



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Total Revenue stood at Rs 312.02 Cr for Q2FY22, registering a growth of 15.6% over Q2FY21. PAT increased by 22.3% to Rs. 76.82 Cr in Q2FY22.
- Gross Margins improved by 345bps to 58.6% in Q2FY22.
- Free Cash Flow stood at Rs. 103 Cr for H1FY22.
- Company receives approval from Brazil's ANVISA for injectable plant through mutual recognition of US FDA EIR.
- CRO wing Amaris Clinical completes back-to-back virtual and physical USFDA audits, both with NIL observation.

### 2. MANAGEMENT COMMENTARY:

- Focus to achieve a cash balance of Rs. 1000-1500 crore in the next five years.
- Management is expecting to achieve US\$100 million sales from Caplin Steriles by FY26.

### 3. SEGMENTAL ANALYSIS:

The company has two segments, Generic and Branded Generic.

Particulars	Q2FY22	Q1FY22	Q2FY21
Generic	75%	75%	75%
Branded Generic	25%	25%	25%

The company sell its products through Distributors, Pharmacy and tenders.

Particulars	Q2FY22	Q1FY22	Q2FY21
Distributors	60%	60%	70%
Pharmacy Sales	20%	20%	20%
Tender Business	20%	20%	10%

### 4. IMPORTS / EXPORTS:

- The company drives its revenue majorly from Latin America which account for 87% of the Revenue. USA and Africa contribute 9% and 4% to topline respectively.
- The company locally manufactures 65% to the product while balance 35% products are manufactured in China.

### 5. OTHER DEVELOPMENTS:

- The company is expanding operations into other geographies such as Canada, Mexico and Australia in the near to medium term horizon as well as expand its products portfolio.
- The company is focusing to achieve exceptional compliance record and launch niche products in US market which continues to be in shortage.
- Backward and forward integration would help save cost, capture market share and control supply chain.

### 6. VALUATION AND OUTLOOK:

- After achieving a strong presence in Latin America, the company is aiming for US market. The company is expected to show handsome growth in new territories led by portfolio expansion, backward integration and strong balance sheet.
- We expect company to deliver topline growth of 20% over next few years. We recommend to ACCUMULATE the stock with price target of Rs. 896.

## RECOMMENDATION - ACCUMULATE

CMP - 807

TARGET - 896 (11%)

Industry	Pharmaceuticals & Drugs
NSE CODE	CAPLIPOINT
BSE CODE	524742
Market Cap (₹ Cr)	6119.47
Shares Outstanding (in Cr)	7.56
52 wk High/Low (₹)	1034.8 / 401
P/E	22.56
P/BV	4.70
Face Value (₹)	2.00
Book Value (₹)	175.20
EPS (FY21) (₹)	32.03
Dividend Yield (%)	0.74
Debt / Equity	0.01
Interest Coverage	198.29

## SHAREHOLDING PATTERN

	Sep 21	Jun 21	Mar 21
Promoters	69.03	69.03	69.03
Mutual Funds	1.14	0.99	0.45
FII/FPI	1.76	1.15	0.68
Retail & Others	28.02	28.34	29.01
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2021A	2022E	2023E
<b>Core</b>			
Sales	1061	1274	1528
Sales Gr. (%)	22.9	20.0	20.0
EBITDA	329	394	473
EBITDA mrg. (%)	33.2	31.0	31.0
Adj. PAT	251	297	358
Adj. EPS (₹)	32	38	46
EPS Gr. (%)	12.7	18.2	20.4
BV/Sh. (₹)	145	179	221
<b>Ratios</b>			
RoE (%)	25.7	23.2	22.7
RoCE (%)	28.8	25.5	25.0
Payout (%)	9.4	9.0	9.0
<b>Valuation</b>			
P/E (x)	13	22	24
P/BV (x)	3	5	5
EV/EBITDA (x)	8	13	14
Div. Yield (%)			

## 3 Yr. Average

Historical P/E	22.56
Industry P/E	39.79
Historical P/B	4.70
Industry P/B	4.94



## QUARTERLY PERFORMANCE

### QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY20			FY21			FY22			FY21	FY22E*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3E*			
<b>Net sales</b>	<b>215</b>	<b>240</b>	<b>268</b>	<b>274</b>	<b>279</b>	<b>300</b>	<b>304</b>	<b>318</b>	<b>1,061</b>	<b>1,274</b>	
YoY change (%)	14.9	24.7	18.0	20.2	29.5	25.1	13.2	16.0	22.9	20.0	
<b>EBITDA</b>	<b>54</b>	<b>72</b>	<b>87</b>	<b>84</b>	<b>86</b>	<b>93</b>	<b>101</b>	<b>99</b>	<b>329</b>	<b>394</b>	
Margins (%)	25.0	29.8	32.6	30.6	30.7	30.8	33.3	31.0	31.0	31.0	
YoY growth (%)	-16.9	6.3	23.0	23.9	59.2	29.3	15.7	17.5	26.4	20.0	
Depreciation	8	9	9	9	10	12	12	14	37	57	
Interest	0	1	0	0	0	0	0	0	2	2	
Other income	20	6	2	6	9	9	8	6	24	24	
<b>PBT</b>	<b>65</b>	<b>69</b>	<b>80</b>	<b>80</b>	<b>85</b>	<b>90</b>	<b>98</b>	<b>90</b>	<b>314</b>	<b>359</b>	
Tax	16	14	17	14	17	18	21	15	62	60	
Rate (%)	24.7	20.5	21.3	17.5	20.1	20.1	21.4	16.7	19.8	20.0	
<b>Adjusted PAT</b>	<b>49</b>	<b>55</b>	<b>63</b>	<b>66</b>	<b>68</b>	<b>72</b>	<b>77</b>	<b>75</b>	<b>251</b>	<b>299</b>	
YoY change (%)	-2.0	9.0	9.7	12.3	39.0	31.1	22.3	13.1	16.9	19.0	
<b>Key Performance Indicators</b>											
RM Cost (% of Sales)	23.8	21.2	32.0	37.2	39.4	51.5	49.6	49.6	32.9	49.6	
Staff Cost (% of Sales)	18.5	25.9	25.3	25.5	25.9	26.7	29.0	26.0	25.6	26.0	
Other Costs (% of Sales)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
EBITDA Margin (%)	25.0	29.8	32.6	30.6	30.7	30.8	33.3	31.0	31.0	31.0	
PAT Margin (%)	22.7	22.7	23.4	24.1	24.4	23.8	25.3	24.0	23.7	24.0	

Source: Company, Hem Securities Research.

**\*Insights into the assumptions:**

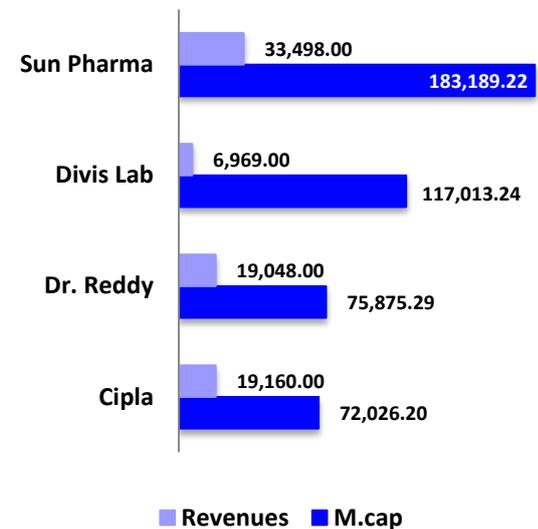
- 1> The topline is expected to growth at 20% for next few years.
- 2> We expect EBITDA margin and PAT margin to remain stable at 31% and 24% respectively.



## INDUSTRY OVERVIEW

- India is the largest provider of generic medicines globally with 20% share by volume and global vaccine supplier with 62% share. India is home to more than 3,000 pharmaceutical companies with a strong network of over 10,500 manufacturing facilities. The sector is significant contributor to India's economic growth and employs over 2.7 million people.
- The Indian pharmaceutical market is currently valued at US\$ 42 billion and expected to grow 3x in the next decade to ~US\$ 120-130 billion by 2030. Exports market stood at US\$ 24.44 billion in FY21. India is the 12th largest exporter of medical goods in the world. The country's pharmaceutical sector contributes 6.6% to the total merchandise exports.
- Medicine spending in India is projected to grow 9-12% over the next five years, leading India to become one of the top 10 countries in terms of medicine spending.
- Indian pharmaceutical companies are expected to play a major role in global market too, being a low cost producer. Rising R&D spend by pharmaceuticals companies, increasing penetration of health insurance, policy support and increasing investment are expected to aid the growth.

## KEY PLAYERS



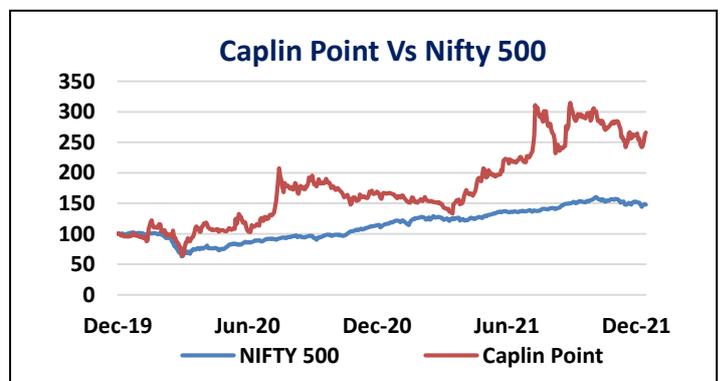
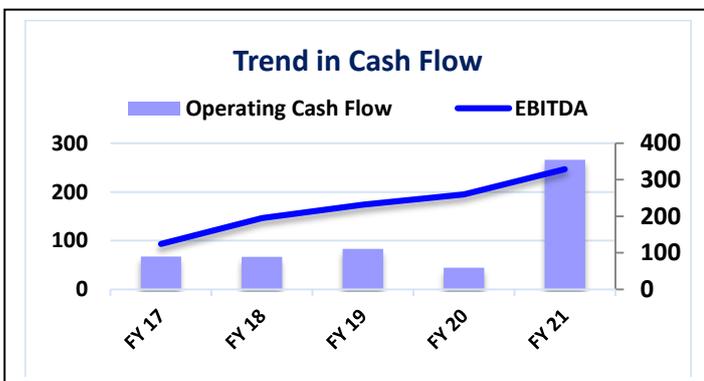
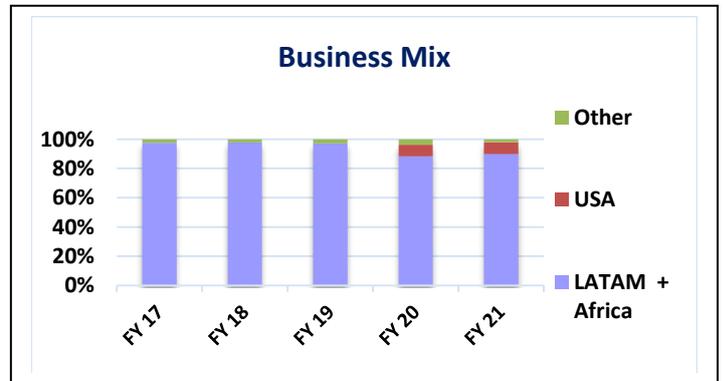
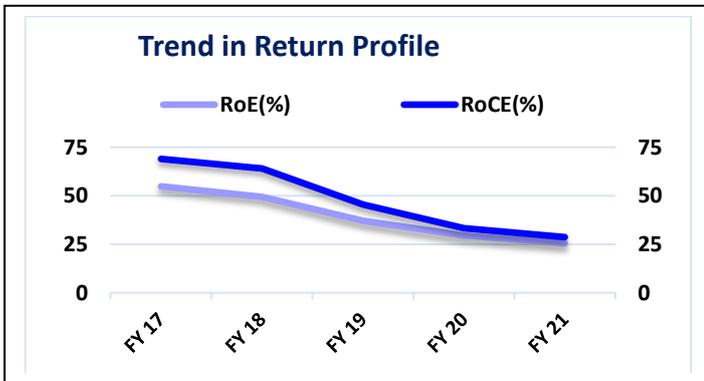
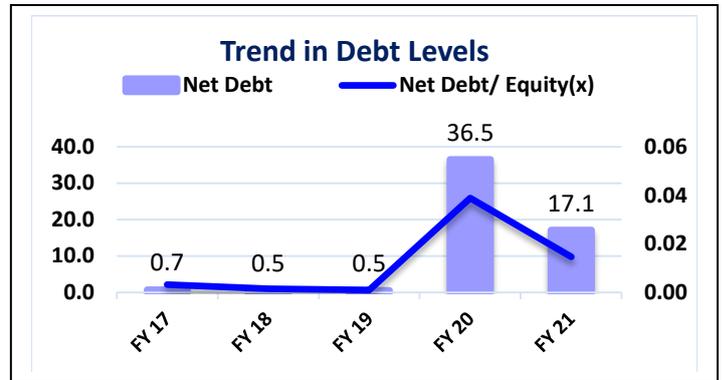
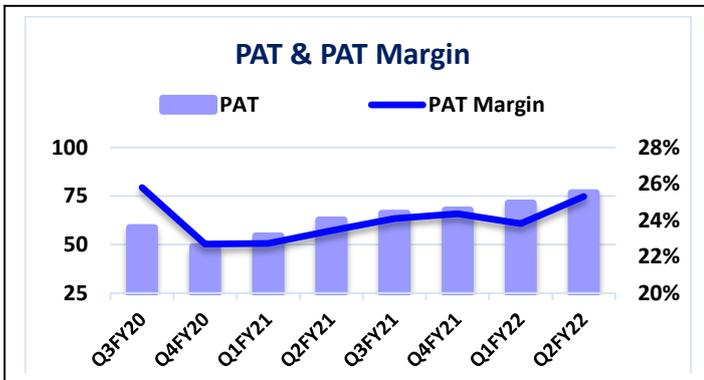
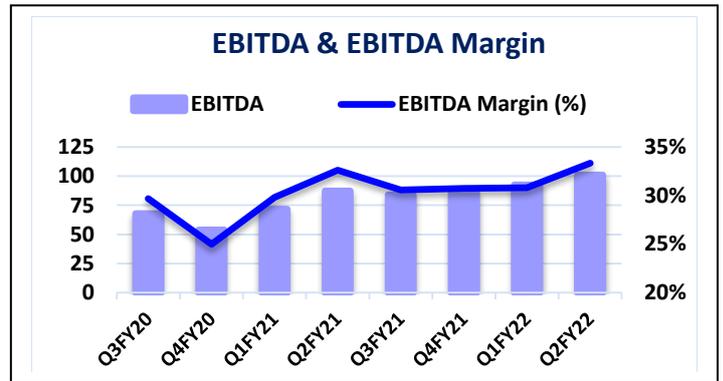
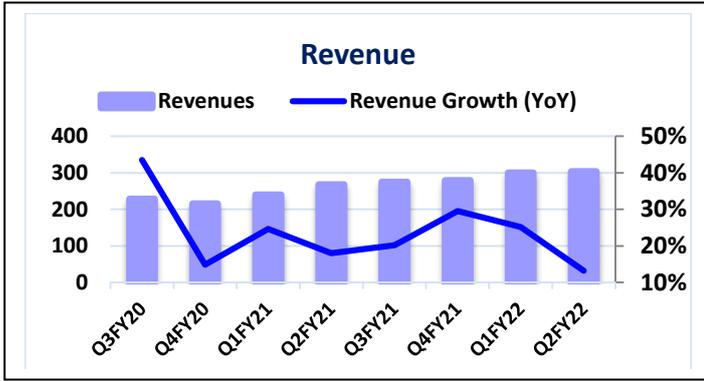
## PEER PERFORMANCE

(₹ Cr)

Particulars	Caplin Point Laboratories Ltd.	Ajanta Pharma Ltd.	Bliss GVS Pharma Ltd.	Laurus Labs Ltd.
Market Cap	5552	18307	982	25709
Net Sales	1061	2890	577	4814
EBITDA	329	999	107	1551
PAT	251	654	74	984
EPS(₹)	32	76	7	18
EBITDA MARGIN %	33.2	35.5	23.4	32.7
PAT MARGIN %	23.7	22.6	14.5	20.4
ROCE %	28.8	32.2	11.8	39.8
ROE %	25.7	23.4	9.4	45.2
P/E TTM	22.6	26.0	13.2	26.8
P/B TTM	36.5	81.5	7.5	18.8
EV / EBITDA	4.1	5.4	1.2	8.5
Dividend Yield %	0.4	0.4	0.5	0.4
MCap/ Sales TTM	4.8	5.8	1.5	5.0



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- The company has grown its revenue 13 times at a CAGR of 29.4% and Profits 41 times @ CAGR of 44.6% in last 10 years showing extraordinary growth.
- The company has strong management team as reflected in the company's success in relatively less tapped markets like Latin America and Francoafrica.
- The company has strong Balance Sheet with low debt and has delivered growth on back of internal accruals.
- The company is now targeting to achieve a foothold in US market with a focus niche products which continues to be in shortage. New capex to cater to US, Canada, Australia along with Brazil is expected to be next growth driver of the company.

## RISK FACTORS:

- Entry of new player could reduce market share or create pressure on margins or impact growth.
- Regulator actions, audits could adversely impact operations.
- Concentration risk - 85% of revenue is derived from LATAM market
- Logistic issues could impact delivery timeline and dent margins.

## COMPANY RECAP

- Caplin Point Laboratories, one of the fastest growing mid-cap pharmaceutical companies, is engaged in the manufacture of APIs, Finished Formulations, Research & Development, clinical research, frontend generic presence in Latin America, brand marketing in Francophone Africa. The Company holds over 2800 product licenses across the globe and is now entering into Regulated markets of US, EU, Brazil, Mexico, Australia.
- Over the years, the company has maintained constant growth with Topline in 2010 becoming the bottom line in 2016.
- Debt-free business model with benchmark receivables.
- The success of Caplin Point is primarily attributed to its unique business model. The company started as an SME but decided at an early stage that conventional style of exports would diminish margins and reduce opportunities for expansion. The company decided to take the unique step of creating last mile logistical solutions for its exclusive distributors across Latin America and various parts of Africa. The decision enabled company to generate adequate revenue and cash flow to remain debt-free and also continue to invest in its manufacturing facilities.



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

	(₹ Cr)						
Y/E March	2017	2018	2019	2020	2021	2022E	2023E
<b>Revenue from operations</b>	<b>402</b>	<b>540</b>	<b>649</b>	<b>863</b>	<b>1,061</b>	<b>1,274</b>	<b>1,528</b>
Growth YoY (%)	68.2	34.4	20.2	33.1	22.9	20.0	20.0
<b>Total Expenditure</b>	<b>277</b>	<b>345</b>	<b>417</b>	<b>603</b>	<b>733</b>	<b>879</b>	<b>1,055</b>
(%) of sales	68.9	63.8	64.3	69.9	69.0	69.0	69.0
<b>EBITDA</b>	<b>125</b>	<b>195</b>	<b>232</b>	<b>260</b>	<b>329</b>	<b>394</b>	<b>473</b>
EBITDA Growth (%)	98.6	54.3	20.6	20.1	16.8	20.0	120.0
EBITDA Margin (%)	33.6	38.5	38.7	34.9	33.2	31.0	31.0
Depreciation	13	19	23	32	37	57	63
<b>EBIT</b>	<b>134</b>	<b>207</b>	<b>250</b>	<b>301</b>	<b>351</b>	<b>337</b>	<b>411</b>
EBIT Growth (%)	101.1	55.6	20.4	18.6	16.8	-3.8	21.7
Net Interest Expenses	1	1	1	0	2	2	2
Other Income	10	13	19	41	24	24	24
Exceptional Items	0	0	0	0	0	0	0
<b>Earnings before Taxes</b>	<b>121</b>	<b>188</b>	<b>227</b>	<b>269</b>	<b>314</b>	<b>359</b>	<b>432</b>
EBT Growth (%)	101.4	55.8	20.4	18.8	16.4	14.6	20.4
EBT Margin (%)	30.1	34.9	35.0	31.2	29.6	28.2	28.3
Tax-Total	25	44	50	54	62	62	75
Rate of tax (%)	21.0	23.2	22.2	20.2	19.8	17.3	17.3
<b>Net Profit</b>	<b>96</b>	<b>145</b>	<b>177</b>	<b>215</b>	<b>251</b>	<b>297</b>	<b>358</b>
PAT Growth (%)	108.7	51.4	22.1	21.8	16.9	18.2	20.4
PAT Margin (%)	23.8	26.8	27.2	24.9	23.7	23.3	23.4
Minority Interest	0	0	0	0	-9	0	0
<b>Adjusted PAT</b>	<b>96</b>	<b>145</b>	<b>177</b>	<b>215</b>	<b>251</b>	<b>297</b>	<b>358</b>
<b>EPS</b>	<b>13</b>	<b>19</b>	<b>23</b>	<b>28</b>	<b>32</b>	<b>38</b>	<b>46</b>
EPS Growth (%)	108.8	51.4	21.9	21.8	12.7	18.2	20.4

#### Balance Sheet

	(₹ Cr)				
Y/E March	2017	2018	2019	2020	2021
Equity Share Capital	90	90	51	15	15
Reserves & Surplus	1114	867	582	349	210
<b>Total Shareholder's Funds (A)</b>	<b>1203</b>	<b>957</b>	<b>633</b>	<b>364</b>	<b>225</b>
Long Term Borrowings	0	0	0	0	0
Deferred Tax Liabilities	1	10	18	22	19
Other Long Term Liabilities	16	15	6	5	0
<b>Total Non Current Liabilities (B)</b>	<b>17</b>	<b>25</b>	<b>23</b>	<b>28</b>	<b>20</b>
Trade Payables	89	64	60	94	79
Other Current Liabilities	54	80	26	14	35
<b>Total Current Liabilities (C)</b>	<b>143</b>	<b>144</b>	<b>86</b>	<b>109</b>	<b>113</b>
<b>Total Equity and Liabilities (A+B+C)</b>	<b>1364</b>	<b>1126</b>	<b>743</b>	<b>500</b>	<b>358</b>
Property, Plant & Equipment	305	273	227	169	152
Capital Work in progress	14	20	10	15	3
Other Non-Current Assets	9	11	12	12	24
<b>Total Non Current Assets (A)</b>	<b>328</b>	<b>303</b>	<b>249</b>	<b>196</b>	<b>179</b>
Inventory	179	238	37	28	22
Debtors	279	229	160	126	33
Cash and Bank Balance	460	223	153	79	93
Other Current Assets	118	132	143	70	31
<b>Total Current Assets (B)</b>	<b>1036</b>	<b>823</b>	<b>494</b>	<b>304</b>	<b>179</b>
<b>Total Assets(A+B)</b>	<b>1364</b>	<b>1126</b>	<b>743</b>	<b>500</b>	<b>358</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	23.8	26.8	27.2	24.9	23.7
EBITDA margin (%)	33.6	38.5	38.7	34.9	33.2
EBIT margin (%)	30.2	35.0	35.1	31.3	29.7
ROE (%)	55.0	49.4	37.1	29.6	25.7
ROCE (%)	69.0	64.1	45.6	33.4	28.8
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	88.2	71.1	65.8	28.3	43.9
Inventory (Days)	18.7	17.2	18.5	58.3	71.7
Receivables (Days)	18.6	53.7	80.4	82.2	87.4
Current Ratio (x)	1.6	2.8	5.7	5.7	7.3
<b>Valuations Ratios</b>					
EV/sales (x)	7.1	7.9	4.5	2.3	2.5
EV/EBITDA (x)	21.1	20.5	11.7	6.7	7.6
P/E (x)	30.7	29.9	17.2	9.9	12.6
P/BV (x)	13.1	12.0	5.2	2.5	2.8
Dividend Yield (%)	0.4	0.3	0.5	0.9	0.7
Return on Assets (%)	30.5	33.7	28.4	23.0	20.2
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0

<b>Cash Flow Statement</b>					<b>(₹ Cr)</b>
<b>Y/E March</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Profit Before Tax	121	188	227	269	314
Adjustments	9	15	19	7	23
Change in Working Capital	-38	-100	-120	-177	-5
<b>CF from Operating activities (A)</b>	<b>68</b>	<b>66</b>	<b>83</b>	<b>45</b>	<b>266</b>
<b>CF from Investing Activities (B)</b>	<b>-36</b>	<b>-69</b>	<b>-100</b>	<b>-55</b>	<b>-5</b>
<b>CF from Financing Activities (C)</b>	<b>-7</b>	<b>-12</b>	<b>90</b>	<b>80</b>	<b>-24</b>
<b>Incr/Decr of Cash (A+B+C)</b>	<b>25</b>	<b>-14</b>	<b>73</b>	<b>70</b>	<b>236</b>
Add: Opening Bal.	67	91	77	151	221
<b>Closing Balance</b>	<b>91</b>	<b>77</b>	<b>151</b>	<b>221</b>	<b>457</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

5

DATE	RATING	TARGET
26-Dec-2021	ACCUMULATE	896

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Name of the Research Analyst: PRIYA GUPTA

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.