"Caplin Point Laboratories Limited

Q3 FY26 Earnings Conference Call"

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MODERATOR: **MS. CANDICE PEREIRA**

Moderator: Ladies and gentlemen, good day and welcome to Caplin Point Laboratories Limited Q3 FY26 earnings conference call hosted by Dolat Capital Markets Private Limited. As a reminder, all participants line 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Candice Pereira from Dolat Capital Markets Private Limited. Thank you and over to you.

Candice Pereira: Thank you, Iqra. Good evening everyone. I, Candice Pereira on behalf of Dolat Capital, welcome you all to the Q3 FY26 conference call for Caplin Point Laboratories. Today from the management team, we have with us Mr. C.C. Paarthipan, Chairman; Mr. Vivek Partheeban, Vice Chairman; Dr. Sridhar Ganesan, Managing Director; Mr. D. Muralidharan, CFO and Mr. Sathyanarayan M., Deputy CFO.

I now hand over the call to the management for the opening remarks. Over to you, sir.

Vivek Partheeban: Thank you, Candice. Thanks everyone for taking time out to attend our earnings call for Q3 FY26. So, well, please note that a copy of all our disclosures are available on the investor section of our website, as well as on the stock exchanges. And note that anything said on this call which reflects our outlook for the future or which should 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 hand over the floor to our chairman for his opening remarks please.

C.C. Paarthipan: Thank you. Good evening and welcome you all to our investors call. I think that most of you must have gone through our press release but my colleagues will also highlight the salient features of our performance.

Vivek Partheeban: Okay. Thank you, chairman. So while we wait for his line to get cleared up, I'll provide a little color on the latest developments, especially when it comes to the regulated markets specifically Caplin Steriles and also Caplin Steriles USA, we've had another good quarter of growth in the US focused entity rather, and with the growth in both product revenue and also profit share and milestone revenues and it is a good mix of 75:25 at the moment with product revenue bringing in 75% and milestone and profit share bringing in about 25%.

This trend has been very consistent in recent quarters. And there were a few questions that were raised by investors themselves when we decided to take the front end route and then launch our own label over there, but this goes to show that, this was a decision, in hindsight, was a good one.

We have also been receiving consistently good number of approvals from the US and the latest one was a complex suspension injectable product named, Methylprednisolone that we got an approval within first cycle, quite glad to share that our approval timelines are between 14 to 15 months on average compared to industry timelines of about 20 months.

We've also had first cycle approvals for emulsion injections and emulsion ophthalmic products as well. And this not only goes to show the prowess that we have in R&D and regulatory domains, but both these products that we've had recent approvals for have been launched in the market and has been consistently garnering higher market share quarter on quarter.

So, even from a productivity and execution standpoint, we've been delivering. We also have another ten products pending review with FDA and we expect these products to come through within the next few months, so we'll be having close to around 65 ANDAs approved under Caplin's name within a short period. So, with all the new approvals coming through, obviously it looks like it's going to be a hectic next few months.

But in a good way. We have also acquired around 14 ANDAs from outside over the last few months. And we are actively working on bringing these to market sometime in the next year. So not only 2026, but 2027 also looks like it's going to be an exciting year for Caplin Steriles, because of all the activity that is happening with new products getting approved and launched and also some other acquired products being activated.

We understood that our vial lines, which are line one, two and five are going to be busy over the next few quarters. So strategically from a development pipeline what we have done is, we've started focusing more on line three and line six when it comes to scale up and submission batch products. Line three is our ophthalmic line and line six is the latest one that we've activated which is a pre-filled syringe and cartridge product line.

In the next 12 months we expect to complete at least 12 to 13 products in this range in the ophthalmic and also pre-filled syringe range. That should come up for approval sometime by end of next year, which gives us good hope that 2028 also is going to be quite full of activity when it comes to product launches and revenue.

In addition to this, to ensure that we are investing consistently into unique capabilities in the sterile space, we are getting into the blow-fill-seal range of products, so we've just placed an order with one of the best manufacturers in the world from Europe named Rommelag for this machine. It's a state-of-the-art completely integrated machine that is capable of manufacturing products at very high levels of compliance and speed.

In the blow-fill-seal range, we have taken on around 14 products for development in this space. And we expect the first products from this line to get approved sometime in late FY27, FY28 as well. So, the last range that we're getting into is again in the sterile space, which is ophthalmic ointments, which is also sterile in nature. So once this is done, we will be catering to pretty much the complete gamut of all sterile products from Caplin.

And to cater to this significant pipeline of products that are being developed, we are fast tracking our completion of Phase 3, which is internally what we call as Caplin One Lab's unit 2, which will be housing eventually eight product lines, of which we are going to start by early next year with at least five lines active. Out of the five lines, two are already completed, three more will be completed by September to October of this year.

Taking into account all of this growth and development, we knew that compliance is something that we need to consistently innovate on as well. So of course chairman will cover that in his remarks, but in the midst of this all we've completed our EU GMP audit and also a Saudi FDA audit with no critical observations. And we're happy to inform that our consistent compliance record stretches out even further and it's going to get better.

One word on the US label. As I said in the beginning, we are very pleasantly surprised with the progress that we are making with our US label. We are nearly at $10 million in revenue since inception last year. And we have been able to do this without slashing costs and we've just been disciplined with the strategy of keeping the products closest to the customer.

And the general shortages and supply chain efficiency that we are able to demonstrate is bringing these revenues in. This is how we have built our Latin American business, which is by keeping products closer to the customer. And the same thing is continuing on in the US as well for Caplin Steriles and Caplin Steriles USA, we expect double-digit, high double-digit, revenue growth next year onwards.

Couple of more updates from our side is that our Vizag API plant which is going to be by and large used for backward integration of filing our own DMFs for our ANDAs that are in the market has already scaled up three critical APIs. And we are targeting at least two to three more APIs to be scaled up on a monthly basis from this site and expect our first DMF filing from this site by end of this year.

Finally our oncology injectable plant is also geared up for exhibit batches which will be starting this month. Out of all the acquisitions of ANDAs that we had done, four of them are oncology injectable products as well and we also have an organic pipeline of 12 more products that we are working on.

All of that will be scaled up for submission within this year. We expect to have the first few products going for filing within the end of this year. So, that's basically what covers the regulated market side of it. We can check if chairman's line is better now.

C.C. Paarthipan: Good evening once again. Now let me focus on only on the two major steps that we've taken recently. Number one is our video SOP, which is also known as a visual SOP, acts as a visual hammer to replace the verbal cues. Our video SOP will convert invisible execution into inspectable evidence for compliance. In pharma manufacturing, non-compliance is not a learning failure or a training failure, it's an execution visibility failure.

Pharma factories run on SOPs which is a traditional textbook one. Compliance is demonstrated in seconds, which leads to issues. Hence Caplin converts current SOPs into visual scripts that shows best practice actions in step-by-step details.

We also included regional languages for our factory workers. We further have plans to use videos to celebrate the best performing operators as role models. The remote control online monitoring tracking of who has done what in the night shifts, which will not only be monitored by our own factories, but also by our Latin American team where it is daytime. We make video viewing mandatory before operating the machines.

The other advantages of visual SOPs are as follows: number one, it will help networking with many companies of our size for outsourcing of products that we don't manufacture, especially from China. Number two, the CMOs will get the advantage to view the entire manufacturing at our facility online through the video SOP, and it helps them to understand our practices and timelines for the delivery.

It will also help engineering department to replace the models as FAT, SAT, IQ, OQ, PQ, which is nothing but factory acceptance test, site acceptance test, installation qualification, operational qualification, performance qualification. The video will help actually the new employees to do the requalification, preventive maintenance and predictive maintenance. The guys who do this FAT, SAT, IQ, OQ and PQ, even if they leave the company, the new guys who enter a factory will use the videos and do the requalification and predictive maintenance.

We'll also add AI governance architecture to our video SOPs in future, and we have already filed patent for this. In the next two years, we will also have 14 to 15 injectable lines, as you know well, will be up and running. And our culture will not be merely in our words, but will be in our facilities. Our people will also follow four non-negotiables, which are integrity, quality, safety and productivity.

Now number two, we recently recruited two erstwhile senior inspectors of Colombian INVIMA as our executives, mainly for audit readiness in all our factories. They are doing the mock audit in line with the US FDA guidelines as the guidelines of regulatory bodies are almost similar. Our onco facility and CP I are expecting the INVIMA audit in April, and these professionals will play a vital role in ensuring integrity and quality there.

They have inspected many biosimilar facilities in China, South Korea and Russia, and their contact with these companies will also help us actually to find an opportunity for outsourcing. We are for asset-light models from China. Now we'll go for an asset-light model for the specialties in places like Korea, Turkey and Russia, too.

Biogenerics will definitely help us actually to improve our bottom line over a period of time. Hence, the video SOP will act as a tool for networking with the companies mainly in China and Korea. We also understand that to achieve our goals, we must change the current version of ourselves. And it's not about doing more activities, it's all about doing right activities. Hence, the two right activities are the one that I highlighted now. Thank you very much.

Vivek Partheeban: Thank you Chairman. I request our CFO to throw some light on the numbers before we open up the floor for questions.

D. Muralidharan: Thank you, Mr. Vivek. Good evening, everyone, who has taken time off to take part in this call of Caplin Point Laboratories for the third quarter ending December 31, 2025. Results for the nine months ended are very gratifying. The group has achieved good growth across all financial parameters. And we are happy to say that we have compared ourselves to the peer group ones which have been announced till date, and we are in good stead, and we are comparatively higher than many of them reported in terms of the profitability and growth.

Now coming to the operating revenue. The revenue grew by 10.6% Y-o-Y and total income grew by 11.2% Y-o-Y. Nine months revenue is close to the entire year revenue of 2023-24. Growth in other income of INR 16.47 crores has primarily come from deployment of incremental cash. As I told in the last meeting also, we have a mandate for investing at least INR 300-plus crores Y-o-Y additionally over and above what we invested in the past.

This year, the mandate is even more stringent to invest about INR 400-plus crores into the financial instruments. So COGS has grown only by 9% in spite of the increase in turnover. If you see the last three years, the COGS as a percentage of revenue has come down from 43% to 39%.

Opex grew only by 6%, way below the revenue growth and opex as a percentage of total revenue stood at 24.46% as against 25.62% for the corresponding period, and you will be glad to know that it has come down from 27% in 2023-24 to 24.46% in the current year. Both factors whatever I mentioned have resulted in a growth of 17% way above the revenue growth in EBITDA margin and it is at 38.5% as against 36.5% in the last year corresponding period.

Capitalization of about INR 62 crores primarily in CSL has absorbed additional depreciation of INR 5 crores and PBT again grew by about 17.8%, –INR 500 crores to INR 589 crores stands at 35.2% and happy to say that this is higher than the entire year of 2023-24, which was INR 565 crores. Then PAT again is INR 477 crores higher than the PAT of INR 461 crores achieved in full year of FY24.

All the above positive factors have resulted in growth of 20.5% in PAT. PAT stands at 28.5% as against 26.3% in the last year. It will be pertinent to note that we have been promising around 25% as the target PAT. We are well above that.

And coming to the balance sheet, net worth stands at INR 3,338 crores as on December. Cash and cash equivalents is at INR 1,381 crores as against INR 1,180 crores after the investment of INR 180 crores in capex. CWIP stands at around INR 195 crores majorly accounted by One Lab injectables facility, which is under final stages of completion and the OSD plant, which we are setting up near our facility in Pondicherry.

Inventory as we have been saying, the closest to the customer is the winning point for Caplin, and it stands at about 67%, including the transit goods. 55% are there in our warehouses and 12% in transit reaching any time now. Receivable stands at 121 days as against 118 days even though we've been promising 120 as a benchmark, it's slightly more because last 10 days of December, we couldn't get the remittances inward because of Christmas vacations.

But that has been more than compensated by more remittances in the month of January, and we hope to get back to the old level by March, if not by June.

And the cash flow from operations stands at INR 368 crores, as against INR 284 crores in the previous period, the corresponding period. And free cash flow, as I said, after INR 180 crores in capex, stands at INR 188 crores for the nine-month period ending December 2025. I think these are the few points which I thought would brief you. Those results have been with you for a while now, and we'd be more than glad to take any questions. So, over to you, Mr. Vivek. Thank you.

Vivek Partheeban: Thank you. So, we can open up the floor for questions now, please.

Moderator: Thank you very much. The first question is from the line of CA Garvit Goel from Serene Alpha. Please go ahead.

Garvit Goyal: Good evening, sir. First question is on Oncology's API facility. It is getting further delayed, sir. Earlier we were speaking about Q1 FY27 and this PPT, we have mentioned Q3 FY27. While I understand that we are doing the capex via internal accruals and all, but sir, these delays are now going beyond the normalcy.

I'm sure like an efficient and experienced capital allocator like you, this must be in your mind because ultimately we have to grow the business. So for that we need the assets at the right time. So what is your view on it, sir, like why are these delays happening on a consistent basis? So that's my first question.

C.C. Paarthipan: Okay. Delay, yes, it has happened. But in the current context, what is important actually is not the delay, it's not opportunity denied actually. It is not a denied opportunity today. If it is fully completed and that too when we get into the next level that too for the regulated market, this facility should be ready for the US FDA actually.

And we are also planning to go for 10 to 12 like injectables at the time of filing the form and invite the US FDA inspector for the audit. Hence you are aware that sometimes the facility completion, it takes its own time. It may be because of various reasons. The reason one here, I would like to say like this, the ecosystem in Tamil Nadu has not been extraordinary like, what do you have in Hyderabad or Bangalore or Vizag or Ahmedabad or Mumbai. Hence it also gets delayed, that's one reason.

At the same time, as you rightly said, the money is not borrowed. There is nothing in the form of actually interest loss. I won't say there is an opportunity loss also because sometimes it is for the greater good which is difficult to understand. What is not obvious many a times actually it will create some tangible opportunities also.

Vivek Partheeban: One other point also, Garvit, is the API unit is going to be only for backward integration. But remember that we're not really relying on our own API as the first source. This is going to be a second source. So even if the API units get delayed by a further two to three quarters also, which will not happen, but even if they do happen, it's not going to materially affect the company because our R&D and our filing continues to happen despite it being our own API or from external API.

Till this point, 100% of all the filings and approvals we've received are from external API. So please remember that this thought process of getting into our own API is strengthening our supply chain, but by no means it is going to have any material impact immediately.

Garvit Goyal: When you say the ecosystem is not extraordinary, like what kind of challenges are we facing? Can you further elaborate that?

C.C. Paarthipan: Talent, whether it is in the form of consultancy or in the form of some project heads actually. People who come, you know, they don't stick. See, if you want to give me an example. See, at one point of time you know ours is a turnaround story. Today, we are the number one company in Tamil Nadu.

There are companies which are now 10-12 years ahead of us. In fact, you know, they started the company much, much earlier to us. Still they have not even reached 50% of our sales also. I don't want to mention the name of the company. Since you asked me, I have to answer that way.

Garvit Goyal: Understood. And secondly on the growth part, first nine months our sales are up by 10% to 11% which is well below our last three-year average of 15% which we used to use as a benchmark in the recent calls. Even if I see your fixed assets, these have doubled in last 2.5 to 3 years, but our top line is up by only 50% against that. So why are we slow in growing our top line, sir?

I agree that base has become high, but I'm not asking for like we should grow 30%-35% on this higher base, which I understand from the earlier concalls, earlier interactions as well, but not even doing 20%-25% despite having strong capex and we earlier speaking about entering into the new markets and new products approvals that we are getting on the continuous basis. So I'm not able to understand why it is taking us like so much time to ramp up on the assets or the capex or the efforts that we have made over the last two to three years, sir.

Vivek Partheeban: Yes. See, we've been very consistent with our messaging that the next 18 to 24 months is going to be a gestation and a consolidation phase for us, right. So there are multiple things that we are working on. Number one, our entry into the larger markets of Mexico, Chile, Colombia. Number two, our oncology business is still at a very nascent stage. And number three, our US label and our US B2B business is getting consolidated right now.

Now remember, we're not in the domestic market where the minute you come up with a product you can directly go and then start making sales, right. We're all in either emerging markets or regulated markets where things take at least three to four years for some amount of gaining maturity. So we feel that FY28 and beyond looks very exciting for the company on all fronts, on all these fronts that I was talking about which is larger markets of LatAm, US space and oncology, etc. So we need to be a little patient but during this time we have been able to consistently still grow at low double digits in our US business which is gaining much more traction and showing growth of almost 25%-30% and we're also able to consistently put away significant amount of cash into our reserves where we are building up a war chest where if there is even an outsized inorganic opportunity that comes through, we will not be shy to do that as well. So I don't think we are slowing down by any means.

I would say that we are consolidating and FY27-28 and beyond could be something that is very interesting for us all to look forward to.

Garvit Goyal: Got it, sir. And regarding on the margins front, is there any further scope of improvement in the margins?

Vivek Partheeban: I think we're at a PAT of 27%-28%.

Vivek Partheeban: I am not sure, if too many peers within this range, Garvit, yes, but regardless of this, I think once we start firing on all cylinders on these newer initiatives that we take up, there is a potential for that to go up as well. I don't deny it, but I think at 28% for us to stabilize this and maintain itself would be an excellent achievement. Yes.

Garvit Goyal: Understood. So more probably because margins are at peak and for next 18 months we are speaking about lower double digit sales growth, so bottom line should be more or less in line with the sales growth only. Is that understanding correct?

Vivek Partheeban: The bottom line will remain where it is, I mean look there might be one or two percentage points up or down, but that 26% to 29% PAT is something where we are comfortable with and we expect that to continue.

Garvit Goyal: Got it. Thank you very much, sir, and all the best for the future.

Moderator: Thank you. The next question is from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Yes, thanks for the opportunity. I have three questions. Firstly on the buyouts we made for few ANDAs on the oncology side, if you can give some sense what amounts we have paid for the ANDAs I think we got?

Secondly, what will be the timelines do the site transfer and the commercialization take, and from the $473 million addressable market size, what sort of potential market share Caplin Steriles can gain?

Vivek Partheeban: Okay. So see some of this information is of confidential nature, so I won't be able to go into too much details of it. But what I can give out is we are very, very prudent in how we spend our cash. And that includes these acquisition targets also. The one clue I can give you is that we sort of try and make it a point that any acquisition of an ANDA that we do is always equal to or lower than the cost of actually filing that ANDA itself.

So you may draw your inferences from that. In addition to that, the timelines wise what happens is we need to do the site transfer by way of what you call as a Post-Approval Supplement, a PAS. Now we need to run at least one batch of that product and then put that in stability for three months and then apply for the PAS which is six months.

So all put together, we expect some of these products to come to market by early next year, late this year or early next year. And finally when it comes to the market share, out of the 14 products there are two of them that are fairly large in size, but they're also extremely tricky because they need completely dedicated lines, dedicated units etc.

We might not be doing that in-house. We are very actively scouting for contract manufacturing companies for that. We've narrowed it down to two, both in Europe and we are in late stage discussions for tech transfer to their side.

So in general, I think you can always expect the first couple of years to have about single digit market share as and then when we consolidate and then when we have a larger portfolio of products to offer, then that slowly starts inching up towards the double digits in terms of market share.

Ahmed Madha: Sure. That's very helpful. On the Mexico and Chile business, we have made lot of progress in terms of approvals, building the pipeline, getting the inspection and the plant everything ready. If you can give some sense how far are we from meaningful top line generation from those markets and what sort of progress we have made in terms of commercialization and getting the top line ready?

Vivek Partheeban: Yes. When it comes to again Mexico and Chile, I would still put the same timelines, at about 18 to 24 months is when we can start to see it firing on all cylinders. Of course when it comes to both these markets, typically they are a little bit tender heavy as well, right?

Especially Chile, but there again we are trying to get into the private market which is what the base of our business in Latin America is and we've been, more than 80% of our revenue from LATAM come from the private market which is what we are trying to do the same in in Mexico and Chile as well.

Chile is a little bit further ahead compared to Mexico because we've been in Chile for some time now, but mostly on tenders. Now we are getting into the private market. And the same for Mexico in 2026 as well. So I would still say that 18 months is a good timeline for us to see something meaningful on the top line to the parent company.

Ahmed Madha: Sure. Lastly on the P&L, if we look at the operating cost, it has been very stable for last few quarters. We have made progress in the top line growth gradually. and I'm just curious to understand that despite the new plants coming in both the plants which got commercialized I think in the last three-four months, I'm assuming and top line growing gradually, the cost has been broadly steady state. Would you like to help us understand what sort of explains that?

D. Muralidharan: Yes, correct. So a couple of years back when we were in the same meeting we were asked for the lower turnover relative higher cost, right? We built the infrastructure, we built the periphery we as rightly said the employees have all been recruited for the enhanced capacity. So also as mentioned by one of the previous speakers that most of the projects are under final stages, nothing had been put to operation yet.

So the initially you capitalize whatever that pre-operating expenses are getting capitalized and then once the product or projects are put on projects are put on steam and then start commercial we will see the impact on the opex.

And as we have mentioned in the past also, previously our sales are on FOB basis to most of the countries and about one and a half years back we have converted them into freight. The freight cost as a percentage of turnover has also come down.

D. Muralidharan: Okay. So as mentioned, the infrastructure has been created, the manpower has been recruited, facilities are created for the enhanced capacity. Once these projects go commercial, we will not see any big spike in the expenditure as such. So, that is one of the reasons why even though the top line is growing the operational expenditure is not growing in tandem.

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

Shrinjana Mittal: Hi, thank you for the opportunity. Just one quick question if Mr. Sathya you can help me with Caplin Sterile's EBITDA number? That would be very helpful. Thank you.

Sathya Narayan M.: Yes, sure. Thank you for the question. for the quarter ended December 2025, the EBITDA for CSL consolidated is INR 31.09 crores.

Moderator: Thank you. Next we have a follow up question from the line of CA Garvit Goyal from Serene Alpha. Please go ahead.

Garvit Goyal: Hi, thanks. Sir, is there any further material update on the inorganic acquisitions that we are evaluating right now?

Vivek Partheeban: Nothing to report at this point, please. So, if there is something material definitely we will update as and when necessary but nothing is at very late stages or anything like that at this point.

Moderator: Thank you. The next question is from the line of Richa from Equitymaster. Please go ahead.

Richa: Yes, sir, I wanted to understand like I'm new to the company, in the last concalls I've gathered that, you had a INR 1,000 crores capex plan of which half was nearing completion and other half was expected to happen over two to three years. Part of it is backward integration. If you could give some clarity how much has already been incurred, what is the plan for next two years and what kind of asset turn you are expecting over this capex?

D. Muralidharan: So what we've capitalized so far is about INR 153 crores and INR 124 crores is in WIP. This is adding up to about INR 280 crore. And what we have further advanced about INR 88.54 Crores. INR 385 crores is already spent, the rest is to be spent in the next 12 to 18 months.

Richa: Okay. And asset turns also if you could give some clarity.

D. Muralidharan: No, asset turn depends on when these projects get capitalized and start earning revenue, madam.

Richa: I understand. Let's say over three to four years, I was asking that, you know, because some of it is going into backward integration as well. So it might look very different from your historical turnover. So at maturity in three to four years, what kind of asset turns do you expect over this capex?

D. Muralidharan: It'll be difficult to predict as of now because our asset turnover is not direct denominator versus numerator because as chairman also put it, we are into asset-light model also. We are working with various CMOs, CDMOs and whatnot, and then that will give me a top line where without any contribution from the plants. And also we are investing heavily into R&D.

So which would not directly go into the commercial operations. So our existing products are or the company is a mix of both asset-light model, R&D heavy and then project based. So it will not be lower than what we are today.

Vivek Partheeban: And also I think much of it will depend on the kind of products that we do and the market positioning for those products at the time when they come to market etc. So typically for a multi-product facility, typically for a company that focuses on different kinds of markets, that asset turn is something that is difficult to really pin down, please. I think it's more if I'm not wrong, I think it's more applicable to an API industry rather than formulation.

Richa: And sir one more thing, like how should we look at the tax rates? Are they going to stay where they are or inch up?

D. Muralidharan: Yes, tax rates we have some avenues and we are at about 20%-21%, we expect that to be around that in the coming years as well.

Moderator: We have the next question from the line of Ketan, an Individual Investor.

Ketan: First of all, I'd like to place my appreciation for the chairman and his entire team for doing a fantastic job. I've been invested in this company for the past few years and I've seen that, you know, Q-o-Q you guys are delivering revenue growth, margins, cash, everything is fantastic?

Sometimes I feel it is too good to be a true story, but I mean it is what it is, so really, my appreciation for the entire team. Now coming to my query, my question is for the nine month is it possible to provide the revenues for the Chile market?

C.C. Paarthipan: Chile market what is happening there is as has been told actually by Vivek, this is a market where you know is all tender heavy. Like 75% to 80% is tender and 20% is private market. And very recently we told our guys to actually focus on private market and the first month itself they have done some $100,000 the business although it's not huge, it's really good actually for a market where people focus only on the tenders.

So hopefully the revenues are there but the issue is, this market being a tender market. And then the import duties are very high. And the payments also from the government it comes little late compared to some other countries. Starting from this month or next month they are likely to do around $200,000 to $300,000 of remittance.

We are likely to get it from Chile, that's what I've been told by our people in Chile. Chile takes time, but once we complete the OSD, we have completed more of injectables, injectables goes only into the institutions.

Private market of course as you know well, we should sell more of OSD and other products, that of course know now only we are submitting some products for registration. Hopefully in the next one-two years we will do very well in Chile.

Ketan: The other query I have is on the US margins. Now when I look at your segmental figures, for the nine months, you know the figure is about INR 323 crores for the US market revenue, and the profit before tax is 34%. So, I just wanted to know that right now the margins look about 10% odd, but going forward is this likely to inch up? I mean in terms of the margins for the USA business. Is it likely to go up in the next few quarters and few years?

C.C. Paarthipan: Yes, coming to US business, I would like to say something afterwards, Vivek will actually brief the whole thing. If you look at actually injectable facilities whether it is in China or US, always big boys game. In two years, we will be in a position to complete 14 to 15 lines exporting products to US, which is of course, it's not that easy, and we'll be one among the four maybe three or four from India.

And I've also seen companies which are very advanced in China in the form of producing biosimilars and lot of biologic products, hardly one or two company concentrate on US market. It is also true, compared to other markets, this is not that actually lucrative, but why we'll have to get into this market because this is the biggest market in the world. If you can create many lines like 14-15 lines, then what will happen you are part of the big boys game.

It is not that we are going to compete with the big boys, but what we will do is, we will have to increase the number of lines, to tell you honestly that I hustled my way out of the person I used to be. I used to be a person in charge of marketing, I didn't know anything about actually manufacturing. I had to play different role for the last three-four years, and now I understood actually that we will be in a position to handle even 13 to 14 lines also over a period of time.

Once we get into that stage, maybe you know which I spoke in the form of video SOP and other things, I am sure now one more in addition to that we are also going for women empowerment, most of the women in the rural areas, they are totally deprived actually, and then the economic independence makes all the difference to them.

And the men in rural areas are different from the women, so the women on one side actually very disciplined, they come to work and they do their work also, only thing you'll have to teach them. We are trying to teach them through video SOPs. Once that happens as I am 100% sure, this market, especially the US market will start fortifying us in such a way it has happened to some other big companies of India.

Vivek Partheeban: Yes. Thank you chairman. And when it comes to margins Ketan, how we look at it is see out of this INR 320 crores of revenue from the first nine months, is all from the existing products itself.

And some of these products are what others would call as slightly commoditized kind of products, so despite that we've been able to have a fairly decent EBITDA number and a fairly decent PAT number.

But, remember all of these acquisitions that we have done for the ANDAs all this R&D work that we do, everything gets expensed out, we don't capitalize anything, so there is a bit of a drag because of the plans that we have for the future. Over a period of time, especially when some of these newer products etc come through, you will start to see the bottom line numbers go up.

In fact, even now I think we are comfortable with where they are, but this will definitely start to go up. And FY27-28 and beyond as chairman said when we have 13-14-15 lines, your expenses start to cap out after a bit, and every additional revenue that you have, will be a direct impact to the bottom line positively, you know. So we'll have to wait it out a little bit. We are happy with where it is today because we know that this is in addition to all the drag that we've had in terms of the R&D and the inorganic ones etc, so it should only go up from here.

Ketan: Thank you. Thank you for the responses. And once again, my deep appreciation to the entire team at Caplan Point. Kudos to you all. Keep up the good work. Thank you so much.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Svan Investment Managers. Please go ahead.

Sachin Kasera: Good evening to the entire team at Caplin Point. As mentioned by the previous participant, congratulations to the team for the consistent performance that you've delivered, even in difficult times in the last few years. So that's a great job. Just coming back in terms of the current opportunity and the growth that we're talking of.

So the presentation mentions that Chile will be among the top five markets in the next two to three years. So can you just quantify or give a some sense if not an absolute number, so when we say top five markets are we talking like $10-$15 million type of revenue, some sense on that, when you say the top five markets for us in the next two to three years?

C.C. Paarthipan: $10 to $15 million per year definitely is possible. Maybe you know we will even actually go beyond that one. That is for sure. If you look at one or two companies who are from India, they have been doing a very good business, but again you know they all have more of OSD in the form of like 80 to 90 products whereas we have more of injectables.

You are aware that you know we manufacture injectables for the US market. And we are also focusing on OSD now, plus our oncology facilities also in the next two months will start the commercials. We are planning we are also doing some studies for oncology products which of course we will submit for registration. So we'll definitely do well actually in Chile that is for sure. It's a question of time before it happens.

Sachin Kasera: And can you comment a bit about Mexico? We have mentioned about putting up a facility also there. So what type of investments are we looking at the Mexico facility, and that will be primarily for serving the markets of Mexico or will that facility also serve markets other than Mexico?

C.C. Paarthipan: Mexico there is an advantage for the local industry. They give 10% to 15% advantage to the local factories for the supply of tender business. That's one of the reason we are keeping this facility there. Second these are the products actually, where the transportation cost also is quite high because ointments and others. We may even go for liquid orals also there.

We'll basically be transporting water from one continent to another continent. So, it's ideal to start a factory in this part of the world because the cost of production will not go high, because of the other factors which I mentioned now. Second we also get an advantage of supplying to the tenders with 10%-15% additional margin.

And third we always believe in catering to the private market especially to the bottom of the pyramid. I'm just waiting for the first inspection to be completed here from the USFDA. After that I will go there to Mexico and see how exactly the market responds. Initial work, I always used to do it, afterwards the Vice Chairman who happens to be my son used to take over. I'm just waiting for that to happen.

Sachin Kasera: But any sense in terms of the type of investment we are looking in Mexico, broad range in terms of the capex plan there?

C.C. Paarthipan: The investment may not be very high for ointments and liquid orals. It will be in the region of INR 100 to INR 125 crores. It will not be more than that, and most of these products there is nothing in the form of bio-availability or bio-equivalence studies. So once we complete the project, we'll be in a position to get into the market immediately.

Sachin Kasera: Sure. My next question is regarding GLPs. You have mentioned that we are developing our own GLPs and some of them, we are doing some sort of a tie up with Chinese companies. So next three to four years what is the type of opportunity do we see that, can it be like a very meaningful contribution to our overall revenue and profits?

C.C. Paarthipan: In the next are you mentioning about the next three-four years?

Sachin Kasera: Yes.

C.C. Paarthipan: We will definitely do well in the next three to four years time. The kind of investment which we make, it is not an investment which is very shallow, like, we are investing in hard assets. The assets actually will definitely fructify over a period of time. Already we have around 50 dosages in our CSL. And then in the next three-four years, you'll have 100 plus maybe 125 ANDAs.

In addition to that you will also go for global dossiers from that facility. And then we are also in the process of completing another facility, I am talking of the APIs, both API, that's for captive consumption. It'll be a vertically integrated company like any other big company. The only difference is most of the big companies their API volumes are quite high whereas ours is for the captive consumption.

But these big companies also, they slowly move actually from one area to the next area. But the companies of our size, they will not get into the space, there will be hardly few companies.

If you look at injectable companies, most of the companies that you see in India, either they are big or people who are into CMO business. We are not into CMO business, we are like big companies.

We are following the footstep of the big companies for manufacturing as well as filing the ANDAs, filing the dossiers also for ANDAs. So we are sure to actually do very well not only in US but also in Latin America and rest of the world too.

Sachin Kasera: Sure. Thank you. But sir my question was more to do with GLPs.

Vivek Partheeban: Yes. So when it comes to GLPs Sachin, we are entering into the smaller markets in Latin America to begin with. And we are doing something very unique which we will reveal that as and when the right patents and everything are set up, but at this point I would say that it's a little bit of an unknown space you know because what happens is the GLPs have been very extensively used in the developed market.

So in the developing markets we are just slowly starting to see some amount of usage. And only now I think this year all the patents and everything except US will expire. So we will start to see a little bit more clarity on how these products going to get picked up. Of course in India, one of them has picked up significantly more than the other one.

And the truth is, it is moving in in a different direction in our opinion. But again, this is a conversation that takes a long time. I would say that we would be in the second wave of people that start to commercialize it, not in the first wave. To be honest with you, that might actually work out better for companies like us to be in the second wave rather than the first wave.

Sachin Kasera: Sure. Just one question on capex and also linked to that in terms of our overall in-house versus outsourced production. So once we complete this capex of INR 1,000 crores, from what I understand, right now we have a model whereby we partly manufacture in India and partly we get it outsourced from China. So do you see how do you see that mix changing? Will it remain the way it is right now or in the next three years, is there going to be a change in terms of the mix between what we produce in India versus what we get it sourced from China?

C.C. Paarthipan: I would like to say a few words on that one. If you look at China, we will never be able to compete with them in cephalosporin and penicillin area. And we've been sourcing products of penicillin and cephalosporin from China and we will continue to source from them. If you look at again biosimilars, they are much much advanced, even GLP products, the API at one point of time it was actually $500 semaglutide. Today it has come down to $80.

So this a market where they can change the economies of scale. And some areas we will not be in a position to actually compete with them, it's better to join somebody, whom we can't compete with. That's one. Second how the change will come maybe in five years from now, the most important thing one has to worry about it actually not this one, how the AI will impact the industries.

If robot can replace 100 to 200 people, the manufacturing actually in US and the manufacturing in India will be one and the same, probably the cost wise, because Indian if you do it for India, then of course know export may not be that that's the reason what we are doing now.

We are slowly you know trying to also create some facilities in countries where they may allow actually robots without any hesitation. So these is one thing which is the most important one than any other things because we are also thinking of fill-finish biosimilars, we are also thinking of various areas where you know India is positive, of course India-centric products. We are trying to do China-centric products, we are following the asset-light model.

Sachin Kasera: Is it fair to assume that 60-40 which is in-house versus outsourcing, probably could become like 65%-70% in-house and 30% outsourcing because we are doing almost INR 1,000 crores capex. So that should mean that going ahead we are able to produce more in-house rather than outsourcing.

C.C. Paarthipan: You're right, you're right. It will happen, it will happen. But again what we will do is the outsourcing part from China, we don't want to reduce it. The reason being, we are outsourcing from big companies, and then we are outsourcing again actually products which cannot be actually manufactured that cheaper in India, coming to that cephalosporin and penicillin.

And even if you want to go for a biosimilar facility, it is better to test the waters in the form of fill-finish rather than going actually for a factory from the scratch. So we will have some collaboration with the Chinese partners and continue to do the business in the form of asset-light model. What you said is true, this 60-40 may even go actually 70-30.

Sachin Kasera: And just one last question, once we complete this INR 1,000 crores capex, are we going to look at another round of large capex or then for the next two-three years the capex intensity is going to come down?

C.C. Paarthipan: See, what will happen probably is you know we'll have to think of actually meaningful inorganic growth after that. This can be in the form of acquiring the products, can be in the form of acquiring a distribution company which will help us in the private market. It can be in the form of some acquiring some companies where there'll be a value addition for Caplin Point. But not too much in terms of manufacturing, manufacturing capex will go down.

Sachin Kasera: Great, Chairman. Thank you so much and all the best.

C.C. Paarthipan: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for the closing comments.

Vivek Partheeban: Thank you everyone, thanks for taking time out to join the call. And it was excellent interacting with all of you as usual. We hope to stay in touch with each and every one of you. Thank you.

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