



# Geared for **growth**

ANNUAL  
REPORT  
**2021-22**

# Geared for Growth

As societies progress and more people are included in the ambit of medicine and medical health, companies like Natural Capsules Limited (NCL) grow alongside.

While it is no secret that one must take care of their health, it is surprising how many people are excluded from or have inadequate access to high-quality medical facilities. The COVID-19 pandemic swiftly demonstrated this, and the world was never the same again. It was understood that the health of the people and communities as a whole must take precedence.

We at Natural Capsules have always had a strong stance on this, and over the years, we have geared ourselves fully to capitalise on the opportunities. Our manufacturing enhancements and industry-leading technology allow us to reach a larger customer base, who in turn reach the masses. As a result, we have built capacities to cater

to a large volume of needs, bolstering our market position and enabling us to become a force to reckon with. Today, we are confident that our renewed energy and a strong appetite for growth will propel us to a higher orbit as we enter the new business segment of APIs.

As we embark on this new journey, we renew our commitment to spreading prosperity and impacting millions of lives. In addition, we are taking our growth trajectory to another level by aligning our ambitions with the nations across the high-impact sector of pharmaceuticals and widening our circle of influence to enrich more lives and drive inclusive progress.

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## KEY PERFORMANCE INDICATORS

# Riding the tides. Creating value.

### Revenue from Operations (₹ in crores)

FY19	59.78
FY20	61.55
FY21	79.51
FY22	135.07

70 % y-o-y growth | 31 % 3 year CAGR

### EBITDA Margin (in %)

FY19	9.88%
FY20	10.00%
FY21	13.75%
FY22	18.79%

### Profit After Tax (PAT) (₹ in crores)

FY19	1.92
FY20	0.86
FY21	6.91
FY22	13.91

101 % y-o-y growth | 94 % 3 year CAGR

### Earnings per share (in ₹)

FY19	3.08
FY20	1.41
FY21	10.99
FY22	19.56

### EBITDA (₹ in crores)

FY19	6.02
FY20	6.25
FY21	10.93
FY22	25.38

132 % y-o-y growth | 62 % 3 year CAGR

### Profit Before Tax (PBT) (₹ in crores)

FY19	2.46
FY20	1.37
FY21	6.98
FY22	19.39

185 % y-o-y growth | 99 % 3 year CAGR

### PAT Margin (in %)

FY19	3.21%
FY20	1.39%
FY21	8.69%
FY22	10.29%

# Geared Up for the Future

Natural Capsules is an empty capsule shell manufacturer, who pioneered manufacturing of vegetarian capsules in India and is the second largest manufacturer of gelatin capsules in India.

The company was incorporated in 1993 at Bangalore, and it further expanded its operations to Pondicherry in 2003. The company is now foraying into API manufacturing with complex high-end patented technology developed

in-house, under its subsidiary company Natural Biogenex Private Limited. NCL prides itself on its abilities to provide turnkey solutions to all its customers.



VISION

To become the global leader for supply of capsules, providing impeccable services all across the globe.



MISSION

- To consistently innovate and manufacture products to markets and customer's expectation
- To consistently provide highest quality products to its customers across the globe
- To become an integrated enterprise of global distinction

"Our expanded capabilities have allowed us to serve a broader clientele, bolstering customer confidence and solidifying our position as a market leader."

[Read more on the products on Pages 18](#)

173

Customers

250+

Team Members

02

Manufacturing Units

24.1 BCPA

Annual Capacity on completion of ongoing expansion

06

Over 06 varieties of capsules manufactured

Foraying

into steroidal API segment

PRODUCT OFFERINGS



Capsules

NCL's consistent endeavors towards its R&D has resulted in the manufacturing of a wide range of capsules. The Company's facilities are equipped with dedicated manufacturing lines, each of which adopt stringent procedures, and are housed as an independent unit to eliminate the risk of cross contamination.

- Hard Gelatin Capsules shells
- HPMC (Vegetarian Capsules)
- Other variants of Hard capsules

[Read more on the products on Pages 10](#)

Three key steroidal API products (as approved under PLI scheme)

NCL's upcoming API segment, which is anticipated to cater to domestic and international needs and act as a substitute for imports, will enable the company to become one of the few Indian firms to produce bulk drugs using fermentation technology. This segment is anticipated to drive the company's profitability in the coming years.

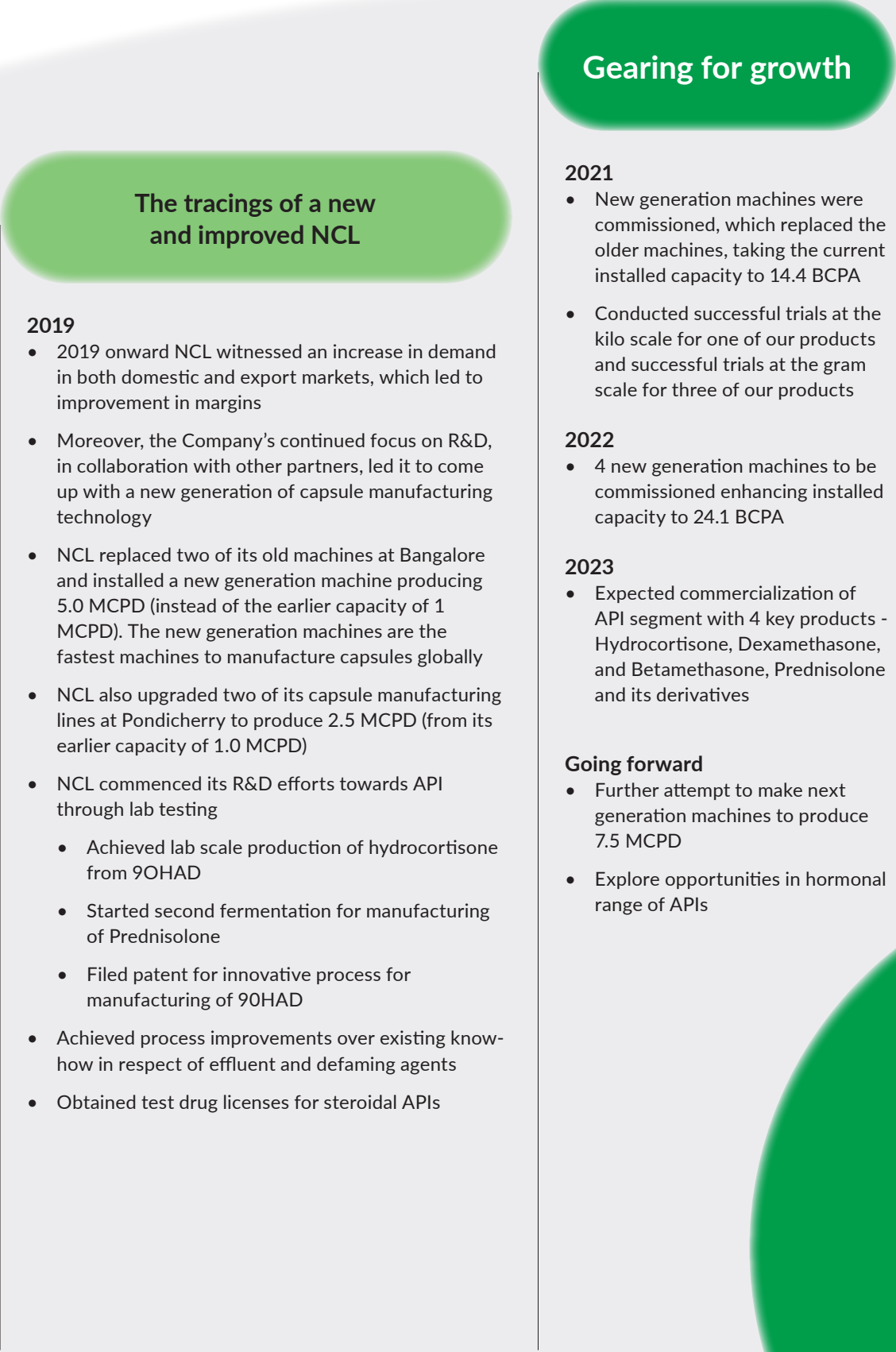
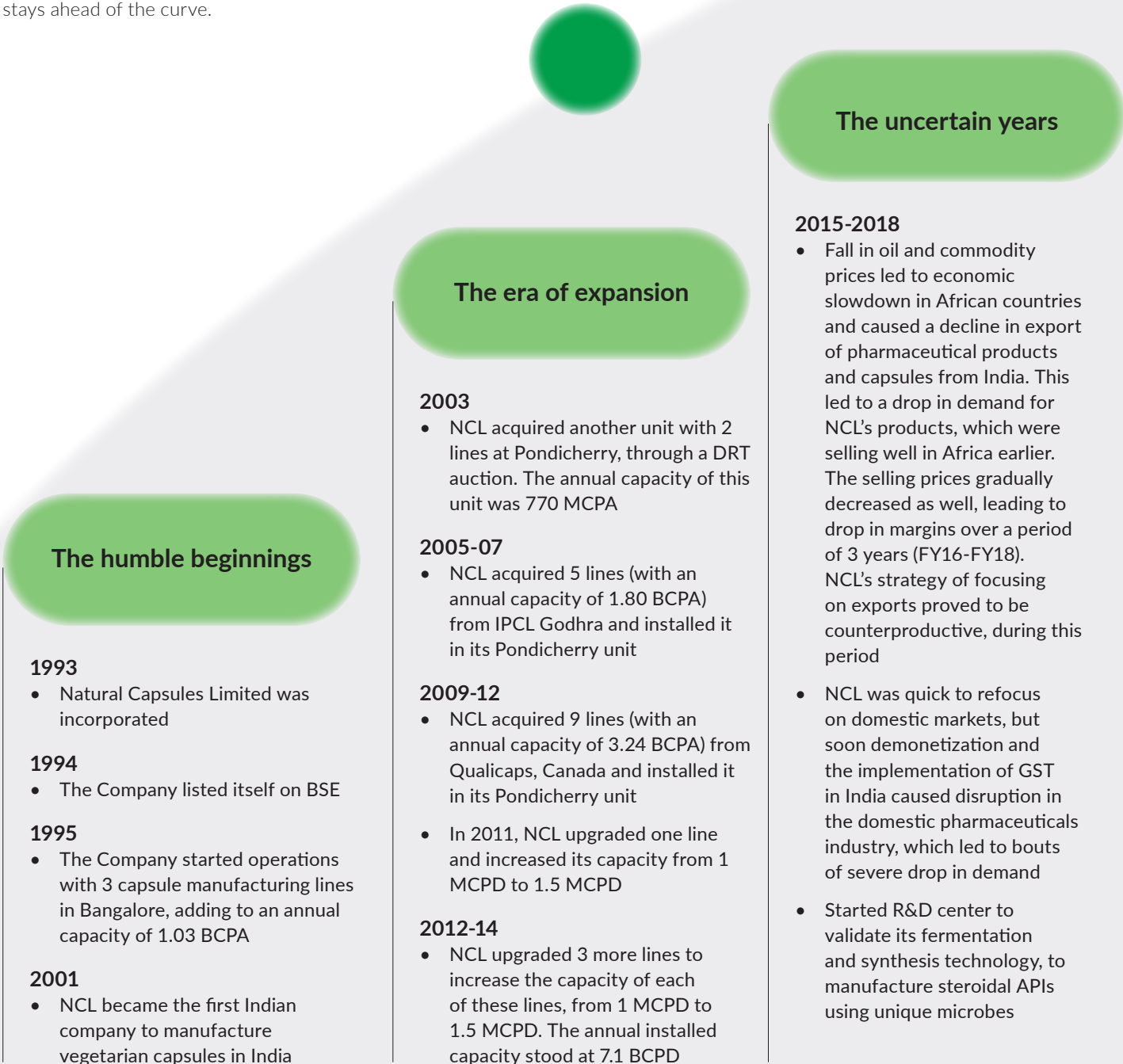
- Prednisolone
- Betamethasone
- Dexamethasone

[Read more on the products on Pages 12](#)

# Tracking Our Progress Through the Years

Natural Capsules Limited has had a challenging yet successful run since its incorporation.

The Company has steadily grown over the years, to include multiple manufacturing lines across Southern India, and has enhanced its capacities along the way. All along the way NCL has kept focusing and recalibrating itself, ensuring that it stays ahead of the curve.





# Expanding Presence Across Geographies

In its almost three decades of existence, Natural Capsules has grown steadily to include geographies across the globe, thus marching towards its vision of becoming a global supplier of capsules.

Today, the Company exports to more than 20 countries, making exports one of the core contributors to its revenue. Natural Capsules aims to harness the global pharmaceutical boom, and especially the wellness boom, to create an impression and mark its presence across the world.

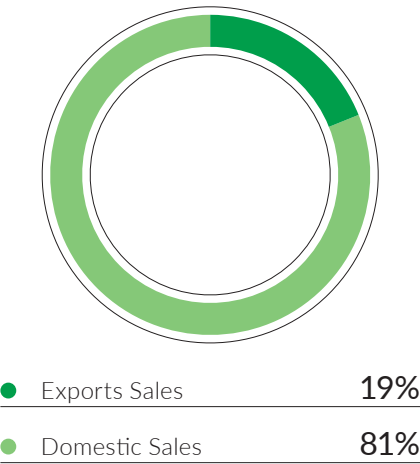
## SOME MARQUEE CLIENTS







Revenue Split (in %)

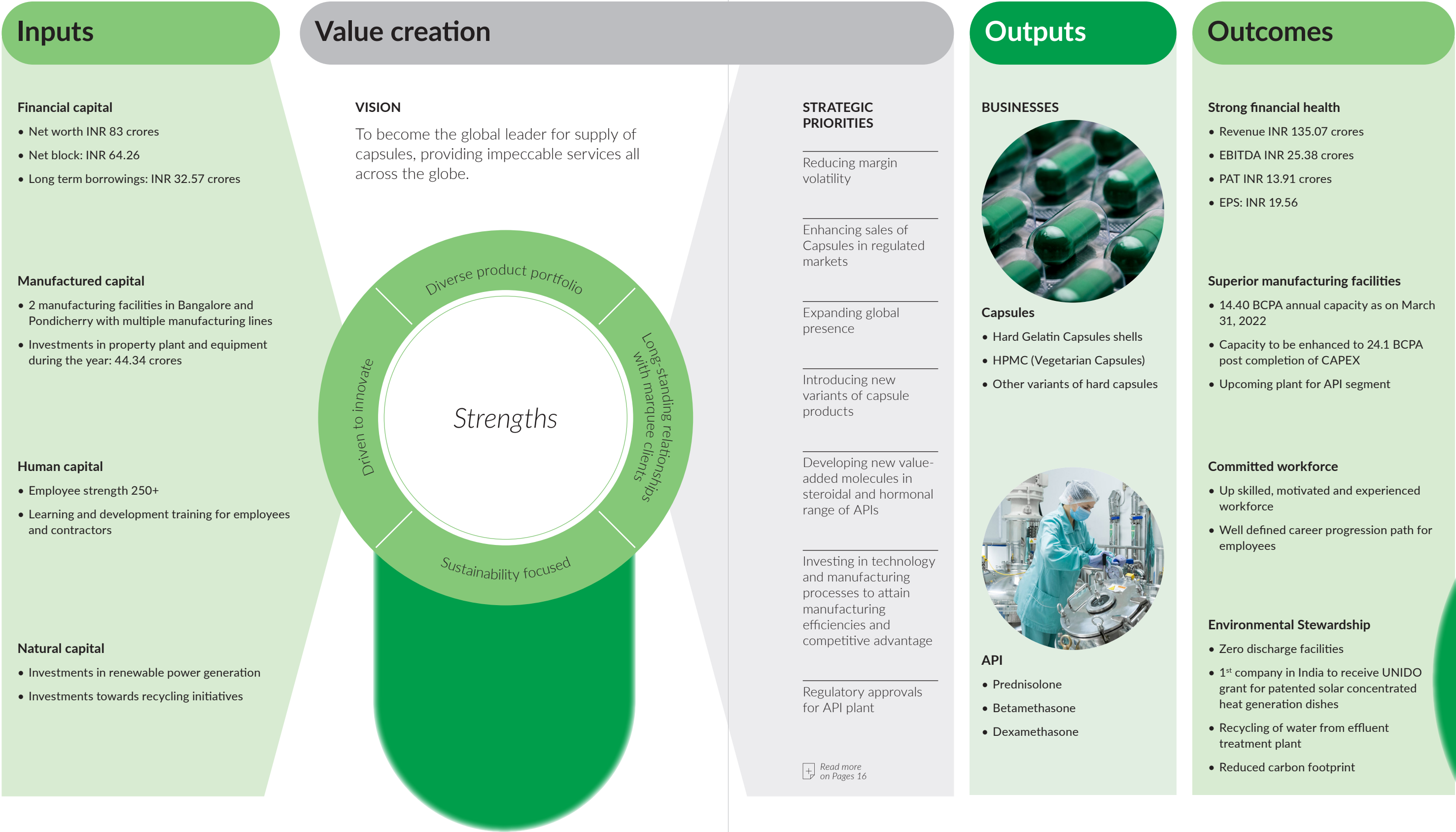


## GLOBAL PRESENCE

43.56	15.83	2.48	33.60	3.54
% OF TOTAL SALES	% OF TOTAL SALES	% OF TOTAL SALES	% OF TOTAL SALES	% OF TOTAL SALES
Africa	Asia	CIS	Middle East	South America
1. Ghana	8. Bangladesh	14. Georgia	16. Iran	21. Brazil
2. Kenya	9. Hong Kong	15. Uzbekistan	17. Iraq	
3. Nigeria	10. Malaysia		18. Kuwait	
4. South Africa	11. Nepal		19. Turkey	
5. Sudan	12. Philippines		20. Utd. Arab Emir.	
6. Uganda	13. Sri Lanka			
7. Zimbabwe				



# Designed to Create Long-term Value



CAPSULES SEGMENT



Natural Capsules Limited is one of India’s leading manufacturers of hard capsules, with nearly three decades of experience in the industry.

It exports its products to regulated and unregulated global markets in accordance with stringent rules and regulations. Through its years of hard work, NCL has been able to diversify its capsule offerings to include a multitude of offerings for its customers.

MANUFACTURING FACILITIES APPROVED BY-

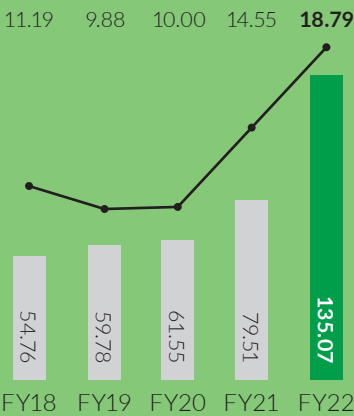


Pioneer  
of vegetarian capsules in India

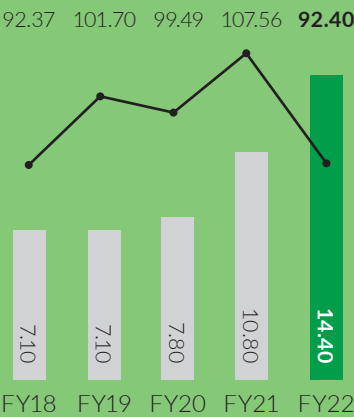
2<sup>nd</sup> Largest  
largest manufacturer of gelatin capsules in India with completion of ongoing project

2  
Manufacturing Units at  
Bengaluru and Pondicherry

Revenue & EBITDA Margins  
(in INR Crores & %)



Capacity & Capacity Utilisations  
(in BCPA & %)



The Company has also realised some of its shortcomings, and has been quick to address the same to recalibrate its growth trajectory.

CHALLENGE 01



Higher sales in unregulated markets led to volatility in margins

How NCL overcame the challenges

Collaborating with buyers who deal in the regulated markets, and who procure large quantities of capsules on a sustained basis.

CHALLENGE 02



Old technology machines resulted in lower operating efficiencies

How NCL overcame the challenges

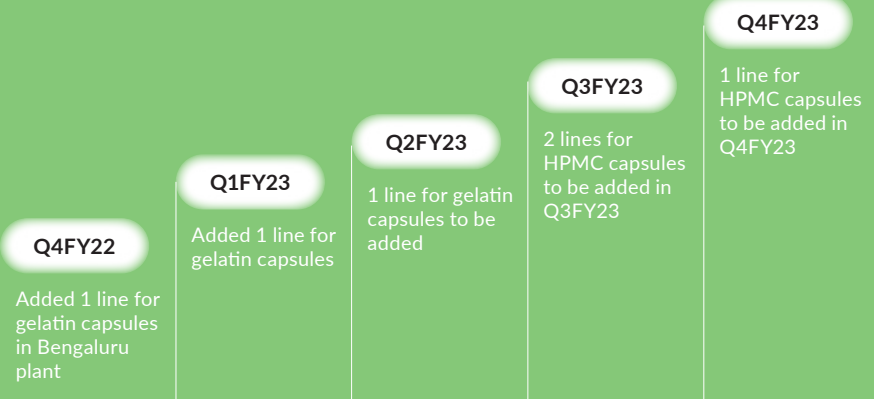
New machines developed in technical collaboration with partners, are the fastest available machine till date to manufacture hard capsules, leading to unmatched operational efficiencies and significant cost advantages.

New machines come with significant benefits, such as

- Consuming about 40% less power per unit manufactured; almost 1/3<sup>rd</sup> as compared older machine
- Highly automated requiring less manpower, thus manpower costs per unit produced goes down significantly
- Lower rejection rates; at 3% as against 8% in the old machines
- Manufacturing speed has gone up by ~3 times from 1.5 million capsules per day to 5 million capsules per day

These factors combined lead to higher efficiencies and profitability for NCL

CAPEX Tracker

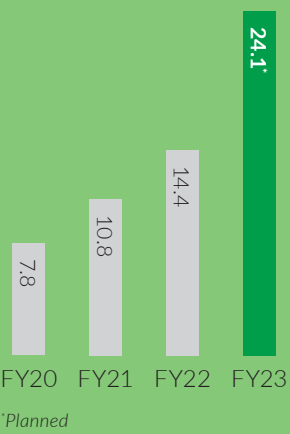


INCREMENTAL CAPACITY  
ENHANCEMENT

Incremental capacities will be leveraged to cater to large volume pharmaceutical customers and to serve new export markets. The ability to deliver faster will help NCL attract these large volume customers, thus yielding better margins by optimizing manufacturing cost per unit.

- Planned capital expenditure for ₹ 38 crores in FY21 for enhancing capacity to 24.1 BCPA by FY23
- Project funded through a mix of debt and equity
  - ₹ 18 crores bank borrowings @6.4% per annum
  - ₹ 20 crores from internal accruals
- ~3x asset turns from incremental capacities at optimum capacity utilization

Capsules manufacturing capacity  
(in BCPA)

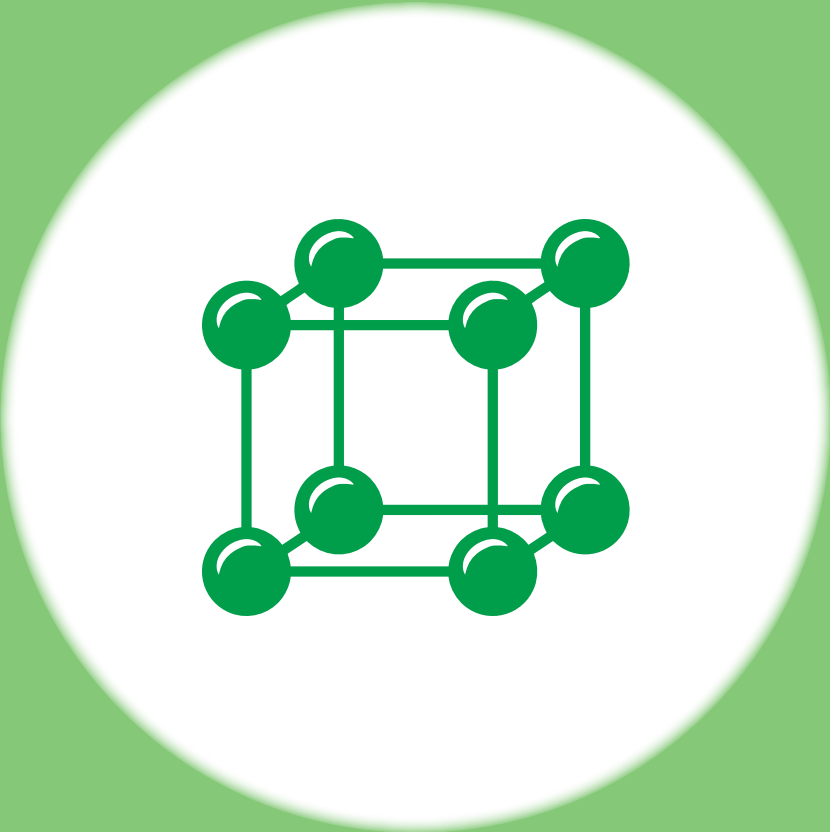


\*Planned





API SEGMENT



In 2020, Natural Capsules Limited incorporated its wholly-owned subsidiary Natural Biogenex Private Limited (NBPL), through which it forayed into the API business.

The Company intends to make the most of the PLI scheme for bulk drugs through its Greenfield investment at Tumkur. This plant will be a zero-liquid-discharging integrated facility which will use fermentation and synthesis chain

reactions to manufacture steroidal APIs. The Company aims for this facility to be a world-class one, compliant with WHO GMP (Geneva), USFDA and EU GMP certification guidelines.

₹ 115 crores

planned capital expenditure for setting up the facility

~2.7x

asset turns from incremental capacities at optimum capacity utilization

Project funded

Project funded through a mix of debt and equity

- ₹ 60 crores bank borrowings @6.4% pa
- ₹ 24 crores from internal accruals
- ₹ 31 crores from right issue



CAPEX Tracker

Q2FY23 - Q3FY23

Expected installation of machines and equipment in the fermentation and synthesis blocks

Q4FY23

Plans to commence equipment validation batches and dry trial runs. Commercial production to begin from Q1FY24

NBPL will manufacture Prednisolone, Betamethasone and Dexamethasone, as well as its derivatives. The Company expects that their products would serve as an effective domestic substitute for the same. The commercial production of this facility is expected to commence by Q1FY24.

API segment - Key Developments

Conducted successful trial at gram scale for one product and kilo scale for other products

- Achieved process improvements over existing know-how in respect of effluent and defaming agents.
- Obtained test drug licenses for steroidal APIs

- Achieved lab scale production of hydrocortisone from 9OHAD.
- Started second fermentation for manufacturing of Prednisolone.

FEB 2022

FEB 2021

AUG 2020

OCT 2019

JUL 2019

AUG 2018

Awarded 3 PLI applications for Dexamethasone, Betamethasone and Prednisolone

Filed patent for innovative process for manufacturing of 9OHAD

Started R&D center to validate its fermentation and synthesis technology, to manufacture steroidal APIs using unique microbes.

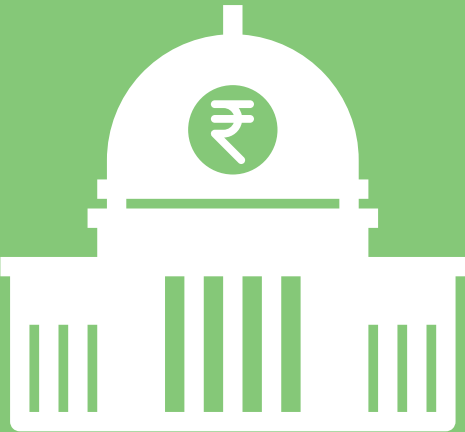
The following products and capacities have been approved under the PLI scheme

	Planned capacity	Imports including advanced intermediates and derivatives sales to India in FY22	NCL's advantage
Dexamethasone	10 MT	19 MT	NCL will be the <b>only manufacturer</b> of this product in India
Betamethasone	12 MT	20 MT	NCL will be the <b>only manufacturer</b> of this product in India
Prednisolone	15 MT	39 MT	NCL will be <b>one of the two manufacturers</b> of this product in India



# RIDING THE TIDE

The Indian pharmaceutical industry is the 3<sup>rd</sup> largest in the world by volume and 14<sup>th</sup> largest in terms of value, and it contributes to 3.5% of the total drugs and medicines exported globally.



However, despite these achievements, India is significantly dependent on import of some of the basic raw materials vis-a-vis bulk drugs that are used to produce the finished dosage formulations. Drugs play a major role in healthcare in the country, and continuous supply of drugs is key to ensuring delivery of affordable healthcare to the citizens. Any disruption in the supply of these drugs can have a significant adverse impact on drug security of the country.

In the last couple of years, the Indian government has been very proactive in introducing multiple schemes and initiatives to boost domestic production, thus creating avenues for business growth, while also adding to its 'Make in India' initiative. With a view to attain self-reliance and reduce import dependence in critical APIs, a scheme called "Production Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/ Drug Intermediates (DIs) and active Pharmaceutical Ingredients (APIs) In India" was approved by the Government of India on 20th March, 2020. This scheme is expected to enhance domestic production, and give impetus to the industry to not only manufacture key APIs for the domestic market, but also to export Indian manufactured APIs worldwide.

## HIGHLIGHTS OF THE API-PLI SCHEME

- A committee on drug security constituted by the Department of Pharmaceuticals collated the details of APIs imported in the country and identified 53 APIs for which the country is heavily dependent on imports.
- The scheme intends to boost domestic manufacturing of identified KSMs, Drug Intermediates and APIs by attracting large investments in the sector, thereby reducing India's import dependence on critical APIs.
- The total outlay of the scheme is ₹ 6,940 crores and financial incentive under the scheme will be provided to selected participants on incremental sales of 41 identified products in 4 different target segments.
- Financial incentive under the scheme shall be provided on sales of identified products for 6 years
  - For fermentation-based products, incentive for FY 2023- 24 to FY 2026-27 would be 20%, incentive for 2027-28 would be 15% and incentive for 2028-29 would be 5%.

The 3 products to be manufactured by Natural Capsules fall under the 24 category of Fermentation based niche KSMs/ Drug Intermediates / APIs. The Company expects to receive an incentive amounting to ₹ 67 crores over the course of 6 years, which will effectively de-risk the Company's investments significantly.



₹ 6,940 crores

Total outlay of the announced PLI scheme

The Company expects to receive an incentive amounting to

₹ 67 crores

over the course of 6 years

TO AVAIL THE INCENTIVES UNDER THE SCHEME, THE MANUFACTURER NEEDS TO FULFIL THE FOLLOWING CRITERIA:

- Produce a committed quantity
- Achieve 90% DVA (Domestic Value Addition)
- Invest committed project cost

The manufacturer will then be eligible for a 20% price incentive. However, captive consumption of the API to produce additional derivatives and products with a higher value-added is permitted, and APIs manufactured can be sold domestically and in export markets.

# STRATEGIC ROADMAP FOR GROWTH ACCELERATION

The Company has worked relentlessly to ensure that it stays ahead of its competition, by delivering excellent quality products that meet and exceed stringent quality norms. It has built capacities through the years, and has internally strengthened its operations. Today, NCL is well-positioned to harness opportunities presented by the industry, while leveraging its strong internal capabilities.



- Capacity enhancement with state-of-the-art machinery in capsules division, enabling operational efficiencies and driving profitability
- Being the only backward integrated manufacturer of steroidal APIs in India, the Company plans to gain significant market share domestically
- Exploring opportunities to set up capsules manufacturing facilities in foreign/domestic markets to ensure quick supply to customers
- The Company will benefit from strong industry tailwinds on the back of the China + One strategy
- API segment operations to be amplified by robust government incentives (PLI scheme)
- Focusing efforts on regulated markets and marquee pharma clients for capsules business, to stabilise topline and enhance margins
- Strong focus on R&D will lead to the development of new products and processes. It will also enable operational efficiencies by increasing the yields of existing products
- Regulatory approvals for the upcoming API facility will enable long term customer association leading to improved margins

NCL is geared to capitalize on these growth factors and is ready to catapult its journey to another orbit.

The Company is also geared to bring about monumental changes in its approach towards its business, by focusing on its internal capabilities and enhancing its operations. With the ongoing CAPEX, the Company is enabling itself to become the market leader in capsules business and positioning itself as a dominant player in the domestic steroidal API market.

