our own warehouses at various places. Two-thirds of them are in various warehouses and one-third is in transit, which will reach

anytime now. This has been our most lethal commercial weapon during the disturbed times like COVID, Red Sea issues and so on and so forth.

- CSL, which Vivek mentioned primarily addressing U.S. market grew from 72 crores in 2019-20 to Rs. 366 crores, which is a 5x growth.
- Core business operating revenue grew by 15% during last year and U.S. operating revenue grew by 13%.

So, this is from my side. And if there are any questions on the numbers would be more than glad to take. Thank you. Over to Vivek.

Vivek Partheeban: Thank you. We can proceed with the questions now, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Singh from Nvest Analytical Advisors LLP. Please go ahead.

Rohit Singh: Good evening. Congrats for a decent quarter. Sir, I was checking your earlier conference call and I found in Q2 FY '23, management stated that it will take around 2 years to complete some facilities tax payback and registrations, and once done you will be moving from the road less traveled to road well-traveled, right?

And similarly, in the similar way, there your net block has increased by 60% in FY '24 and in FY '25 also, till first half, we completed some CAPEX, which was a cumulative addition of around Rs. 200 CR to our net block. Yet our FY '25 top line growth is just around 15% and our U.S. business has grown nearly by 13% to 14%, whereas we were looking for a growth of around 30% in that business in this year. And we used to target to convert our top line into our bottom line in every six years. That means essentially a CAGR of 30%.

But if I look at your PPT, you have mentioned your 5-year tax CAGR is around 20%, and earlier US$100 million topline in Caplin Steriles is also not looking like we are going to achieve that. So, our concern is primarily towards the growth side. One, we are doing the significant CAPEX. Why this CAPEX is not getting converted into revenue?

Secondly, when will we start seeing the benefits from these investments? And can we still aspire for the growth of around 30% earning CAGR going forward? So, that is my first question, sir.

C.C. Paarthipan: To be very honest with you growing at 30% after reaching a sale of Rs. 1,700 crore and Rs. 2,000 crore is actually definitely at this juncture is not possible. At the same time, I would only request you to compare our company with our peers and see the fundamentals and if you see the fundamentals of any other company of our size, if it is better than ours, then of course I will also tell you how exactly we will try and actually do the same. That’s one.

Second, CAPEX is one area. It's actually, sometimes we also go slow. The reason being it is true that we should not be afraid to start early, but equally we should not be afraid to be slow to finish also. The reason is the whole world today is VUCA world, where you can't simply complete without even understanding actually what's happening in the world. That's one of the reasons sometimes it gets delayed. Okay. This is what I would like to convey to start with. If there is anything, you can again ask me also.

Vivek Partheeban: One more point, I also want to include. Anything to do with pharmaceuticals, especially CAPEX and all of that, there is a period of gestation which involves getting the right regulatory approvals, getting the right product approvals and everything that comes into play.

So, it's not that we finish a facility and then on the very next day revenue starts to flow in. So, especially, the kind of facilities that we are putting in such as the Onco facility, which requires a dedicated unit where product revenues will come out only after product registrations have come out.

And also if you are looking at our API plant, that is going to be for backward integration and stuff. So, some of these have a little bit more of a gestation period and pharmaceuticals in general have a longer gestation period compared to other industries, which I am sure you are aware of also.

Rohit Singh: That thing I understand, but particularly on the U.S. side, Caplin Steriles is going to be the growth engine for us, but the kind of growth that we have delivered this year and the kind of growth that we have targeted for this year, there is a huge gap, right? So, what is the reason, like, we are not able to achieve our own target of like we were in the beginning of the year, I was speaking with you, you were targeting around 25% to 30% growth in Caplin Steriles, but why we are not able to achieve that?

Vivek Partheeban: See, there are two, three things here. Number one is, what we are looking forward is a high quality growth. If we need to go for growth just for the sake of it, we can go up to even 40%-50% just by stopping all of the R&D, stopping all of the product filings, etc., and going only for commercial revenue.

I know another certain listed company as well that have dropped prices by almost 30%-40% on a product that is selling for less than $1. So, we do not want to go after this kind of growth. What we want to go after is highly profitable and growth that we can sustain for a longer period of time. We are not in this race for the next three years and then running away. We are building up our company for the next 25 to 30 years. Right?

So, if there are periods during our progression where we see that the growth is a little bit moderated but comes at a high-quality growth, we are happy with that rather than chasing just top line numbers. And this is nothing to do with Caplin Steriles alone. This is to do with Caplin Point, oncology everything. So, our longer-term horizon of hitting $100 million for Caplin Steriles remains very much viable. And if we hit it 12 months or 18 months later than originally targeted, I think that is not going to put us in any sort of misery at all.

See, the U.S. also, as you might have seen in the last couple of years, that's a very, very volatile space as well. So we need to make sure our compliance record is taking precedence over everything else. We can't go from x productivity to 3x productivity within a 12-month period. We need measure and slow and sustainable growth. That I think is more important compared to just top line chasing.

Rohit Singh: So that means overall we will be essentially maintaining the kind of growth that we have done in the last five years is what I am understanding from your commentary right?

Vivek Partheeban: See, I think we are growing very well. Honestly speaking, I don't want to give numbers out and say that this is what we are going to be growing at et cetera. I think we are growing very well. If you look at our parameters across the industry and you benchmark us with people around the same size of us, you will see that we are better than most other companies and almost across all parameters. Right?

So, despite the kind of volatility that you see in the market, our growth has been extremely consistent. It's been measurable. It's been manageable. You would have seen that there is a high level of predictability in our growth.

So, I think because of the fact that we cater so much to the bottom of the pyramid, and also the fact that we are in the private market, helps us sustain this kind of consistency. So, I think this is what we will be aiming towards, not so much on one specific number that we need to hit.

C.C. Paarthipan: And one more thing I would like to add, see, the business that most of the companies of our size, most of them, they are simply CMOs. But in our case, as you are aware that we started our front end. So starting a front end, it takes little time, does not involve actually instant gratification.

But what happens is when you keep your goods next to the customer, like any other big company, which is there in the U.S., maybe 2 to 3 years from now, we will also produce what exactly you are expecting. But again, as you know well, it all needs a timeline actually because overnight you can't do anything. If you try and actually sell products for the sake of selling in credit, that also will lead to lot of complications.

Today, we are not a debt driven company. We don't do anything in the form of leveraging the debt too. We don't want to do that also. We want to actually grow very healthy, more liquid cash and liquid assets. Maybe at one point of time, maybe after 3-4 years when we have Rs. 2,000 crore, Rs. 3,000 crore in the form of cash, we can straightaway acquire a company. Then everything will be doubled also. There is a possibility. But it should be a meaningful acquisition. Then only we will be in a position to do that also.

So, anything that happens today is not that actually it's going to go in the form of actually slow or big, but what is important is consistency. If you do a mistake, that will lead to foolish consistency. You also you are aware. That's one of the reason you want to go step by step and make it bigger when the opportunity comes. Thank you. Thank you very much.

Rohit Singh: And sir, like Vivek sir has mentioned in his remarks about the volatility that they are there is in the U.S. market and recently Trump administration had made an announcement on the price erosion of the prescription drugs in U.S. So, while we are kind of generic players and supply our medicines to U.S. companies who may be selling at way higher prices in U.S., so is it correct to understand that these companies will have to sacrifice their margins and not the Indian companies like Caplin because we are already providing them at a lower cost only? Or do you think we are also at under threat through this announcement? So, please help me to understand, sir.

C.C. Paarthipan: What we understand is actually, I don't think that they will go to an extent of actually taxing the generic company. In fact, if you read this, actually, statements in the recent past, he is talking of actually companies which are selling products, say, the price in UK and the price at which they sell in EU is not the same price they sell in U.S. These are all branded products. So, if at all they want to actually take it on the companies, it will not be the generic companies. They also know already the prices are eroded. Generic, the competition of generic is the one which is the deciding factor for the price, whereas in the branded product, the innovator and the brand owners are the private label owners. They dictate terms. It is not actually the supply chain, supply-demand mechanism which creates actually the price. Is it okay? Is it convincing to you? Do you feel it's a considerate response?

Rohit Singh: Yes. And sir, lastly on the U.S. tariff…

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for follow-up questions.

Rohit Singh: Just last question, sir. So, on the U.S. tariff like last quarter, you said the things are not clear. So, if you can put any color now if it is possible like based on your discussions and with industry people and the customer like if Pharma comes under the tariff, what kind of impact do you see on our U.S. revenues or global demand, which is going to be the key pillar for our growth?

C.C. Paarthipan: Vivek, you take this question.

Vivek Partheeban: So, I think it's a wait and watch for everybody. Honestly speaking, the more clarity that we see over a period of time, it looks adequately clear, I would say, at this point without saying that this is the final one. It looks like the brand pharma, basically the innovator companies are the ones that are under target right now. Whoever that we speak to, especially our B2B partners and some of these larger buyers and stuff, they also feel that generics will not be under any sort of tariff, but again, we have no idea, right? It's all wait and watch for us just like it is for everybody else at this point.

Rohit Singh: Understood, sir. I will turn back the queue, sir. Thank you very much. All the best for the future.

Moderator: The next question is from the line of CA Garvit from Nvest Analytical Advisory. Please go ahead.

CA Garvit: Sir, my question is, India announced it has signed the Term of Reference with Chile for a comprehensive economic partnership. How do you see this as an opportunity for us?

Vivek Partheeban: Excuse me. Sorry. Your voice is not clear, please.

CA Garvit: The India announced it has signed the Term of Reference with Chile for a comprehensive economic partnership.

Moderator: Mr. Garvit, your voice is breaking. Sorry to interrupt, but your voice is breaking. If I may request you to redial the number and rejoin the queue?

C.C. Paarthipan: It's breaking.

Moderator: The next question is from the line of Deekshant B from DB Wealth. Please go ahead.

Deekshant B: Hi, congratulations, sir, for decent results. Sir, firstly, we have been investing a lot on our capabilities to get more US FDA approvals and as well as we know that Caplin Steriles has been helping us grow and we are expanding our foothold in the U.S. markets. But can you help us understand that what sort of time period can we look at where the significant growth is back in the business? We are going through a transformation even on our cost and the margins are looking better from a longer perspective. But what is it that is required from us to make the growth feel much more vibrant?

C.C. Paarthipan: Vivek?

Vivek Partheeban: So, I think we have spoken about this in the past as well, where we feel that the next 18 to 24 months is going to be a bit of a transitional period for us, specifically because of the fact that two or three of our initiatives are all in slightly nascent stages. I would say number one is our entry into the larger markets of Latin America such as Mexico and Brazil, our Oncology Division that where we need multiple products to start getting approved and come through, and our U.S. front end starting to gather steam.

So, I would say that while we are happy with the growth and the quality of growth that we have, for us to expect something even better might probably take another 18 to 24 months, within which period you will probably start seeing similar kind of numbers like the ones that we have reported right now.

Deekshant B: Sir, can you help us understand that, so from our understanding, whenever we are getting new US FDA approvals, we are also seeing that a better product composition is being launched by companies. What I really mean to ask you here is that the old products that we have, are they losing some sort of market share and they are being replaced by new ones or are we just the existing products, are they able to give us the similar kind of revenues that they were?

Vivek Partheeban: See, in the generic market, it's very much driven by demand and supply, right. So, I would say, it was a broad mix last year and the year before that as well. Some of the products that we did back in 2018, 2019, '20 and all that, they don't contribute too much right now, whereas some of the products that we have recently launched have taken up their place. And I guess, once again in a very dynamic space like the U.S., in due course of time when some companies start to exit, those capacities start to be up for grabs for us.

So, it is very diversified portfolio. It is a mixed bag when it comes to market share. We are not specifically targeting any specific product to occupy a larger market share compared to others. We need to make sure that we have very good cost control, we have very good consistency in supply and above all, our compliance record takes precedence over everything else. So, over a longer period of time, there is no product that we have, how do I say, not supplied for more than a year or anything like that, you know. So, I hope that answers your question in terms of our product mix.

Deekshant B: 100%, sir. Sir, my last question is…

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for the follow-up questions. Thank you. The next question is from the line of Aditya Pal from MSA Capital Partners. Please go ahead.

Aditya Pal: Thank you so much for the opportunity. Sir, just wanted to quickly understand hopping on the point that other participants were asking. So, growth has fallen at least in the ex-U.S. market. We have fallen from what we were doing 16%, 17% to sub 13%. When do you think, because we have also launched a Caplin One Platform where we are supplying oncology products and there are new capacities that are coming to cater to these markets, when do you see revenues from these geographies picking up?

C.C. Paarthipan: Yes, this I would like to actually answer this way. When we get into the bigger geographies, especially the regulated market where there are two, three important things that take time actually, like, A, the R&D. When you do R&D, then of course the facility, when you have R&D, in addition to that, in addition to the formulations that we manufacture, we also have to have a API.

Now that one of our API facility will be completed say in another 2-3 months, the other one, of course, it is work in progress. If you don't have API or if you don't have a facility, if there is any mismatch, like ours also is vertically integrated company, but connecting the dot, it takes a little time in the form of having actually your intermediate API and then formulation and then your front end process.

Here, all these things contributes to actually a good growth. And then the time that takes actually to complete your R&D and then you have to go for what you call actually scale up and exhibit batches in the factory. Then you develop a dossier. Dossier has to be filed. Sometimes you know, they will say, they will give this thing, what do you call? Either it's in the name of ANDA or some approvals in other countries. It takes a minimum of 1 to 1.5 year. 1.5 year minimum in some areas.

So, these are factors that contribute to actually what is happening today, but again in spite of it, if you find the fundamentals as I told before is in the form of actually your liquidity and the quality of the assets that we have created. The 1% or 2% which you say, see, whatever you miss, it can be offset at a later date. This is what I would like to convey. Is there anything you would like to ask please?

Aditya Pal: No, sir, this is pretty clear. And the other question is for Vivek. So, when we are seeing a couple of quarters back that our aim is to achieve $100 million run rate in our Caplin Steriles platform, do we still think that is achievable or is it now, say, postponed by 15 to 18 months because of different strategies that are deploying there or different market pressures that you are facing on the ground?

Vivek Partheeban: Yes, we are 100% confident that we will achieve it. When we will achieve it is the golden question. Once again, I would like to say that if we achieve it in next year or if we achieve it in 18 months after next year, we are still going to be doing it with a high quality growth. That is more important. We can achieve 100 million top line with 6% EBITDA, or we can do it with 25% to 30% EBITDA, and I know which one I want to choose, right? So, we are not going to race against anybody on that, and we will continue to go down the path that we have selected very long time ago.

Aditya Pal: Just last question…

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for follow-up questions.

Aditya Pal: Okay.

Moderator: The next question is from the line of Shrinjana Mittal from RatnaTraya Capital. Please go ahead.

Shrinjana Mittal: Hi, thank you for the opportunity and congrats on the continued execution. I just had couple of bookkeeping questions. So, if you can just help me with Caplin Steriles' sales number, and the EBITDA and gross profit numbers, that would be helpful.

C.C. Paarthipan: Can Sathya, CFO, go ahead, please.

Sathya Narayanan: Thanks for your question. So, the sales for the year ended 31st March, 2025 of Caplin Steriles is the total revenue of Rs. 366 crores with an EBITDA of Rs. 102 crores.

Shrinjana Mittal: EBITDA, sorry, 102 crores. Okay.

Sathya Narayanan: Right.

Shrinjana Mittal: And yes, that would be all.

Moderator: The next question is from the line of Somen Maji, an individual investor. Please go ahead.

Somen Maji: We have a receivables of Rs. 632 crores. That is more than our PAT and way more than our inventory, I guess. Do you see or expect any kind of significant credit loss on that?

C.C. Paarthipan: We don't see any credit loss in this one. The receivables, slightly it increases based on the market, especially in markets where we supply the products to the government and the payments, for example, there is a country called Ecuador. The currency is dollar. The same way, El Salvador is another country where we supply to the government. It's also dollars, and there are countries where there is no issue of stability of the currency also. But the government, sometimes they delay the payment. There is nothing in the form of denials, only a delay. But we also know that we are supplying at a higher cost, higher price, which means our profitability, if you look at our actually profits, it keeps increasing in spite of the fact that you mentioned in the form of actually increase in this thing, receivable period.

Somen Maji: I have just one question. Just another question, another one. There are threats to put a tariff on pharmaceuticals whose APIs are imported from China, from U.S. What kind of expected effect on CSL?

Vivek Partheeban: Yes. So, we have very little exposure to this. In fact, out of the 33 approvals that we have top of my head less than two or three of those are from China. So, I don't see that this is a threat to us at all.

Moderator: The next question is from the line of Julie Mehta from B&K Securities. Please go ahead.

Julie Mehta: Hi, thank you for the opportunity. So, my first question pertains to, we have added recently 3 lines, and we have another one underway in our injectable facility. So, how is it 3 versus post capacity looking like, capacity utilization?

Vivek Partheeban: Yes, I think over the last 12 months, we have increased capacity utilization by almost 24%-25% at Caplin Steriles. Of course, I don't have the exact break up of how much went into commercial and how much went into exhibit batches, which is basically the batches that we take for submission of these ANDAs.

Please note that only one of those lines has become entirely commercial, like fully commercial, which we call as Line-5. Line-4, which is our premix bag line, is commercial on two products which are not very highly voluminous. The value is good, but not very highly voluminous products. And the third line, which is the prefilled syringe line, we will be submitting products this year. So, that 20% increase in capacity utilization, I would say primarily comes from our vial Line-5, which is the high-speed line that we got from Bosch.

Julie Mehta: And sir, my next question is that since we are planning to file GLP-1 molecule in the emerging markets, so since it is a highly competitive space and with Mounjaro coming in and Semaglutide will come in March '26, like post patent expiry, there will be a huge inflow of players at that point. So, what is our thought behind entering such a competitive space and that to a new one? And what will be our ideal strategy for success?

Vivek Partheeban: So, obviously in Latin America, if you see, we have had a presence there for more than 20, 21 years, right? So, the platform is very well set. Caplin as a brand, is one of the most trusted brands when it comes to pharmaceuticals and whatever new products that we have launched, we have launched in the name of brand generics basically where there is a high level of brand recall, there is a high level of trust that's imposed on our name.

So, we feel that GLP-1 product that we launched in the smaller markets where we are present, which are very largely underserved by the product, because I think obviously the innovators themselves have capacity constraints and whenever that happens, they are going to be supplying and serving the markets which bringing the maximum revenue for them, you know.

So, I would say amongst equals Caplin has a very, very good name and trust and brand recall in the markets where we are present, and we feel quietly confident that we can make it a successful launch.

C.C. Paarthipan: Add to it actually, I am sure that it's not a questionable opportunity. If it is the questionable opportunity, you will avoid pursuing everything, but these are products which are definitely better than actually a vanilla generic. And we have been selling products, generics for a long time and it has created skin in the game. That's why we are sure that anything that we launch, as long as actually the quality and the price matches to actually our customers and they will definitely buy our product because Caplin has become a private label in Central American markets.

Vivek Partheeban: One final point also on that is remember that we also have a fairly wide portfolio of anti-diabetic products that we have been supplying to these markets for a long time. So, this sort of falls within that basket anyway.

Julie Mehta: I just drop in my last question. So, can you just throw some light on any key products that we are looking at launching in the next two years and any guidance as to how it can meaningfully contribute to us?

Vivek Partheeban: Did you mean for U.S. or you are talking about global, please?

Julie Mehta: Like I mean, like in general, like for U.S. as well if you can specify for both areas separately.

Vivek Partheeban: Yes, so we obviously have wide portfolio of products. We have a strong pipeline that we are working on and that's into multiple areas, right? In terms of the U.S., it's in injectables and ophthalmic. If you are looking at Latin America, that's in oncology, that's in pharmaceutical soft gels, etc. We don't have one or two specific products that we consider are going to be blockbusters or anything like that. Our model is to cater to the bottom of the pyramid with a wide array of offerings with a wide portfolio. So, we will continue going in this direction, I would say.

Julie Mehta: Okay, sir. I will get back into the queue.

Moderator: The next question is from the line of Garvit Goyal from Nvest Analytical Advisors LLP. Please go ahead.

Garvit Goyal: Hi, thanks for the opportunity. Sir, India signed the Terms of Reference with Chile for a comprehensive economic partnership recently. So, how do you see this is an opportunity for us in the terms of tariff benefits in that market because we are targeting our next like growth in Chile, right?

C.C. Paarthipan: Yes, Chile, of course, is one of the lucrative market in Latin America. And this is not a market where the prices are very low compared to some other markets. But to us that the advantage actually comes in the form of increasing the number of product registration. And when you have more registration, there are people who will they think go for this one government tender business. There are people who will think of actually a private market. In fact, we have been focusing more on the private market. Here the private market is only 30%. So, we will still focus on private marketing. In fact, we started the warehouse with the private market products. We are slowly inching forward in terms of actually business growth. And tender business also is a good business, and I don't foresee any issues because of tariff and other things.

Garvit Goyal: Actually, this economic partnership that can further enhance our marketability or market position in Chile. That's what I am trying to understand how it can further add on to our market share in that market.

C.C. Paarthipan: Which partnership you said? I cannot hear your voice properly, please.

Garvit Goyal: Recently, Indian government has signed the Terms of Reference with Chile. This was trade.

C.C. Paarthipan: Bilateral trade.

Garvit Goyal: Yes.

C.C. Paarthipan: Yes. See, the bilateral trades is happening between India and Chile, China and Chile, and all. In fact, that doesn't have any very great impact. The duty structure there is small and the VAT is high. VAT is reimbursable. And the VAT, of course, earlier it was 5% different between India and China products to Chile. So, it's not going to either dent or actually help the companies which are in to Chile. That's why I told you what is important in the generic business is the number of registration. It is not actually bilateral trade. It helps to a certain extent, not to a very great extent.

Garvit Goyal: And I want to understand more on this price erosion thing that U.S. government is announcing and requiring Medicare and Medicaid programs to pay more than what the prices are being in the other developed countries like Canada. So, I want to understand how Caplin is doing the thing there, like they are selling it to these programs and if they are selling it, are they going to be impacted in terms of product pricing?

Vivek Partheeban: Yes, when it when it comes to generics, I think there is no bearing once again, because the Medicaid, Medicare programs, when we sell to them, it's actually sold at an even lower price than our generic pricing. So, I think the aim that President Trump has spoken about is again much more focus towards the branded products, I think specifically he spoke about the fat loss drug that is sold for $1,300 in the U.S., which is available at I think about £100 or £120 in the UK where he said that it was very unfair that America pays almost 10 times the price for the exact same drug. So, I think once again we are talking only on innovator molecules where there is a significant price disparity between U.S. and other developed countries. So, I think it has no bearing on generics, especially from India.

Moderator: The next question is from the line of CA Vikash from Acorntree. Please go ahead. Mr. Vikash, you can go ahead.

CA Vikash: On the Annual Report of FY '22, we have mentioned this one is there having presence in most of the regulated market by FY'28 and as a result of which Caplin has to convert the top line of FY '22 to bottom line of FY '28. At that time FY '22 our revenue is Rs. 1,300 odd crores there. We are still in the same line in FY '28, is there our bottom line, is it Rs. 1,300 crores?

C.C. Paarthipan: So, you mean to say there is a slight shift in the goal post?

CA Vikash: Yes, that is there because whatever the current situation.

C.C. Paarthipan: You mean to say the top line has not become the bottom line. Are you telling actually the same thing? We used to tell the top line of so and so year has become the bottom line and that's how we have been talking here. But it cannot continuously. This is actually sometimes you win. Sometimes, of course it's not that you lose. But you delay it.

See, it's not actually something which is lost. It happens until a point of time. After that, of course, there will be a dip. But again, what will happen? Again, we will come back actually when we complete the registration in all the countries where we are filing dossier, and all these new facilities, one day will start up and running and then we will be manufacturing products actually in various to various geographies and things will change again. So, what has happened actually is the one-off. It's not that it's going to go down actually.

Moderator: The next question is from the line of Deekshant B from DB Wealth. Please go ahead.

Deekshant B: Sir, firstly, we continue to have great confidence in the execution of our team because you have clearly have that in the past. And this question is coming from that process because two years of gestation is very normal for any business to go to a new all-time high, and we have been able to go new all-time high on profits again and again with sustainable growth.

So, the question really is, the numbers actually come in after the success the team has witnessed on your products and everything else. Before that the next level of our transformation starts showing in the numbers, what is it that you would want us to look out for in the business?

C.C. Paarthipan: Okay, I will put it this way. I have not been travelling for the last five years. And I have fixed my travel on Sunday. After five years, I am traveling actually outside the country. So, I am basically the person who actually used to be in the market. Whatever little creation I was able to do it, I did. Afterwards, my sons have taken over along with the professionals.

Now, I sincerely feel South America and China in addition to U.S. are going to be the destination for our prospect. See, initially, we did more of outsourcing from China and directly exporting the formulation. Now, we will go there and find out some startup companies or medium-sized companies, especially into the most important areas of biosimilar and then peptide area and the products, which are always in scarcity in the area of actually blood products, see how exactly to go for a joint venture. I will look at it there.

So, till the time which I feel is going to open the floodgate for us to open up a second revenue stream, it may take 1-2 years. But again, we are 100% sure we will make it. So, this is how one has to take it rather than looking at it actually on a quarter-on-quarter basis or one year or two years. This one we can guarantee you that we will do extremely well in three years from now.

Deekshant B: So, thank you so much for the answer. And one of the core philosophies and principles with which Caplin has been able to grow is, and please correct me here, is sort of like finding that niche in a market where other people are not really looking at that. And then we will to sort of like go again and again and really expand that niche for ourselves so that the competition in itself is not there as much. And with the recent anti-diabetic product that you have talked about, it seems like in the particular market, it seems like you are following that thought process again. So, where do you see the opportunity right now where other peoples are not looking?

C.C. Paarthipan: Okay. I do agree with you. We used to notice the thing which has not been noticed by others and our journey always used to be in the unknown unknown. Now what you are asking, what is that actually, you know, you will find now. That's what I said. Five years I have not been traveling outside the country.

When I go outside the country, I know actually I will be in a position to identify because in 2019, I made 8 to 9 trips actually to a country where we were almost complete. We came to a final stage of doing something together with one of the biggest companies in the country, $20 billion company. And now, in five years, we have not done anything. Of course, six months ago when the COO went to that country and he met the person, and he is very keen to meet with us and then do something together. Like that, there are so many companies.

Today, if you look at actually the biosimilar companies in China, at least 10x, or 12x of actually Indian company, if we have or say 15-20 companies, they will have at least 300 companies 400 companies. So, here, we have to actually change our strategy. We will have to actually look at earlier for generics generics. we went for the big companies like CSPC, and others considered as #1 or #2 in the country.

Now for a specialized product, what is important actually is not the size but the quality. And also, he has to grow, and we would also help him in terms of actually front-end marketing, but also if there is something in the form of other areas, if he is interested, we would also explore them. So, we will see things which is not noticed by the big clients. We will see with the startups and the medium-sized company. That's how I will actually fit.

Deekshant B: Do I have permission to ask one more question?

C.C. Paarthipan: Please.

Deekshant B: Sir, Mexico is a key market for us, which is developing and like diabetes is such a well known factor of Mexico. So, I am assuming that we won't be doing too much business of that, but that is an assumption. Please help me understand that what is the unknown in Mexico that is making us excited right now?

C.C. Paarthipan: see, of course, if you look at companies, especially from India, most of the companies, they don't go to the smaller geographies. That was the time we went there and we replaced the importer. It was more of a physical risk, which, of course, not many companies do it. And then now we are getting into the bigger geographies where we see big companies already present. But if you look at that business, there are two things one will notice. A, mostly they will go to the institution business. B, they will only replace the importer the way we replaced the importers in smaller geography.

Now once we go there, we will replace the distributor or a whole seller which means one level below we have to go and find out who is our target audience and then cater to them. Maybe if you work 2-3 years, then, of course, as I told you before, it creates the skin in the game. That's the only way we made it actually in smaller geography. We will make it the same in the bigger geographies.

Mexico is just one hour actually by flight from Guatemala. The population of Guatemala is 17 million. That's where we do the maximum business of $48 million to $50 million per year. Then imagine what kind of opportunity will be there actually in Mexico.

It takes time. I do agree, but definitely there is a huge opportunity because culture is same, purchasing power is better and the population is huge. And then this is one place where maybe 7 to 8 Indian companies are present. They are all focusing on the tender business where we will get everything in volume. If you look at our business, we don't actually bother about the top line.

We have always focused on the bottom line and cash flow. The same thing will happen when we approach actually in this market, when I approach to the customer in this market also.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

C.C. Paarthipan: Thank you.

Vivek Partheeban: Thank you very much once again to everybody. Thank you also to B&K for hosting the call, and we look forward to staying in touch with everyone. Thank you for your time. Thank you.

C.C. Paarthipan: Thanks to all of you. Thank you. Thank you very much.

Moderator: Thank you. On behalf of Caplin Point Laboratories Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Notes: 1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings

2. Figures have been rounded off for convenience and ease of reference