

# Stock Update Caplin Point Laboratories Ltd.

Jan 01, 2024





# Caplin Point Laboratories Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 1356	Buy in the range of Rs 1352-1373 & add more on dips to Rs 1216	Rs 1492.5	Rs 1585	2-3 quarters

HDFC Scrip Code	CAPLINEQNR
BSE Code	524742
NSE Code	CAPLINPOINT
Bloomberg	CLPL IN
CMP Dec 29, 2023	1356
Equity Capital (Rs cr)	15.1
Face Value (Rs)	2
Equity Share O/S (cr)	7.55
Market Cap (Rs cr)	10298
Book Value (Rs)	249
Avg. 52 Wk Volumes	302398
52 Week High	1429
52 Week Low	575

Share holding Pattern % (Sep, 2023)	
Promoters	70.63
Institutions	3.29
Non Institutions	26.08
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 ~85% of overall sales, and 15% coming from the US market. Over the years, the company has established its presence in LatAm markets of Guatemala, El Salvador, Nicaragua, Dominican Republic, Ecuador and Honduras with its own distribution network. Company has a good 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. The company had cash & equivalents of around Rs 825cr as on Sep-2023.

Revenue breakup is a healthy mix of product supply and Milestone + profit share, with current split at 70:30 for the US business. Out of exports ~35% of products come from Chinese vendors and the rest from in-house manufacturing in India. The company has done product registrations in Mexico and looks to foray there soon, which would be later followed by a foray in Brazil. Therefore, a focus on tapping new geographies for growth, healthy product pipeline, and increasing geographic penetration in the existing markets would be the key growth drivers. The geographic and product expansion plans are well backed by capex plans, which would enable Caplin to capitalize on growth opportunities in its respective markets.

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. Company spent 4.3% of revenue in R&D during FY23, and this 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. It has filed for 33 products and received approval for 24 products. Company plans to file about 8-10 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.

We remain positive on the stock given 1) strong growth in LatAm markets driven by capacity expansion, 2) launch of products under own label in the US market, 3) healthy pipeline for US markets (filed 33 ANDAs, and a pipeline of 55+ products to be filed for the future), 4) Change in business mix towards branded generic (currently ~25%). Company also plans to enter more regulated markets including Canada, Australia, China, Russia/CIS and enter the bigger LatAm markets of Mexico and Brazil in the medium term. On July 17, 2023, we had



recommended buy on Caplin Point Laboratories at Rs 821 and add more on dips to Rs 737 for base case target of Rs 910 and bull case target of Rs 973 over the 3-4 quarters. The stock achieved our targets in just one month ([link](#)).

## Valuation & Recommendation:

Caplin reported strong numbers for H1FY24; it continues to remain on growth path by entering new regions and adding new segments. We expect the company to post healthy growth on the back of a ramp up in US business (Caplin Steriles) and expanding its reach in the large markets of Latin America. A strong filing pipeline of 55 ANDAs in the next three years could boost the US business. 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 this would help expand its gross margin. A large part of API produced would be for captive use for its US injectable pipeline. We estimate Revenue/EBITDA/PAT to grow at 16%/19%/15.5% CAGR respectively, over FY23-26E. Caplin has established a strong presence in lesser-known Central America markets and it has successfully cracked US market with focus on injectable space with partners like Baxter, Fresenius and Xellia, thereby creating its own identity. **We feel investors can buy Caplin Point Laboratories in the band of Rs 1352-1373 and add more on declines to Rs 1216 (16.5x Dec'25E EPS) for base case target of Rs 1492.5 (20.25x Dec'25E EPS) and bull case target of Rs 1585 (21.5x Dec'25E EPS) over the next 2-3 quarters.**

## Financial Summary

Particulars (Rs cr)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Revenues	410	359	14.2	395	3.7	863	1,061	1,269	1,467	1,694	1,970	2,285
EBITDA	138	106	30.2	127	8.7	260	329	394	441	543	623	739
Depreciation	12	12	2.6	11	3.5	32	37	47	45	50	60	72
Other Income	20	17	23.6	12	70.0	41	24	39	56	66	75	84
Interest Cost	0	0	100.0	0	-33.3	0	2	1	1	1	2	2
Tax	30	18	62.5	23	31.1	54	62	77	74	114	137	165
PAT	115	92	25.3	103	11.1	215	242	300	376	440	494	579
EPS (Rs)						28.4	32.0	39.6	49.7	58.2	65.3	76.5
RoE (%)						27.2	22.7	22.5	22.4	21.1	19.7	19.3
P/E (x)						47.8	42.5	34.3	27.3	23.4	20.8	17.8
EV/EBITDA (x)						37	29.3	24.4	21.8	17.7	15.4	13

(Source: Company, HDFC sec)

## Q2FY24 result update

Revenue for the quarter grew 14.2% YoY at Rs 410cr. EBITDA margin improved 410bps YoY at 33.5%. Gross margin improved 600bps YoY at 60%. Net profit was up 25.3% YoY at Rs 114.9cr. Other Income increased 23.6% at Rs 20.4cr.



Company has cash & equivalents of Rs 825cr as on Sep-2023. EPS for the quarter stood at Rs 15.1 and it stood at Rs 28.6 for H1FY24. Cash Flow from Operations in H1FY24 was at Rs 129 crores.

Caplin Steriles (CSL) revenue grew 23% YoY at Rs 121 crore in H1FY24. Company's current revenue mix stood at 70% from Product supplies and 30% from Milestone and Profit-share. Company has filed 3 Ready-To-Use Bag products with FDA, a niche segment with limited competition. It has also filed its first Emulsion injection with a partner.

Company will be filing additional products in niche categories in the coming months, comprising of Suspension Injectables, Emulsion Injectable, Emulsion Ophthalmic and Plastic Vial injections, within 2 quarters.

Company has 24 approvals so far, of which, 18 belongs to Caplin's name. Another 13 are under review with FDA at this point. Of which, again, 11 are in Caplin Steriles.

Company derived 85% of revenue from Latin America (LatAm) and Africa and 15% from the US. R&D expenses stood at Rs 66cr or 4.5% of sales for FY23. It was at Rs 32cr or 3.9% of sales in H1FY24.

Caplin Steriles (US Injectable business) revenue stood at Rs. 208cr in FY23 with 65% YoY growth and it is at PAT breakeven levels now. With a healthy order book, the company targets 40-50% growth in revenue in FY24. Increase in revenues is targeted through new product launches and higher market share from existing products.

### Concall Highlights

- Gross Margin for Q2FY24 was at 60% vs 53.9% in Q2FY23 and H1FY24 is 57.4% vs 54.3% in H1FY23, aided by new product launches across existing and new markets.
- Geographical revenues: Latin America and Rest of World 85%, US 15%. Caplin Steriles Ltd (CSL) H1FY24 operating revenue increased 23% YoY at Rs 121 crore. CSL's revenue composition demonstrates a balanced mix of Product Supply and Milestone + Profit Share, with the split for both Q2 and H1FY24 is in the range of 70% and 30% respectively.
- The three reasons for increase in EBITDA and PAT are as follows: i) oncology sales outsourced, ii) soft gels sales increase, iii) increase in revenue of Caplin Steriles. In FY24, outsourcing of onco business has continued to contribute revenue and profits, CSL line 5 (new line) which increased the capacity; the new registration of soft gels will also contribute to revenue and profitability.
- New products launches across various markets, especially in branded generic segment drives robust bottom line growth. Company has started to supply major orders for Speciality products in LatAm, serviced using CMOs before transitioning to the company's own high potent manufacturing site in the coming quarters.
- Company has a tie-up with existing and new third-party manufacturers with regulatory approvals, for key Mexico market, especially in areas such as Penicillin, Cephalosporin range of products.





- Company plans to launch 15+ own-label products in the US within the first 12 months of incorporation. Company's high speed Vial filling line from new expansion (capex commercialized), which would further boost revenue in the coming quarters. Company has filed 3 Ready-To-Use Bag products with FDA, a niche segment with limited competition. Company has also filed its first Emulsion injection with partner. Company will be filing additional products in niche categories in the coming months, comprising of Suspension Injectables, Emulsion Injectables, Emulsion Ophthalmic and Plastic Vial injections to be filed within 2 quarters. R&D and filing completed for several Injectables for non-US markets, for which it will be using Caplin Point's injectable facility.
- Caplin has 5 dedicated R&D setups (three DSIR approved and two under approval). Company has registered 92 products in Chile using CP1.
- It has done capex investment of over Rs 550 crore over last 7 years towards enhanced manufacturing and R&D capabilities, from internal accruals.
- In-house manufacturing stood at 55% while outsourced at 45%. The products are outsourced from quality-conscious partners in India and China. Out of exports, India accounted for 65% and China at 35%.
- Caplin Point has allocated an overall capex budget of Rs 600-650 crore for the investment projects to expand existing capacities, widen its product portfolio and backward integrate most of the products. All the planned capex is funded through internal accruals only.
- Company plans to enter more regulated markets such as Canada, Australia, MENA, Russia/CIS as well as enter the bigger LatAm markets of Mexico and Brazil in the medium term.
- For FY26, the company expects completion of oncology injectable in addition to OSD (Oral Solid Dosage) to expand OSD general facilities for the new markets.
- It expects 2-3 ophthalmic product approvals in the next six months. Softgel Line 2 has been operational, which has value-added products; got a strong order book for oncology products. Oncology tablet and capsule facility, will be able to start commercial production in the next six months.
- There are many EU-GMP and other high regulatory body approved facilities in India that do not really have presence in Latin America especially in Mexico. It has identified two or three of these companies, two from India and one from China as well who have been giving their dossiers to file in Caplin's name and in due course of time when some of these products get approved, Caplin will start outsourcing the same.
- Q2FY24 EBITDA for Caplin Steriles stood at Rs 10 crore and for Q1 it was around Rs 2.5 crore. This is after charging off all the R&D expenses and the ANDA registration fees, everything which has been expensed out.
- Company filled more than three ANDAs as compared to the last quarter that each ANDA costs about Rs 2-3 crore and R&D expenses have also gone up.
- US FDA inspection got completed successfully after four years. Phase two will become operational in October and ship most of all the terminal sterilized products. All the observations were procedural in nature and not repeat observations.



- Overall pipeline remains robust with over 55 products under various stages of development. This includes injectable products, suspension emulsions, bags etc. Additionally, the company has done several filings in Canada, South Africa, Mexico, Australia, and Philippines, and this will start to get approved in the 12-18 months.
- Company guided for 55-57% of gross margin and net margin of ~25% in the medium term.
- Company achieved the target that it had guided that 2016 top line will be the bottom line of 2022. Same way it has guided for 2028 also that 2022 top line will be the bottom-line of FY28.
- In Jun-2023, US FDA completed its GMP and PAI inspection of Caplin Steriles Limited's Sterile Injectable site at Gummidipoondi between May 22 to 31, 2023. At the end of the inspection, there were four observations issued by US FDA. These observations were procedural in nature and the corrective and preventive actions for these observations will be presented to the US FDA within the stipulated period. The observations made were not repeat observations or related to data integrity.
- In Sep-2023, Caplin Steriles got US FDA approval for Norepinephrine Bitartrate Injection. Norepinephrine Bitartrate is used for restoration of blood pressure in adult patients with acute hypotensive states. According to IQVIA (IMS Health), the injection had US sales of approximately US\$ 40 million for the 12-month period ending June 2023.

## Other highlights

- Company plans to be backward integrate 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.
- 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 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 has undertaken capacity expansion, which provides growth visibility.
- In FY23, the company launched 23 new products in Central America which contributed US\$ 2.4mn in sales.
- In the US formulations business, there is a healthy mix of product revenue, which is around 70%, and the milestone on profit share revenue, which is the remaining 30%.
- Phase I related to OSD for oncology is nearing completion and phase II of injectables is likely to be over within the next 6-9 months.
- Company is expanding soft gelatin division in Pondicherry to double the capacity. Given good response from the market and shortage, the company is doubling the capacity. It will become 4 crores capsules per month. Caplin is entering into new geographies as market expansion in Uzbekistan, Vietnam, Cambodia, Mexico, and Russia etc.
- Management said that gross margin is likely to remain around 54-56%. Some of the orders, which are tender based will not have the same margin as the normal products.



- Caplin is net cash rich company with cash & equivalents of around Rs 825cr and management guided for building minimum Rs 200-250cr accretion 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.
- 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.
- 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 65% growth and revenue stood at Rs 208cr led by a healthy mix of Products, Milestone and Profit Share revenues. Company achieved PAT break-even in FY23.
- Management stated that the gross margins in Injectables are near the company levels and expects to enter products where there is less price erosion.
- Overall, the development pipeline remains robust, with 55+ ANDAs under development with an addressable market in US at ~US\$ 5 billion.
- 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.
- 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 filling 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.



## Caplin Steriles (US Injectable Business)

Caplin Steriles caters to the rapidly growing demand for injectable and Ophthalmic products in US and other regulated markets. Overall, development pipeline remains robust, with 55 ANDAs under development with addressable market in US at ~US\$ 5bn. In FY22, the company's US revenue (10% of overall sales), and FY23 sales grew 65% YoY at Rs 208cr. It has achieved break even at PAT levels in FY23. Management has maintained US\$ 100mn revenue guidance 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. 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.

Currently, the company has 23 ANDAs approved from Caplin Steriles, with 18 in own name and 5 in partners' names. Of these, it has launched 20 products with the other 3 to be launched in the coming months. 7 ANDAs are under review with FDA as on date, which includes 5 Ophthalmic products, and 13 products under various stages of stability, which are all expected to be filed in the next 12 months.

Oncology Facility Phase-I will have Oral Solid Dosages and Phase-2 would be manufacturing Injectables. Company targets about 70% backward integration for its filings in US by 2024, a critical differentiator for Generic Injectables. For this purpose, it has acquired an API plant in Visakhapatnam, Andhra Pradesh. This facility 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. Oncology API site construction starting in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai.

## Capex programme update

Caplin Point has allocated an overall capex budget of Rs 600-650 crore for the investment projects, most of which are expected to get completed in the medium term. The capex will be financed solely through internal accruals, and the company will remain net cash positive throughout the process. The intended capex aims to enhance existing production capacities, widen the product range, and achieve backward integration for most of the products. This includes 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 the year 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.





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. Oncology APIs would be started in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai.

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 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.

In Caplin Steriles, Phase 2 of the facility nearing completion, commercial batches targeted by Q4FY24 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.

## Latin America Outlook

The region's population of around 67 crore, is characterized by increasing life expectancy, urbanization etc. leading to a greater demand for healthcare services and products. Latin America relies heavily on imported pharmaceuticals, making it an attractive market for countries with strong pharmaceutical manufacturing capabilities like India. Indian pharmaceutical companies comply with international quality standards and have experience of navigating complex regulatory environments. LatAm has a significant demand for generic medicines, as they offer cost savings and increased access to essential treatments.

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. 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.



**Caplin is venturing on a Capex journey of INR ~500-550 Cr. to expand existing capacities, widen its product portfolio and backward integrate majority of the products. All of the planned Capex is funded through internal accruals only**

## Capacity expansion in Caplin Steriles

- ▶ Phase 2 of the facility nearing completion, commercial batches targeted by Q3FY24 from this unit. Post completion, 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 Q4FY24, which will have high Lyophilization capacity, and plans to add complex dosage forms such as Inhalations.

## Oncology

- ▶ Phase 1 involves Oral Solid Dosages and Phase 2 would be Injectables.
- ▶ Oral Solid Dosages nearing completion. Injectable phase to be completed within 9 months.

## Backward Integration

- ▶ Company targets being backward integrated with own APIs for 70% of all filings in US by 2024, a critical differentiator for Generic Injectables
- ▶ 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 API site refurbishment work ongoing, company targeting completion within 4 months.
- ▶ Oncology API site construction starting in adjacent facility to the Finished Dosages Oncology plant at Kakkalur, Chennai. Targeting completion latest by Q3FY24.

## Capacity Expansion at 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 for Global markets – Construction work to commence shortly on a new Oral Solid Dosages plant in Thervoy SIPCOT, near Chennai. The facility, which 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.

## Project Summary

Facility	Location	Product	Target Market	Status	Timeline
Caplin Point Unit-I	CP1, Suthukeny, Puducherry	Softgel	Existing Markets	Completed	Q4 FY23
Caplin Steriles Phase II	CP4, Gummidipoondi	Injectable Vials and Pre-Filled Syringes	Regulated Markets	Line 5 – Commissioned in Oct'23. Line 6 – Qualifications ongoing.	Q4 FY24
API Facility	Visakhapatnam, Andhra Pradesh	General API	Existing and Regulated Markets	Ongoing	Q1 FY25
Oncology Facility	SIDCO, Kakkalur (Near Chennai)	OSD & Injectable phase	Existing and Regulated Markets	Ongoing	OSD –Q4 FY24 Injectable – Q2 FY25
Oncology API Facility	SIDCO, Kakkalur, (Near Chennai)	Oncology API	Existing and Regulated Markets	Commencing Shortly	Q3 FY25
OSD Facility	Thervoy SIPCOT, Chennai	Oral Solid Dosages	Existing Market along with Mexico, Brazil, US and EU	Commencing Shortly	Q4 FY25



## 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.
- Any negative outcome of inspection of its key manufacturing facility by the US FDA or other regulatory authority could affect growth. Till now, the company has had a clean compliance track record.
- Adverse currency fluctuations could impact revenue and margin especially as the company derives about 85% of revenue from LatAm and Africa.
- 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 global geo-political risk as it derives ~85% of revenue from Latin America. 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 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. It 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 82% of revenue from Latin America, 15% from US and 3% from Africa. Caplin's products include Liquid & Lyophilized Vials, Prefilled Syringes, Ophthalmic dosages, Pre-mixed Bags, Tablets, Dry Syrups, Liquid Syrups, Softgels, Liquid Injectables (Ampoules & Vials), Emulsion Injections (Ampoules & Vials), Capsules, Suppositories, Topicals and Sachets.

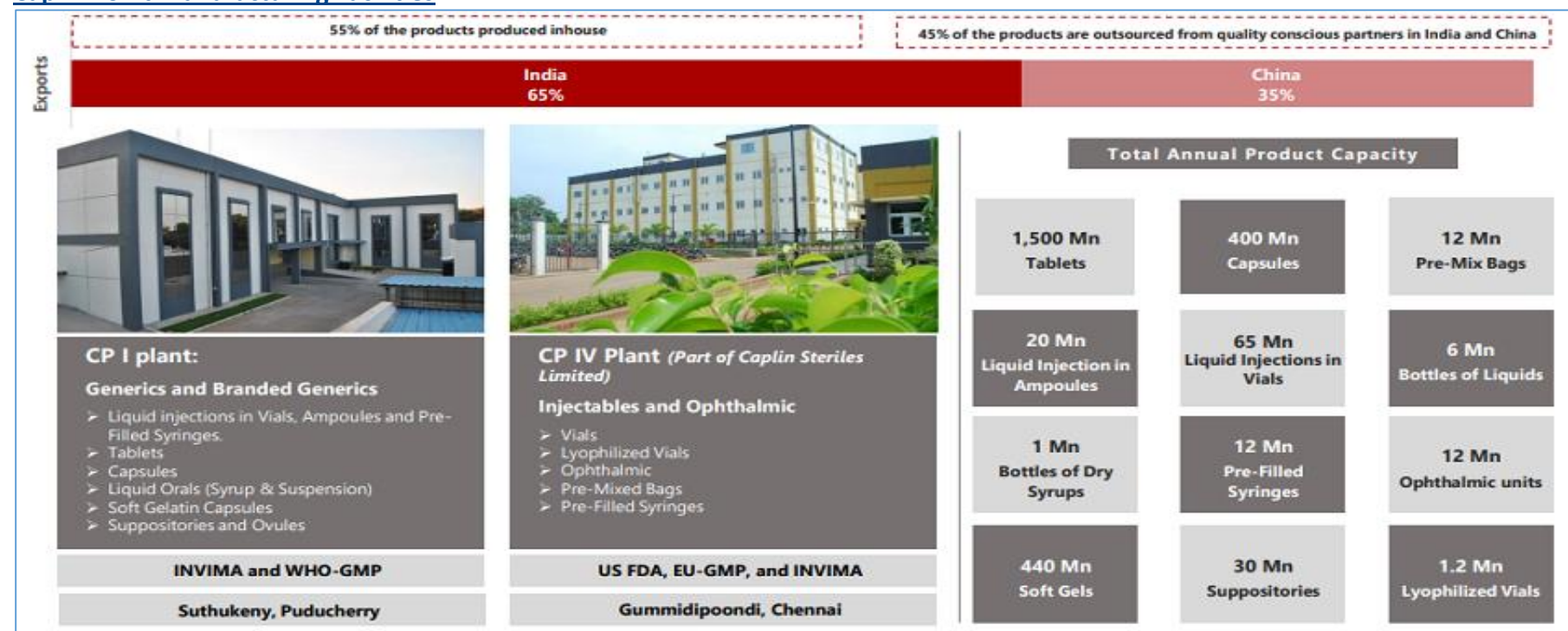


With Amaris Clinical, Caplin had embarked on journey in the year 2019, as a Contract Research Organization or Clinical Research Organization (CRO). Amaris Clinical is a state-of-the-art, 72-bed CRO facility located at Chengalpattu, Chennai. With a capex of Rs 29 crore till date, this Clinical Research facility would act as cornerstone of future expansions.

## Caplin Steriles

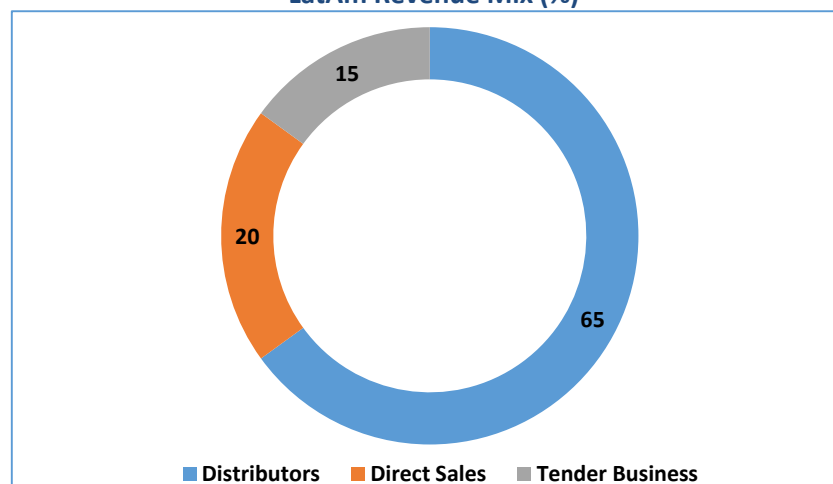
Caplin Steriles Limited, a subsidiary of Caplin Point Laboratories Limited, is a niche sterile product manufacturing company that is approved by several regulatory agencies such as US FDA, EU-GMP and ANVISA. Caplin Steriles Limited, has developed and filed 33 ANDAs in USA on its own and with partners, with 24 approvals so far. Company is also working on a portfolio of 40+ simple and complex Injectable and Ophthalmic products, that it intends to file over the next 4 years. It had reported revenue of Rs 208 crore in FY23. Revenue grew 23.2% YoY at Rs 121 crore in H1FY24. Company is likely to report revenue of Rs 288 crore for FY24E.

## Caplin Point Manufacturing Facilities

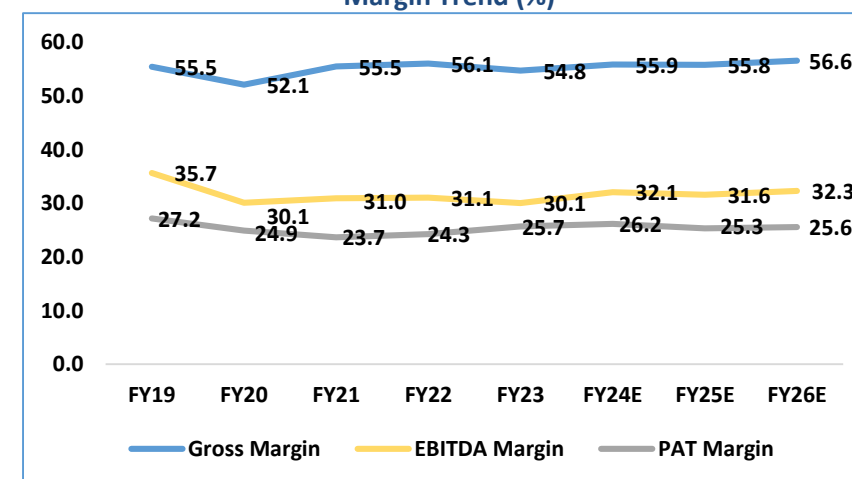




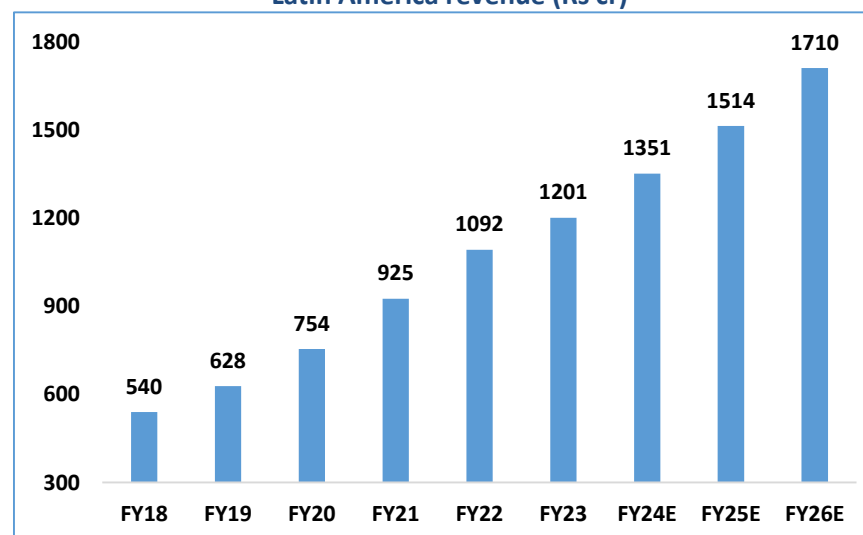
LatAm Revenue Mix (%)



Margin Trend (%)

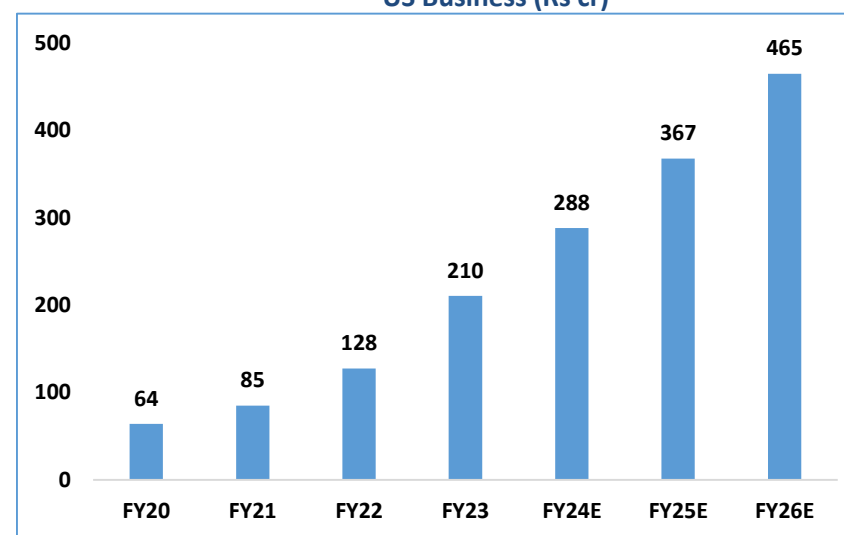


Latin America revenue (Rs cr)



(Source: Company, HDFC sec)

US Business (Rs cr)







# Caplin Point Laboratories Ltd.

## Peer Comparison

Company	Mcap (Rs cr)	Revenue (Rs cr)				EBITDA Margin (%)				PAT (Rs cr)				RoE (%)			
		FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Caplin Point Laboratories	10298	1269	1467	1694	1970	31.1	30.1	32.1	31.6	300	376	440	494	22.5	22.4	21.1	19.7
Marksans Pharma	7302	1491	1852	2135	2514	17.4	18.4	20.9	21.4	185	266	313	364	17.7	18.1	16.4	16.7
Laurus Labs	23183	4707	5773	5520	6389	27.3	25.7	19.2	23.7	832	797	371	694	17.2	15.5	20.7	15.7
Ipca Laboratories	28243	5797	6204	7412	8793	22.9	15.0	17.4	19.3	890	471	744	968	15.3	8.8	10.8	14.3

Company	EV/EBITDA (x)				P/E (x)			
	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Caplin Point Laboratories	24.4	21.8	17.7	15.4	34.3	27.3	23.4	20.8
Marksans Pharma	24.0	18.4	14.4	12.4	39.5	27.5	23.3	20.1
Laurus Labs	16.8	15.5	20.7	15.0	27.9	29.1	62.5	33.4
Ipca Laboratories	22.8	28.3	22	16.2	31.7	60.0	38	29.2

(Source: Company, HDFC sec and Bloomberg)



## Financials (Consolidated) Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	1061	1269	1467	1694	1970	2285
Growth (%)	22.9	19.6	19.6	15.5	16.3	16.0
Operating Expenses	733	875	1026	1151	1347	1546
<b>EBITDA</b>	<b>329</b>	<b>394</b>	<b>441</b>	<b>543</b>	<b>623</b>	<b>739</b>
Growth (%)	26.3	20.0	11.9	23.2	14.6	18.6
EBITDA Margin (%)	31.0	31.1	30.1	32.1	31.6	32.3
Depreciation	37	47	45	50	60	72
EBIT	292	347	396	493	563	667
Other Income	24	39	56	66	75	84
Interest expenses	2	1	1	1	2	2
PBT	314	385	451	558	636	750
Tax	62	77	74	114	137	165
<b>RPAT</b>	<b>242</b>	<b>300</b>	<b>376</b>	<b>440</b>	<b>494</b>	<b>579</b>
Growth (%)	12.7	23.8	25.5	17.0	12.3	17.2
EPS	32.0	39.6	49.7	58.2	65.3	76.5

## Balance Sheet

As at March	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>SOURCE OF FUNDS</b>						
Share Capital	15.1	15.1	15.1	15.1	15.1	15.1
Reserves	1171	1469	1865	2269	2717	3238
<b>Shareholders' Funds</b>	<b>1186</b>	<b>1484</b>	<b>1880</b>	<b>2284</b>	<b>2732</b>	<b>3253</b>
Long Term Debt	1	1	0	0	0	0
Net Deferred Taxes	1	-4	-14	-14	-14	-14
Long Term Provisions & Others	16	15	16	21	27	33
Minority Interest	18	26	27	27	27	27
<b>Total Source of Funds</b>	<b>1221</b>	<b>1522</b>	<b>1909</b>	<b>2318</b>	<b>2772</b>	<b>3299</b>
<b>APPLICATION OF FUNDS</b>						
Net Block (incl. CWIP)	312	294	489	599	679	768
Intangible Assets	7	11	11	11	11	11
Non-current Investments	1	37	71	86	108	137
Long Term Loans & Advances	29	91	52	57	71	85
<b>Total Non Current Assets</b>	<b>349</b>	<b>433</b>	<b>623</b>	<b>754</b>	<b>870</b>	<b>1000</b>
Current Investments	11	52	159	283	393	555
Inventories	179	227	288	310	367	421
Trade Receivables	279	320	394	454	539	622
Cash & Equivalents	438	463	494	575	682	771
Other Current Assets	107	235	219	241	270	321
<b>Total Current Assets</b>	<b>1015</b>	<b>1297</b>	<b>1554</b>	<b>1863</b>	<b>2251</b>	<b>2690</b>
Short-Term Borrowings	18	1	4	5	6	5
Trade Payables	89	163	164	180	214	245
Other Current Liab & Provisions	37	41	100	112	127	139
Short-Term Provisions	0	3	0	1	1	2
<b>Total Current Liabilities</b>	<b>143</b>	<b>207</b>	<b>268</b>	<b>298</b>	<b>349</b>	<b>391</b>
Net Current Assets	872	1090	1286	1564	1902	2299
<b>Total Application of Funds</b>	<b>1221</b>	<b>1522</b>	<b>1909</b>	<b>2318</b>	<b>2772</b>	<b>3299</b>

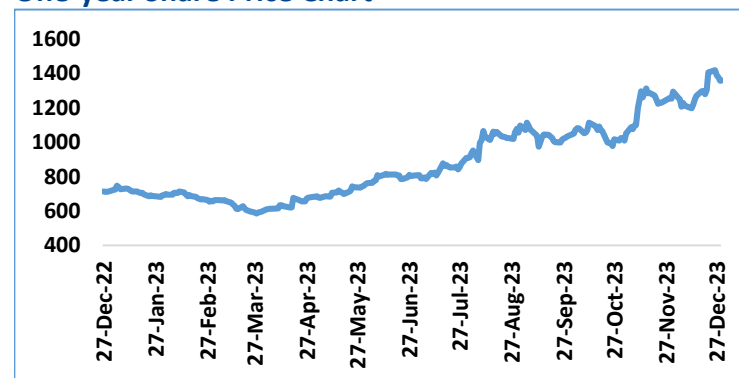


# Caplin Point Laboratories Ltd.

## Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	314	385	451	558	636	750
Non-operating & EO items	-24	-39	-56	-66	-75	-84
Interest Expenses	2	1	1	1	2	2
Depreciation	37	47	45	50	60	72
Working Capital Change	6	24	-82	-197	-230	-308
Tax Paid	-66	-82	-88	-114	-137	-165
<b>OPERATING CASH FLOW ( a )</b>	<b>269</b>	<b>337</b>	<b>272</b>	<b>231</b>	<b>256</b>	<b>266</b>
Capex	-73	-91	-194	-160	-140	-160
Free Cash Flow	196	246	78	71	116	106
Investments	20	-325	-80	-20	-37	-42
Non-operating income	24	39	56	66	75	84
<b>INVESTING CASH FLOW ( b )</b>	<b>-30</b>	<b>-377</b>	<b>-218</b>	<b>-114</b>	<b>-102</b>	<b>-117</b>
Debt Issuance / (Repaid)	-28	-26	2	5	6	6
Interest Expenses	-2	-1	-1	-1	-2	-2
FCFE	166	219	80	75	120	110
Share Capital	9	9	1	0	0	0
Dividend	-3	-23	-31	-40	-51	-64
<b>FINANCING CASH FLOW ( c )</b>	<b>-24</b>	<b>-41</b>	<b>-28</b>	<b>-36</b>	<b>-47</b>	<b>-60</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>215</b>	<b>-81</b>	<b>26</b>	<b>81</b>	<b>107</b>	<b>89</b>

## One-year Share Price Chart



## Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Profitability (%)</b>						
Gross Margin	55.5	56.1	54.8	55.9	55.8	56.6
EBITDA Margin	31.0	31.1	30.1	32.1	31.6	32.3
EBIT Margin	27.5	27.4	27.0	29.1	28.6	29.2
APAT Margin	23.7	24.3	25.7	26.2	25.3	25.6
RoE	22.7	22.5	22.4	21.1	19.7	19.3
RoCE	23.9	22.7	20.6	21.2	20.2	20.1
<b>Solvency Ratio</b>						
Net Debt/EBITDA (x)	-1.3	-1.3	-1.5	-1.6	-1.7	-1.8
D/E	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4
<b>PER SHARE DATA</b>						
EPS	32.0	39.6	49.7	58.2	65.3	76.5
CEPS	36.9	45.8	55.7	64.7	73.3	86.0
BV	157	196	249	302	361	430
Dividend	3.0	4.0	4.5	5.0	6.5	8.0
<b>Turnover Ratios (days)</b>						
Debtor days	96	92	98	98	100	99
Inventory days	72	58	64	67	68	67
Creditors days	56	85	73	71	72	71
<b>VALUATION</b>						
P/E	42.5	34.3	27.3	23.4	20.8	17.8
P/BV	8.7	6.9	5.5	4.5	3.8	3.2
EV/EBITDA	29.3	24.4	21.8	17.7	15.4	13
EV / Revenues	9.2	7.7	6.7	5.8	5.0	4.3
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.5	0.6
Dividend Payout	9.4	10.1	9.0	8.6	10.0	10.5

(Source: Company, HDFC sec)



# Caplin Point Laboratories Ltd.

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### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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