"Caplin Point Laboratories Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to Caplin Point Laboratories Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Candice Pereira. Thank you and over to you, ma'am.

Candice Pereira: Thank you, Atharva. Good evening, everyone. I, Candice Pereira, on behalf of Dolat Capital, welcome you all to the Q1 FY27 Earnings Call of Caplin Point Laboratories Limited.

Today from the management team, we have with us Mr. C. C. Paarthipan, Chairman; Mr. Vivek Partheeban, Vice Chairman; Dr. Sridhar Ganesan, Managing Director; and Mr. D. Muralidharan, CFO. I would like to now hand over the call to the management for their opening remarks. Over to you, sir.

Vivek Partheeban: Thank you, Candice, and thank you to Dolat Capital. Welcome everyone to our Earnings Call to discuss the results of Q1 FY27. Please note that a copy of all our disclosures is available on the investor section of our website as well as on the stock exchanges. And do note that anything said on this call which reflects our outlook for the future or which could be considered as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

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With that, I would like to hand over the floor to our chairman for his opening remarks.

C. C. Paarthipan: Thank you. Good evening, all. Welcome to our Investors' Call for the quarter ended June 2026. When everyone said Caplin was no more, we proved that we are now here. Ours is a turnaround story. Today we are neither a parrot that talks too much but can't fly, nor an eagle which has the power to touch the sky. However, Caplin is a Jonathan Livingston Seagull which aims to fly like an eagle, and eventually, it does.

Now let me present to you the operating architecture of our manufacturing and marketing. My colleagues will tell you about the various factories that are being built for the regulated market. Further, our registration in smaller and larger geographies created a compounding effect on our company.

The proof of the competitive moat is the free cash reserves stand at INR 1,502 crores and the total liquid assets are in the region of INR 2,875 crores. Our assets in the form of factories and others will become the engine of growth in the years to come. And now we encourage women's empowerment in our shop floors.

The increasing participation of women across our shop floors has contributed positively to discipline, productivity and operational efficiency. Now most of our machines are totally automated; they are imported either from Germany or Italy, for our future facilities and also for the expansion of the current facilities. And we are digitizing the entire factories; in fact, for CSL, we have completed 80% to 90% of it, and in the next 6 months it will become paperless.

We will try to replicate the same in all our facilities so that the digitalization will be completed and the factories will become paperless. In addition to that, we are also introducing video masters for visual learning, which will help us move from individual memory to institutional memory and will also give us institutional intelligence.

Video masters will help us capture the entire qualification process, so that even if the person involved in the qualification leaves the company, the knowledge will remain with the company on video. We have also introduced AI cameras, and we are planning to move to digital twins, maybe in one or two years from now, which will help us to do the remote monitoring which alone can help us ensure transparency in the facilities as well.

Ours is also a vertically integrated infrastructure with intermediate APIs and finished threads for the regulated markets. And most of the APIs that we want to manufacture will be for captive consumption. And the commodity APIs, we will not go for our own manufacturing, we will rather buy either from India or China for our regulated market business.

Now marketing. Today products may get commoditized but the business model, if it is unique, will never get commoditized. That is the reason our cash flow and profit continue to be growing despite our presence in the smaller geographies of Latin America. We have created a compounding effect on our business, as I told you before. We are now entering the bigger geographies where we currently have a mix of tender and private market business.

However, we will focus more on private market where there is less competition for generics from India and China. We now plan to buy a distribution company in Mexico which will make our job easier to understand the product selection and customer identification. Our current challenge is not a lack of orders but a lack of capacity in our two major factories, which are CP1 in Pondicherry and the CSL in Gummidipundi. Hence, we are expanding to new factories. It is a matter of time before we complete these factories.

Once we complete these factories, although it may take one or two years or two and a half years, we are sure of increasing our business manyfold. Our profits and cash flow will continue to be there because of our business model and most of the time our business continues to be flourishing because 20% of our products, the fast-moving products, always stay in the warehouses that are next to the customer.

And that 20%, as I said, always carries six months of stock in the warehouses. It helps the customer and it has created a fan club for Caplin products. Once we complete our all-regulated market factories with all kinds of pharmaceutical formulation in two to two and a half years from now, as I told you, we are sure to reach great heights. The compounding effect will build our business and the strategic redundancies that are created in our factories will protect our business.

We are moving from a manufacturer-to-customer model towards a customer-proximity inventory model by planning to buy registrations in the bigger geographies too. The proximity plus strategic redundancy plus compounding effect model of Caplin will continue to flourish in the future too. Also, manufacturing far away, that is either India or China, with inventory close to demand and intelligence even closer to demand with data dominance of facilities are going to be our operating philosophy for Caplin Point.

We define our business; our business is not defined by others. Let me end with a nice narrative. The flame of the candle also does not fear the dark, it defines it. We are sure of creating a great transition from good to great. Thank you. Now I invite our Vice Chairman to give his presentation.

Vivek Partheeban: Thank you, Chairman. Once again welcome to everyone for joining us on this call. We have always believed the real strength of Caplin is not just in any individual product or a geography or any particular quarter. It is the consistency of the underlying business model, our ability to grow across existing markets and new markets while at the same time generating healthy cash flow, profitability and growing our topline as well.

We meticulously reinvest in capabilities that will support our next phase of growth. I think Q1 is another good reflection of that. Our emerging market business continues to be a very dependable growth engine for us. Latin America has been built over two decades by Caplin through a combination of a strong distribution network, supply chain consistency and more importantly a deep understanding of the markets in which we operate.

We continue to see opportunities virtually across all the existing markets which goes to show you how Caplin's existing markets continue to grow. What is particularly encouraging is that we are not just trying to extract more growth from existing businesses; we are also expanding the addressable opportunity through new areas such as the oncology segment, branded generics, and new markets such as Chile and Mexico.

Coming to Mexico, we have a substantial pipeline of our internally developed products and also in-licensed products planned for filing. Chile and Central America are continuing to see good traction in tender and private market business. Coming to US, we continue to see robust growth in cash flow, bottom line and topline which are the three most watched parameters for us in that particular order. We have spent several years building the capabilities to participate meaningfully in the US sterile injectable space and we are slowly starting to see the results of that now.

We have a very good blend of critical care injectable products that are used in every health system in the US and other markets, also supplemented by a growing ophthalmic products portfolio. Going forward, we will also see products with a lot more complexity coming out of CSL which should add to our bottom line. The important point for us is that this is no longer about only supplying products into the US. We are gradually building a much more integrated platform from R&D and manufacturing to regulatory capabilities and also having our own label for commercial operations and direct relationships with customers.

This will shortly be augmented by our own API which will also give us very good control over our supply chain, which is a critical area in this space. Caplin Steriles' US is an important part of our evolution. We have already launched a meaningful number of products under our own label and we are increasingly developing direct relationships with the large and small IDNs in addition to the big wholesalers in the US.

We believe this gives us greater control over the commercial side of the business, longevity of products and over time it should allow us to capture more of the value we are creating. And this brings me to the most important part of our strategy. We are investing ahead of our growth. As Chairman was saying about the capex we are putting in, the next phase of Caplin is going to be very different from simply adding more products to our existing platform. We are building capabilities across the entire value chain.

We are increasing our sterile manufacturing capacity, we have already expanded into oncology, we are developing API capabilities to increase backward integration, and we are expanding our oral solids and dermatology capabilities also. Soon enough, we are also planning to build manufacturing capabilities closer to the market in Mexico. We are also investing in the expansion of Amaris Clinical for a larger number of BE studies for our growing portfolio of products.

And importantly we are doing this from a position of financial strength. We have not taken a single dollar from outside in the form of a bank loan. Our CFO will throw more light on our balance sheet strength. So, when we talk about being future ready, this is what we mean. And as we look ahead, our ambition is not just to become a larger pharmaceutical company, we want to build more into a platform with a strong presence across geographies, a broader portfolio and greater vertical integration and strength across manufacturing and R&D capabilities.

And the first phase of Caplin was about building a successful business model; the next phase is about scaling that model and building capabilities around it. So, we try and identify what patterns have worked for us in the past and try to repeat those patterns for our growth in future as well. With that, I hand it over to our CFO to take us through the financial performance for this quarter. And we will be opening up the floor for questions after that. Thank you.

D. Muralidharan: Thank you, Mr. Vivek. Good afternoon, ladies and gentlemen. I would like to take this opportunity to thank everyone for taking time off to participate in this call. I'm pleased to reiterate what I said during our Q1 Investor's Call for FY26. What is well begun is half done.

So, we have well begun this quarter, with a few highlights which I would like to share. Overall revenue grew by 20% supported by 18% growth in our conventional market and more importantly 26% growth in the US market. The LatAm business recorded strong growth, supported by a major tender won in El Salvador and mostly supplied in the last quarter.

US revenue growth was predominantly driven by the US subsidiary, which Mr. Vivek mentioned, where revenue increased from INR 14.4 crores in the previous year to INR 43.7 crores which is about a three-fold increase, an absolute growth of INR 30 crores over a base of

INR 14.4 crores. The business is well positioned to make a significant contribution to CSL and the group's overall growth going forward.

Gross margin stood at 59.8% which is in line with our targeted level and we expect it to remain at similar levels through the year. US contributed approximately INR 25 crores of the total INR 50 crores increase in the gross profit. This shows how CSL is coming into parity, and it will be a more significant player in the future growth of the company.

Operating expenses increased in absolute terms from INR 137 crores to INR 151 crores. However, as a percentage of revenue, they declined from 25.7% to 23.6%. This improvement in operating efficiency more than offset the movement in gross margin resulting in an increase in EBITDA margin from 37.7% to 38.4%.

The depreciation increased by INR 5.3 crores primarily due to the capitalization of Line 6 in CSL and the oncology project, injectable project in Kakkalur and Vizag API plant, some addition over and above what we initially purchased. PBT grew by 22.1%, from INR 184.5 crores to INR 225.2 crores. The effective tax rate stood at 20.5%, in line with our target of 20%. PAT stood at INR 179 crores representing a 19% increase over the previous year.

Cash flow from operations is expected to improve from the current INR 95 crores reported for the quarter. This is primarily due to a conscious decision to increase warehouse stock from INR 429 crores in March to INR 505 crores, an increase of about INR 76 crores, which in terms of sales will be at least 2.5x to shield against potential supply chain disruption and ensure supply chain continuity amid the ongoing geopolitical situations. Additionally, to shield against potential increases in raw material prices arising from escalating oil fluctuations, we have increased our RM & PM inventory by INR 15 crores. So, these are the two factors.

And apart from that the receivables also have gone up by about INR 46 crores as compared to March, primarily due to supplies to government in the quarter and then these are all expected to be received by Q3 FY27. So, these are the primary reasons why you would see a moderation in the CFO as compared to our conventional increase. So, these increases are not likely to repeat in the same quantum going forward from Q2 onwards, so the entire profits will flow into the CFO.

Cash and cash equivalents, as the Chairman put it, increased by INR 265 crores to INR 1,237 crores as of last June and we are at INR 1,502 crores as of June 2026. Liquid assets increased by 30% from INR 2,207 crores to INR 2,875 crores primarily consist of cash, receivables and inventory. Shareholders' funds, or net worth increased by 25% in the last one year or INR 762 crores. From INR 3,013 crores it has increased to INR 3,776 crores in June 2026. So, we will have to be modest in saying that when we compare our peers in terms of ratio like EBITDA, PBT and PAT, we are way ahead of our comparable peers in the market.

With these opening remarks, I would like to conclude and we will be able to answer any questions that are from the participants. Over to you, Mr. Vivek.

Vivek Partheeban: Thank you, Mr. Murali. We can open up the floor for questions now, please.

Moderator: The first question comes from the line of Abhi Jain from AJ Capital. Please go ahead.

Abhi Jain: First of all, sir, congratulations on a steady set of numbers. Good to see that the growth rate is maintained and you're on track to achieving your long-term goal. So congratulations on that. I had 2 questions. First, I wanted to discuss the rest of the world's profitability on the PBT level. If I look at the numbers year-on-year, in Q1 FY26, that was at 37.5%, the PBT profitability for rest of the world. That came down to 34.6%, 34.7% in Q4 FY26. This quarter it is down again to about 33-odd percent.

So I just want to understand that what do you see this holding up to? can you guide us in terms of what this level would be for FY27 and future purposes, because we have seen that quarter-on-quarter it is inching down by 1 to 2 percentage points in the last 12 months. So can you guide us on that?

C. C. Paarthipan:: Okay. See, that 1% and the 0.5% which you're talking about — yes — is actually true. But again, I would request you to look at the free cash reserves and the total liquid assets. See, it's quite normal for any company, there is a possibility of 1 or 1.5% decrease, because when the business, especially the generic business is in a position to generate cash and generate profitability which is substantial compared to our peers, I think it's fairly okay.

But now our focus also, in addition to these markets, we are moving to the other markets also. And then the second most important thing is our expenses also slightly increasing in these places, because the products that we've been marketing, is more of generic, and the second level of marketing takes that, of course, increase the expenses also. So that 1% or 0.5% is not going to keep declining on a year-on-year or quarter-on-quarter basis. It might even improve.

I'm sure it will improve after a point of time, when we plan to introduce more and more products, which will also create value for our generic business. The reason being, this is not a commodity kind of business where generics give you these kinds of properties, because of the business model differentiation. Yes, please, please go ahead.

D. Muralidharan: Actually, if you recollect, what we have set as a target or committed to is about 55% as the contribution margin. Okay. We are way ahead. We have performed better. And then if you compare the 55% that we committed to with 59.8%, there's nothing to worry about. And this is, as Chairman rightly put it — quarter-on-quarter, we can't say. We have to see it as a year as a whole; it depends on what product we sell, which market we sell in a particular quarter, and what contribution they yield.

So please rest assured, we said in my remarks as well that 59.8% is what we achieved; we will stay put around 60%. So though we committed to 55% and 25% PAT, we are way ahead on both parameters.

Abhi Jain: No, no, I understand that, sir. You are obviously maintaining and achieving your overall numbers. Just wanted to get into the details of it, wanted to understand the business a bit better. So just wanted to understand what is a steady state level of profitability in rest of the world that we can expect? That was my question.

So just coming on to the second part of the question. Actually, you answered that the cash can result in a bit of a drag. I wanted to understand your capital allocation. Now I see that you have this INR 1,000-odd crores of cash in hand and most of it is invested in debentures, in bonds et cetera. Any thoughts around improving the yield by investing in index funds?

I mean if you look at Nifty 50, Nifty 500, right? These have a steady compounding of 9% to 10%, give or take, over any 4-year, 5-year horizon you see. So any plans to invest part of it in index funds? These are relatively safe. They provide a yield of 100 to 200 bps higher than the corporate bonds. So just wanted to keep it on the table if you could put it into consideration. It will also help improve annual profitability by 100 to 200 bps, looking at the INR 1,000 crores of cash reserves that you have.

Vivek Paarthipan: No, thank you, and valid suggestion. In fact this was discussed during our recent board meeting also. We've gone from a state of being ultra-conservative and having everything in only FDs to slowly moving up the risk chain if you want to call it that. But your points are well taken. In fact one of our directors also suggested that we can be slightly, I wouldn't call it adventurous, but we don't have to be right at the bottom in terms of the risk appetite when it comes to investing our reserves.

I think slowly, slowly we'll be moving up. Already I think we are into credit funds and debt funds and things like that. I think index funds could be the next in line for us to evaluate. Maybe what we can do is, over a period of time work on having an investment policy per se for excess funds. But again, we always want to make sure that capital protection is more important than the returns. But once again, point well taken. I think 1 to 2 percentage points and with this kind of a quantum will certainly be a large number and we should not be ignorant of that.

Abhi Jain: Yes, sir.

D. Muralidharan: Just to add one more point. So, in terms of the long-term investment, as we've been discussing in every meeting, we are also keeping our eyes and ears open on inorganic opportunities as well. So we would like to have the cash at our disposal at any point of time where required.

Abhi Jain: For sure. But a part of your portfolio, a part of that INR 1,000 crores can be allocated there, right?

D. Muralidharan: We understand. We will make a small beginning. Point well taken — we will do that.

Abhi Jain: The biggest investors, like Mr. Warren Buffett uses his cash reserves in investing in index funds, investing in safe equities. So obviously, we shouldn't be so scared about it and Indian equities, especially the index funds have long track record of over a 4 to 5-year period horizon giving at least 9% to 10% return.

So I think we can be a bit more open about it. It helps improve our profitability by 1 to 2 percentage points every year. So why not do that? That was just only suggestion. You can start in maybe INR 200, INR 300-odd crores, 20%-30% of the portfolio and 70% you can use it for inorganic and acquisition et cetera. But just thinking that if Mr. Warren Buffett can do it, surely we can do it at our end.

D. Muralidharan: Thank you. Point taken.

Abhi Jain: Thank you.

Moderator: Thank you. The next question comes from the line of Prakshal Sakaria from Sakaria Investments. Please go ahead.

Prakshal Sakaria: I have 3 questions. The first question is that, I think, Mr. Vivek mentioned that they are looking at a distribution company in Mexico. So have we narrowed down to any right now?

C. C. Paarthipan: Yes, I am the one who told that one. Yes, there are opportunities, like 3 to 4 companies, the Vice Chairman of the company Ashok Partheeban has looked at it and of course is going to collect the details and send it to us. After that we'll have to do the due diligence and take a call.

Prakshal Sakaria: Okay. So we can expect an acquisition soon, maybe in near future.

C. C. Paarthipan: It all depends. It is a meaningful acquisition. As I told you, the idea of going for a distribution company is to understand the products, mainly for selection of products and selection of customers. And this will also give you insight into the entire reach of the distributor. If distributor covers the entire country, that's a major opportunity. So that you'll understand which are the pharmacies, which are the small chains, which are the smaller hospitals, which are the private hospitals the distributor is covering, then accordingly we'll have to take a call, we'll have to take a decision.

Prakshal Sakaria: Okay.

C. C. Paarthipan: These 3 things are very crucial. If he is selling only multinational products, it doesn't make a difference to us. If he is selling the local company products, we'll be very keen, we would like to buy even at a little higher cost. But if he is only selling multinational products, you know very well multinational products have been sold in this kind of any market for that matter, say 100 years or 60, 70 years and above.

For local companies, it means they haven't been around for more than 20, 30, 35 years. So that also makes a lot of difference. Most multinational products are actually patented, and once the patents expire, they become generics. Local companies only manufacture the patent-expired products, something similar to our model, generic business.

Prakshal Sakaria: Okay, understood. And my second question is to Mr. Vivek. I think we are right now running 5 sterile lines and moving towards 17 sterile lines which would be one of the biggest in the country. So I mean what gives us the confidence about the healthy utilization of those 17 lines, because 17 lines is like huge. So, are we expecting that much demand from us? Do we have? Are we getting a lot of queries right now?

C. C. Paarthipan: Yes, can I get into it first and then I'll ask Vivek to answer.

For the last 4 years I've been sitting in the factory, so I'd like to give you the correct picture as well. See, now out of 7 lines that we have here today, we find it very difficult to handle the orders that are coming to us. One main reason is that when we were smaller and didn't know much about the technology, we didn't balance it properly.

Most of our — like, 3 of our lines — are a mix of TS and aseptic. And then whenever we expanded, we expanded in such a way that it was not very correct also. So it leads to a lot of complications. In the sense, it is not a major issue in the form of quality, integrity or safety issues, but it leads to breakdowns.

The first phase of our injectables took 10-12 years already. We got our first USFDA inspection in 2016. In the second phase, the lines were all new — Line 4, 5, 6. So when we go for the Phase 3, we will not use all 7 lines; we'll start with 3 lines. And we will move all the aseptic processes to the aseptic line, where it will be with an isolator, which means the aseptic practices will be totally eliminated, because isolator lines don't require aseptic practices.

Then, for ophthalmic products, we have an ophthalmic machine which we are going to import from Germany. This one also is a very sophisticated line and involves less human intervention. Then the third one is, as I told you, that we are not only getting into automated machines; we are also getting into digitalization. Once you complete the digitalization — especially the LIMS, QC and Micro systems — and everything is digitized in the form of eLog, eBMR, eBPR, it becomes paperless.

The third one, as I told you, is visual intelligence. People will learn everything through video, because seeing is believing. People can learn that there is a possibility of forgetting if something is just taught, but if they see and do the work themselves, it becomes easier for them. So with all these additional advantages in addition to AI cameras and all, when we go to the customer, we'll be one of the few companies of our size that has the wherewithal.

So I'm sure that we'll be in a position to get good business going forward, because of the entire state-of-the-art model that we told you about, in terms of machines and in terms of digitalization, in terms of video way of doing things in the form of the entire qualifications. Most of the time it was done by people, and when they leave, that memory and intelligence both leave with them. But now, it will live in the video library.

So we won't necessarily have to worry about the people; we'll have to focus more on the system. That too if the system is integrated with AI cameras, then the MOS also comes to us more easily and it's easier to manage as well. And then someone who is in US, if they want to see whether we have taken up the products for production, they can as well see from US also when the production is on in the nights here.

You know, the night here is day there. Injectable is one thing which goes 24x7. So like that I can tell you there are a lot of advantages every customer will have. And most of the CMOs of our size may not have these types of advantages. And on top of it, we also have R&D both for API and formulation. We'll be in a position to also do something for the R&D and other things, in the form of tech transfers and everything. These are a few advantages which we have. So I'm sure we are very confident we'll be in a position to increase our business. Now I'll invite the Vice Chairman to say few words about it also.

Vivek Partheeban: From the commercial side, if you see, we are actually booked out till almost February of next year. So we've been barely able to keep up with demand and we know that expansion of capacity is extremely crucial for us to keep up with the growing demand. Number two, out of the 60-odd ANDAs that we have, only 39 have been launched.

We have to continue working on launching the remaining products as well. Number three is that we have another 40-plus products in the pipeline, in both pre-filled syringes and ophthalmic suspensions, and all of that needs to also come into play. And in the new facility, we're also getting into very niche areas such as blow-fill-seal products and inhalation products, and potentially other sterile dosage forms as well — all put together, this will be close to 15-plus lines.

And I'm not even taking into account any of the capacity requirements that we will need when we get into full-scale operations in Brazil and Mexico also. So we don't think this is overexpansion by any means, or anything like that. In fact, we are expanding a little bit ahead of time. Finally, the last one is that we've always had an eye on getting into early-stage biosimilars, especially through a partnership with large Chinese companies that we've already been in touch with over the last couple of decades, given our presence in China.

So, all of these put together, with all the automation that Chairman has been talking about, we feel very confident that the sterile space is going to be an important space for us to expand into.

C. C. Paarthipan: And the most important point I forgot to mention: it's not debt-driven. It's all from the internal cash flow, which means, suppose if it's slightly delayed, we don't have much to worry about. Of course, which will not happen. However, this is not a debt-driven infrastructure that we have created.

Vivek Partheeban: Just to draw a parallel without mentioning names, the largest capacity of injectables in India has close to 30 lines, like 29 or 30 lines and that company also continues to invest in more. Just to draw a parallel.

Prakshal Sakaria: Okay, thank you so much for such a detailed answer. And I just have one last question, is that I'm tracking the company since past five years. And I really look up to you, but I just want to know one thing, that as a visionary, what do you see the company in the next three to four years, maybe by 2031, '32? You always say that we will be a big company, big company. How do you define big and how do you see the company in the next three four years?

C. C. Paarthipan: What you're asking is something like comparing our former self to our future self. So, it's not about how much we have grown, but what kind of company we are becoming. So rather than the size, if you ask me, look at the kind of infrastructure we are building. Be it injectable, be it tablet and capsule, be it ointments, be it any area, we'll have all the facilities which will be in line with international standards so that we can get into the regulated markets worldwide. It could be a global dossier in future.

Second important thing, in addition to that, we also have plans to go for countries like Mexico to start our factory where we already bought the land. The advantage is that if you set up a factory there, you get a 16% price advantage when it comes to tenders. Then the business that we do, we are not only interested in doing business in tenders, we're also interested in doing business more in private market which of course is not easily replicable by companies of our size.

And the big companies are not very keen to get into the private market. You can even verify — maybe for a few products, an importer buys and sells them to local people. And even if they have an office there, they will sell to the top distributors. Whereas we will go to the length and breadth of these countries because my son, who is the Vice Chairman of the company, has been there in this part of the world for the last 22 years.

Our maximum focus will be there in Mexico and Brazil by Ashok and US by Vivek. So even in US, 70% may be controlled by three top companies, but there is 30%. We'll look at the 30%. If you do at least 10%, 15% of 30%, that itself is a huge market. So once you create the infrastructure, once you digitize it and modernize everything, once they understand that these four pillars — integrity, quality and safety — are ensured, the product will not be an issue.

I'm sure. So if you ask me to quantify it, see I would prefer to be one among the top 20 companies of the country. Thank you.

Prakshal Sakaria: Okay. Got it. Thank you. Thank you so much for answering.

Moderator: Thank you. The next question comes from the line of Abhi Jain from AJ Capital. Please go ahead.

Abhi Jain: Yes. So just one follow up question on capital allocation. Do you foresee an increase in dividend payout going ahead or do you think that you can deploy the capital better in acquisitions and investments by yourself? Just some clarity around that?

C. C. Paarthipan: It's difficult to answer this question. Because if we find a very good opportunity, definitely we would like to put our money into the acquisition if it's meaningful. Otherwise we would like to share this in the form of a dividend as well. I'm sure we'd be able to continue this way. That's not going to dent our cash flow.

Abhi Jain: Alright. Now obviously you should prioritize acquisitions and increasing your capital base for sure. But in any year you see that you don't have that opportunity, then probably a special dividend or an interim dividend can be a better use. That is up to you on the board. So just a suggestion.

C. C. Paarthipan: Correct.

Moderator: Thank you. The next question comes from the line of Prakshal Sakaria from Sakaria Investment. Please go ahead.

Prakshal Sakaria: Hi, just a follow-up question. When are we expecting all the 17 lines to be running completely, and when can we start expecting numbers from those 17 lines?

C. C. Paarthipan: Yes, it will start from 1.5 years to 3 years. Like in another 6 to 7 months, we will start our Line 7. And then in one and a half year we will start. See, at the end of the day when we say we start, the commercials will start but again the registration of the products, even if you have extra ANDAs, it has to be transferred to the other facility which is totally a different company. It's not a part of CSL, it's a subsidiary of Caplin Point but it's not part of CSL. So that registration and other sorry the change in dossier – how to change the dossier, all these things of course Vivek will be in a position to tell you. Please go ahead, Vivek and tell it.

Vivek Partheeban: Yes. So right now we have six lines in the facility and a seventh one is coming up. And then if you look at our oncology facility, we have a line over there as well. So at this point, you're talking about eight lines already. In the next year, this time next year, we should have five more lines from the new facility that is what we call as Phase 3.

And then finally, we have provision for three, four more lines which we will activate potentially by '29 and beyond only. So I would say we have complete visibility on when 13 lines are going to be around including the oncology site. But for the last three or four lines, we'll have to take a call closer to the commercialization of the existing ones.

Revenue wise, when you're talking about moving a product from a current line to a new line, especially in the US market, you're looking at least around 9 to 10 months for that to start, because there is something called a Post Approval Supplement where you need to run batches, put them in stability for three months and then file it, that takes six months to get approved and all of that.

So any product that gets converted from current facility to a new one will take about 9 to 10 months for it to start getting commercially operational from there.

Prakshal Sakaria: Okay. Got it. Thank you.

Moderator: Thank you. The next question comes from the line of Ajay, an individual investor. Please go ahead.

Ajay: Hello, I had a couple of questions. The first one, I think last quarter you mentioned that we had a supplementary tender in I think it was in the Ecuadorian market. So I just wanted to know what would the spillover from that tender be in this quarter and what can we expect next quarter onwards? Is that tender completely done?

Vivek Partheeban: Yes, I think this is El Salvador, not Ecuador. And our CFO can throw some light on it. It might not be completely accurate, please, because you continue to get replenishment tenders and all of that. So we can give you a basic picture. Go ahead, Mr. Murali.

D. Muralidharan: Yes. Thank you, Mr. Ajay. This is the original tender, as Mr. Vivek put it, and it has been completely supplied. There are also supplementary tenders which we've been getting, not at the original volume, but at about 10 to 15% of it. We expect that repeat, we have participated and then we are expecting that to be decided in couple of months. Hopefully, we should get it also, but we are not committing anything as of now. But supplementary tenders will keep coming. For whatever products we've supplied, additional quantities keep coming, quarter on quarter.

Ajay: Okay, understood. And can you please throw some light on Amaris Clinical and its contribution to our company right now as well as how do you see it contributing three years down the line?

Vivek Partheeban: Amaris will be by and large a backward integration for us. We used to have some commercial operations out there with third party companies, but right now with the existing 70 beds and our increase up to 120 beds in the near future, we will largely be catering to our internal bio studies. Just to give you an idea, if we did bio studies at an external BE center, something that costs us around USD 100,000 per study, at Amaris it will cost around 50% of that. So the value addition will be indirect, not directly in terms of numbers.

Ajay: And in the future, do you expect it to be internal or would you be willing to offer services?

Vivek Partheeban: In future as well, at least for the next couple of years, we expect this to be internal, because we have a significant number of products that we are doing from our oncology side, from our soft gel side and also in future if we get into the inhalation space, this is something we envision doing internally as well — the bio studies for it. So we expect next couple of years for it to be catering only to Caplin's requirements.

Ajay: Thank you and congrats.

Moderator: Thank you. The next question comes from the line of Ashish Srivastava, an individual investor. Please go ahead.

Ashish Srivastava: Hi, First of all, congratulations on a steady set of numbers. You have been very consistent on every quarter on quarter, great set of numbers. Sir, my question is around in the last Q4 result, we mentioned about GLP-1 products approval for Central American region we were pursuing. I did not see any update for the same in the current quarter presentation?

Vivek Partheeban: Yes. So it is work in progress, the GLP-1 products. They are under registration. We don't have any commercial business out of those products yet. As and when we have some updates in that we will let you know. They continue to be under registration at the moment.

Ashish Srivastava: Okay. Thank you sir, that answered my question.

Moderator: The next question comes from the line of Ajay, individual investor. Please go ahead.

Ajay: So I just had a follow-up on our organic growth strategy. Are we also looking at some opportunities in the Indian market in distribution or otherwise normal generics?

C. C. Paarthipan: No, we are not looking for any distribution company in India. But if there is an opportunity for us to go for a meaningful acquisition in the Indian market, we will also look at it. But not a distribution company, because in India, generics don't make money. Only in brand marketing, which of course you are also aware of.

And we always prefer to go for a distributor in Latin America mainly. Or maybe in the US — that, of course, Vivek will be in a position to decide. He's been taking care of that area. And coming to Latin America, we know that will add value to our entire business and the business that we are doing currently. That will add some value to it.

That can help us to increase our base from one level to the next level because the countries we are currently in, namely Mexico and Chile, and later Colombia and Brazil. These are all huge countries. And once you get this distribution company, you'll be in a position to understand the entire clientele list. That's why we are interested in a distribution in Latin America.

Ajay: Should I take it as it's not in our main plans to enter the Indian market, but if there is an opportunity then we might?

C. C. Paarthipan: As for the Indian market, to be very honest, we don't have that kind of expertise to handle brand marketing in India. And moreover, you'll also agree with us that it's better to focus on our core competence. We've been doing well in Latin America, the pattern of course which you have seen also we continue to grow well. So we'll focus more on that one. That's what we are planning to do. And we will do more in US too. So it will be more of North and South America which will be our focus in future.

Ajay: Okay and just a last question on the new tariffs that have been announced on pharma companies by the Trump administration two years down the line. How do we look at it?

Ajay: So recently, the American administration announced a waiver of tariffs on generics, which will come into effect two years from now. So, I know it's two years down the line.

C. C. Paarthipan: See, you must be knowing also, he has been announcing a lot of tariffs. And of course we will cross the bridge when we reach there. And every country has to protect their own industries. That's how they'll defend themselves, because of a de-globalizing world. Definitely there will be opportunities when we go for our own factories in various bigger geographies.

But we'll have to see whether it's the ideal time to go. Probably it'll take some more time because starting a generic factory in the US will not be cost-effective. And maybe when the machine learning in the form of seeing robots, when the robots come into manufacturing of generics, yes every country, even if you manufacture in US or any other country where the cost of production is high also will end up much the same as India. So we should wait and watch.

Ajay: Thank you very much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Thank you and over to you.

Vivek Partheeban: Yes. Thank you. Thanks once again to everybody that participated in the investor's call. We also appreciate Dolat Capital for hosting it and we look forward to more interactions in the near future with all of you. Thank you.

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

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