



Marksans Pharma Ltd.

Investor Presentation

Q3 and 9M FY20

11th February 2020

BSE: 524404 | NSE: MARKSANS | ISIN: INE750C01026

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Marksans Pharma Ltd.

Forward looking statement

Certain statements in this presentation concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our areas of business, client concentration, liability for damages in our contracts, withdrawal of tax incentives, political instability, unauthorized use of our intellectual property and general economic conditions affecting our industry

Q3FY20 Highlights



Marksans Pharma Ltd.

15.8%

(YoY)



Revenue

30.2%

(YoY)



EBITDA



Mr. Mark Saldanha

Managing Director And CEO

PAT



17.6%

(YoY)

Net Debt*



- 8.1

₹ crore

As on 'Dec-19

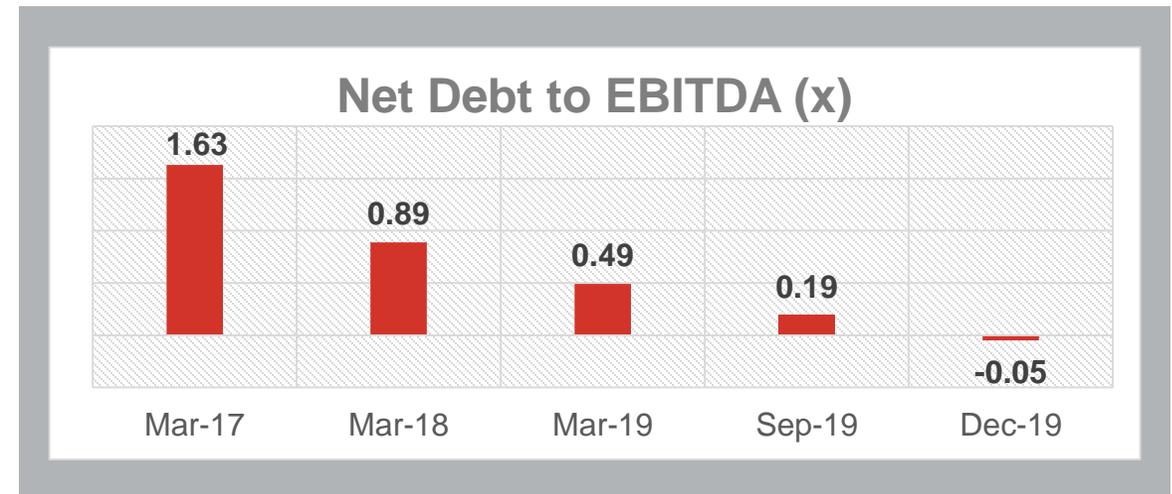
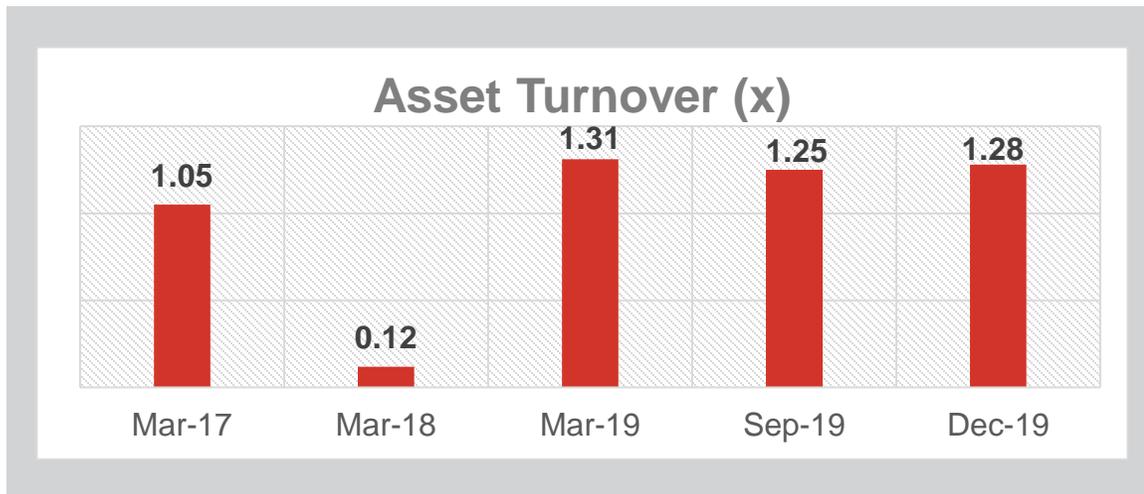
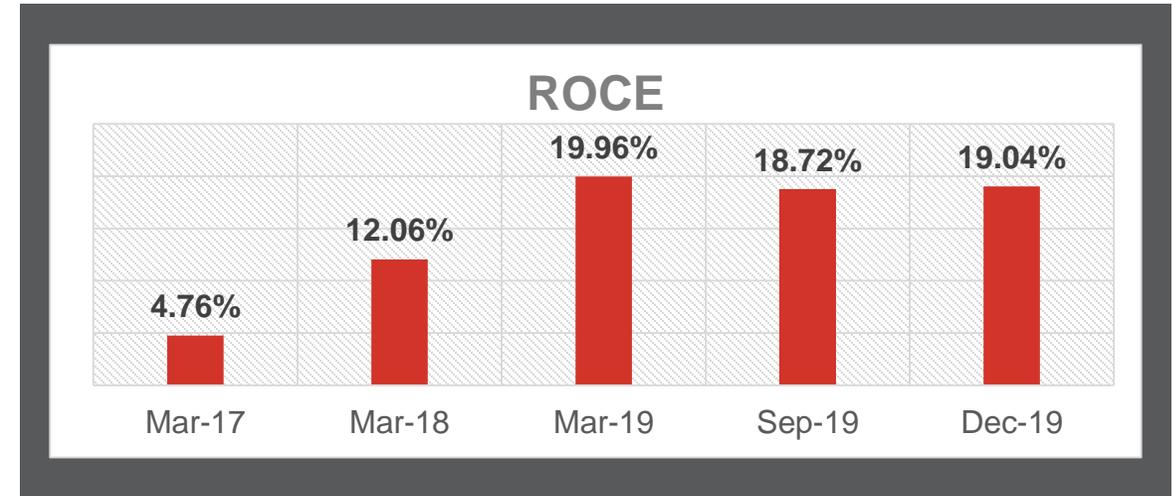
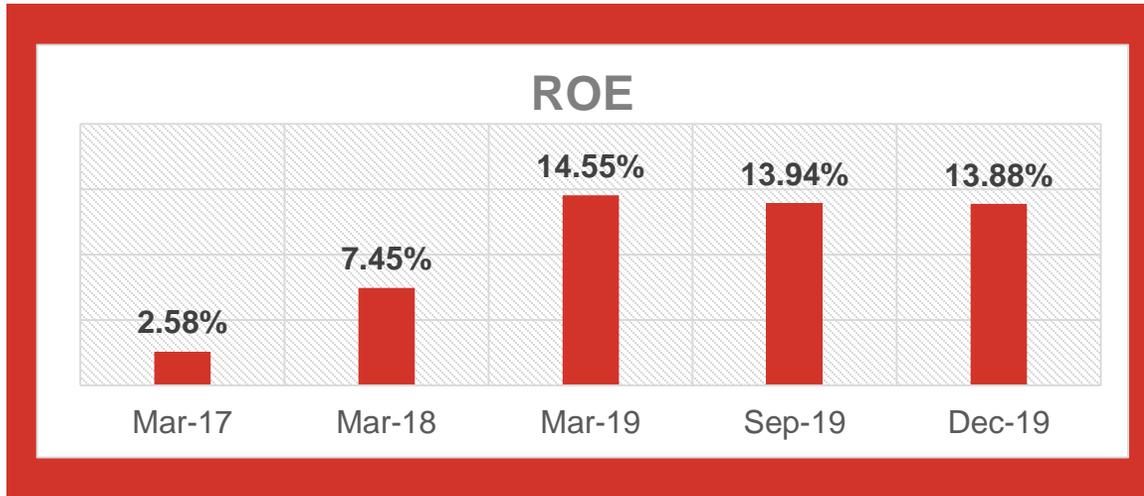
*Includes short term and long term borrowing

“ We are extremely pleased with the performance of this quarter where we have exhibited strong YoY growth in revenues of almost 16% and EBITDA of 30%. We continue with our strategy of focusing on the US and UK markets by focusing on niche products with limited competition. The key highlight of this quarter is that we have become debt free and this opens up opportunities to the Company for some efficient utilization of the cash.”

Ratio Analysis



Marksans Pharma Ltd.



Ratios calculated using standardized financial formula

Agenda

- Quarterly review – Q3 FY20
- Operational review and financials
- Company at a glance
- Long-term strategy
- Research & development
- Segmental revenue composition
- Investment rationale



Quarterly Review – Q3 FY20

Growth in Profitability



Marksans Pharma Ltd.

Rs. Cr.	Q3FY20	Q3FY19	YoY Growth (%)	YoY% (Constant currency)	9MFY20	9MFY19	YoY Growth (%)	YoY% (Constant currency)
Total Revenue	287.7	248.5	15.8%	24.0%	799.2	752.8	6.2%	13.7%
EBITDA	47.3	36.3	30.2%	39.4%	123.4	111.4	10.7%	18.6%
EBITDA Margin%	16.4%	14.6%	182 bps	182 bps	15.4%	14.8%	64 bps	64 bps
PAT	29.6	25.1	17.6%	26.0%	78.0	70.6	10.5%	18.4%
PAT Margin%	10.3%	10.1%	16 bps	16 bps	9.8%	9.4%	39 bps	39 bps

Key Highlights

Overall business grew by 24.0% in constant currency basis in Q3 FY20 when compared to Q3 FY19

- EBITDA was Rs. 47.3 cr. as compared to Rs. 36.3 Cr. in Q3 FY19, an increase of 30.2%
- EBITDA Margin stood at 16.4% for Q3FY20 as against 14.6% in Q3FY19
- PAT stood at Rs. 29.6 cr. as compared to Rs. 25.1 cr. in Q3 FY19, a growth of 17.6%

Source – Company Data

Business Review



Marksans Pharma Ltd.

Rs. Cr.	9MFY20	9MFY19	YoY Growth (%)	YoY% (Constant currency)	Mix (9MFY20) %
Europe, UK	360.8	323.1	11.7%	25.0%	45.2%
US & North America	309.9	309.3	0.2%	7.3%	38.8%
Australia & NZ	93.2	79.4	17.4%	27.7%	11.7%
Rest of World (ROW)	35.2	41.0	-14.1%	-8.0%	4.4%
Consolidated Revenue from operations	799.2	752.8	6.2%	16.3%	100.0%

Key Highlights

Almost 96% of company's total revenue came from regulated markets of US, Europe, Australia and New Zealand

- Company achieved revenue of Rs. 360.8 cr. from Europe, UK: Formulation business in 9MFY20 as compared to Rs. 323.1 cr. achieved during last year same period registering a growth of 11.7%
- US & North America Formulation business reported growth of 0.2% to Rs 309.9 cr. in 9MFY20
- Australia & NZ Formulation business revenue was at Rs. 93.2 cr. in 9MFY20, registering growth of 17.4% YoY

Source – Company Data

Financials



Marksans Pharma Ltd.

Consolidated (₹ Cr.)	Q3'20	Q2'20	Q3'19	9M'20	9M'19	FY19
Total Revenue	287.7	264.3	248.5	799.2	752.8	1,004.7
Material Consumption	140.2	132.7	128.3	397.2	375.3	500.3
Gross Profit	147.5	131.6	120.2	401.9	377.5	504.4
<i>Gross Margin %</i>	51.3%	49.8%	48.4%	50.3%	50.1%	50.2%
Operating Expenses	100.2	90.2	83.9	278.6	266.1	367.6
EBITDA	47.3	41.4	36.3	123.4	111.4	136.8
<i>EBITDA Margin %</i>	16.4%	15.7%	14.6%	15.4%	14.8%	13.6%
Finance Cost	1.6	2.8	1.8	6.7	7.2	9.7
Depreciation and amortization	7.3	5.0	5.0	17.0	16.5	22.8
Earnings Before Tax	38.3	33.7	29.6	99.6	87.6	104.3
Taxes	8.8	7.7	4.4	21.6	17.0	23.9
Earnings After Tax	29.6	26.0	25.1	78.0	70.6	80.4
<i>PAT Margin %</i>	10.3%	9.8%	10.1%	9.8%	9.4%	8.0%

Source – Company Data

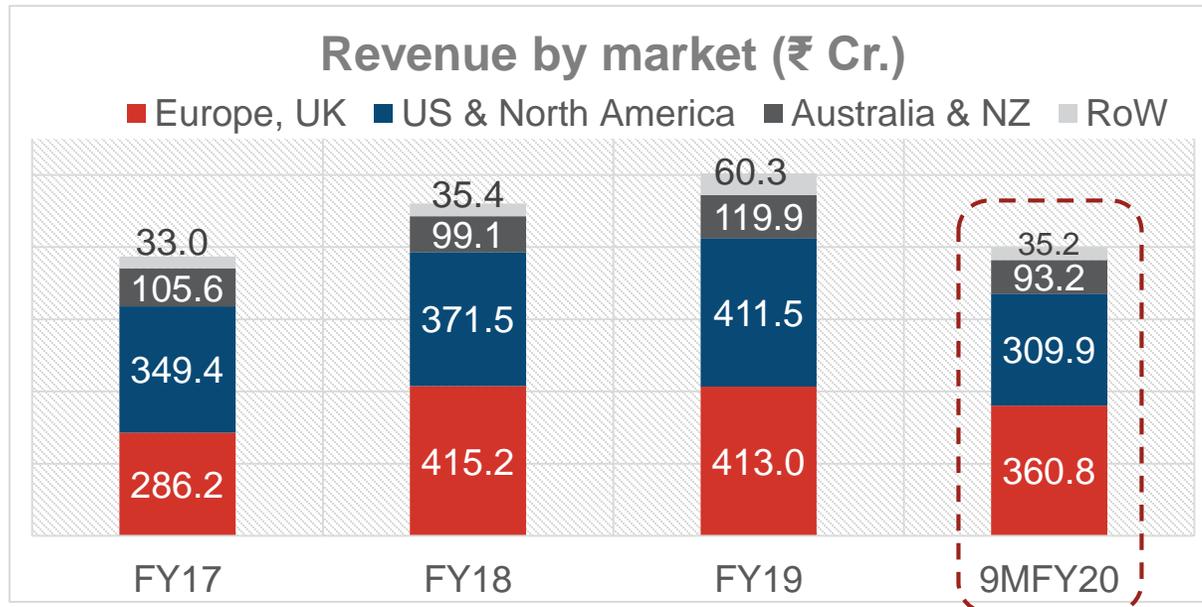
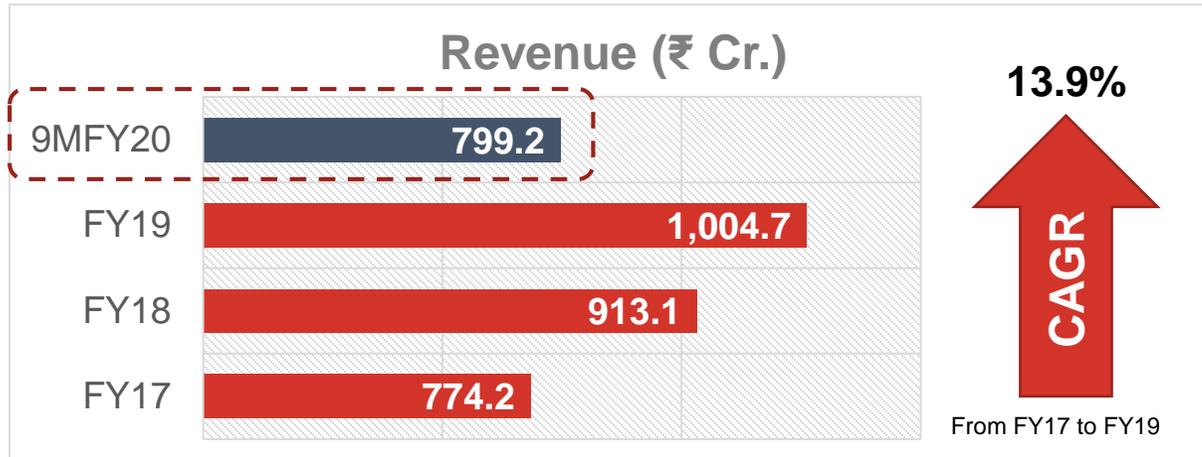


Operational review and financials

Consolidated revenue crossed INR 1000 Cr. in FY19 – Inline for robust growth in FY 20



Marksans Pharma Ltd.



Topline driven by key geographies

- The revenue growth in FY19 was driven by increasing market share in the US & North American region

US Region:

- Revenue from the US market grew 10.76% over FY18, contributing to ~41% of the total revenues
- Completed 100% integration with Time-Cap Laboratories in FY18
- Time Cap Labs Inc has achieved revenue of USD 57.91 Millions (FY 18-USD 52.48 Millions)

UK Europe:

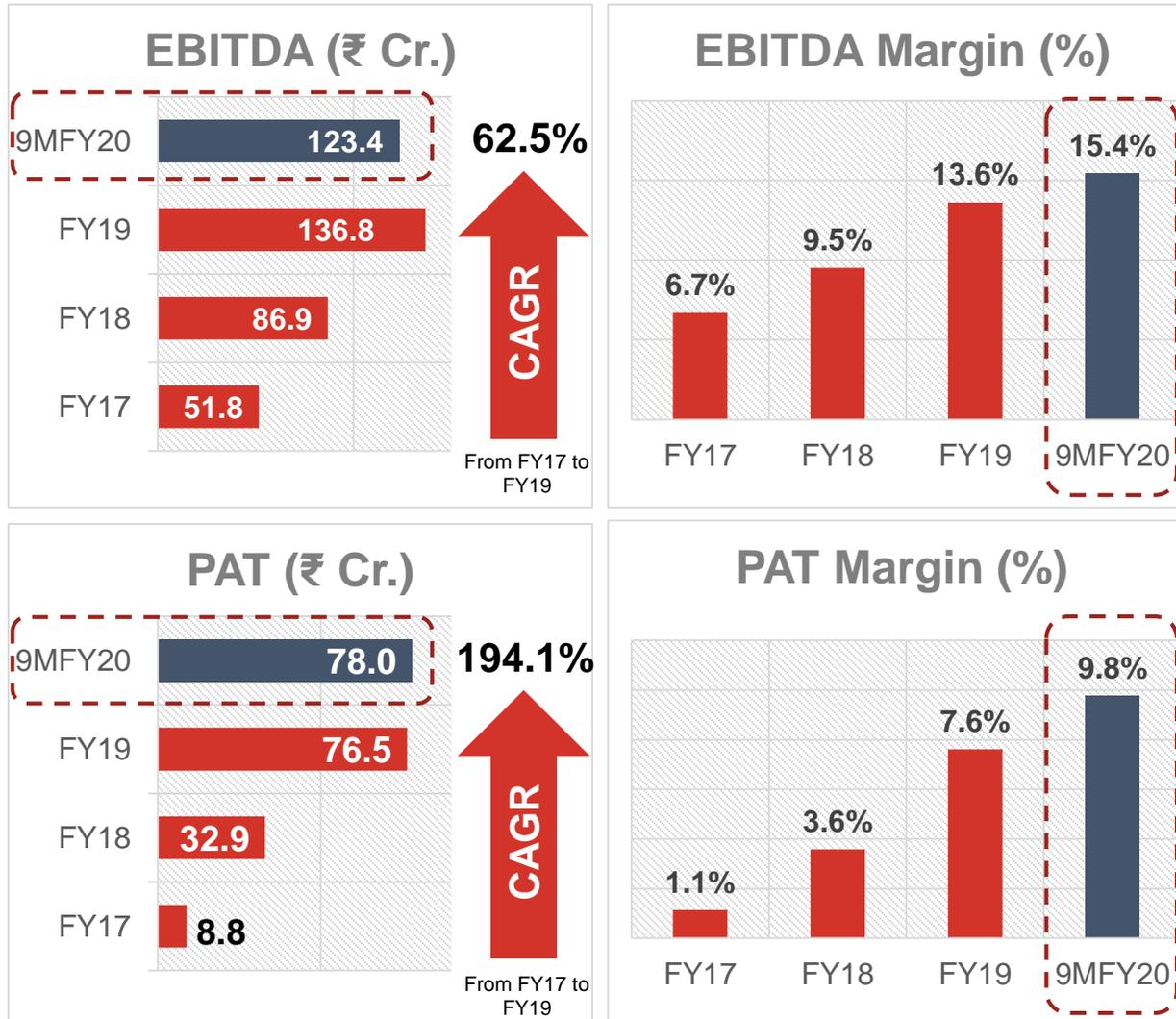
- Strong product pipeline followed by successful launches every quarter
- In Europe, UK, company targets a focused segments where competition is low
- There is a consistency in the top line generation and will be followed by existing pipeline and future launches

Source – Company Data

EBITDA margin increased by 418 bps during FY19 – strong growth expected in FY 20



Marksans Pharma Ltd.



Steady growth in the profitability

- Gross margin improved from 42.7% during FY18 to 50.2% in FY19 due to better product mix in US
- FY 19 had a ~410 bps increase in EBITDA margin and we have done another 180 bps increase till 9M FY 20. This was the result of enriching product basket with superior products and higher improved operating efficiency across the business
- PAT margins have improved from a low single digit to almost 10% in Dec 19. The outlook remains bright for the PAT margins as we move forward.

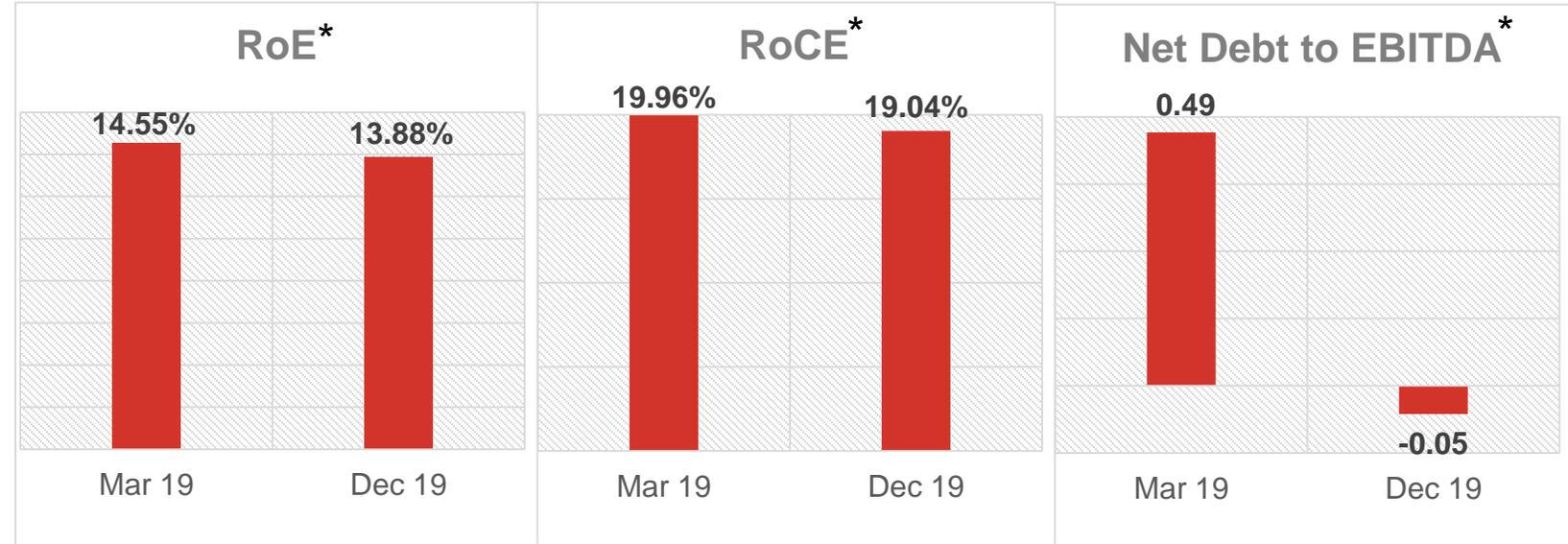
Source – Company Data

Balance Sheet Trends (Dec 19 vs Mar 19)



Marksans Pharma Ltd.

Particulars (₹ Cr.)	Dec-19	Mar-19
Net Worth	620.9	542.5
Capital Employed	658.9	571.1
Net debt	-8.1	66.4
Cash & Bank Balance	58.3	33.5
Inventories	235.3	293.3
WC Cycle	128 days	109 days
Asset Turnover	1.28x	1.31x



Ratios calculated using standardized financial formula

* Annualized

Highlights

- The Company's cash balance as on December 2019 is ₹58.3 cr
- Reported net debt at ₹-8.1 cr
- Strong ROCE of 19.04%
- Net debt to EBITDA as on December 2019 is -0.05 as company has zero net debt (including long-term and short-term borrowing)

Source – Company Data



Company at a glance

Company overview



Marksans Pharma Ltd.

Business Description

- Marksans Pharma Ltd., headquartered at Mumbai, is engaged in Research, Manufacturing & Marketing of generic pharmaceutical formulation
- Key focus areas lie in the OTC & prescription (Rx) drugs
- Company manufactures tablets (plain, enteric coated and film coated), hard & soft gelatin capsule, oral liquids and ointments
- Its manufacturing facilities are accredited by USFDA, UKMHRA and Australian TGA

Business Model



- 94% of revenues comes from regulated markets



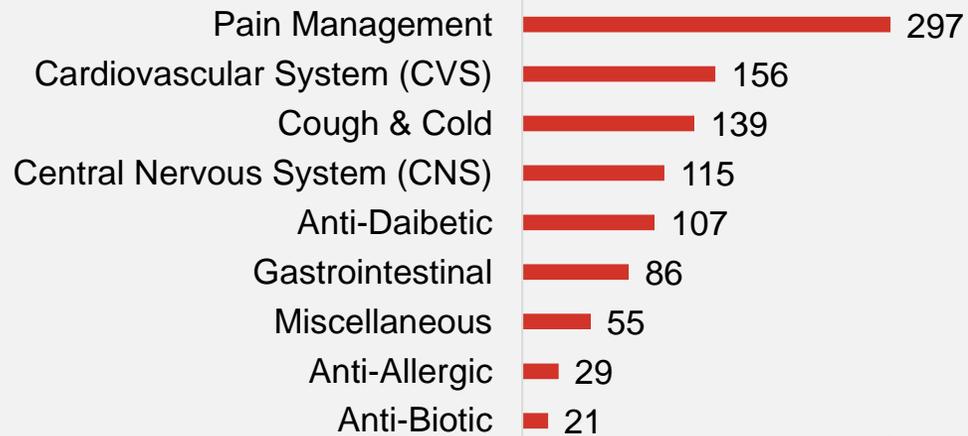
- Forward-integrated business model



- Presence in niche softgel segment

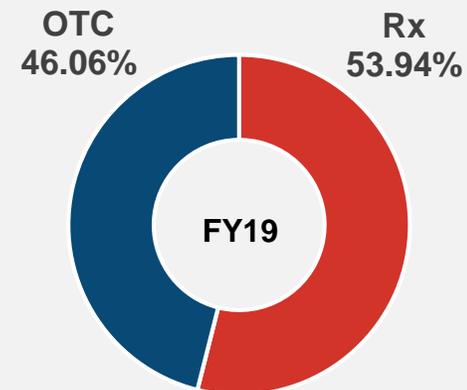
Product Portfolio

Rs. Cr.

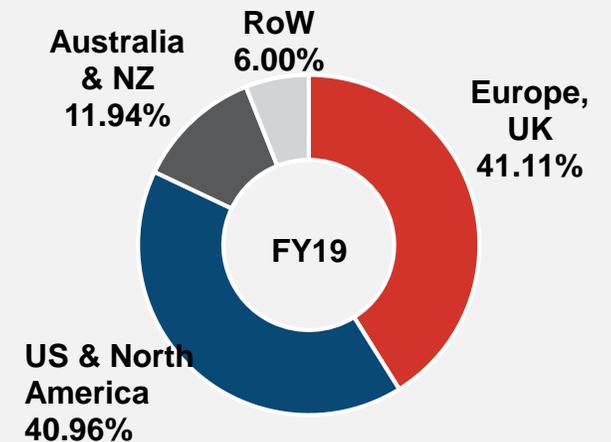


(FY19)

Revenue Mix



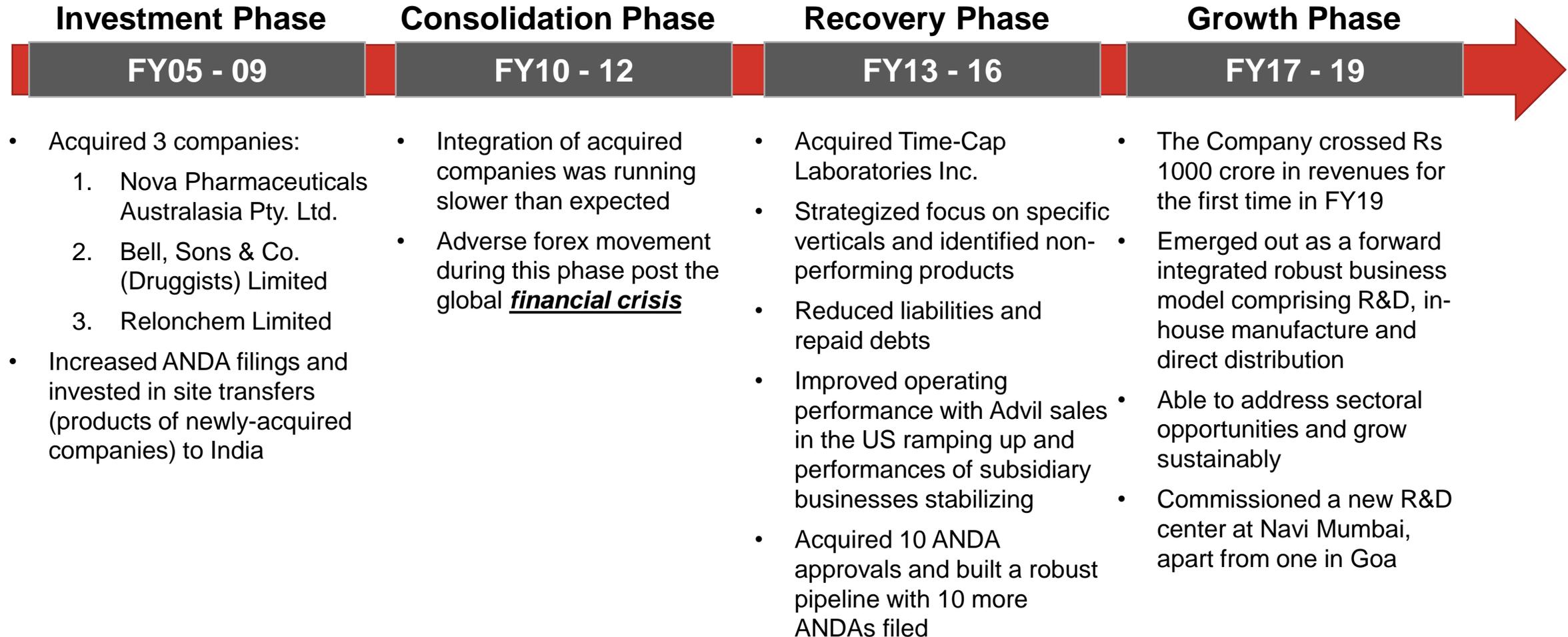
Geographic Mix



Marksans Pharma Evolution



Marksans Pharma Ltd.





Focus on Regulated Markets

- Marksans commenced business with CRAMS directed at the UK and Australian markets
- Entered the regulated Australian market with the acquisition of Nova in 2005
- Entered the regulated UK market with the acquisition of Bell Sons & Company Ltd. in 2007 and Relonchem Limited in 2008
- Entered the US market in 2011-12 and acquired Time-Cap Laboratories in 2015
- The Company now has a global presence across 25 countries



Forward integrated business model

- Marksans commenced operations as a formulations manufacturing enterprise
- The Company entered front-end marketing in regulated markets through acquisitions
- The Company was among a few Indian mid-sized companies with frontend marketing capabilities
- The Company invested in a state of- the-art R&D facility, strengthening integration



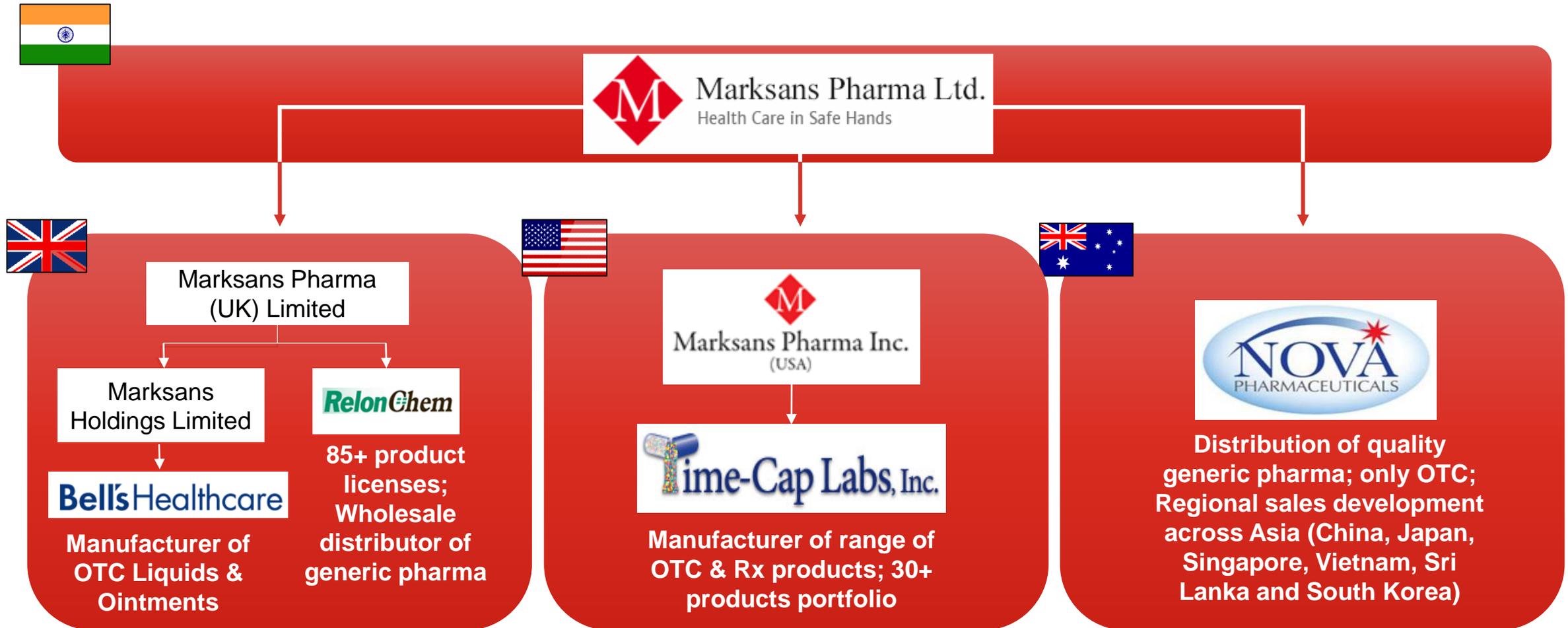
Wider product basket

- Marksans commenced its journey with products addressing the pain management segment
- The Company focused on high-growth areas impacted by lifestyle disorders
- The Company launched soft gelatin capsules, a niche category
- The Company now offers products across >10 therapeutic segments

Company structure



Marksans Pharma Ltd.



Manufacturing capabilities



Marksans Pharma Ltd.

Goa, India



- Manufactures oral solid tablets and soft gelatin capsules
- One of the biggest manufacturing facility in Asia having 18,000 square mtr campus

Capacity

- 2.4 bn softgel and hard gelatin capsules per annum
- 5 bn tablets per annum

Accreditations



Southport, UK



- Manufactures non-sterile liquids, ointments and powder products
- Supplies to UK, West Africa & Middle East

Capacity

- 13.6 mn bottles per annum
- 7.8 mn tubes per annum
- 5.7 mn sachets per annum

Accreditations



Farmingdale, USA



- Manufactures soft gels, tablets and capsules
- Spread across an area of 7000 sq. m
- "Made in the USA" product offering

Capacity

- 6 bn tablets and hard capsules per annum

Accreditations





Marksans Pharma Ltd.



Long-term strategy

Strategic focus on regulated markets



Marksans Pharma Ltd.

Marksans Pharma generates ~95% of its revenues from regulated markets



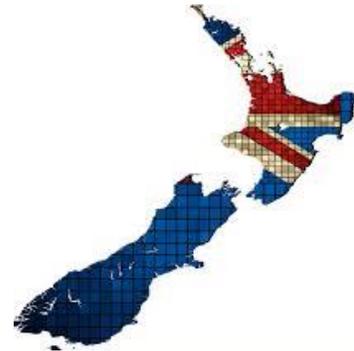
USA



UK



Australia



New Zealand

- Marksans Pharma entered strategic tie-ups and acquired key players in major markets to expand its global footprint
- Company can generate higher margins by eliminating third parties from the value chain
- Currently, the company markets products in 25+ countries with **the UK and the US being the largest**
- Other prominent markets include Australia, New Zealand, Canada and several other European countries
- These markets are empowered with regulatory approvals which allows the company to sell its products without restrictions
- Marksans is among a handful of Indian players with a proprietary marketing presence in the world's largest pharma market such as US, UK and Australia
- The Company expects to expand in the regulated markets through integrated product development, cGMP compliance, regulatory compliance and utilization of latest technologies

Niche formulations with few competitors



Marksans Pharma Ltd.

Marksans Pharma is currently one of the most active Indian firms focused in Softgel segment



- **Differentiated offerings:** Focused on softgel capsules with a view to build a differentiated set of offerings in the crowded generics market
- **Limited competition** - Given the challenges in preparing Softgel formulations plus other economic, technical and patent constraints there are not many players in this segment
- **High barriers to entry** – High capex requirements and operational costs further restrict entry
- **Selectively targeted larger markets:** Marksans has filed softgel products in all major markets including USA, UK, Europe, Canada, Australia & Russia. Of this, US alone is potentially a USD9 billion market
- **New approvals:** 6 new approvals are awaited in US
- **Manufacturing capabilities with regulatory approvals:** Marksans' Goa facility has a capacity to turn out 2.4 billion softgel capsules per annum, and has all the necessary approvals by USFDA, UKMHRA, TGA & other key regulatory authorities

Forward integrated business model



Marksans Pharma Ltd.





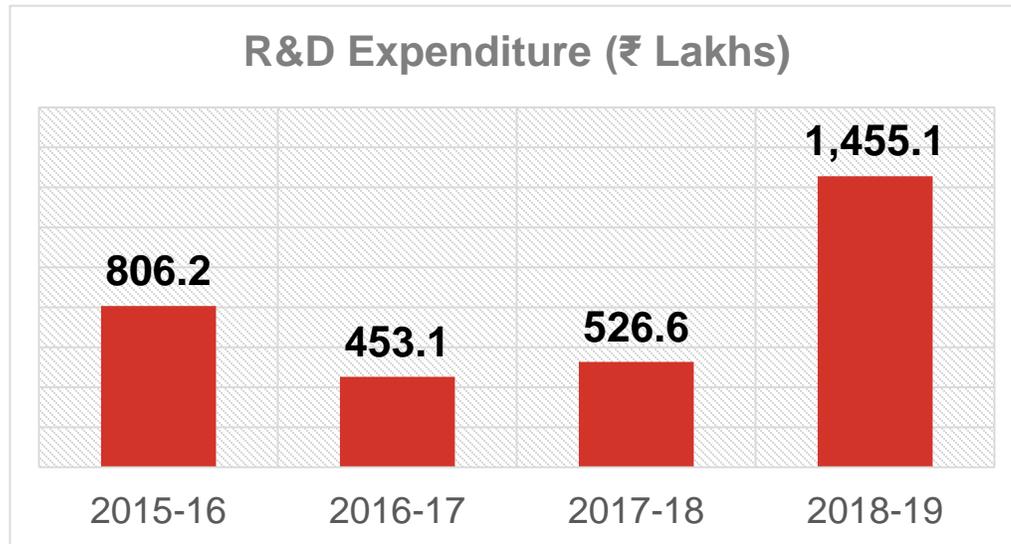
Research & development

R&D continues to be the backbone of the Marksans



Marksans Pharma Ltd.

In FY19, total R&D expenditure as a percentage of total standalone revenue was 3.37 %



R&D activities comprises of:

- **Developing** generic products and pharmaceutical formulations
- **Identifying niche areas** (such as cardiovascular diseases, diabetes and neuroscience) for product development
- **Post-patent filing** for regulated and emerging markets
- **Collaborating with partners** in developing drugs going off-patent

KEY HIGHLIGHTS

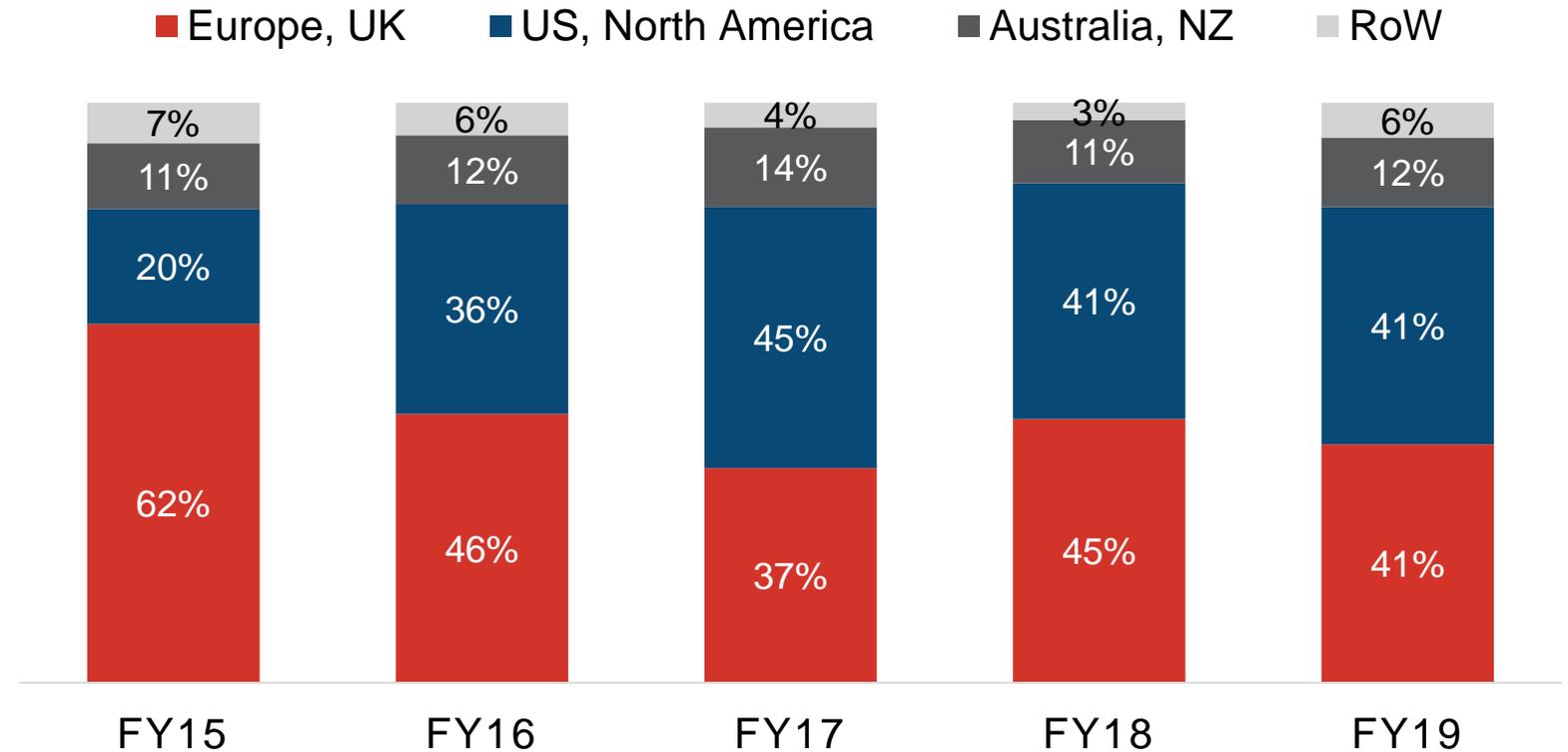
- In FY18, Marksans commissioned a new R&D center at Navi Mumbai, apart from one in Goa to foray into new segments, respond to globally unmet therapeutic needs, enhance the Company's opportunity responsiveness and to file a larger number of ANDAs
- Team of over **50 experienced scientists** specializing in new drug delivery systems, formulation development and analytical development
- The company continues to maintain regulatory certifications with MHRA, TGA and USFDA, based on recent inspections
- **Marksans's ability to formulate and market a drug in the shortest possible lead time has given the business a critical competitive advantage**



Segmental revenue composition

The US, North America has increased its share in revenue over the past years

REVENUE MIX



Company's business is classified under 4 heads:

- North America/ US generics
- Europe/UK generics
- Australia and New Zealand
- Rest of the world (RoW) generics (CIS, Middle Eastern, African and South-East Asian countries)

The UK is the highest contributor to Marksans Pharma's revenues



Marksans Pharma Ltd.

The UK

413.0

Total revenues
(₹ Cr.)

(0.52)%
Y-o-y growth

41.10%
Contribution to
total revenues

Overview of the market

- The UK pharmaceutical market is estimated to grow from ~USD 29 billion in 2015 to ~USD 43 billion by 2020, at a CAGR of 8.4%, driven primarily by a robust life sciences industry

Company presence

- One of the top 5 Indian pharma companies in the UK
- UK business is driven by its two subsidiaries, Relonchem and Bell
- Bell has a strong OTC portfolio with 50+ products
- Relonchem's portfolio comprises high-end Rx portfolio of 100+ products

Outlook

- Company has 50+ products in the pipeline in different stages to cater UK market
- Company is awaiting approval for ~20 MAs in the UK market

Marksans is among a few Indian players with a proprietary marketing presence in the US



Marksans Pharma Ltd.

**The
United
States**

411.5

Total revenues
(₹ Cr.)

10.76%

Y-o-y growth

40.96%

Contribution to
total revenues

Overview of the market

- The US holds over 30-40% of the global pharmaceutical market. It is expected to reach USD 190.4 billion by 2024, at a projected CAGR of 10.6% during 2019-2024, due to favoring government programs and policies

Company presence

- In June 2015, Marksans acquired Time-Cap Labs which enabled Marksans to expand its offering in US market
- 30+ products, positioned in the niche soft gel category
- Proprietary marketing presence with 100% integration of Time-Cap Laboratories
- Strong distribution channel marketing for both OTC and Rx products

Outlook

- Strengthen company's US operations in the coming years
- Add 4-5 new products to its portfolio during the year under review

Australia and NZ region registered highest growth among regulated markets in FY19



Marksans Pharma Ltd.

**Australia
and New
Zealand**

119.9

Total Revenues
(₹ Cr.)

21.05%

Y-o-y growth

11.94%

Contribution to
total revenues

Overview of the market

- Australia's pharmaceutical market is set to rise from >\$22.85 billion in 2016 to \$25.2 billion by 2020 registering a CAGR of 2%

Company presence

- Marksans carries out business operations in Australia and New Zealand through its subsidiary Nova Pharmaceuticals
- Nova is one of the leading generics and private label suppliers in Australia
- Tie-ups with topmost retailers & pharmacies in Australia, like Woolworths Ltd., Coles Mayer Ltd., Aldis, Metcash and Fauldings
- Presence in key therapeutic areas

Outlook

- Australia and New Zealand will continue to remain focus markets for the Company

After harnessing the regulated markets, Marksans is venturing out in the emerging countries



Marksans Pharma Ltd.

**Rest of
the world**

60.3

Total Revenues
(₹ Cr.)

70.03%

Y-o-y growth

6.00%

Contribution to
total revenues

Overview of the markets

- ROW includes markets of South East Asia, MENA, Russian Federation & Africa

Company presence

- Targeting four major clusters such as South East Asia, Russia and the CIS, Middle East and Africa
- In these four clusters, specific countries like Iraq, Kenya, Ukraine, Sri Lanka and Myanmar are targeted
- Started filing for approvals in these countries

Outlook

- Company is strengthening its presence in the target markets and expects to generate 10% of the Company's revenue by FY22

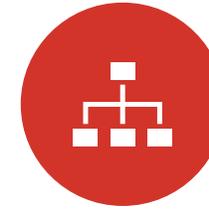


Investment Rationale

Investment Rationale



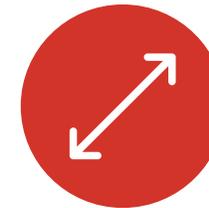
Company is widening its products portfolio in the complex and high-margin generics segment



The US, the UK and Australia are the key Marksans' markets with all of them being now empowered with all regulatory approvals



Marksans is among a handful of Indian players with a proprietary marketing presence in the US which is world's largest pharma market



Marksans is among a few mid and small-sized pharma companies to have created an integrated business model by engaging R&D team in creating and filing dossiers across major markets



The new state-of-the-art R&D center in Navi Mumbai (Nerul) is focused on formulations and novel drug delivery systems



Company has repaid long-term loans, deleveraged the Balance Sheet and reinvested the surplus in R&D, capacity creation and brownfield expansion



Marksans Pharma Ltd.



Marksans Pharma Ltd.

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