"Caplin Point Laboratories Limited
Q2 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY2022 Earnings Conference Call of Caplin Point Laboratories Limited hosted by Monarch Networth Capital. 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 the 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. Vinit Gala from Monarch Networth Capital. Thank you, and over to you, Sir!

Vinit Gala: Thanks Jacob. Hello everyone, on behalf of Monarch Network Capital I would like to thank the management of Caplin Point Labs for giving us this opportunity to host the Q2 and H1 FY2022 earnings conference call.

Today we have with us the senior management team from Caplin Point Labs including Mr. C.C. Paarthipan - Chairman of the company; Dr. Sridhar Ganesan - Managing Director; Mr. Vivek Partheeban – Chief Operating Officer; Mr. D Muralidharan - Chief Financial Officer; and Mr. M Sathya Narayanan - Deputy CFO. I would now like to hand over the call to the management team for the initial comment. Thank you and over to you Sir!

Vivek Partheeban: Thank you Vinit. Good evening everyone, we are pleased to welcome you to our earnings call of Q2 and H1 FY2022. Please note that a copy of our disclosures is available on the investor section of our website as well as the stock exchanges and please do note that anything said on this call Which reflect our outlook towards the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces. With that I would like to hand over the floor to our Chairman for his opening statement, please.

C.C. Paarthipan: Good evening. Welcome all to our earnings call. My colleagues will talk on the numbers and ratios hence I would like to touch base on the following - Products, Markets and Model. We have been registering differentiated products in our existing markets in the following areas namely CNS and CVS, second oncological products, third specialty injectables for hospital division.

We have already identified the marketing team from India, which will take care of the brand marketing in the areas of CNS, CVS, onco and specialty injectables. Some of the employees have already reached there and the others are waiting for the visa. The important point here is that the number of competitors for this type of products and brand marketing only from the multinational companies and from one or two local companies. This would also create a separate revenue stream in one or two years in the existing markets to our company. We are also registering more generic products in the existing markets, which again strengthens our presence and customers feel happy to note that we have different buckets of products that created a huge basket available to them.

The other side, we are registering products in mid-sized markets such as Chile, Peru, Colombia, and Costa Rica. We have already started exporting small consignments and this would increase in the due course. We have plans to register our products in Brazil, and we have already obtained

the online approval from Anvisa Brazil. The next big opportunity for Caplin Point is Mexico because of the size of the market and its proximity to the Central American Countries where we are a strong player. We received one registration from Mexico, we will be able to increase the registrations and also start good business once the travel restrictions are lifted.

Further it will not be out of place to mention about Venezuela, we received a remittance of $4.5 million in the last three months, we also exported $3 million worth of goods in the last three months.

Since the crude price has gone up, we sincerely foresee larger opportunities from Venezuela. We have also started registering our products to more than 10 countries in Asia and Africa where our presence is not there currently. We further identify CIS as a greater opportunity for injectables both general injectables and oncology.

We have shortlisted two candidates who have very good exposure in CIS markets. The COO of the company will talk of our activities in CSL and US market.

Now let me look at the people and projects. We have been recruiting people with hands-on experience from bigger companies, our attractive ESOP plan helps us to attract and retain our talent pool which is very important at this juncture. We witness a change in the mindset and skill set of our old and new people of our company which is very important also for the growth of our company. Further we are creating a separate team to train the new entrants for necessary skill sets that will also help the company to grow in future.

Coming to projects: There is an ongoing second phase in CSL which again the COO will brief. We also have four projects, two are API, and two are for the formulation. One API is mainly for backward integration for our US FDA approved ANDAs, and the other one for the oncological products, and we already bought land of 19 acres in an industrial estate where we are planning to start the construction for both the API projects, and the formulation project we call it as Caplin Onco in an industrial estate called SIDCO Kakkalur, where we bought a buildings totaling approximately 150,000 square feet. We are going to start Caplin Onco tablets to start with and the machineries for which has already been placed and we are expecting the machineries from Germany by March or April of 2022.

Since there is more space in the form of a second phase in the existing buildings we have plans to either go for a OSD project or a Penem Injection project, especially Ertapenem since there is a huge opportunity in the international market; however, we found a recent opportunity in the form of acquiring a OSD plant which is UK MHRA approved and the discussions are on. We very narrowly missed an opportunity of acquiring a US FDA API plant which the COO will brief.

Further we also have some challenges such as ocean freight and the transit time to our destinations. The ocean freight has increased four times, it used to be in the region of $3,000 and $4,000 which has gone to $16,000 to $20,000. The transit time used to be 30 to 45 days, which has gone up to three months. Restrictions on travel due to COVID pandemic has also disturbed to

certain extent more expansion of the markets; however, our existing business has not been impacted in a big way except the delay in commissioning the second injectable line in Caplin Steriles and also an increased inventory in transit.

Finally, you are aware that you have enough of cash reserves. We also have maximum products registered in ROW markets and regulated markets such as US and the other places. Although it is not huge in numbers we have already started our presence in the regulated market. We further have enough products in pipeline and WIP stages in some of the regulator markets like US, Brazil and Mexico. We also have the right people to manage our facilities and marketing and our current projects are in various stages of completion. Hence we are confident of creating many milestones in the years to come. Today Caplin is a metaphorical butterfly flying to larger markets from smaller markers and the larger markets are going to be in South and North America. Thank you. Thank you very much.

Vivek Partheeban: Thank you Chairman. Now I would like to give a little update on Caplin Steriles which is our regulated market injectable facility. We have been making fairly good progress in the last few months with more product launches and also completing more exhibit batches, now that we have two fully functional manufacturing lines and also a third ophthalmic line. In total we have about 17 approvals out of 20 that has been filed. Of the 17, 12 are in Caplin Steriles name and five are under partner's name and out of the 17 only two more products are to be launched, which will happen sometime by January and February of next year.

All of the launched products, we have seen high single digit to low double digit kind of market share and we constantly work with our partners to improve this market share to sort of 15%, 16% which is a very good space to be because many of these are simple solution products. We are in the process of doing exhibit batches for the more complex products which fall under the emulsion and suspension category that will happen in the next 12 months.

When we are talking about partners, we have been working with the large companies in the US in the past. Now we are slowly evolving our business model to work with a distribution kind of a concept where we are working with a company that is very well established in terms of injectable sales in the US. They know the right kind of channels, they know the right buying groups etc., and this will be a precursor for our entry into the US which most likely will happen by 2023.

We are also in the process of in fact we have already started exporting products to non-US markets from these sites with the first exports happening to Mexico and UAE in the past three months and we expect this business to slowly grow as well and apart from US we have already filed three products in Canada in the last few months and three more will be filed in the next one or two quarters. So we expect there to be some traction before end of 2022 when it comes to Canada.

In terms of ANDAs, as I was saying 2023 we feel that there should be close to 25 ANDAs under our belt with a few more in the pipeline. So, we think that would be a good time for us to launch our own label in the US and by which time we also would understand what are the tier 2, tier 3

kind of buyers that we should be targeting rather than going after very large buying groups which might not happen in the initial period.

I will also give you a little background into our expansion plans. We are in the process of putting together a pre-mixed bag line, this is a very niche area. I believe in India only three, four people are in this concept and we would like to be one of them and we feel that this could be completed by January of 2022 and we can start taking trial batches the next month onwards. We already have completed development of seven products in the pre-mix bag line.

We are also working on the much larger Capex operation of phase two of our Injectable plants which will house two high speed vial lines which have already placed with Bosch in Germany, one pre-fill syringe line with Steriline in Italy and Lyophilized Vials, all of these will start to come through before end of next year we hope to have all of the machines and lines qualified and ready for commercials by early 2023.

Once this is completed we would be in a position to take up much more quantum of CMO projects in addition to all of their own projects that we will be doing and we are also putting together the right infrastructure to take complex products such as Liposomal Amphotericin, Propofol and Enoxaparin, etc. and that will be global projects as well because we also want to reduce our dependence on one single market which even though our maximum focus is towards the US we also want to make sure that there are additional lines of revenue that happen in the coming few years.

Finally, I would also like to touch upon the automation processes that we have been taking on especially in terms of testing, manufacturing, documentary, control compliance all of this we want to make sure that we have maximum level of automation at the plant to the extent where we have a target within the next few years to become as close to paperless as possible. We are heading in the right direction this is an initiative that is very much appreciated by the regulators as well and we want to be ahead of the curve when it comes to that.

That is most of the developments over the last few months I will hand over the floor to Mr. D Muralidharan, our CFO for a quick review of the numbers for this quarter, please.

D Muralidharan: Good afternoon. This is Muralidharan welcome you all once again for this conference. The numbers let me briefly touch upon, on all parameters all ratios the company has done well. The growth in sales which is 20% or gross margin or EBITDA, all the ratios are better compared to the previous quarter and the previous year as well. The chairman has mentioned the goods related challenges in terms of transit trade costs and other things. Fortunately, we have been able to pass on maximum portion of the increased cost to customers such that our contribution margins are not suffered, and the inventory increase in the warehouses itself to realize them into quick sales and also convert them into cash.

The profit margins have not suffered much because of increase in freight but there are increases in freight cost for certain customers where it is on CIF basis and not on FOB.

With this I would invite the investors to participate and then we are glad to answer any questions.

Vinit Gala: Thank you sir, and I think we can open the floor for questions now, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prateek from Nomura. Please go ahead.

Prateek: One thing that I observed was your gross margin improved Q-o-Q and Y-o-Y like Q-o-Q also to improve by about 380 basis points any particular reason that you would like to point out for the gross margin increase and is this sustainable like what should be the associated gross margin number that we should look at.

D Muralidharan: Thank you for the question. Actually, our Chairman is directly monitoring the products which are to be sold such as high profit margin products and then we are taking discretion in taking over the orders and also the product mix has contributed to a higher margin in the current quarter.

C.C. Paarthipan: Yes, I would like to add actually add few lines here as you know that there are two ways actually to improve your profit margins. One is increase the price at which you sell in the market otherwise reduce the cost. Since we have been, that we have been working from home only except for the last two months that we are coming to the office it becomes easier for me to spend more time on both one actually on the markets through zoom and the other one actually talking with our own people how exactly to reduce the cost both have been happening and I now talk on a day-to-day basis with my marketing team which really has happened actually during this COVID disruption. As CFO put it since I was able to get involved in the whole process of actually marketing starting from actually production to marketing we were in a position to achieve better gross margins.

Prateek: So, sir what kind of number should we look at going forward for the gross margin any guidelines.

C.C. Paarthipan: That we are very sure that we will be able to maintain the current one and going forward I were to be actually one issue which is very, very important this is happening in the current market if you have to expand as you know well actually the base effect also has come close beyond the 1000 Crores and we are sure of doing good business in some of the best markets of South America but again if you have to create a differentiated business model and we need to make a trip which means the travel restrictions has to be lifted. Otherwise we are sure of maintaining the numbers which you have given now which we have achieved if you are in a position to actually travel and work in the market you are sure of achieving better results.

Prateek: Okay and then how much of our raw material is imported out there? Does the import depend on China if you have it.

C.C. Paarthipan: I would like to tell because most of the time we used to tell this one our business model is totally different from China when most of the people are importing the raw materials from China we are exporting formulation from China to Latin America as we have a front end presence there. So we

have not been importing much compared to other peers the exact quantum I do not remember. Our main business is more of formulation export from China to South America.

Prateek: And what is the component of US sales for this quarter.

C.C. Paarthipan: I would request the COO actually to talk on that number.

Vivek Partheeban: The split right now is 90% ROW and 10% US it has not changed too much from last quarter we see this trend continuing towards the end of the year as well.

Prateek: Okay. Thank you. I will join back to the queue.

Moderator: Thank you. The next question is from the line of Ashish Agarwaal from Pareto Capital. Please go ahead.

Ashish Agarwaal: Sir I had a question with respect to the emergency sale that we had recorded in the LATAM markets in the last two quarters. Now I noticed that in the press release you have mentioned that those emergency sales have been completed so do you see your topline getting impacted on account of that in the Q3 and how much was the contribution in Q2 for those sales.

C.C. Paarthipan: To be honest with you the quantum is not very high and the advantage that created because of this emergency sale is people of especially the MOH in all these countries have tested our product and found out about the quality of the product. Although it will take a little time for us to register products in Mexico and Brazil this is something that has acted in favor of them to understand about the company and its products. Then this is not going to impact in a big way because the quantum is very low as I told you first. Second in course of speech I mentioned about actually the sudden development which has been taking place in Venezuela we used to export in the region of like $300,000 to $400,000 to Venezuela which has increased to $1.5 million in every month and that too the money is coming up front, even now like $1, $1.5 million is in the form of advance. So, if something happens in one market there is another market to compensate actually. So, we are not worried about the current growth if you have to increase the growth in many folds then of course the opening of the borders of the countries travel restrictions are to be lifted that is it.

Ashish Agarwaal: Sure, thank you. Just you mentioned about Venezuela suddenly having seen an exponential growth could you just dwell into the reasons for that and do you anticipate that what is the pattern you are still going.

C.C. Paarthipan: I hope you are aware the crude prices have gone up and I think it stands somewhere at $85 what was the crude price at one point of time if the crude price go up and the best countries to be benefited are the one actually which produces oil or crude. Venezuela is one of the country that produces maximum crude actually in the whole of western hemisphere that really helps. In fact there was a minus 2.24% growth in the past and now they predict plus 2% for the next year.

Ashish Agarwaal: Wonderful and you mentioned your margins obviously you will maintain it possibly expand going from here and if I just understand it right I mean in the next year you have many plants and products coming on stream. So, I mean can we anticipate a very robust revenue growth coming in next year as well.

C.C. Paarthipan: It is true that we are coming up with a lot of plans but as you know well the plans are long-term there is nothing in the form of we can complete the projects immediately and then complete the registrations also very fast as you know well the entry barriers in the regulated markets is quite high we are 100% sure that we are going to grow well maybe two, three years from now in a big way but the next two to three years we will have to concentrate more on the ROW market the advantage is probably our onco tablets will become operational one year from now and there are markets where we have already completed the registrations of onco products by using our company as a loan license in another company as I told in course of my actual speech that would help us actually to establish our brand presence in Central America. The same way we have been manufacturing CNS and CVS products now we have been registering also this differentiated CNS and CVS products again we will start brand marketing for that particular area. Injectable is one area which has become our major portfolio of products both in terms of regulated markets also for the ROW. We have around 80 to 90 products and out of which 60, 70 products have been registered in eight to ten countries in Latin America. So we will start a hospital division to take care of actually that particular domain .So we foresee a good future and I do not want to commit that the projects will be completed and we will be in a position to do it in a big way because of certain reasons where none of us are actually clear about this pandemic to endemic or will there be any other thing which would create issues and we also do not know when exactly the shipments that are going to actually various countries that created actually the transit time and the ocean freight in a differentiated way. So with these external factors, we are not in a position to understand the variables gets increased. So I do not want to give you a commitment I want to be very realistic we will do and I do not want to give you something in the form of like you will do extraordinarily well definitely we will do that.

Ashish Agarwaal: Got it. Thanks for this question. One last question sir you have a very strong robust cash balance of over 560 Crores and you have also been generating strong cash flows and your Capex is much lesser than your current cash flows are I mean current cash balance. So do you have any plans in terms of some special dividend or some buy back and what is the thought process on those lines.

C.C. Paarthipan: Yes, to be honest with you it is true that we are open to any meaningful acquisition that we also tried once when it was about to actually get completed and to their luck they got one product registered and we were about to sign the definitive agreement they have backed out. This is the API facility, USFDA facility owned by an American company. Now there is one more opportunity of UK MHRA factory we are in discussion with them we are always open for this type of meaningful acquisitions. Second coming to dividend we will have to discuss with our board of directors and take a decision and all these projects which was taken off it is a question of time before we complete everything some may actually takes one, one and a half years, some may take one year after that the registration starts. So, this is all in right direction and is something similar to what the big boys have done it we are trying to emulate actually their

standards here be it in the form of product, be it in the form of facility we are just following it up what the big companies have done what they are currently doing in all these countries where they are making it big. We may be in the periphery now we are sure that we will also get into the core in the short to medium time.

Ashish Agarwaal: Got it. Sure, thank you so much. Wish you all the best and wish you a very happy Diwali to you and your team.

Moderator: Thank you. The next question is from the line of Vedika Singh from Monarch Networth Capital. Please go ahead.

Vedika Singh: Good evening sir. Sir can you articulate on the thought process on the CRO business what are the inroads we are getting from the client side and what is the outlook on this business.

C.C. Paarthipan: Thank you very much. I hope you are aware that recently we received a USFDA approval without any observation after they completed the online inspection and on spot inspection and we are expecting the EIR from USFDA and we got it triggered by using a third party that filed a dossier in the US and our main purpose of creating the CRO is not to go for actually other companies work we have enough products in the pipeline to do the BA/BE studies for our own products mostly in mid-sized markets and the bigger markets in the long run. Immediately we will think of registering maximum products in Chile, Colombia and Costa Rica where we know we have very good opportunities to sell the products at higher cost although the markets are not as big as US and Brazil and Mexico. So this is more of like 70%, 80% we will use it for our own product maybe 15%, 20% when we have a capacity we will use it for other companies too.

Vedika Singh: Yes okay sir. I had another question sir could you please throw some light on what kind of margins you will make on this business.

C.C. Paarthipan: What kind of margins we can make on…

Vedika Singh: The CRO business.

C.C. Paarthipan: CRO business as I told you, will have to talk of margins if I do it completely based on other people's job work. When we do it actually for our own company which enhances the value to our products if I am selling a product even in a smaller geography say with a profit of 30%, 40% that will increase by 15%, 20% because of the bio equivalence and bioavailability and the doctor are actually the chemist who look at our products the moment they understand that it has actually completed this in fact completed the BA/BE studies means which is equivalent to the innovator's molecule so that will enhance the selling capacity of the product.

Vedika Singh: Sir can you please throw some more light on how the business is shaping for Caplin steriles beyond US and also by when can we reach the peak potential revenues post the phase two CAPEX completion.

C.C. Paarthipan: I will ask the COO to give a reply on that.

Vivek Partheeban: Yes, so today 99% of our revenues is from US and in fact we are very much focused towards the US as you all know over 50% of the entire world healthcare spend happens in that one country so obviously our primary focus is on the US, but at the same time many of the products that we are getting into now also has a very decent market outside of the US especially Latin America, Europe, Southeast Asia, etc. So we will be looking at global launches only going forward. While I do not have a set number in place on what would be a split between US and non-US sale a general thumb rule from predecessor companies ones that have done well in the past especially in injectables this looks to be around the 80%, 20% kind of a split. When it comes to peak potential I would like to describe it in two manners. Number one is with the pipeline of over 45, 50, ANDAs that we have in our overall development portfolio we would certainly require most of this Capex expansion that we are planning on but that might happen probably in about four years, five years from now in the meantime being under the same FEI number which is basically the registration number in the US any new line that we add is automatically approved because it comes under the same quality management system. So for the short to mid-term we will be approaching our existing partners and potentially new partners for contract manufacturing business as well in the US which would be a good generator of cash flow also until our products start to take up most of our capacities online so that is the idea going forward and also when it comes to injectables and sterile products we will be very differentiated compared to other peers because we will have products in vials, prefilled syringes, pre-mix bags, Lyophilized Vials and Ophthalmic. So apart from ampoules which do not really have too much of a market in the regulated space I would say we would pretty much be having the entire basket of offerings when it comes to hospital related products.

Vedika Singh: Thank you so much Sir. That is it.

Moderator: Thank you. The next question is from the line of Nikhil from Galaxy International. Please go ahead.

Nikhil: Thank you for taking my questions. So I have couple of questions so one is related to Caplin Steriles. So I wanted to understand how much equity stake do we hold in Caplin Steriles so is it 99.9 or is it lower in that.

C.C. Paarthipan: So Caplin Point the parent company holds 75% stake I mean right now it might look 99.99 but for all practical purposes you can assume that eventually the investment partner will hold 25% because it is CCPS so at the time of exit it will get converted into a 25% stake for the partner but as it stands right now with CCPS so it does not really show up but you can assume that it is a 75/25 kind of a breakup.

Nikhil: Second point on this one is this Caplin Steriles to actually made a loss after deducting all the R&D expenses and all for last year right so FY2021 we had a loss so when do we expect that Caplin Sterile to be able to turn a profit let us say based on the current plan given that we are in a huge investment scale. So there will be a little more time or maybe in FY2022 or FY2023 would be in pocket.

Vivek Partheeban: We would take it one step at a time the next target for us is to make sure that we achieve a cash flow break even that we feel could happen within next year itself but when it comes to overall profitability we are probably another two years away and that is specifically to do with the number of filings that we do because we charge off all of our R&D expenses and stuff this constantly when it comes to a pure P&L point of view it becomes a drag on our bottom line but this is an industry where it is a long gestation period and once our right kind of product makes it and once our slightly more complex products start to get approved then there is no looking back for us.

C.C. Paarthipan: Let me add a few words actually here. It will look like a big challenge is true it is a challenge but again if you can handle this challenge effectively this is going to open up a great opportunity the reason being if you look at this space there are very few people of our size who are into actually injectables especially to USA with the ANDAs of our own. Remaining two, three companies which has got the USFDA approval it is more of actually OEM if they are totally depending on contract manufacturing. Today injectable facility for US market is something like actually an infrastructure project we have to invest a lot wait for a long time what is important actually is where we are. We are not borrowing money from any institution and we are not leveraging the debt everything has come from the internal accruals and of course the 25% which they were invested they have been after us and then eventually there was a very good actually a deal in the form of for a pre-revenue facility they valued close to 900 Crores and we have also accepted it so we are very confident that this is going to be a great opportunity maybe it is a question of few years from now. Yes please is there anything you want to ask on this.

Nikhil: No I am pretty clear so I am also gung ho about the US entire business the way the products are moving actually so and the partnership that you have so it is definitely great so just a little more of a question. So we see so in the press release it was mentioned that we have 45 ANDAs that are under development right so I just wanted to understand let us say the breakup of those ANDAs because I also saw that five of those ANDAs that we are looking to file are in the ophthalmic range but I do not understand I do not think that we have a manufacturing facility for ophthalmic products so first question is that from a ophthalmic product perspective would we be actually doing contracts for getting the contract manufactured or is there any plans for doing it in-house and second thing is that on an overall 45 ANDA basis so if you can have some break-up it is a simple product complex injectable that they are talking about you are also doing some Liposomal or Amphotericin and some of these other complex products. So what would be the kind of ratio or mix of those even the development timeline complexity and the investments is also very, very significantly different as is the return.

Vivek Partheeban: Yes, so we actually do have a ophthalmic line in the same facility where our injectables are being made this is actually called as line three and we have had it for the last two odd years more than two years actually. Now we have already filled the ANDA from this line we were supposed to get an FDA audit sometime early last year but because of COVID that has not happened, but we are expecting that sometime in the near future so we do not get our products contract manufactured outside everything is done in-house that would answer your first question. In terms of the complexity of product as we see today, we have close to 24, 25 products that are ready for

scale up and exhibit. Now because we only have two vial lines we need to do the right kind of balance between launching our existing products and continuing to focus on our revenues and cash flow while at the same time also make sure that we have a healthy pipeline of products coming in for the next year and the year after that so to answer your question I would say that probably three out of every 10 products that we do are complex in nature but they might be complex by way of manufacturing, development, by way of scarcity of API etc. So in many areas you have you could have complexities in terms of US products. when it comes to the ophthalmic our overall pipeline out of the 45 around 9 products are in ophthalmic space so you could say that the injectable is obviously our higher area of focus but because ophthalmic are also manufactured in a similar manner because they are all sterile liquids as well it would be useful to have another manufacturing line in the same space as well.

Nikhil: Right definitely. Thanks for that. So just a follow up on that so out of these 45 ANDAs that are under development so are we saying that almost everything is injectable plus ophthalmic or is there some oral capsules IR, ER, HR kind of things or that we are not doing.

Vivek Partheeban: So this plant we only do sterile products so it is all injectables and ophthalmic. When it comes to our new expansion project that is our oncology space and stuff we are getting into oral solid dosages in the first phase and then oncology injectables is the second phase.

Nikhil: Right and you are also setting up the PFS as well as the line for that as well Mr. Chairman was talking about.

Vivek Partheeban: All of that falls under Caplin Sterile.

Nikhil: So besides this if I can take the liberty and maybe last one or two questions on Caplin. Sir I just wanted to understand so we are in sourcing a lot of formulations from china and actually exporting it to Latin America through our own distribution channel, have we faced any problems in terms of supplies from China given that there are issues right now while I understand that formulation may not be let us say impacted to that extent so it is still your views and inputs on that so that is question one.

C.C. Paarthipan: So far so good except the issues that we face in India in the form of ocean freight and the transit time is one of the same today the freight have actually become very, very high it is not only confined only to India it is also happening in China. The second issue is transit time I would say in fact it is lesser from China to south America. The third issue they are now talking of power cut and other things but in fact our office people have been telling us that it is not going to impact us in a big way because we are not manufacturing with smaller companies the products that is being manufactured from the bigger companies they always manufacture the products for one year at a time in fact this was being taken care of actually by Mr. Vivek at one point of time he will be able to throw some light on that. Vivek go ahead and tell them how exactly the structure operates in China.

Vivek Partheeban: Yes, so I think as it is always the case when it comes to pharma and food these industries are given first preference when it comes to allocation of power so most of our suppliers they are top three top five companies in China so they have been able to manage their resources very well. So as chairman was telling the same so far so good we have not seen any sort of slow down or delays or anything like that but the more important point is we at all points during the year have four to five months sometimes even six months worth of ready stock at China. Now because most of the products that we do almost all the products that we do have 36 month shelf life this is something that we can afford to have and the more interesting part of this is we do not pay a single dollar as an advance to any of these stocks. So our clock starts sticking only after we ship the goods out and then we pay them 60 days to 80 days from the date of the shipment so because we plan so much in advance we have not really faced too much of an issue in terms of non-availability or scarcity of products or anything like that but we could have watch this space very, very closely obviously there is no such thing as we know everything about the markets and all that but having our direct presence as the country definitely throws a bit more light compared to what we read and hear about in the media and stuff every day so we are very careful we watch closely we interact with our partners on a almost daily basis to make sure that we are not left suffering at any point.

C.C. Paarthipan: And I would like to add one more point here the transit time as I told you before which has been actually increased from 30 to 40 days to three months today what is considered as actually an issue which will become a great opportunity maybe after one or two years when the export of vaccines gets reduced. We used to have $7 to $8 million in the form of actually stocks in transit today it has increased to $20, $22 million which means what will happen, suppose we see that actually an additional cash flow of some 200 Crores for the current year when the many issues in the form of actually this transit time which is happening because of the export of vaccine when that gets reduced then automatically the lead time will get reduced which means the opportunity for having another 100, 125 Crore for that particular year as a cash increase is a real opportunity. This is for sure. As these stocks which are next to the market next to the customers will get actually encashed very fast that is how last year we made more money compared to the previous year. Last year if you look at our balance sheet we had an excess cash of 300 Crores this kind of a situation will happen one day when this lead time gets compressed.

Nikhil: Yes, sure sir. I understand that and sir another question couple of question on the China thing. So when we are doing the importing from the Chinese formulation companies so do we have a backup from the Indian companies also given that India generally also has a lot of good manufacturing capability and formulations.

C.C. Paarthipan: Can you please come again sir I am sorry I am unable to hear it hear it properly can you please explain.

Nikhil: Sir what I was asking was that let us say we are importing from China from the Chinese top players do we have a backup supplier from India for most of our big formulations that we are exporting.

C.C. Paarthipan: See, this is definitely we always keep a backup and but again I would like to convey one important things today 70% of the raw materials are imported to India from China so which means anything that we will have we are sure that we are all actually interested in getting into key starting material intermediate and API that is the only way we can go for an import substitution which cannot happen overnight and in our case I would say this is much, much actually better than an importer of raw materials because this is export of products from China to South America is like import of any other product from south America. So that is not going to be impacted definitely even if that happens we are sure we will be in a position to do it in India. And I am sure this is not going to happen just like that because the dependence of raw material especially the key starting material intermediate is quite high in the area of pharmaceuticals in India and the whole world depends on the key starting material whether we like it or not that is the fact of life. So it is better to be an exporter of formulation from china to South America which will not impact because even if there is some issue between India and China. There it is not going to impact actually the export of products from China to South America.

Moderator: Thank you. The next question is from the line of Harshal Patil from Sharekhan. Please go ahead.

Harshal Patil: Good evening thanks for the opportunity. Sir just have some couple of questions basically with respect to first the Capex transfer if you could just share what is it that we planned up for FY2022 and FY2023.

C.C. Paarthipan: As I told you before one project which will become operational in 2022, 2023, is our onco tablet and initially that will be in a position to export to the existing markets where we have completed the registrations and the rest of the projects is more of actually a work in progress and most of the machineries for these projects have to come from Germany and Italy and the lead time for importing this machinery itself is between 15 to 18 months sometimes very narrow one or two machineries can come in 12 to 15 months. So that means we do not foresee any project other than this onco tablets and all to go on stream in 2022-2023. Then there is one opportunity but only if you acquire a company in the form of inorganic growth then there is an opportunity for us to get into some regulated markets.

Harshal Patil: So the Onco tablets what can be the investments, if you can give some flavor?

C.C. Paarthipan: The facility where we are going to house Onco tablet is a place where we will also install injectable machinery in the second phase. As a whole it would cost us 100 Crores, but the first phase will be in the region of 60 Crores to 65 Crores.

Harshal Patil: My next question basically is in the Q1 call we had mentioned of some guidance's and some growth outlook wherein we said that we would be looking at doubling some revenues from the Latam over the next five years and also look to touch about $100 million of revenues from US over the next five years. So considering this developments and changes do we stick to this guidance now it still or any changes are there?

C.C. Paarthipan: We are very sure about it. Five years from now or six years from now we are sure of doubling our sales which is definitely a possibility.

Harshal Patil: Lastly would be Mexico and Brazil thing that you said of course subject to kind of removal of travel restrictions but would it be safe that say to assume that FY2023 we could look at some bit of nominal revenues flowing in from Mexico and post that may be sometime in 2024 from Brazil?

C.C. Paarthipan: This is the only issue like when I say even if they lift the travel restrictions, we must be in a position to work in the market. One is reaching the country other one is entering the market. By reaching the country we do not get business only when we work in the market we will be in a position to create a market differentiation. Today what is happening all the big companies they go for the creamy layer in the sense because of their extensive reach in the form of starting from key starting material actually to the front end persons, they are able to control actually the prices and they are in a position to get into the tenders where you know it is not easy for us to compete at this juncture. We are also trying to create everything the way in which actually the big boys have done it, but it will definitely take at least three four years for us to reach to that level until that period we have to concentrate more on the private market. When we go for the private market again, there we have to look at the tier 2 and tier 3 markets where the profitability will be more although the volumes are lesser which means one of us actually have to go and work in the market. These are things now which have to be created by us because we only know how we have created the differentiation in South American markets although the markets are smaller. At the end of the day Mexico is very close to Central America, it is just one hour actually by flight from Guatemala to Mexico. We have been to Mexico several times and the only issue today is the COVID pandemic, which of course I am not in the position to commit more, when exactly will be able to do something in that particular market. We are positive. It is not going to go like this forever. The pandemic has become endemic and there is a question of maybe one year after that there will be a position to work in the market also without any hassles.

Harshal Patil: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Pritam Moitra an individual investor. Please go ahead.

Pritam Moitra: I have just one question. At the current portfolio and the current markets which Caplin Point is how many years does Caplin Point see a so-called saturation point?

C.C. Paarthipan: You mean you want us to talk about the saturation point in the current markets where we are in?

Pritam Moitra: The market as well as the portfolios? Suppose that you are not expanding to any a new market and you do not want to let us say innovate new products? How long would something like that last work?

C.C. Paarthipan: What Vivekanada said was expansion is life contraction is death. We do not actually believe in saturation. When you go to your market there are so many ways actually to do business as you know well and first the priority is to get into actually markets where we will make sustainable revenues and that comes in the form of generic business. If you look at actually newest to the smaller markets it is the generic that really sells a lot, but the only difference is generic in ROW you will see Tom Dick and Harry whereas in US you cannot see no small player or a mid-sized companies to enter into US that too into injectables. So the current markets are true the generic also as we increase the number of generics and more of complex and specialized product, there is a space. One is a generic then branded generics and brand marketing and it becomes easy for us to get into brand marketing without even having deeper pockets because of the fact, the geography is smaller. If you take oncologist in a market like the biggest market and the biggest revenue and for Caplin Point is Guatemala. The population is 15 to 16 million, the number of oncologists maximum is 50 to 55. To meet this 50 to 55 oncologists you just need one representative and that one medical representative to take us from India it becomes all the more easier because people who have already met the oncologist in India what the need is only one interpreter who has to work with them. In the same way CNS and CVS products as I told you currently CNS products and CVS products there is an increase, the maximum amount of diseases that surfaces in the world first it is onco, I mean cancer patients followed by CNS and CVS, these two areas. CNS and CVS again it is a specialized area and the number of doctors are few and far between in the geographies where we are today. So, we are opening that area. We are already in regulated markets with injectables and we also have our presence in ROW injectables also. All put together that itself actually creates a basket of more than 100 products. So when you go for actually 50 to 100 products in this markets the moment we complete the registration of 50, 60 injectables that opens up an avenue of reaching to the private hospitals and clinics who dispense the injectables. So like these what is important at the end of the day is the model that you create. There is nothing in the form of saturation. I think. Saturation, I do not know it is very difficult for me to understand the concept of saturation maybe there will be a saturation but that time when a product gets saturated you will have to move to the next product or the next level of marketing that is what I feel.

Pritam Moitra: One last question Sir you say that the shipping costs have gone up by like four times. How much of your net sales does it eat up?

C.C. Paarthipan: This is the advantage that we have today. If I go and actually appoint an importer like most of the companies of our size then all these problems, taxes on the existence, the reason is my importer will say that you know so-and-so company from India and so-and-so company from China has come here and told us actually that we sell the product at a lesser rate but when we have become our own importers which means we are controlling an end-to-end business model in the countries where we are present today and if there is an increase, we have an opportunity in the form of actually present next to the customer with a huge range of products. When we increase the products price they will not actually question us because any product which is going to be available in that part of the world price has to be increased either you will increase the product price and survive or you will actually vanish from the market because you cannot sell at lower prices. If you sell at a lower price at a time when you are actually at cost at which you manage

the current company's cost increases, how is it possible for itself. So, what is important again is the model actually which helps you not the product here especially in generics.

Moderator: Thank you. As there are no further questions from the participants, I now hand over the conference to Mr. Vivek Partheeban from Caplin Point Laboratories Limited for closing remarks.

Vivek Partheeban: Thanks to all that have participated in the earnings call and we do hope that we stay in touch for future interactions as well and we wish you all very Happy and Prosperous Diwali and a safe Diwali.

C.C. Paarthipan: Thank you so much. Wish you all a safe and healthy Diwali. Thank you very much.

Moderator: Thank you very much. On behalf of Monarch Network Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.