



“Caplin Point Laboratories Ltd Q1 FY26  
Earnings Conference Call”

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**MR. D. MURALIDHARAN – CHIEF FINANCIAL OFFICER**  
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**MODERATOR: MR. ZAIN GULAM HUSSAIN – DOLAT CAPITAL MARKET PRIVATE LIMITED**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Caplin Point Laboratories Limited Q1 FY26 Earnings Conference Call hosted by Dolat Capital Market Private Limited.

As a reminder, all participant 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 Mr. Zain Gulam Hussain from Dolat Capital Private Limited. Thank you and over to you, sir.

**Zain G Hussain:** Thank you and good evening, everyone. I, Zain Gulam Hussain, on behalf of Dolat Capital, welcome you to the Q1 FY26 Earnings Call of Caplin Point Laboratories Limited. We thank Caplin Point's management for giving us this opportunity to host the call.

Today, we have with us Senior Management of the Company represented by Mr. C.C. Paarthipan - Chairman, Mr. Vivek Partheeban – Chief Operating Officer, Dr. Sridhar Ganesan – Managing Director, Mr. D. Muralidharan – Chief Financial Officer and Mr. M. Sathya Narayanan M – Deputy CFO.

I will now hand over the call to the “Management for the Opening Remarks.” Over to you, sir.

**Management:** Thank you, Zain and thanks to Dolat Capital. Welcome everyone to our Earnings Call to Discuss the Results of Q1 FY26.

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.

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I would like to now hand over the floor to the Chairman for his Opening Remarks.

**C.C. Paarthipan:** Thank you. Good evening and welcome to our investors' call.

You are aware that geopolitics seems to be overwhelming economics. In future, many countries may focus on their individual interests. It is time for the companies to look at things in different ways to generate a new perspective on the prospective matter.

Our perspective, as you all know well, is the concept of mastery in the mundane. We are consistently performing with focus and dedication in Latin America, which will be explained by colleagues in detail.

The second one is stick to the basics. Our basics is always the concept of catering to the bottom of the pyramid.

We also went for a mix of investments in products in Latin America with the acquisition of channel partners that really helped the company to reach the eternal cash flow profit. Now, you are aware of our liquidity and the liquid assets.

The recurring successful pattern of our business encourages us to move from the smaller geographies to the bigger geographies, such as Chile, Colombia and Mexico and shortly, we will open up our office in Brazil too. We are not interested in vanity metrics. We always look for the metrics that actually map to our desired outcomes.

Coming to the USA business, the tariff is currently not applicable to generic medicines. We sincerely hope that this is not going to happen and there is no such thing as American quality at African price. The world is moving towards protectionism, which we also understand. Hence, our investments will first go to the countries where we are doing exceptionally well now, such as Guatemala, and we are doubly sure that we will also do well in the countries such as Mexico and we will start our factory in the next two to three years. The volume and value will be high because of the population in Mexico and also the healthcare budget, which is big. And the private market is at least 3x to 4x bigger than the Central American market where we are doing business currently.

Why we may not invest in USA in the near future? Our volumes are too low compared to the \$18 billion worth of generics that are being exported from India to USA.

Number two, starting a factory in USA will take three to four years for completion and the operating cost will be 5x to 10x higher than India. We will invest in USA the day we understand that our 20% of products gives us the 80% of the business. Then it becomes easy to manufacture only the 20% rather than manufacturing the entire 100%.

Further, it may not be easy to replace India and China in generic business, especially India when it comes to formulation which will definitely lead to scarcity.

Innovation too is needed, but invariably to help the rich and famous. The 3V layers are just for profits, not for the interest of the people, especially the VOP.

Now, let me highlight my recent Chinese visit, which took three weeks for me actually to stay in the various cities of China and I have been to two to three trade fairs for a new knowledge. China has moved from imitation to innovation. Probably, they understood imitation has no limitation, then moved to the innovation.

Another thing that I found in China is that even the startup and midsize companies manufacture biosimilar and peptides, which is not the case with the other countries.

And China has also gone into actually nutraceuticals and adaptogens, which is nothing but functional food from TCM, and which is similar to our Ayurveda.

The estimated business of nutraceuticals in India will be in the region of 30 billion. However, there is no big brand except one player called Himalayas, which you are also aware of.

Many of us, we buy the dietary supplement via Amazon. It is made in China, packaged in US, sold in India, and also the other countries.

One of the few countries where the social media can influence Main Street to Dalal Street. It also helps actually business. It also at times hurts the business.

Our focus in China is to go for another asset-light model with value-added products. We have planned to go for biosimilars in bulk and we already started manufacturing one of the peptides for formulation. When we bought this peptide, one gram was costing \$500. Very recently, I found the same quality. The price has come down to \$100.

And we went for some associates, in fact, we shortlisted some associates, and these associates will do the manufacturing, and we will control the regulatory and marketing.

And we also found that the availability of containers and lead time from China to Latin America is much easier compared to the other countries in Asia.

We are currently expanding our presence in two major cities in addition to the office which we have in Shizuoka. And the increase of Chinese stock also will help us to do the follow-up work.

Our Latin American regulatory team will inspect the facilities and decide whether the facilities are suitable for in-demand on-visa inspections, which alone can take us to the countries like Mexico and Brazil.

Current 30% of our outsourcing is coming actually from China, and we would like to increase the complex products and biosimilars to peptides for our ROW market. Further, we will continue to prioritize our own primitive products. These primitive products actually cannot be replaced by biosimilars and peptides. It will continue to get to the bottom of the pyramid. Altogether, it is totally a different segment. And let us focus on the value-added products such as monoclonal antibodies, which will be brought in as a finished product actually for the RoW market. As I told you, later, we will bring it actually and do the full finish for the bigger geographies at least for Latin America.

Finally, dietary supplements are also known as nutraceuticals. This I have seen actually in a very big way in China. The future is for dietary supplements. We know how important is diet. Probably after the diet, dietary supplements are equally important. And now that China is moving towards dietary supplements in the form of TCM infused with tea, TCM infused waters, L-Carnitine with black coffee, and many other products, which may not be able to disclose due to business reasons.

We already started actually shortlisting the products and we are in the process of completing the entire thing in the next six months. After that, we will have to decide where exactly we will have to do the packaging and get into the market.

Business, in addition to actually what we are doing in the form of manufacturing and then expanding to various factories, we will also go for factories, as I told you, in Mexico. The reason being that it will help us actually in the form of 15% price advantage in the tender business. And GT business, GT factory will help us to increase the liquid oral, which of course is cost-effective when you manufacture in the local areas. Otherwise, you will have to transport water from one continent to the third continent.

Forever, the news is to stop the real tariff war, with the introduction of tariff war. So, although generic product is exempted, we do not know whether it is ill-conceived or well-conceived. Thank you. Thank you very much.

**Vivek Partheeban:**

Thank you, Chairman. I will give a quick update on the Caplin Steriles business specifically.

We are seeing good progress with both top and bottom line in Caplin Steriles. Some of our recent launches, such as an Injectable Emulsion Products and Emulsion Ophthalmic Bag Products, etc., are really helping out boost our bottom line.

We are glad to see good growth in both our B2B and B2C businesses. It is important for us to focus on both because we have expanded capacity so that we can adequately focus on both channels.

Our reduction in milestone income has been adequately compensated by an increase in the profit share, especially from our ophthalmic range.

We are also pleased to inform you that our Caplin Steriles USA label has reached profitability within the first couple of quarters of launch. In fact, I do not think we will need to infuse any more funds from the parent company into Caplin Steriles or Caplin Steriles USA.

So, under our label, we have so far launched around 21 products with another 15 launches planned in the coming quarters.

It is a healthy mix of bags, emulsions, vials. So, that should keep us very relevant to all the large and small buyers of the US. We have around 38 ANDAs approved with another 13 under review. We are actively working on a large pipeline of products, which includes pre-filled syringes, bags, complex generic vials, etc., where competition is few and far between. But we are not going to be focusing only on complex products, because typically what does happen is we focus on products that move on a day-to-day basis. So, we want to have a good enough portfolio that caters to all infantry products that get used in the hospital.

When it comes to a GLP-1 product, I am sure people have questions on that. We aim to launch this in our current Latin American markets during the first wave next year with some amount of differentiation considering we are going to be catering to the bottom of the pyramid.

In addition to the US, we have also filed many good products in Canada, Australia, Saudi, UAE, South Africa, etc., and we can start to see some good progress coming from that next year.

Finally, as Chairman also discussed, we are strategically looking at some locations where potentially some onshore manufacturing can happen. This is a moving piece as we speak. So as and when we have some information, we will keep everyone updated.

We understand that these are turbulent or sometimes even confusing times, but we are confident that as a company we are well diversified and well catered that we will be one of the last ones or we will be one of the least ones to get affected with any kind of eventuality.

We have been a company that has been catering to the bottom of the pyramid with affordable products, with very high-quality products. We simply do not foresee a world where that will be threatened.

Thank you and I will pass it on to our CFO to give a little color on the numbers before we can open up for questions.

**D. Muralidharan:**

Yes, thank you Mr. Vivek. Good evening to all who have taken time off to attend our investors call for FY25-26 Q1. Results are there with you for some time now. I would like to give you some key points.

Before that, we are very glad to inform that we have begun the year well and very happy to inform that we have performed well better than many of the peers whose results have been announced thus far for the current quarter.

Overall revenue growth is about 11.7%, RoW that is a parent business giving about 7% and US, as Vivek put it, has given 37% which is remarkable growth albeit on a low base. The Rs.533 crores what we achieved in the current quarter is the equivalent of 2018 full year revenue which was at Rs.540 crores.

Contribution margin stand at 61.1%, highest thus far aided by product mix, though we have been saying that it is sustainable at about 60%, which we will hold on to that.

Increase in gross margin of 2.1% flowing up to the PAT level, that is 26.2% to 28.1% is PAT that has grown. So, thanks to judicious monitoring of expenses, sustainable at 26% again.

PAT of Rs.151 crores surpassed 2018 full year which was also at Rs.145 crores, a growth of 20.1% over previous year and in fact, when the revenues have grown 11.7%, this gives us the color of the business which the Chairman explained. And our CFO was at Rs.118 crores.

As chairman put it, we have some strengths. A few of them I would like to mention for the benefit of the investors. Our liquid assets is at Rs.2,207 crores with cash and cash equivalent of Rs.1,231 crores and year-on-year we have a target of accruing Rs.300 crores which will enable us to meet CAPEX requirements and build reserves for the future.

Second one is inventory closer to the customer. As Chairman put it, we have acquired our channel partner four years back and 56% of our inventory is positioned at our warehouse very close to the customer. This has enabled us to cash on certain demands which are sporadic in nature especially in generic market and really maximize our gains. The realizable revenues of this inventory in warehouse and transit would be around approximately Rs.800 crores. So, that means this gives us an opportunity to tide over any temporary issues in terms of transit or any other issues that we may face.

Combination of asset heavy manufacturing facilities and asset light outsourcing model is one of our great strengths

We have invested about Rs.700 crores in the last five years to create state-of-the-art facilities for future-readiness and exploring regulated markets. Asset-light model which is mainly outsourcing out of China and Indian manufacturers to enable sustained growth and cash generation. So, cash thus generated has helped us invest without borrowing. We have zero borrowing and no finance cost.

So, parent company has hand-held new ventures and invested Rs.500 crores out of the Rs.700 crores in subsidiaries.

The projects out of internal accrual also gives us the flexibility to dynamically rearrange and prioritize our projects in the current scenario, because we have been moving certain projects depending on these priorities and then the geopolitical level. We are able to quickly realign and had we borrowed this flexibility would not have been available to us. We are answerable to somebody. These are some of the points from me.

So, we are open to answer any questions.

**Moderator:** We will now begin with the question-and-answer session. The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

**CA Garvit Goyal:** Good evening, sir and congrats for decent execution in a tough quarter. My first question is on the geopolitical event considering these kind of events are happening and our growing exposure in the US where there is a rising risk of tariff on pharma, so, how Caplin is going to mitigate the same and do you think like is it going to result in any slowdown in our growth in the near term at least?

**C.C. Paarthipan:** In general, I know it is better to actually cross the bridge when we reach there because he has not announced it and it is not going to be that easy for him to announce this one. If he wanted to do it, he could have done it also, is it not? And then second issue is if you look at our business, especially the bottom line is not very high. It is easy for us to actually handle that kind of actually profitability with one more country or two more countries actually in Latin America or even actually in West Africa. So, it is not going to affect our growth. As you know well, there are three stages for any company, growth, status quo and decline. The decline and status quo will not happen. Definitely, there will be growth. In a worst case scenario, there will be a slowdown on the top line, not on the bottom line of cash flow.

**Vivek Partheeban:** Yes, in addition to Chairman's quote, please note that today, over 90% of our business in the US is B2B where we supply to the larger companies and distributors that buy our products and then sell to other buyers in the US, the wholesalers and hospital networks and things like that. So, technically, the tariffs do not fall on to us. It is actually paid by the person that is going to be importing the product into the US, #1. #2, remember that whatever tariff that happens to everybody, not just one company. So, while there may be some amount of realignment that we will need to do when it comes to Caplin Steriles USA, that is still about 5% of the business only right now. So, like Chairman said, I think we need to cross the bridge when we get there. There is also I think a lot of information available online. There is something called the Sec.232 investigation that is going on, which will probably be concluded in sometime in the future, after which the Trump administration will take a call, we suppose. But again, anybody's call and nobody really has a right answer to any of this at this moment.

**C.C. Paarthipan:** One more thing I would like to add. I think I have seen a news in the media that 30 companies are the ones who control I think 80%-90% of the business, which is happening actually in the US. And we are not part of those 30 companies. So, the impact will not be that severe to us. When a company



goes to the extent of selling 50%-60% of their business in the US, then it is not going to be that easy actually to wriggle out and create another market. I hope you would agree with me.

**CA Garvit Goyal:** Understood, sir. And that means for now, whatever the rate that we are growing, we will continue that, right?

**C.C. Paarthipan:** Yes, definitely sir.

**Vivek Partheeban:** Yes, one other information also that just is on top of my head, in fact, when the tariffs were first routed out, we started doing a little bit of a study as to what our portfolio looks like and how this can be replaced by onshore manufacturing. So, we are in a position where less than 10% of the products in our portfolio currently has US manufacturing. So, that gives us a little bit more comfort level that even if tariffs were to apply, most likely it is going to be applied to everybody that is on the market. Because like I said, 90% of all the products in our portfolio are not really manufactured by others in the US at this point. So, how that will change in the future is anybody's guess. But once again, goes back to our original statement that we will be one of the last ones to get affected or the least ones to get affected.

**C.C. Paarthipan:** I also would like to actually mention that in the course of my speech, I only said, we are not going to focus on the vanity metrics. Top line is vanity, bottom line is sanity, and cash is king.

**CA Garvit Goyal:** Thank you very much, sir. And secondly, on our CAPEX side, our OSD facility, last quarter, we mentioned the timeline as Q4 FY26 and now it is Q3 FY27. It is a big change. So, can you please explain some reason for it?

**C.C. Paarthipan:** Are you talking of our Onco facility?

**Vivek Partheeban:** This is the Oral Solid Facility.

**CA Garvit Goyal:** Yes. Okay.

**Vivek Partheeban:** Yes. So, basically, let me just explain. So, over the last three, four months, you can all imagine that we needed a very careful wait-and-watch approach. We need to understand what would be the right strategy for us and where we would be utilizing our next round of CAPEX, where we will be utilizing our cash in the next level of projects that we need to be putting together -- should it be in India, should it be closer to the market, should it be actually at the market? All of these things, I think it is a very dynamic environment that we are all living in and we need to make sure that we take the right decision. Because typically, what happens is these CAPEX take about three to four years to complete all of the validations and then churn out products from there. So, we do not want to hurry and then make a mess of it or we do not want to hurry and then get to a situation where we leave it half done and then we need to move from there. So, I would say that we are adequately covered. In fact, one

other big advantage that we have is we have been able to connect with a lot of Chinese and also a couple of Indian companies that have the necessary approval and scale that is available for us to do contract manufacturing for OSD products. So, I would say that even if it gets delayed by a further one year also, we are not going to be affected by that delay.

**C.C. Paarthipan:**

Correct. I would like to mention here that I told you about the recent trip to China, there are plenty of companies who have completed actually the entire facility, they also registered some of the products, but they have not been in a position to do business. China is very good in terms of actually hardware. When it comes to regulation and marketing, they are very keen to associate with actually some Indian companies and we have been having an office for the last 18-years, hence, we are in a position to reach to many companies. I have found as actually the COO has told, it is better to delay rather than actually hurry up and invest your money, which is not a real asset light model. We have to go for asset heavy when it is needed and when there are opportunities to go for asset light model. If you look at all the big companies like multinationals, they prefer to go for generic outsourcing. If it comes to innovation or incremental innovation, they think of their own. So, it is not the facility which is going to give us actually the returns. It is the business model and the number of registration. Today, we are getting a lot of dossiers from the Chinese companies and some other even one or two actually other companies from Turkey also they showed their interest to associate with us. Hence, we are focusing more on North and South America. After the announcement of Trump, of course, we are sure that it is not going to affect us. We do not want to be judgmental. Our focus will be much more on Latin America because we know this market, especially the bigger geographies like Mexico, Brazil, Chile, Colombia, then smaller geographies where we are expanding into in the form of Paraguay, Uruguay, these are capable of giving us the best of the best business for our company.

**CA Garvit Goyal:**

Understood, sir. And lastly is on GLP-1 side. So, can you spend two, three minutes on explaining the opportunity for Caplin in this particular area and how exactly are we going to capitalize that?

**Vivek Partheeban:**

So, in Latin America, if you see, we already have a wide portfolio of antidiabetic products. So, this will be an add-on to our portfolio. But the truth is, this is a product that has had a lot more visibility in the larger market such as US and Europe, etc., So, for us, it is important that we launch this because of the fact that it is a good portfolio product, but also the trust that Caplin as a brand has built up over there puts us in a very good position to make this successful. Now, the differentiation in how we formulate the product in terms of usage is it going to be a pen device, is it going to be something else that we are going to be launching in the market is where we need to be a little bit creative around. But if you ask us what will be the market size and all of that, it is a difficult question to answer because there has been a lot of shortages, there has been a lot of new products that are entering the market. Even now, I think a very small percentage of the population that is supposed to be using it, is still using it. So, we would probably know a lot more after we have launched the product next year.

**CA Garvit Goyal:**

Got it, sir. That is it from my side and all the best for the future.

**C.C. Paarthipan:** Thank you.

**Moderator:** The next question is from the line of Aryamaan Agarwal from Money Storage Asset Management. Please go ahead.

**Aryamaan Agarwal:** I was seeing the previous presentations that you were mentioning about M&A opportunities. I want to know if you are still looking out for those opportunities or anything in the pipeline?

**Vivek Partheeban:** So, the question was about any potential M&A opportunities. Are we working on anything right now?

**C.C. Paarthipan:** The acquisition actually, yes, definitely we will be interested if it is meaningful. When there are opportunities in the form of acquiring the products, that will be our first actually choice. The reason is currently we are not in a position to understand geopolitics and geoeconomics. And if we acquire a product, then we know what will happen. We will be in a position to understand whether we can market this product in the US or in Latin America or in other markets. If you acquire a facility, unless you have the right people to manage and also without even understanding what will happen in the deglobalized world. As I told you in the course of my talking, many more countries will also follow the path of protectionism. At that point of time, one has to look for acquisitions. Now, as I told you, we will go for facilities in two countries. These countries are Mexico and Guatemala. And that itself actually will make us invest money in such a way that will help our business in the long run.

**Aryamaan Agarwal:** Got it. And what growth rate can we expect going forward from here on in terms of your bottom line?

**C.C. Paarthipan:** Yes. At this juncture, we do not want to tell you what would be the growth rate because if you ask me after 2 , 3 years, we will be doing very well. We are very sure that we will do very well because the markets which we are into is and we know the pattern. Anything which is predictable is repeatable. And in every market, as you know well, when you get into smaller to larger geography, the registration time actually is the most important factor. Once it is registered, we are sure that in another one and a half, two years, we will have 200-250 products in Mexico itself. When that happens, we will keep the goods in the warehouse. In Mexico the Government supports local companies and they hold strong influence in the market. That is the reason most of the foreign companies may not be in a position to supply. Whereas when we complete the registration, we actually decided that we would keep the goods actually in our warehouse. In 1% if we do not get the tender, then we can supply the products in the private market. So, this is the strategy. So, we are very sure that we will not only sell in the private market, but also in tenders. That will increase the business manifold.

**Aryamaan Agarwal:** All right. Thank you.

**C.C. Paarthipan:** Thank you, sir.

**Vivek Partheeban:** Thank you.

**Moderator:** The next question is from the line of Tushar from Motilal Oswal. Please go ahead.

**Tushar:** Thanks for the opportunity, sir. Sir, just with respect to these PFS lines, which more or less are complete at Caplin Steriles Phase 2, so, while we sort of register it for regulated market, but till that time, is there a scope for utilizing this facility either as a CDMO and for the other markets where this GLP opportunity is opening up maybe before the opportunity in the regulated market?

**Vivek Parthheban :** Yes. So, a couple of points here. #1 , Tushar, is we are actually looking at launching many of our vial products into PFS products, converting them from vial into a PFS product, where they will go by what we call as a post-approval supplement in the US. So, typically when new products take about 10 to 15 months to get approved, a post-approval supplement takes only six months. So, for XYZ product, if we have a vial already or a bag already approved, our idea is to convert several of these if the case may be feasible into a prefilled syringes. #2, we are also going to be doing our GLP product for our current markets from this facility and also our CP-1 facility because some of the new countries that we are entering into, like Mexico and Chile, will require regulatory approval, which we already have from this site. #3, I would say that when it comes to CDMO, we are always open. We are not against it. The only thing is we feel that there is adequate capacity. In fact, if you read some reports, it says that there is probably overcapacity when it comes to this GLP-1 CDMO space. So, I do not know how much of that is accurate, but we are open to it. We are not against utilizing our capacity for CDMO for GLP.

**Tushar:** Understood. So, that is helpful. Secondly, now these API facilities are sort of upgraded and completed. So, will that start reflecting in the margins given that this is more like backend integration for us?

**Vivek Partheeban:** Over a period of time, not immediately. What we are going to do is we are going to secure our supply chain as much as possible by filing second sources for many of our key products in the US and Latin America. But for it to reflect in the bottom line and stuff, I think we are still talking about some time away. I would say that at least 2 years away, not now.

**Tushar:** Understood. This is like alternate source filing typically takes 6 to 9 months.

**Vivek Partheeban:** So, we will need to do some amount of development, not full scale. It will probably be a couple of months of development. We will need to do batches and then put them in stability for 6 months and PAS would take another 6 months. So, typically it is 12 to 15 months for the approval to come through. But there are also products where it is going to be a primary source as well. But again, we

need to complete US FDA approval, EU approval, whatever it is, and then only go for all this. So, this is, I would say, a mid-term kind of a target, not short term.

**Tushar:** Understood. And just lastly, if you could, maybe I missed in the opening remarks, which you already highlighted, Caplin Steriles sales, EBITDA, PAT for the quarter?

**Vivek Partheeban:** I will request Mr. Sathya or CFO to take this thing.

**Sathya:** Yes, thanks, Vivek.. So, for the quarter, Caplin Steriles consolidated turnover is Rs.108.48 crores with EBITDA of Rs.27.99 crores, PAT is Rs.7.95 crores.

**Tushar:** Thank you. That is it for me.

**Moderator:** The next question is from the line of Vedant from ICICI Securities. Please go ahead.

**Vedant:** Great. So, thank you for the opportunity. I just wanted to know the management comments on the LATAM market performance for the quarter and how could we see this market shaping up in the coming year or two?

**C.C. Paarthipan:** Okay. See, coming to the performance of LATAM, I would actually request the CFO to give you the numbers so that you can understand that we have continued to do well actually in LATAM market and the best is yet to come because we are just entering the bigger geographies as I told you before. However, I will ask the CFO to give you the numbers.

**D. Muralidharan:** Thanks, Chairman. We have got the full number and also the US number. Reminder is all coming from the LATAM. Of course, Africa has a very nominal contribution to that. So, we have grown 7% in LATAM market for the quarter over the last year corresponding period. Okay? So, in terms of profitability, out of Rs151 crores, barring with Rs.8 crores from USA, the rest all came from there.

**Vedant:** My second question is about the GLP-1 product. So, I think the launches of our GLP-1 products will take place in LATAM market, correct?

**C.C. Paarthipan:** Correct.

**Vedant:** Yes. In which quarter could we see the ramp-up or their effect on the revenues?

**Vivek Partheeban:** Yes. As I explained to a previous person on the call, this is a new product, right? And the area itself is quite new. The segment itself is quite new, especially for Latin America, which did not really have consistent supply of the brand because they had multiple shortages and issues in the US and Europe market also. So, this is an evolving space. We will definitely have this as one of the products in our portfolio, especially because we have quite a good presence in Latin America in the anti-diabetes

range, including insulin in one of the countries, and we are also getting insulin approved in some of the other countries where we are operating in. But we do not have any sort of numbers when the ramp-up will happen, etc., We will be certainly within the first wave of products going in. But different countries have different approval times, right? Some countries it is about 6 to 8 months, some countries can take up to a year. But I think we will probably need to evaluate it as and when the launch happens. And there is no specific numbers or anything that we are targeting with it at this point.

**Vedant:** Any timeline could be helpful if at all there is?

**Vivek Partheeban:** In terms of launch, we are probably looking at next September to October is when the launch is going to happen. But remember, there is a lot of competition here. I think even within India, even exporters from here, there will be a lot of competition. We are not worried about the competition because, like I said earlier, Caplin as a brand is very well established there. So, there is a lot of trust with the product that we bring to the market. But the market in itself, is it large enough, is it growing? All of that we will only know after we launch.

**Vedant:** Thank you so much. That clears my question. I will get back into the queue.

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

**Deekshant:** So, sir, in the last two quarters, we have been talking about our growth. And Mr. Chairman had mentioned that the growth will not be marginal going forward. And I think in Q3 call. And we have also talked about that in the next 18 to 24 months, it is going to be somewhat of a similar trajectory of growth. But, sir, we have never talked about what kind of growth can we see post this two and a half, three years timeline. So, let us say that 24 months from now, what kind of growth can we see and what is the opportunity size for us? Can you paint us some sort of opportunity picture here, what picture would really be helpful for us?

**C.C. Paarthipan:** Yes, I would like to convey this way. See, currently our strength is actually the cash flow. You must have seen the liquidity and the liquid assets. Wherever we are building actually all this is going to be in the form of actually keeping the goods next to the customer. So, that happens actually in bigger geographies like Mexico and other countries in South America, Latin America, in fact, we just started our warehouse in Chile. So, maybe after two years, We are 100% sure of doing a business of say \$50 million in that country alone, Chile. Mexico is still a bigger country and we are only waiting for the registrations to be completed. It is too early for us to understand how long it would take to complete the registration in Mexico. This is one country where big companies can influence registration process. So, we are waiting and we are also networking with some of the important people to help us to complete the registration and all. So, after we start doing this type of countries like Mexico, Colombia, Chile and later in Brazil, I am sure maybe after three years, we will have double-digit growth and it should be, in the form of 20%-25% also after three years. That is for sure, a). b), How

it is possible? When you have surplus cash, when we focus more on actually Latin America, definitely we will go for some acquisitions. That will also multiply our revenue and profits. Is it okay or you would like to ask any other questions, please?

**Deekshant:** So, sir, last three years growth has been around 14%-16% and from what I can infer, you have mentioned that this year and next year would be somewhere in the similar line. So, is it fair to say that FY28 onwards, our growth is going to be around 25%?

**C.C. Paarthipan:** 20% to 25%, yes. After FY 2028-29 , yes.

**Deekshant:** Sir, secondly, there has been some change in the management in the last six months, which is the senior management, a couple of them have resigned and there has been one new appointment of Mr. Vinayak Dinkar and three resignations have been there in April, May and July. So, what is happening in our senior management team, is there a reshuffle happening? Could you just give us some light here?

**C.C. Paarthipan:** Coming to the R&D person who left, we in fact have good people, actually, who are capable of going for complex products and some of the products are very unique also for our future business. So, there is no concern in this. One other person, of course, it is something unexpected. We expected something extraordinary but then realized there could be mismatch in expectation vs performance. So, we had to separate. Other than that, actually, there was another person taking care of external work in the form of meeting the officials and getting the licenses and all. It was these people at the senior management level who got separated. No Company wants the employees to separate, that too at the senior management level. Sometimes what happens after having stayed in the company, there are people who are asset to the company. They love the company. We also know we love the people. We understand we have to actually have a very good relationship with our employees and customers. Retaining them is the most important thing. At the end of the day, if it is not going to help the company, do you think that we will be able to keep them?

**Deekshant:** Got it, sir. So, we are now looking to bolster up our senior management even better?

**C.C. Paarthipan:** Thank you.

**Moderator:** The next question is from the line of Ketan. Please go ahead.

**Ketan:** Yes. Hi! Thank you for the opportunity and many congratulations for a good set of numbers. Sir, I have got two questions. One is, we are a largely generics company and for a generics products company, I feel the margins are very high. So, are these sustainable for the mid-to-long term is my first question, sir.

**C.C. Paarthipan:** Okay. As I told you in course of my actually conversation with our investors, it is not the generic that really gives you the money, it is the business model that actually makes you this kind of actually cash flow and profits. Of course, in fact, I had to tell this to one of our investors, we keep our goods next to the customer. Initially, when we went to the smaller geographies, it was more of a physical risk. Now, of course, we are used to it. The pattern that has helped us we understand, and we continue to do the same business and we are doing it actually, now that we started in Chile like one month ago, we started our warehouse, which is nothing but stock and sell next to the customer. Same we will do actually maybe in one year's time in Mexico. And then the front end, which was started in US, I think the CEO will tell you when exactly it was started. These are things which really helps you to increase your cash flow and profit. It is all about business models.

**Vivek Partheeban:** When it comes to US business as well, I know that we cannot paint multiple people with the same brush. But what will be pleasantly surprised is the injectables continue to give decent margins. And as long as we keep compliance levels very high, as long as we are able to maneuver all of the issues that we face at the facility, etc., with a high degree of compliance and keeping the patient at the top of our head, I think there is definitely margins that is left to be achieved. And in the past, we have had to share 50% of our profits with front end partners. And typically, what happens is some of these very large companies, when the gross profit goes below a certain level, it is us that need to shell out something from our pockets to make sure that their margins remain whole. So rather than that, some of these slightly more commoditized products, we have been able to launch them in the US and our gross margins are upwards of 50% over there. So, I think margins are not so much of a concern for us in both areas.

**C.C. Paarthipan:** I would like to add one more thing. After six years, I have been to China in the recent past. And China is the one actually where we started our outsourcing initially. Now, of course, we do in India too. The second stream of revenue in the form of asset-light model will start actually from China. That will also add to our bottom line. That will help... that will create a healthy bottom line. The products that we are outsourcing, we are going to outsource actually in China are value-added generics in the form of biogenerics and some of them actually are biological products too. So this definitely, we are very confident of actually our bottom line. It may take a little time to increase the top line and our cash flow and profits will continue to be good actually. That is for sure.

**Ketan:** That is very heartening to know. My second question, sir, is we started the warehouse in Chile. So in this quarter, Q1, do we have some revenues? And if not, we expect some good revenues in this financial year?

**C.C. Paarthipan:** Yes, Chile, of course, we cannot expect extraordinary business from Chile in the first two years, because Chilean market, 80% is tender and 20% is private market unlike Mexico. So in Chile, what happens, we select products, we do not go for all the products where the margins are very meager.



And that is one of the reasons, we are more a bottom line-driven company, not top line-oriented company. So yes, definitely we will do some business which will be better than before.

**Ketan:** Okay. Thank you so much, sir, and wish you all the best.

**Moderator:** The next question is from the line of Aristak from ICICI Bank. Please go ahead.

**Aristak:** Hi, sir. Congratulations on the results, sir.

**C.C. Paarthipan:** Thank you.

**Aristak:** So wanted to know about the CAPEX plan, sir, like you have already allocated more than Rs.1,000 crores in CAPEX, sir, with 50% already spent. So can you break down the remaining allocation and what will be the expected ROI for the same, sir?

**Vivek Partheeban:** Yes, I think when it comes to the remaining part, our three pending CAPEX that we have on hand, one is phase-III of our injectable plant, which internally we call as COL2. This would be close to around Rs.283 crores, but around Rs.80 to Rs.100 crores is already spent on that one. Our oncology API facility also is likely to incur around Rs.85 to Rs.90 crores. And then our OSD with a design drawing and very early stage civil. So we need to work out what will be the CAPEX outlay for this, but we expect this to be around the Rs.150 crores region. ROI, look, when it comes to pharmaceuticals, I think it is very difficult to put a figure on it, because these are all going to be multi-product facilities and the market is very, very dynamic. So we cannot really give you a specific number, right? If it was an API plant that did only about three or four different products, then you will have a little bit more stability in terms of pricing, output, capacities, etc., But I think ROI is something that not just us, I think most companies will get to know that only as and when it happens.

**Aristak:** Understood, sir. Sir, about your CAPEX programs, which are ongoing, your API facility in Vizag was gaining a lot of attraction, sir. So apart from that your oncology and injectables CAPEX are also underlying, sir. So only on the oncology part, I wanted clarification, sir, like how will it contribute to your bottom line strengthening? Like oncology is very much developing market space in India also, sir. We see a lot of new players coming up in this department. So what will be Caplin's contribution to that, sir?

**C.C. Paarthipan:** Our strategy is actually to have a mix of various products. Rather than putting all our eggs in one basket, we will have actually different buckets that will add volume and value actually in one basket. Today, we are into the specialty injectables and generic injectables. Oncology, what we are doing is 15 to 16 products actually, they are working on that. Whatever mistakes we have done in the US market in the initial days, we will not do it here. Rather than filing one or two products, we would like to file actually at least five, six products at a time so that it becomes easy for us to generate some revenue. And coming to the RoW market also, as you mentioned, once we complete actually

registration in the RoW market, there are also opportunities for supplying these oncology products to the government. But this may not be very fast. I do agree with you. These are things which, of course, is selective. Although the disease is on the rise, this product cannot be sold like any other generic. But we have opportunity. We know markets where we will be in a position to sell. We are waiting for that to happen.

**Aristak:** Thank you, sir. In the past, we have seen you delivering on your promises, sir. So, we expect you to take care of your shareholders this time also, sir. Thank you, sir and all the best.

**C.C. Paarthipan:** Thank you. Thank you very much.

**Moderator:** The next question is from the line of Avnish Barman from Vaikarya. Please go ahead.

**Avnish Barman:** Yes. Hi! Thanks for taking my question. My question is again on the oncology part. I mean, sir, your plans are getting commercialized in FY26. I just wanted some color on the profitability front on the oncology side. When this business scales up a little bit, does it improve your overall margins of 33%-34% or is it expected to be a little lower than that?

**C.C. Paarthipan:** Initially, we do not want to tell you that we will be in a position to make huge money. In fact, this is something which happens. Sometimes it happens like last year in one of the markets. We never expected we would get that kind of orders. We made it and we made good profits. And we are working on actually in a different market, not in the same market. There are people who also supply at lower prices to the tenders and reasons best known to you also, because tender is one thing where the government decide. And some of the governments, they think of the quality, some governments, they think of only the price. And the bigger geographies as we enter into markets like Chile, which we already told you, when it comes to supplying to these tender markets, these are the straightforward countries, there is an opportunity, we will do well, but again, it takes time. Then markets like Costa Rica, although the markets are small, they want us actually to sell in Europe or US. After that only, they will allow you to enter into the tender. Coming to Mexico, we in fact registered three or four products through our associates from China. And we are trying to register many products through our associates in China, then change those registration to our own facility in India. So we have certain models that is going to help the company. When and how actually is too early for us to tell you now.

**Avnish Barman:** Okay. Understood. Sir, if you can give me some idea of the timelines between, let us say you file a product today, on an average, how much time does it take to, one, get the approval and two, basically to ramp up to the potential of that product?

**C.C. Paarthipan:** Yes, it depends from country-to-country. See, if you look at actually, see, those days when we went to the Central America, the fees was lower and we used to get the registration in three to four month's time. The same Central America, it takes one year. It is not a regulated market. The regulated market, it takes 15 to 18 months. That is the most important one. And once you are registered, then the most

important is actually you need to have at least 40, 50 products to open up actually your own warehouses in the form of stock and sell. And then if you have that kind of a product, then the bundling, like most of the big companies that they do in US, you may not make money in 10, 12 products, but what they will do is if they have actually 100 products, they will try and make money actually in some 80, 90 products and bundle it. The product that they do not make money also get bundled and supplied to the customer. The same we do it actually in Latin America to Central America. We have registrations to the tune of 400, 500 products, of which 20% will give us the 80% of the revenue. However, the customer who comes here, he may buy one or two products very rarely. He still prefers that product also to be there so that he does not have to go to another warehouse to buy the product. So these are the things which really contribute to the business. So, we want this type of situation, the situation in such a way that we have accumulated the registration in the current business. Same things will happen in the bigger geography. So what we are doing is we are also buying products rather than acquiring the facility, we are acquiring products, that will also add actually some value to the kitty. We are sure we will do it. That is the reason I said. In the next two years, we may not be in a position to tell you like we will do extremely well, but two to three years after, yes, we will do extremely well. That is for sure.

**Avnish Barman:** So sir, let us say 15, 18 months in a regulated market to get the approval and then how much time to basically reach like ramp up that product?

**Vivek Partheeban:** Typically when it comes to the US, it takes us around three to four months for us to launch the product. In Latin America, we actually do it in slightly quicker time as well, because when it comes to US, most of the time, the bottleneck seems to be in the API side, because especially injectable products that we deal with, where the API is on a campaign basis, and it is not in tons and tons, right? So they have typically shorter campaign run. So that planning to be very, very carefully done. But you can assume anywhere between 90 to 120 days for the product to hit the market after registration.

**Avnish Barman:** Okay, understood. Thank you so much.

**C.C. Paarthipan:** Thank you very much.

**Moderator:** The next question is from the line of Vaishnavi Gurung from Craving Alpha Wealth Fund. Please go ahead.

**Vaishnavi Gurung:** Good afternoon, sir. Thank you for taking my questions. I just have two questions. The first one was regarding the market share in Latin America. If you can give us that in terms of numbers, please?

**C.C. Paarthipan:** Yes, our products do not figure in the IMS, except in one country, Guatemala, where we are next to the multinationals, because that is where this is a country where the population is only 17 to 18 million. But we do a business of \$50 million there. The rest of the countries, the profitability is good and the business is good, but the population is hardly 6 to 7 million or 9 million. Here, we do not do

anything in the form of actually IMS or other this thing because they do not do anything in this country. So to give you something in the form of percentage of market share is very difficult in all other geographies , except Guatemala.

**Vaishnavi Gurung:** Understood. Thank you, sir. Sir, my second question was regarding the plans to increase outsourcing from China. Currently, our outsourcing, if I am not wrong, is around 30%. So what is our plan to extend it or to increase it by the next two years? And if so, what impacts are we going to see on the margin side?

**C.C. Paarthipan:** Yes. The idea of outsourcing now is not to increase the top line. It is mainly to add value to the bottom line. So what we will do, it may be 10% or 5% or 15%, which may happen actually over a period of time. Whatever we outsource, that will add value. For example, recently in one product, which of course, there are not many manufacturers in the country, whether it is in India or China, in fact, we were able to locate it from one corner of China and they supplied the product and our customers are happy, we also made money and the country also, the government also are very happy because we were able to identify that product. So, we are going for products which are always in scarcity and we are going for some of them like blood products, some of them are actually biosimilar, some of them are actually products which have just come out of the patent. So these are the things which will add value to our company. That is for sure.

**Vaishnavi Gurung:** So sir, in terms of numbers, so in the next two years, FY2030, what can we expect the outsourcing numbers to be to China?

**C.C. Paarthipan:** It will continue to be on the rise because outsourcing from China will increase compared to the outsourcing from India. Because the difference between India and China outsourcing is there is one company called CSPC in China, it is considered as number one or number two in the country. We have been doing outsourcing with them for the last 18, 20 years. But whereas in India, the bigger companies go for outsourcing to the smaller companies. That is not the case with China. China, they only look at actually how much is the profit I get out of this business? Is there any consistency? Initially, they may not give you exclusivity. And if the people are known to you, they give you exclusivity. Then when you go for different kind of models, which I told you in the course of my actual speech, in the form of like 50-50 partnership, they will take care of the R&D and manufacturing, we will take care of the regulatory and marketing, then the profits will be high and it will be also consistent.

**Vaishnavi Gurung:** Understood. Thank you, sir.

**C.C. Paarthipan:** Thank you very much.

**Moderator:** We will take that as our last question for today. I now hand the conference over to the management for closing comments.

**Vivek Partheeban:** Thanks to Dolat Capital for hosting the call. Thanks to all the participants that took time out to attend the earnings call and we hope to stay in touch with you in the future also. Thank you so much.

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

**Moderator:** On behalf of Dolat Capital Market Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.