



for
good

CAPLIN POINT LABORATORIES LIMITED
ANNUAL REPORT 2019-20

Forward-looking statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions.

We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions.

Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Theme: For Good

Theme explained: At Caplin Point Laboratories Limited, we are engaged in a business that enhances well-being for all stakeholders ('For Good') and is engaged in being sustainable across time ('For Good').



Caplin Point Laboratories Limited.

Possibly the only mid-sized company in India's pharmaceutical sector to be engaged in the manufacture of APIs, finished formulations, research & development, clinical research, front-end generic presence in Latin America, brand marketing in Francophone Africa and a USFDA-approved injectable facility.

The Company's asset-light marketing business model has helped generate the resources to build world-class infrastructure.

The Company's debt-free and cash surplus situation positions it attractively to address the opportunities of the future.

The big numbers

4000+

Products
registered

650

Pharmaceutical
formulations

36

Therapeutic
sections

Caplin Point's product mix covers a significant number of drugs classified as 'essential' by WHO

1 Vision to see the 'Invisible opportunity'

Caplin Point aims to create new niches in the markets of its presence. Looking ahead, we envisage implementing our unique business model to ensure that everyone in the market where Caplin is present enjoys access to quality medicines at affordable prices.



2 Mission to address the pain of the poor

Innovate constantly to change the rules of the game and not merely compete in the game because it is innovation that distinguishes a leader from a follower.



3 History of life on this planet is the history of rule breakers

Caplin Point was established in 1990 to manufacture a range of ointments, creams and other external applications. The Company was listed in 1994; the IPO proceeds were deployed in a manufacturing facility in Pondicherry. The promoters exposed their lives to physical risk when they ventured into war-affected countries more than two decades ago. The Company ventured into the emerging markets of West Africa, Latin America and The Caribbean to market finished formulations.



4 Management

Caplin Point is headed by Mr. C. C. Paarthipan (Chairman) and Dr. Sridhar Ganesan (Managing Director), who are supported by a competent managerial and technical team. The Board that leads the Company does not comprise any member of the promoter's family apart from the Chairman.



5 Partner

To expand its presence in the area of global injectables, the Company attracted investments in its subsidiary company Caplin Steriles Limited (CSL) from Eight Roads Ventures India III LP and F-Prime Capital Partners Life Sciences Fund VI LP (Fidelity Group) through Compulsorily Convertible Preference Shares (CCPS) to be converted into equity shares of CSL based on agreed terms.



Annual production capacity

Injectables
12 million Ophthalmics drops
2 million Lyophilised vials
20 million liquid injectables in Ampoules
65 million liquid injectables in vials
12 million pre-filled syringes

Oral dosage forms
1500 million tablets
1 million bottles of dry syrups
220 million of soft-gels
400 million of capsules
30 million suppositories
6 million bottles of liquid syrups

Research & Development capabilities

5+ dedicated Facilities	Rs. 1.6 billion Capex	Expensing R&D	Kilo lab
Caplin has 5 dedicated R&D set ups (3 DSIR-approved and 2 under approval).	Continuous capex investment of over Rs. 1.6 billion over the last 5 years towards enhanced manufacturing and R&D capabilities.	Caplin expenses all R&D expenditure. Total R&D spend (capex + opex) 40% of 2019-20 PAT.	Latest R&D facility at Hyderabad focuses on API in kilo scale. Commercial manufacturing will be done in a new API facility (under construction) in Chennai, expected to be commissioned in the next 12-15 months.



How we grew our business in 2019-20 (consolidated)

Emerging markets revenues

- Reported strong sales in the generic and branded segments; attractive contribution from new Latin American markets
- Generated sales higher than multi-national brands in Guatemala; ranked number two in the market (Source: IMS)
- Received orders (Amaris Clinical, CRO wing of Caplin Point) for three studies for the US market (trigger for US FDA approval to be activated on completion)

Emerging markets research

- Completed R&D for 22 APIs to be used for backward integration in US and Emerging markets (strengthening competitiveness for large Latin America tenders and securing resources for US ANDAs)
- Increased recruitment of scientists by more than 40% to 360+ scientists
- R&D opex increased by Rs. 24.8 cr (~90%) to Rs. 53 cr in 2019-20)

Emerging markets distribution

- Acquired four channel partners in Latin America, strengthening control on marketing, distribution and supply chain
- Launched an e-commerce website named 'QueTenX', a part of the 10X healthcare portal (addressing independent pharmacies not visited by salesmen due to COVID-19), transforming credit sales into cash, enhancing an analysis of demand and supply patterns and replenishment stocks through technology tools
- Deepened capabilities by stocking essential products at warehouses during the COVID-19 months (due to the unique stock and sale model)



US & Regulated Markets

- Commissioned a DGCI-approved CRO facility and captive API development kilo lab to facilitate backward integration
- Received approvals for nine of 18 ANDAs filed (six for Caplin Steriles); five products launched; the next four to be launched in the near future.
- Embarked on a pipeline of 15 ANDAs to be filed within 24 months with an addressable market size of USD 1.95 billion
- Completed lab scale batches for 17 products for US (by Caplin's API division)
- Trebled capacity of the manufacturing facility

Business health

- Achieved RoE of 28% and RoCE of 36% on a 70% higher base
- Increased year-end inventory due to acquisition of Channel Partners with warehouse stock
- The stocks in subsidiaries closer to the customer (stock and sale model) will result in quicker conversion coupled with quicker collection of receivables in these subsidiaries
- Reported increased cash and cash equivalents of Rs. 284 cr in 2019-20, an increase of Rs. 61 cr after meeting all outgoes including the interim dividend (Rs. 15.88 cr)

Financial outcomes

- Reported topline growth of 35.5% to Rs. 904.5 cr in 2019-20
- Grew Caplin Steriles' injectable revenues 3.5x (8% of overall operating revenues) to Rs. 65 cr
- Grew EBITDA by 20.4% to Rs. 301.40 cr
- Strengthened PBT by Rs. 42.58 cr (19%) to Rs. 269.46 cr
- Grew PAT by Rs. 38.53 cr (22%) to Rs. 215.08 cr
- Strengthened EPS by 22% to Rs. 28.42 per share

Qualitative outcomes

- Our Return on Capital Employed of 36% (on a significantly increased capital employed base of Rs. 756 cr against Rs. 446 cr in 2018-19) was considerably higher than the sectoral average
- We reported 40 successive quarters of revenues growth
- Ours is probably one among the mid-sized Indian pharmaceutical companies to have invested Rs. 85.3 cr in its R&D in 2019-20 out of internal accruals
- We reported 17 successive years of profitable growth till 2019-20
- Our EBITDA margin of 33.32% in 2019-20 was among the highest in India's pharmaceutical sector

Outlook for 2020-21

- Four ANDAs are likely to be launched in the near future; the addressable market of these ANDAs were estimated at around USD 600 million
- Embarked on a pipeline of 15 ANDAs; addressable market USD 1.95 Billion
- Some products filed (and to be filed) fall under US FDA's shortage/emergency usage list; approvals awaited
- Entering the attractive pre-mix bag formulations segment
- Increased cash and cash equivalents to around Rs. 368 cr as on June 30th, 2020
- Collected 95% of Rs. 229 cr receivables on the books as on March 31st 2020 by 30th June' 2020

Medium-term outlook

- Working on initiatives to enter the US front-end by 2022/23
- Plans to enter Mexico, Canada and Australia within 18-24 months
- Embarked on a pipeline of 15 ANDAs to be filed within 24 months
- Targeted the filing of 12 DMFs by 2021-22 (all captive)