Stock Note

Caplin Point Laboratories Ltd.

July 17, 2023

RETAILRESEARCH

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Caplin Point Laboratories Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 821	Buy in the range of Rs 821-830 & add more on dips to Rs 737	Rs 910	Rs 973	3-4 quarters

HDFC Scrip Code	CAPLINEQNR
BSE Code	524742
NSE Code	CAPLINPOINT
Bloomberg	CLPL IN
CMP Jul 14, 2023	821
Equity Capital (Rs cr)	15.1
Face Value (Rs)	2
Equity Share O/S (cr)	7.55
Market Cap (Rs cr)	6231
Book Value (Rs)	249
Avg. 52 Wk Volumes	180128
52 Week High	857
52 Week Low	575

Share holding Pattern % (Mar, 2023)	
Promoters	70.66
Institutions	3.01
Non Institutions	26.33
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Caplin Point Laboratories is purely into formulations with a differentiated approach as it focuses on the semi-regulated markets of LatAm and Africa, which contributes to ~86% of overall sales, with the balance from the US. Over the years, the company has established its presence in LatAm markets of Guatemala, El Salvador, Nicaragua, Dominical Republic, Ecuador and Honduras with its own distribution network. Company has presence in two geographies which includes 23 countries in Latin America and Francophone Africa. Company aims to expand its presence in the bigger markets of Mexico, Brazil, Argentina and Colombia etc. Currently, branded generics business contributed to 25% of revenue while 75% comes from generics. Caplin has presence across 36 therapeutic areas and 650+ formulations products as of Mar-2023. The company had cash & equivalents of around Rs 772cr as on Mar-2023. Revenue breakup is a healthy mix of product supply and Milestone + profit share, with current split at 70:30 for the US business. For LatAm markets, it outsources ~35% of products (China: 35%; Indian vendors: 65%) from China and in-house manufacturing stood at ~65%. At Caplin Point Laboratories, the action plan for next six years is that the top line of FY22 to become the bottom line of FY28. Earlier, the company had guided for top line of FY16 would become bottom-line of FY22 and the company actually surpassed that target.

After establishing a strong presence in the semi regulated markets of the LatAm, Caplin is now eyeing US market through injectables, which offers immense growth opportunities. Caplin has increased R&D team from 160 people in FY18 to 331 as on FY23. Company spent 4.3% of revenue in R&D during FY23, and it is likely to remain around 4-5% of sales in the next 2 years. Caplin has a strong growth plan for the US, backed by expanding product basket and establishing front end presence in the medium term. Company has launched 15 out of 19 approved ANDAs in the US. Company plans to file about 10 ANDAs every year. Management aims for US$ 100mn sales from the US over the next 4-5 years and looks to double LatAm revenues as well in the similar time frame. Overall development pipeline remains robust, with > 55 ANDAs under development with addressable market in US at ~US$ 5bn.

Valuation & Recommendation:

Caplin reported healthy numbers for FY23; it continues to remain on growth path by entering into new regions and adding new segments. We expect the company to post healthy growth on the back of ramp up in US business (Caplin Steriles) and other regions like China and Africa are also expected to start contributing which would reduce its dependence on LatAm markets. A strong filing pipeline of 55 ANDAs in the next three years would boost the US sales. The plans to backward integrate into APIs for captive consumption is primarily to secure its US/Global pipeline from any supply shock and to reduce dependency on China and third party external API suppliers and also would help expand its gross margin. Large part of API produced would be captively consumed for its US injectable pipeline. We estimate

Revenue/EBITDA/PAT to grow at 16.5%/16.5%/12.3% CAGR respectively, over FY23-25E. We expect R&D expenses to stay around 4-5% of sales for the next 2 years. It was at 4.3% of sales for FY23.

Caplin has established a strong presence in lesser known Central America markets and it has successfully cracked US market with focus on injectables space in different therapies with partners like Baxter, Fresenius and Xellia, thereby creating its own identity. Management has guided to achieve cash surplus of Rs 1000-1500cr in the next 5 years. Despite its smaller size and aggressive capex for the US, Caplin has remained net debt-free due to healthy operational performance in the emerging markets (EMs) such as LatAm. At CMP, the stock trades at 14.6x/13x of FY24E/FY25E EPS. We feel investors can buy Caplin Point Laboratories in the band of Rs 821-830 and add more on declines to Rs 737 (12x FY25E EPS) for base case target of Rs 910 (14.5x FY25E EPS) and bull case target of Rs 973 (15.5x FY25E EPS) over the next 3-4 quarters.

Financial Summary

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Revenues	389	339	14.8	372	4.6	649	863	1,061	1,269	1,467	1,723	1,992
EBITDA	124	100	24.1	109	13.4	231	260	329	394	441	526	600
Depreciation	11	12	-3.5	11	-2.6	23	32	37	47	45	58	68
Other Income	11	12	-1.1	14	-19.7	19	41	24	39	56	64	74
Interest Cost	0	0	100.0	0	-47.4	0	0	2	1	1	1	1
Tax	23	19	19.4	14	58.3	50	54	62	77	74	101	124
PAT	102	79	29.1	98	4.7	177	215	242	300	376	426	475
EPS (Rs)						23.4	28.4	32.0	39.6	49.7	56.4	62.7
RoE (%)						35.4	27.2	22.7	22.5	22.4	20.5	18.9
P/E (x)						35.1	28.9	25.6	20.7	16.5	14.6	13.1
EV/EBITDA (x)						24.7	22.0	17.4	14.5	13.0	10.9	9.5

(Source: Company, HDFC sec)

Q4 FY23 result update

- Revenue increased 14.8% YoY at Rs 389cr. EBITDA margin improved 240bps at 31.9%. Net profit grew 29% YoY at Rs 102cr. PBT for the quarter was up 24% YoY at Rs 124cr.
- Company derived 86% of revenue from Latin America (LatAm) and Africa and 14% from US. R&D expenses stood at Rs 66cr or 4.3% of sales for FY23.
- Company has approval for 20 products and 9 ANDAs under review with FDA, which includes Injectables and Ophthalmics.

- Cash and equivalents stood at Rs 772cr as of Mar-2023. Capex for FY23 stood at Rs 194cr. Caplin Steriles (US Injectable business) revenue crossed Rs. 213cr in FY23 with 67% YoY growth and it is at PAT breakeven levels now. With a healthy order book, the company targets 50% growth in revenue in FY24. Increase in revenues is targeted through new product launches and higher market share from existing products.
- Board recommended Rs 2 per share dividend for FY23. EPS for the quarter stood at Rs 13.3 and it stood at Rs 49.2 for FY23.

Capex update

- Capacity expansion at CP-1 (RoW facility): Softgel capacity expansion completed, with 2x the current capacity established for existing markets. Injectable expansion ongoing – lyophilization capacities to be expanded by 4x.
- OSD facility (Global markets): Construction work to commence shortly on new Oral Solid Dosages plant near Chennai. The construction is expected to be completed in 12 months, will increase existing OSD capacity by 3x and will cater to additional demand from larger LatAm markets such as Mexico and Brazil, in addition to regulated markets such as US and EU.
- Capacity expansion in Caplin Steriles: The company has strategically split up the expansion at Caplin Steriles into 2 separate units with target to achieve better flexibility, quicker qualification timelines. Phase 2 of the facility nearing completion, commercial batches targeted by Q3FY24 from this unit. Post completion, the company will be able to leverage large batches with faster filling speed for Injectable Vials. Also, a Pre-Filled Syringe line is being added, a new delivery system previously not available at Caplin Steriles. It has completed order for 2 Vials filing lines from Syntegon (Bosch Germany), Pre filled Syringe lines from Steriline (Italy) and Lyophiliser from Tofflon (China). Total outlay is expected at Rs 200 crore. Phase 3, a standalone plant close to the current site is expected to be completed within Q4FY24, which will have high Lyophilization capacity, and plans to add complex dosage forms such as Inhalations.
- Oncology API site construction started in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai. Company targets completion by Q3FY24.

Key highlights from Conference call

- Company plans to be backward integrated with its own APIs for 70% of all generic injectables filings in the US by 2024. For the purpose, the company has acquired an API plant at Vizag, both for injectables and OSD APIs.
- US business to gain traction; Caplin has established a strong presence in the semi-regulated markets of LatAm and is now set to chart out its growth path in the US, which opens up immense growth opportunities. In existing LatAm markets, strong presence, product portfolio expansion, and plans to foray into bigger markets of Chile, Mexico and Brazil would be key triggers. Caplin is undertaking capacity expansion, which provides growth visibility.
- In the US formulations business, there is a healthy mix of product revenue, which is around 70-72%, and the milestone on profit share revenue, which is the remaining 30%.

- Phase II of Caplin Steriles is nearing completion whose commercial batches are expected to start rolling from Q2FY24. The new unit will speed up the filling rate for injectable vials. The new facility also enables the company to have a new delivery system as it adds a pre-filled syringe line, which was non-existent before.
- Phase I related to OSD for oncology is nearing completion and phase II of injectables is likely to be over within the next nine months.
- Company's CRO wing, Amaris Clinical, received approval from Chile and in addition to the US FDA EIR. There's an expansion of soft gelatin division in Pondicherry to double the capacity. Given good response from the market and shortage, the company is doubling the capacity. The capacity was about 2 crores. It will become 4 crores capsules per month. Caplin is entering into new geographies as market expansion in Turkmenistan, Uzbekistan, Vietnam, Cambodia, Mexico, Iraq and Russia.
- Management said that gross margin is likely to remain around 54-55%. And then the product mix also plays a role. Some of the orders, which are tender based will not have the same margin as the normal products. These are the reasons for lower margin however as the year ends, the company will come back to about 55% average for the year.
- Caplin is net cash rich company with cash & equivalents of around Rs 772cr and management guided for building minimum Rs 200-250cr deposits every year.
- Caplin plans entry into Russia/CIS markets with direct presence model, similar to LatAm. Company has launched few niche injectable products in the domestic market through the marketing partner.
- In Sep-2021, Caplin Point Laboratories' CRO division Amaris Clinicals (Amaris), located at Chennai completed a virtual audit from US FDA with zero observations. Amaris will facilitate cost effective and quicker foray into newer geographies, where BA/BE studies are required for product approvals. Company targets approvals on mutual recognition basis from other regulatory bodies, which includes Latin America, a key geography for Caplin Point. The establishment contains 72 beds, with plans to expand capacities to around 115 beds in future.
- Company has completed expansion in Softgel capacity to 2x and Injectable capacity is being augmented shortly. The development of 50+ APIs both in General Category and Oncology completed at R&D scale.
- Amaris Clinical (CRO wing) successfully completed BE studies for multiple OSD products, to be filed in higher surveillance markets such as Chile, in LatAm. Company's expansion into newer geographies such as Turkmenistan, Uzbekistan, Vietnam, Cambodia and Philippines ongoing with multiple orders received in Q3FY23.
- Caplin steriles expected to clock 50% growth in FY24. Company has a healthy order book to the tune of Rs 240cr for the US market.
- Expected tax rate for FY24 to be around 20%. Company guides to do around Rs 350cr of capex over the next two years.
- Caplin Steriles' recorded a strong year with 67% growth and revenue stood at Rs 213cr led by a healthy mix of Products, Milestone and Profit Share revenues. Company achieved PAT break-even in FY23.
- Q4FY23 EBITDA for Caplin steriles stood at Rs 8.5cr while FY23 EBITDA stood at Rs 21cr.
- As per management Product supply and Milestone + Profit Share split stood at 70:30% for Caplin Steriles.

- Management stated that the gross margins in Injectables are near the company levels and expects to enter products where there is less price erosion.
- Company has 8 ANDAs under review with USFDA. The company has launched its co-labelled product in the US, for 4 approved products.
- Caplin has completed 4 complex products Exhibit Batches, which includes 3 Injectables and 1 Ophthalmic. Plans to file all 4 with US and Global markets during FY24.
- Overall, the development pipeline remains robust, with 55+ ANDAs under development with an addressable market in US at ~US$ 5 billion.
- 5 products filed in Canada and Mexico, 3 in Australia, 2 in South Africa, and 1 each in EU and China.
- The company is currently undergoing US FDA audit at its US injectable site Gummidipoondi, Chennai. Company has received 2 tender awards from a LatAm country for Specialty & Oncology products, to be delivered in H1FY24.
- Product registration work is ongoing for Oncology products in several LatAm markets, to ensure breakeven is achieved in a shorter period for the company's Oncology facility.
- Development of 50+ APIs both in General Category and Oncology completed at R&D scale. The company expects this to be scaled up when its API units go on stream, which is expected in the next six months.
- Working on additional 150 formulations specifically targeting 3 expansion areas – Hospital Injectables, Neuropsychiatric products in Brand Marketing and Anti-cancer products.
- Oncology API site construction starting in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai. Targeting completion latest by Q3FY24.

FY22 Annual Report Update

- Caplin's LatAm business model continues to drive topline and bottomline growth while Caplin Steriles' grew 44% YoY to Rs 122 crore in FY22. It has set an aspirational target of US$ 100mn by FY26/FY27 for the US business. Caplin is undergoing on a capex journey of Rs.500 cr to expand existing capacities, widen its product portfolio and backward integrate its products. Caplin plans to enter more regulated markets such as Canada, Australia, China, Russia/CIS as well as enter the bigger LatAm markets of Mexico and Brazil.
- It sales through e-commerce platform 'QueTenX', selling over 472 SKUs each month through direct orders. It is catering to 1,000+ unique customers in Guatemala, Nicaragua and Ecuador.
- Caplin is targeting complete backward integration from Key Starting Material (KSM) to Intermediates and API. Company targets being backward integrated with own APIs for 70% of all US filings, a critical differentiator for generic injectables.
- US business also enjoy the company level gross margin. Company is not capitalizing R&D expenditure or the product filing expenditure which is why profitability to remain under pressure for some more time until revenue ramps up.

- Caplin plans to enter more regulated markets such as Canada, Mexico and Australia in the medium term horizon as well as expand its products portfolio.
- Around 90% of total revenue in FY22 came from six small markets (Guatemala, Nicaragua, Ecuador, El Salvador, Honduras and Dominican Republic) in Latin America.
- At Caplin Point Laboratories, the action plan for next six years is that the top line of FY22 will be the bottom line of FY28. Earlier, the company had guided for top line of FY16 would become bottomline of FY22 and the company actually surpassed that target.
- Caplin would be present in most of the major regulated markets by 2027-28. It would have facilities for all dosage forms for regulated markets.
- During Q2FY23, Caplin announced the acquisition of API Plant at Vizag, as part of its backward integration initiative. It is for both Injectable and OSD APIs. General Category APIs will be started post-refurbishment completion at this plant. Company targets completion by Q1FY24. Oncology APIs will be started in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai. It targets completion by Q2FY24.
- Brazil takes a minimum of 2 years for registration. Company started the process in Q4FY22. So, it will take 12-18 months to complete the registration. Brazil private market is difficult because the geography is very huge, therefore distribution will be the biggest challenge in Brazil. Caplin would focus more on the tender business, but advantage in Brazil is lesser competition in injectables and Oncology products.

Latin America Region Outlook

Latin America (LatAm) is the key geography for Caplin and contributes to ~85% of the total sales. It has established strong presence (among the top 3 players in the region), a well spread distribution network, new product pipeline and expansion in new geographies. After a sizeable presence in Central America, it is now looking to leverage its expertise and experience to tap the key major markets in the LatAm including Brazil, Mexico, Peru and Colombia for further growth. Given the company's capabilities to offer affordable solutions to the masses at large, provides ample visibility. Going ahead, Caplin looks to increase its presence in large markets like Mexico. Strong product portfolio, new launches, expand the reach of B2B portal services and foray in the new markets in LatAm would be key growth drivers and the management looks to double topline from LatAm over the next 5 years.

In Aug-2021, Caplin Steriles, a subsidiary of Caplin Point Laboratories, received approval from Brazil's National Health Surveillance Agency ANVISA (Agência Nacional de Vigilância Sanitária) for its sterile injectable manufacturing site near Chennai, Tamil Nadu. The approval grants access to the company to register and market its products in Brazil, the largest Pharmaceutical market in Latin America. Brazil is the largest pharmaceutical market in Latin America and the 10th largest in the world. The Brazilian pharma market is estimated to be around US$ 35bn and is expected to grow about 6-8% YoY over next 5 years.

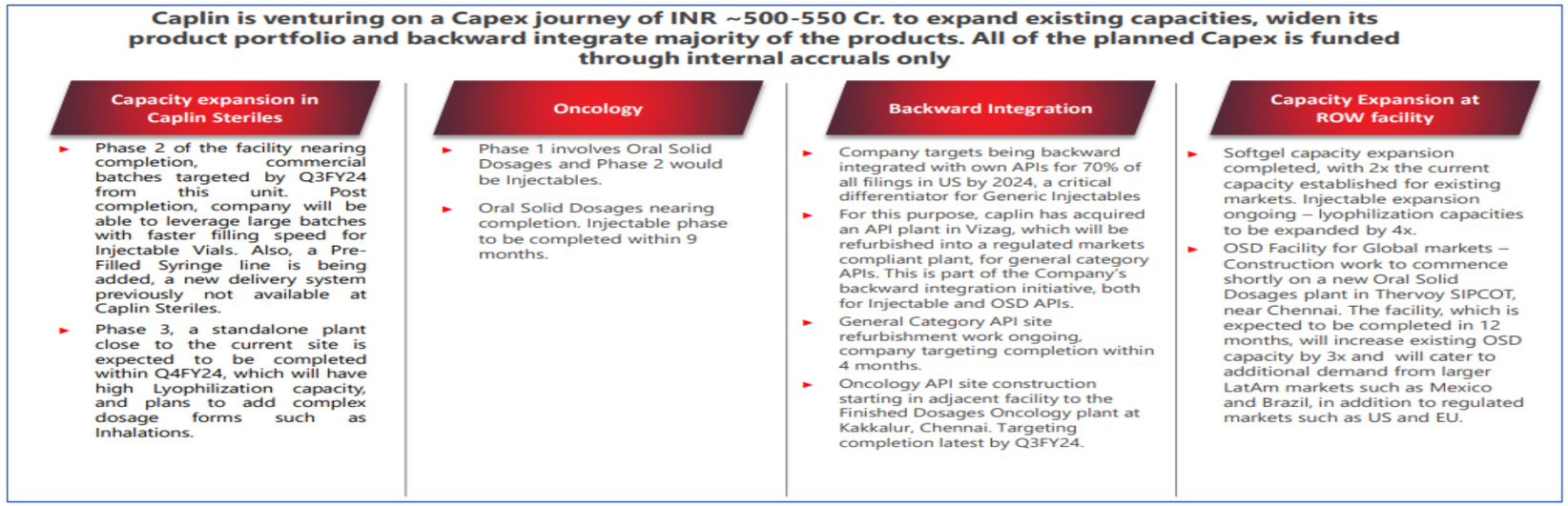
Capex programme update

Caplin Point has embarked on a capex plan which would support the growth for the company across markets. Total capex plan is pegged at Rs 500-550cr of which, capacity expansion and maintenance capex (Rs 270cr), oncology (Rs 130cr) and API (Rs 100cr). OSD (Oral Solid Dosage) Facility for Global markets – Construction work to commence shortly on new OSD plant in Thervoy SIPCOT, near Chennai. The facility is expected to be completed in 12 months, will increase existing OSD capacity by ~3x. The company targets being backward integrated with own APIs for 70% of all filings in US by 2024, a critical differentiator for generic injectable. Total outlay is expected at Rs 100 crore. API Plant of the company is going to be used for captive consumption thereby attaining backward integration, though the company is not going to backward integrate for all products. Caplin is undergoing a capex journey to expand existing capacities, widen its product portfolio and backward integrate majority of the products.

Company has completed expansion in Softgel capacity to 2x and Injectable capacity is being augmented shortly. The development of 50+ APIs both in General Category and Oncology completed at R&D scale. It would be scaled up when Company's API units go on stream (expected by Jun-23). It plans to enter more regulated markets such as Canada, Australia, China, Russia/CIS as well as enter the bigger LatAm markets of Mexico and Brazil in the near to medium term horizon.

For this purpose, Caplin has acquired an API plant in Vizag, which will be refurbished into a regulated markets compliant plant, for general category APIs. This is part of the company's backward integration initiative, both for Injectable and OSD APIs. General Category APIs will be started post-refurbishment completion at this plant. Company targets completion by Q1FY24. Oncology APIs would be started in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai. It targets completion by Q3FY24.

In Caplin Steriles, Phase 2 of the facility nearing completion, commercial batches targeted by Q2FY24 from this unit. Post completion, the company will be able to leverage large batches with faster filling speed for Injectable Vials. Also, a Pre-Filled Syringe line is being added, a new delivery system previously not available at Caplin Steriles. Phase 3, a standalone plant close to the current site is expected to be completed within Q3FY24, which will have high Lyophilization capacity, and plans to add differentiated dosage forms such as Inhalations in the near term.



US Injectable Business

Caplin Steriles caters to the rapidly growing demand for injectable and Ophthalmic products in US and other regulated markets. Caplin's injectable portfolio comprises 29 filed ANDAs, of which 20 have already been approved. Overall, development pipeline remains robust, with 55 ANDAs under development with addressable market in US at ~US$ 5bn. Caplin Steriles received three approvals in Feb/Mar-2023. In FY22, the company's US revenue (10% of overall sales), and FY23 sales grew 67% YoY at Rs 213cr. It has achieved break even at PAT levels in FY23. Management has maintained US$ 100mn revenues from Caplin Steriles by FY27.

Caplin Point is one of the late entrants into the US market. Company entered the US market in FY18 with a foray into the high growth and high margin injectables segment. US market is governed by extremely stringent regulatory norms. Caplin Steriles registered revenue of Rs 213cr, accounting for ~14% of the overall sales in FY23. Company targets being backward integrated with own APIs for 70% of all filings in US by year 2024. A strong product pipeline, aspirations for market share gains, plans to establish own front in the US are the key factors that would drive growth for the company in the US markets.

Recent approval from US FDA

On Mar 08, 2023, Caplin Steriles, a Subsidiary Company of Caplin Point Laboratories received final approval from the US FDA for its ANDA Thiamine Hydrochloride Injection USP, 200 mg/2 mL (100 mg/mL) Multi-dose Vial, a generic therapeutic equivalent version of (RLD),

Thiamine injection of Fresenius Kabi USA LLC. It is effective in the treatment of Thiamine (Vitamin B1) deficiency or beriberi, a serious condition caused by prolonged lack of Vitamin B1. According to IQVIATM (IMS Health), Thiamine Hydrochloride Injection had US sales of approximately US$ 38 million for the 12-month period ending September 2022.

On Mar 03, 2023, Caplin Steriles received final approval from the US FDA for ANDA Rocuronium Bromide Injection, 10 mg/mL in 5 mL and 10 ml Multi-dose Vials, a generic therapeutic equivalent version of (RLD), ZEMURON Injection, of Organon USA Inc. The Injection is a neuromuscular blocking agent, indicated as an adjunct to general anesthesia to facilitate both rapid sequence and routine tracheal intubation, and to provide skeletal muscle relaxation during surgery or mechanical ventilation. According to IQVIATM (IMS Health), Rocuronium Bromide Injection had US sales of US$ 53 million for the 12-month period ending September 2022.

In Feb-2023, Caplin Steriles received approval from the US FDA for Carboprost Tromethamine Injection USP, 250 mcg/mL Single-dose Vials, a generic therapeutic equivalent version of (RLD), HEMABATE Injection, of Pfizer Inc. Carboprost Tromethamine Injection USP is an oxytocic, indicated for the treatment of postpartum hemorrhage due to uterine atony. According to IQVIATM (IMS Health), Carboprost Tromethamine Injection USP had US sales data of approximately $55 million for the 12-month period ending Sep 2022.

On Jun 12, 2023, the company got US FDA approval for Cisatracurium Besylate Injection. Caplin Steriles Limited, a subsidiary company of Caplin Point Laboratories received final approval from the US FDA for its ANDA Cisatracurium Besylate Injection USP, 10 mg/5 mL (2 mg/mL) and 200 mg/20 mL (10 mg/mL) Single-dose Vials; and 20 mg/10 mL (2 mg/mL) Multiple-dose Vials (Preserved)., a generic therapeutic equivalent version of (RLD), NIMBEX injection of AbbVie Inc. According to IQVIATM (IMS Health), It had US sales of US$ 35 million for the 12-month period ending December 2022.

Key Risks

- Delay in approvals/launches may impact the US business. Inability to scale up highly competitive US business which is likely to be growth driver for the company.
- Higher than expected erosion in the US could lead to decline in margin and profitability.
- Adverse currency fluctuations could impact revenue and margin especially as the company derives about 86% of revenue from LatAm and Africa.
- Any negative outcome of inspection of its key manufacturing facility by the US FDA or other regulatory authority could affect the company's growth prospects. Till now, the company has a clean compliance track record.
- Company sources 35% of the products from China and India while the balance are produced in-house. Supply disruptions from China may impact overall growth.
- Delay in commercialization of new capex may hurt expected growth in the long term.

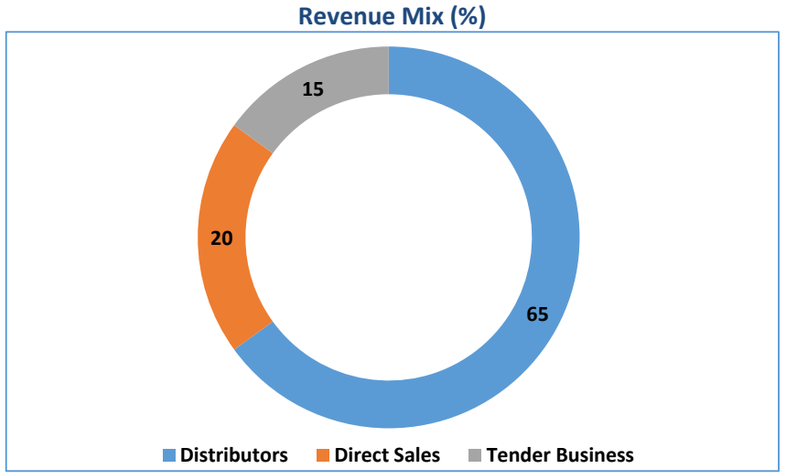
- Company is exposed to geo-political risk as it derives ~85% of revenue from LatAm markets. A slowdown in the economy of the region could hamper its growth prospects.

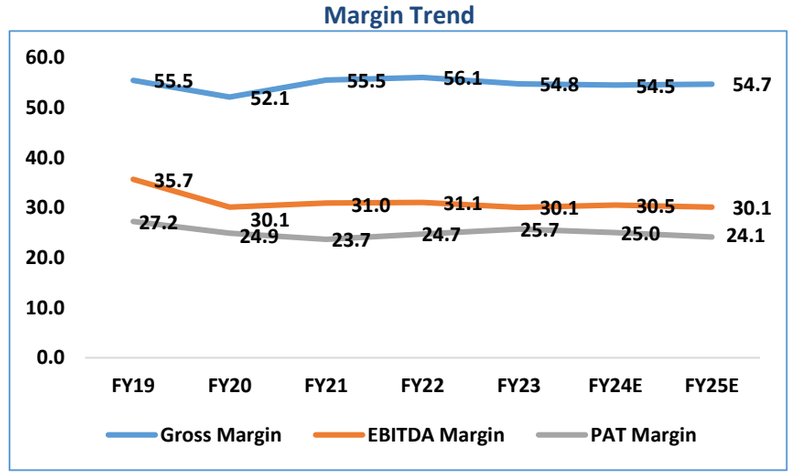
Company Background

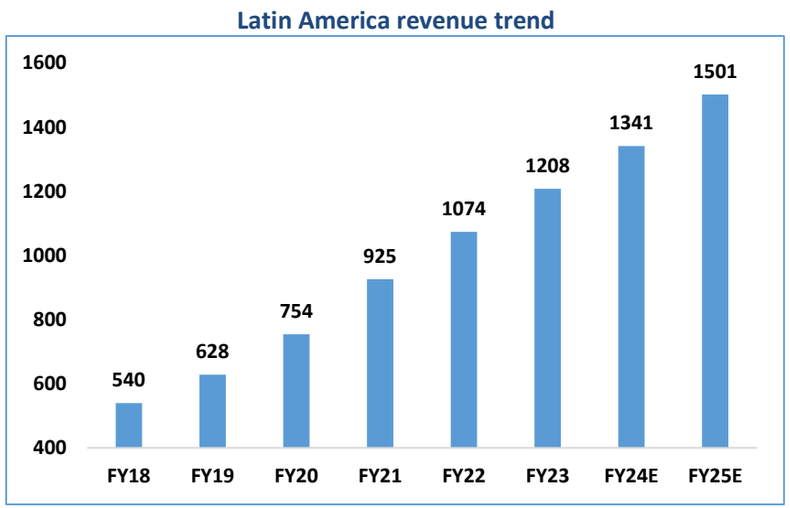
Caplin Point Laboratories was established in 1990 to manufacture a range of ointments, creams and other external applications. Thereafter, it has expanded its product range and increased its production capacity. Company is one of the leading suppliers of Pharmaceuticals in these regions, with over 4000 product licenses across 650 formulations across the globe. Caplin Point Laboratories has transformed itself to be a generic formulations player with a differentiated geographical presence. Company focuses on the emerging markets of LatAm (Central and South America), Caribbean and Francophone and Southern Africa. Company took early mover advantage in these largely untapped markets. With respect to Segments, Caplin has two segments – Generics and the Branded Generics, which constitute around 75% and 25% of the overall sales of the company. In the LatAm markets, the company has a strong presence in the markets of Guatemala, which constitutes around one third of the LatAm revenues while the balance is spread across El Salvador, Nicaragua, Ecuador and Honduras among others. Over the years, the company has gained a leading position and is either amongst top-3 / top-5 in these respective markets and gradually is looking to tap the other key markets of Brazil and Mexico etc. in the LatAm region. In addition to the LatAm, Caplin is also building its presence in developed markets of the US with a focus on injectables segments. Company has planned large capital expenditure of around Rs 500cr, which would drive strong growth in the long term. Company derived 83% of revenue from Latin America, 14% from US and 3% from Africa.

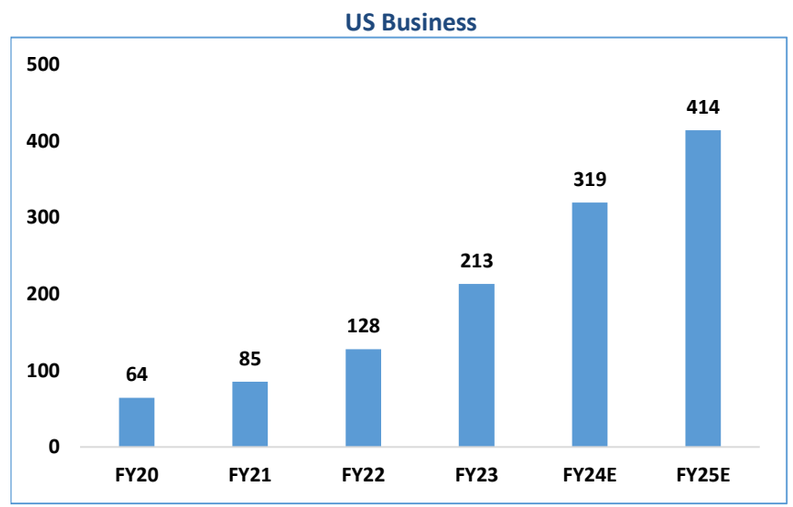
Caplin Point Manufacturing Facilities

Caplin Point Laboratories Ltd.









(Source: Company, HDFC sec)

Caplin Point Laboratories Ltd.

Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Revenue	863	1061	1269	1467	1723	1992
Growth (%)	33.1	22.9	19.6	19.6	17.5	15.6
Operating Expenses	603	733	875	1026	1197	1393
EBITDA	**260**	**329**	**394**	**441**	**526**	**600**
Growth (%)	12.5	26.3	20.0	11.9	19.3	14.0
EBITDA Margin (%)	30.1	31.0	31.1	30.1	30.5	30.1
Depreciation	32	37	47	45	58	68
EBIT	229	292	347	396	468	531
Other Income	41	24	39	56	64	74
Interest expenses	0	2	1	1	1	1
PBT	270	314	385	451	532	605
Tax	54	62	77	74	101	124
RPAT	**215**	**242**	**300**	**376**	**426**	**475**
Growth (%)	21.7	12.7	23.8	23.3	13.3	11.3
EPS	28.4	32.0	39.6	49.7	56.4	62.7

Balance Sheet

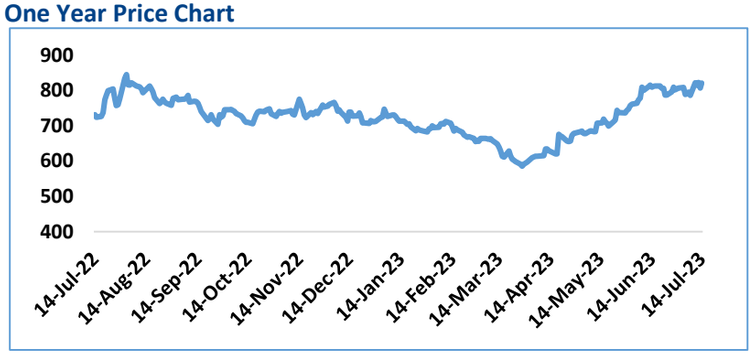
As at March	FY20	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	15.1	15.1	15.1	15.1	15.1	15.1
Reserves	933	1171	1469	1865	2271	2720
Shareholders' Funds	**948**	**1186**	**1484**	**1880**	**2287**	**2735**
Long Term Debt	1	1	1	0	0	0
Net Deferred Taxes	5	1	-4	-14	-14	-14
Long Term Provisions & Others	13	16	15	16	21	27
Minority Interest	9	18	26	27	27	27
Total Source of Funds	**977**	**1221**	**1522**	**1909**	**2320**	**2775**
APPLICATION OF FUNDS						
Net Block	288	312	294	489	594	671
Intangible Assets	5	7	11	11	11	11
Non-Current Investments	1	1	37	71	86	108
Long Term Loans & Advances	5	29	91	52	57	73
Total Non-Current Assets	**299**	**349**	**433**	**623**	**748**	**863**
Current Investments	60	11	52	159	283	464
Inventories	238	179	227	288	315	371
Trade Receivables	229	279	320	394	462	545
Cash & Equivalents	224	438	463	494	577	622
Other Current Assets	72	107	235	219	241	270
Total Current Assets	**823**	**1015**	**1297**	**1554**	**1879**	**2272**
Short-Term Borrowings	37	18	1	4	5	7
Trade Payables	64	89	163	164	188	224
Other Current Liab & Provisions	42	37	41	100	112	127
Short-Term Provisions	1	0	3	0	1	3
Total Current Liabilities	**144**	**143**	**207**	**268**	**306**	**361**
Net Current Assets	678	872	1090	1286	1572	1911
Total Application of Funds	**977**	**1221**	**1522**	**1909**	**2320**	**2775**

Caplin Point Laboratories Ltd.

Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	270	314	391	451	532	605
Non-operating & EO items	-25	-24	-39	-56	-64	-74
Interest Expenses	0	2	1	1	1	1
Depreciation	32	37	41	45	58	68
Working Capital Change	-177	6	24	-81	-203	-294
Tax Paid	-55	-66	-82	-88	-101	-124
OPERATING CASH FLOW (a)	**45**	**269**	**336**	**272**	**222**	**182**
Capex	-77	-73	-91	-194	-162	-145
Free Cash Flow	-32	196	245	78	60	37
Investments	-3	20	-219	-80	-20	-39
Non-operating income	25	24	39	56	64	74
INVESTING CASH FLOW (b)	**-54**	**-30**	**-271**	**-218**	**-118**	**-110**
Debt Issuance / (Repaid)	104	-28	-25	2	5	6
Interest Expenses	0	-2	-1	-1	-1	-1
FCFE	72	166	219	79	64	42
Share Capital	9	9	9	1	0	0
Dividend/Buyback	-33	-3	-23	-31	-25	-32
FINANCING CASH FLOW (c)	**80**	**-24**	**-40**	**-29**	**-20**	**-27**
NET CASH FLOW (a+b+c)	**70**	**215**	**26**	**26**	**84**	**45**

One Year Price Chart



Key Ratios

	FY20	FY21	FY22	FY23	FY24E	FY25E
Profitability (%)						
Gross Margin	52.1	55.5	56.1	54.8	54.5	54.7
EBITDA Margin	30.1	31.0	31.1	30.1	30.5	30.1
EBIT Margin	26.5	27.5	27.8	27.0	27.2	26.7
APAT Margin	24.9	23.7	24.7	25.7	25.0	24.1
RoE	27.2	22.7	22.5	22.4	20.5	18.9
RoCE	23.3	23.9	22.7	20.6	20.1	19.1
Solvency Ratio						
Net Debt/EBITDA (x)	-0.9	-1.3	-1.3	-1.5	-1.6	-1.8
D/E	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E	-0.3	-0.4	-0.3	-0.3	-0.4	-0.4
PER SHARE DATA						
EPS	28.4	32.0	40.3	49.7	56.4	62.7
CEPS	32.6	36.9	45.8	55.7	64.0	71.7
BV	125	157	196	249	302	362
Dividend	2.5	3.0	4.0	2.0	3.0	4.0
Turnover Ratios (days)						
Debtor days	97	96	92	98	98	100
Inventory days	58	72	58	64	67	68
Creditors days	49	56	85	73	71	72
VALUATION						
P/E	28.9	25.6	20.3	16.5	14.6	13.1
P/BV	6.5	5.2	4.2	3.3	2.7	2.3
EV/EBITDA	22.0	17.4	14.5	13.0	10.9	9.5
EV / Revenues	6.6	5.4	4.5	3.9	3.3	2.9
Dividend Yield (%)	0.3	0.4	0.5	0.2	0.4	0.5
Dividend Payout	8.8	9.4	9.9	4.0	5.3	6.4

KUSHAL MAHENDRA RUGHANI

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