



Marksans Pharma Ltd.

Investor Presentation

Q2 & H1FY21

6th November 2020

BSE: 524404 | NSE: MARKSANS | ISIN: INE750C01026

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Marksans Pharma Ltd.

Safe Harbor

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 company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research and development; competitive developments; regulatory actions; the extent and duration of the effects of the COVID-19 pandemic; litigation and investigations; business development transactions; economic conditions; and changes in laws and regulations, including health care reform. The company undertakes no duty to update forward-looking statements except as required by applicable law.

Q2FY21 Highlights



Marksans Pharma Ltd.

36.3%
(YoY)



Revenue

109.5%
(YoY)



EBITDA



Mark Saldanha

Managing Director And CEO



95.4%
(YoY)

PAT

Cash



154.4
₹ crore

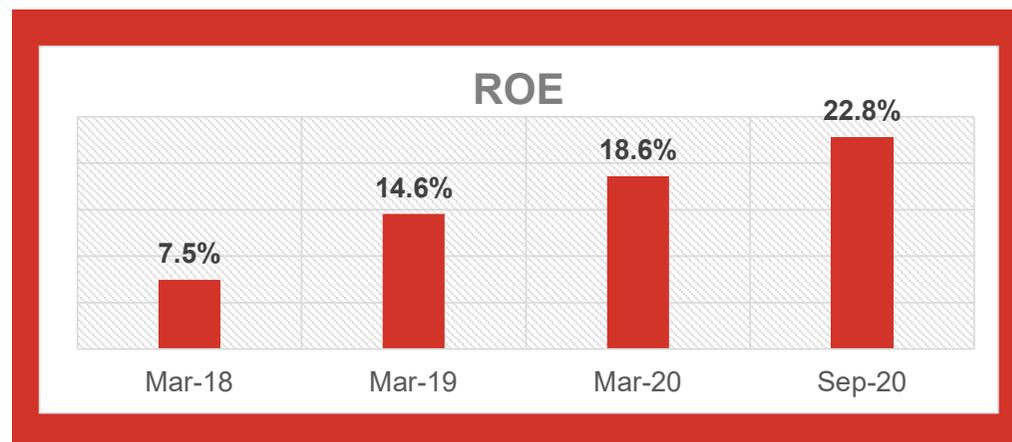
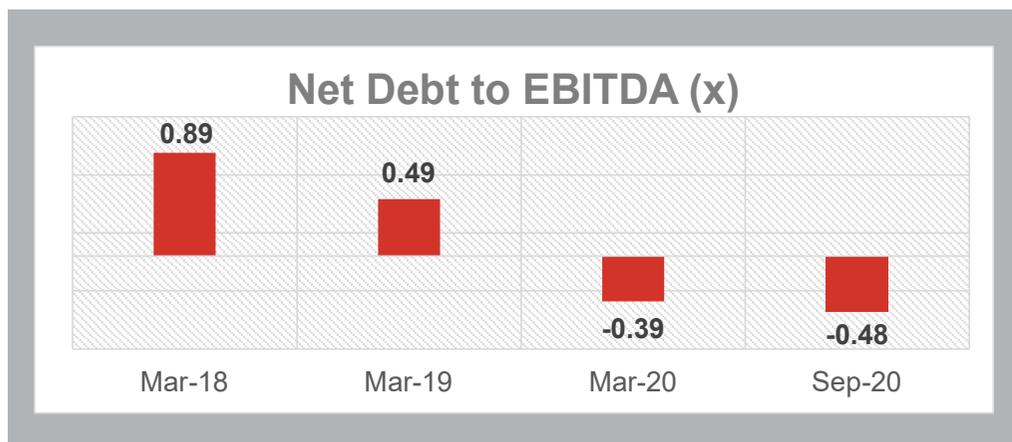
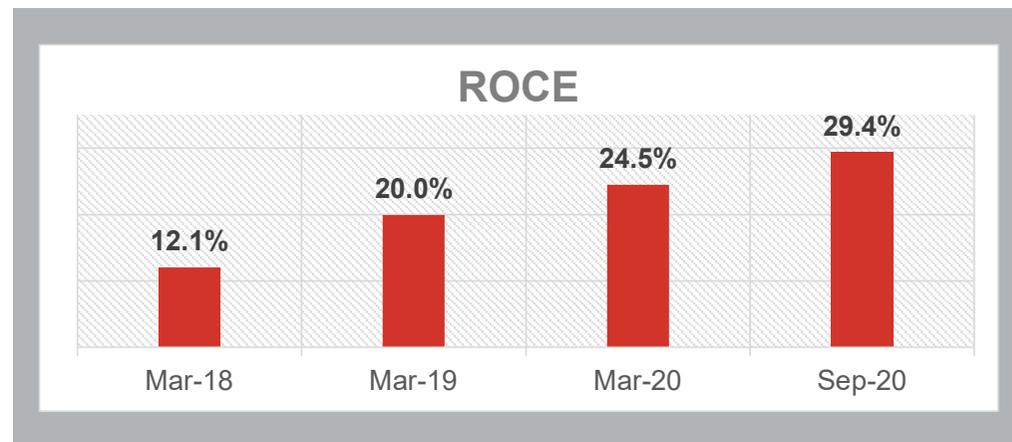
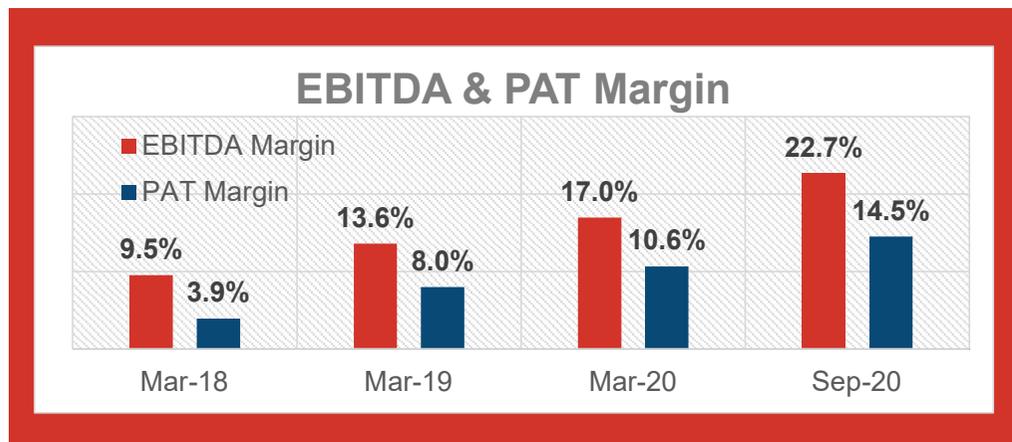
As on 'Sep-20

“The Company turned in another quarter of exemplary performance and this was evidenced by a 36% revenue growth and a record EBITDA of Rs. 86.8 crore. I feel all the more delighted as it came in the background of the pandemic and was only achieved through the unflinching efforts of our employees along with support from all out stakeholders. We continue to remain cautiously optimistic of continuing the momentum in the future.”

Operational Excellence leading to positive margin & return ratios



Marksans Pharma Ltd.



Ratios calculated using standardized financial formula

Agenda

- Q2 & H1 FY21 Performance Review
- Operational review and financials
- Company at a glance
- Long-term strategy
- Research & development
- Segmental revenue composition
- Investment rationale



Q2 & H1 FY21 Performance Review

Growth in Profitability



Marksans Pharma Ltd.

In Rs. Cr.	Q2FY21	Q2FY20	YoY Growth (%)	H1FY21	H1FY20	YoY Growth (%)
Total Revenue	360.1	264.3	36.3%	691.5	511.5	35.2%
EBITDA	86.8	41.4	109.5%	157.0	76.0	106.5%
EBITDA Margin%	24.1%	15.7%	843 bps	22.7%	14.9%	784 bps
PAT	50.7	26.0	95.4%	100.1	48.5	106.6%
PAT Margin%	14.1%	9.8%	426 bps	14.5%	9.5%	500 bps

Key Highlights

- Overall business grew by 36.3% in Q2FY21 as compared to Q2FY20
 - Strong growth posted in developed markets
- EBITDA was Rs. 86.8 cr. as compared to Rs. 41.4 Cr. in Q2FY21, an increase of 109.5%
- PAT stood at Rs. 50.7 cr. as compared to Rs. 26.0 cr. in Q2FY20, a growth of 95.4%

Source – Company Data

Financials



Marksans Pharma Ltd.

CONSOLIDATED (₹ Cr.)	Q2'21	Q1'21	Q2'20	H1FY'21	H1FY'20
Total Revenue	360.1	331.3	264.3	691.5	511.5
Material Consumption	163.7	139.6	132.6	303.3	256.9
Gross Profit	192.8	191.6	123.7	384.4	244.5
<i>Gross Margin %</i>	54.1%	57.9%	48.3%	55.9%	48.8%
Operating Expenses	109.6	121.6	90.2	231.2	178.5
EBITDA	86.8	70.2	41.4	157.0	76.0
<i>EBITDA Margin %</i>	24.1%	21.2%	15.7%	22.7%	14.9%
Finance Cost	1.9	1.6	2.8	3.5	5.1
Depreciation and amortization	19.0	7.2	5.0	26.2	9.7
Earnings Before Tax	65.9	61.4	33.7	127.3	61.3
Taxes	15.2	12.0	7.7	27.2	12.8
Earnings After Tax	50.7	49.4	26.0	100.1	48.5
<i>PAT Margin %</i>	14.1%	14.9%	9.8%	14.5%	9.5%

*Gross Profit & Gross Margin is calculated using revenue from operation

Source – Company Data

Business Review



Marksans Pharma Ltd.

In Rs. Cr.	H1FY21	H1FY20	YoY Growth (%)	Mix (H1FY21) %
Europe, UK – Formulations	286.0	225.2	27.0%	41.4%
US & North America – Formulations	302.5	203.4	48.7%	43.7%
Australia & NZ – Formulations	69.4	61.9	12.1%	10.0%
Rest of World (ROW)	33.6	21.0	60.4%	4.9%
Consolidated Revenue from operations	691.5	511.5	35.2%	100.0%

Key Highlights

Almost 95% of company's total revenue came from regulated markets of US, Europe, Australia and New Zealand

- Formulation business from Europe, UK was Rs. 286.0 cr. this fiscal as compared to Rs. 225.2 cr. achieved during same period last year registering a growth of 27.0%
- US & North America reported growth of 48.7% to Rs 302.5 cr. in H1FY21
- Australia & NZ revenue was at Rs. 69.4 cr. in H1FY21, registering growth of 12.1% YoY

Source – Company Data

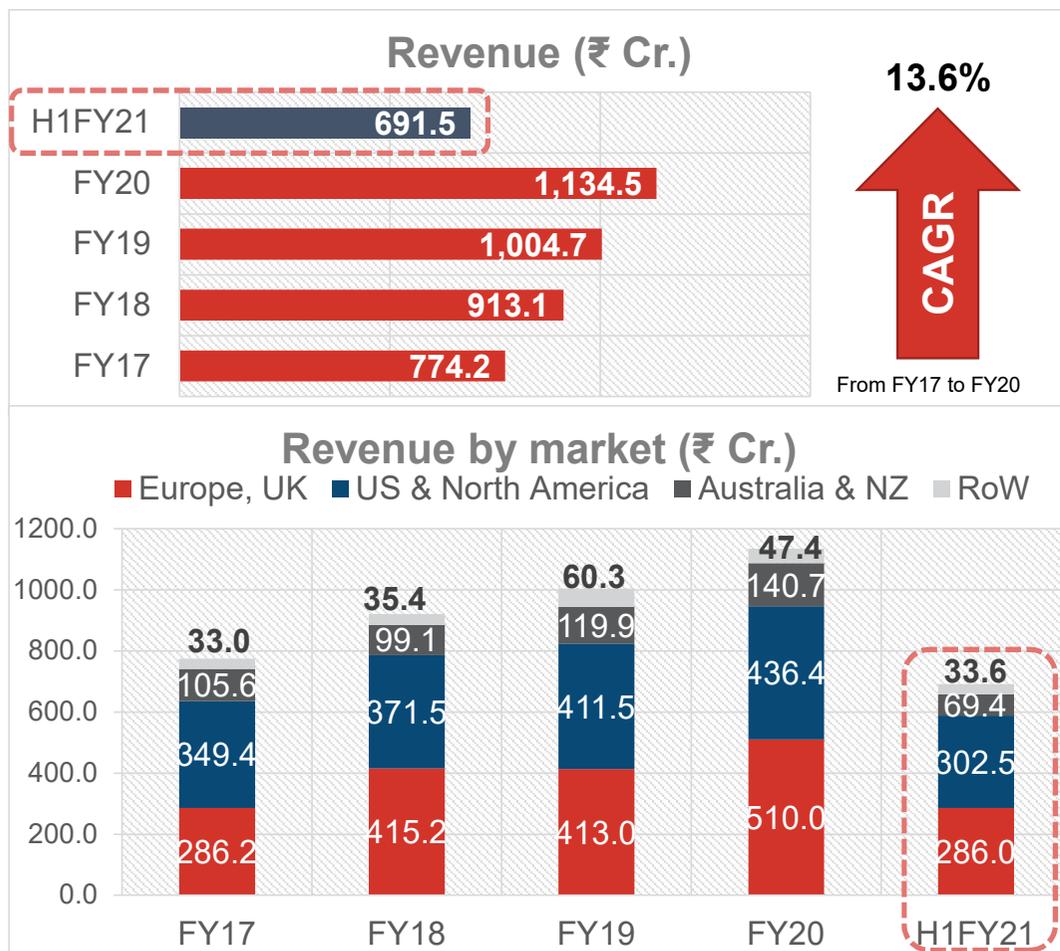


Operational review and financials

Consolidated Revenue up 35.2% in H1FY21 led by Strong Growth in all Geographies



Marksans Pharma Ltd.



Topline driven by key geographies

- The revenue growth in H1FY21 was driven by increasing market share in all the key geographies

US Region:

- Revenue from the US market grew 48.7% over H1FY20, contributing to ~41% of the total revenues

UK & EU:

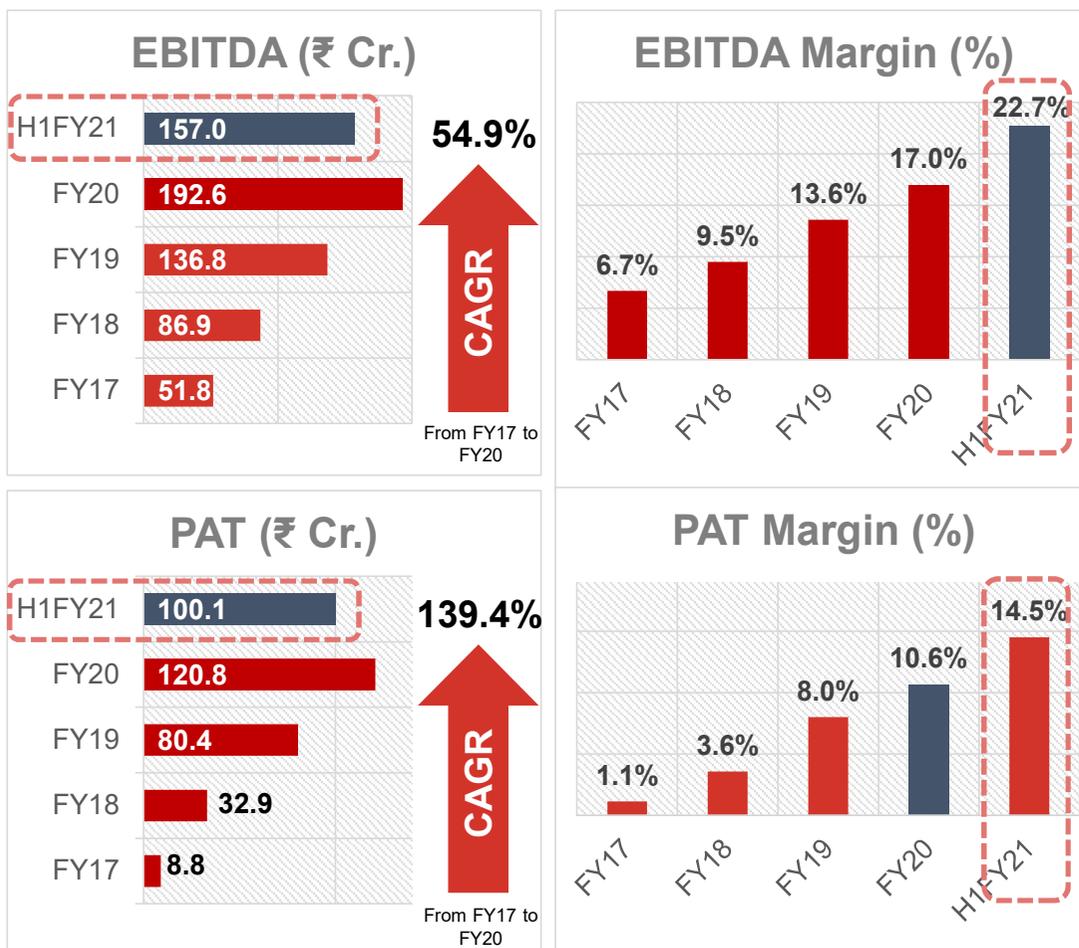
- Strong product pipeline followed by successful launches every quarter
- In Europe, UK, company targets focused segments where competition is low
- There is a consistency in the top line generation and will be followed by existing pipeline and future launches

Source – Company Data

EBITDA Margin Increased by 784 bps during H1 FY21 – Strong Growth Expected in FY 21



Marksans Pharma Ltd.



Steady growth in the profitability

- Gross margin improved from 48.8% during H1FY20 to 55.9% in H1FY21 due to better product mix in US, UK and Europe
- H1FY21 had a 784bps increase in EBITDA margin compared to H1FY20. This was the result of enriching product basket with superior products and higher improved operating efficiency across the business
- PAT margins for H1FY21 was at 14.5%.

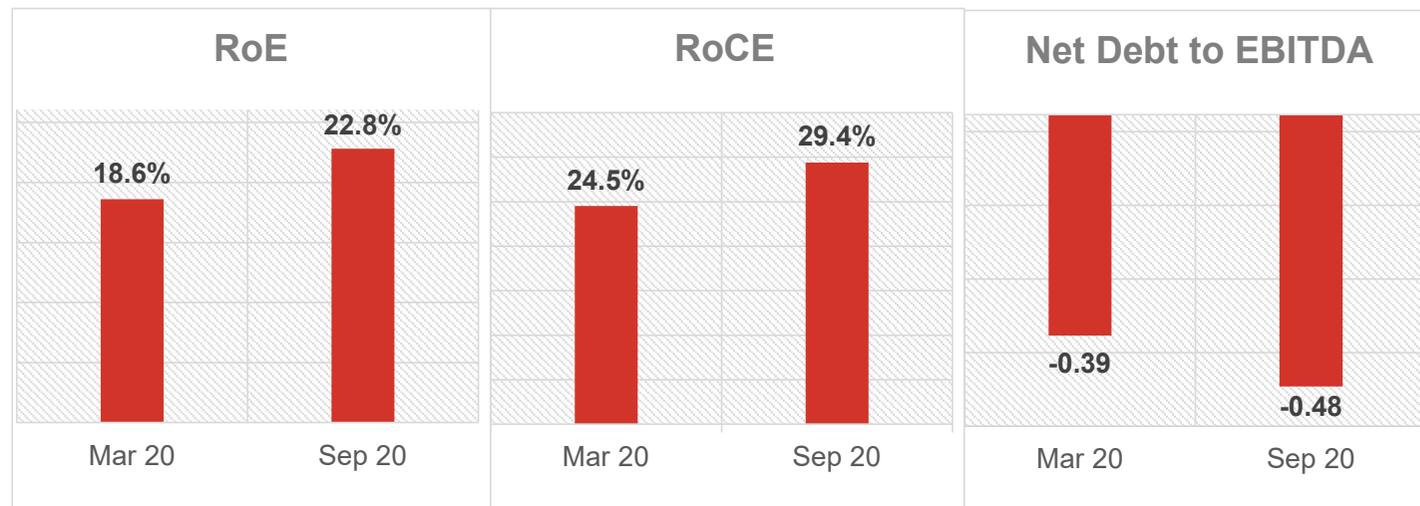
Source – Annual Report

Balance Sheet Trends (Sep 20 vs Mar 20)



Marksans Pharma Ltd.

Particulars (₹ Cr.)	Sep-20	Mar-20
Net Worth	738.4	636.0
Capital Employed	783.1	677.2
Net debt	-132.5	-74.9
Cash & Bank Balance	154.4	93.7
Inventories	277.0	241.8
WC Cycle	132	119
Asset Turnover	1.4x	1.3x



Ratios calculated using standardized financial formula

Highlights

- The Company's cash balance as on September 2020 is ₹154.4 cr
- Strong ROCE of 29.4%
- Net debt to EBITDA as on September 2020 is -0.48 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 formulations
- Key focus areas lie in 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



- 95% of revenues comes from regulated markets

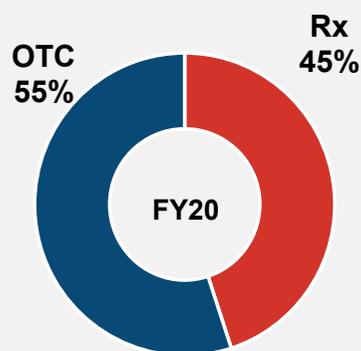


- Forward-integrated business model

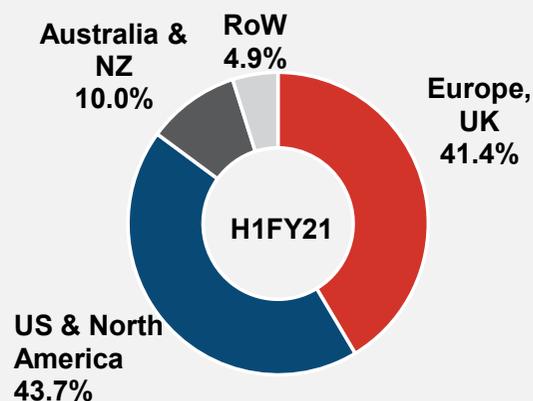


- Presence in niche softgel segment

Revenue Mix

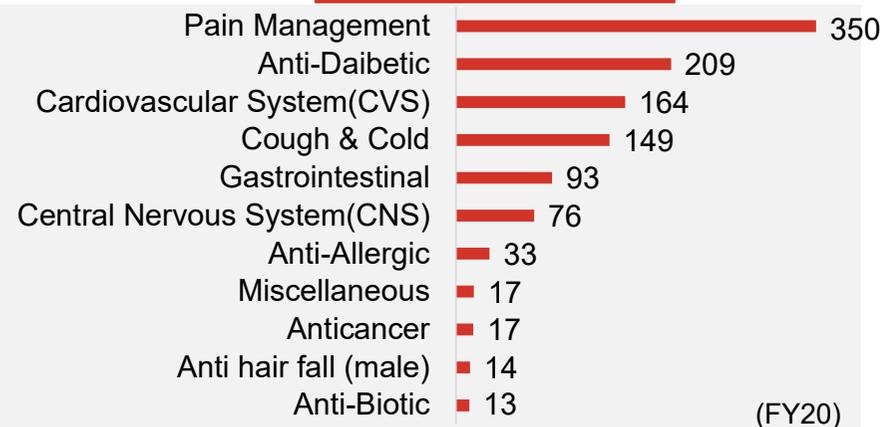


Geographic Mix



Product Portfolio

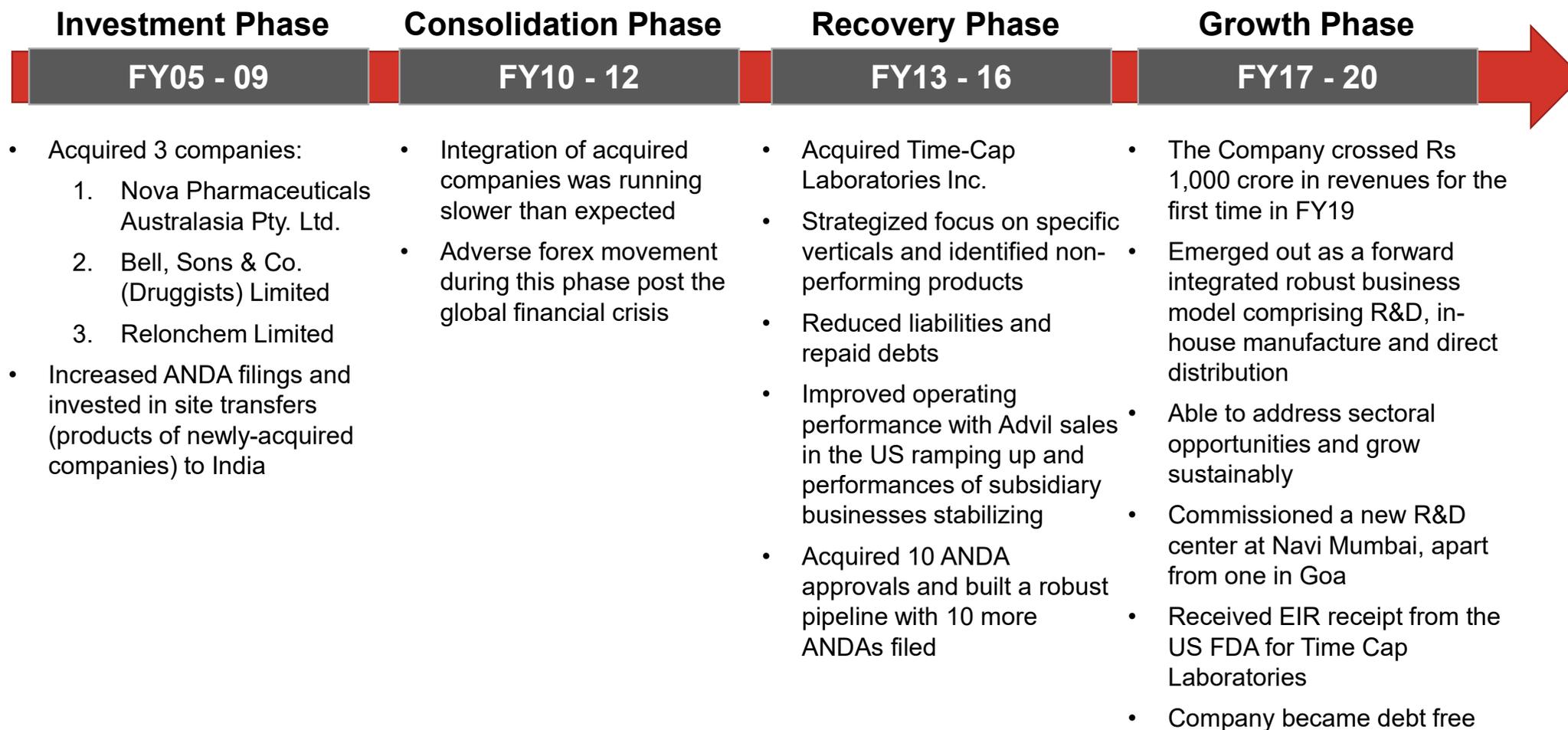
Rs. Cr.



Marksans Pharma Evolution



Marksans Pharma Ltd.



Business Model



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

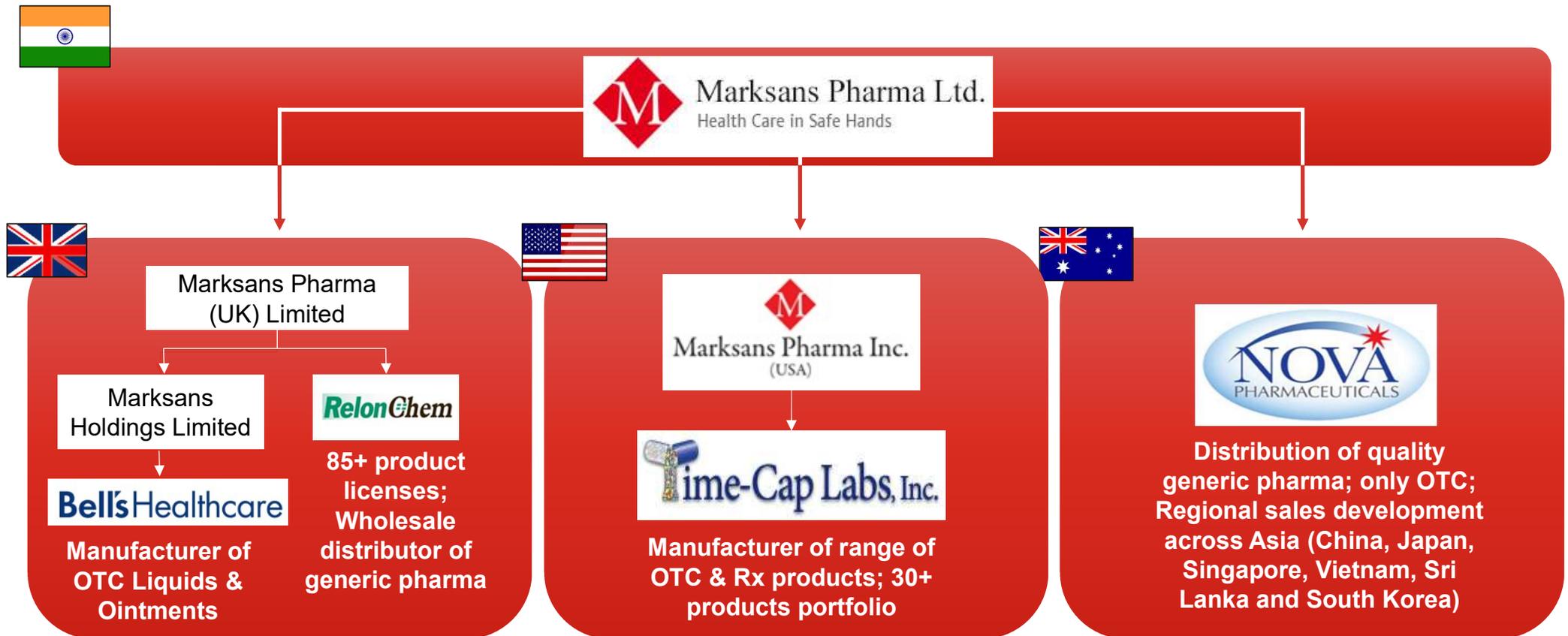
- Marksans commenced operations as a formulations manufacturing enterprise
- The Company entered front-end marketing in regulated markets through acquisitions
- The Company was among a few Indian mid-sized companies with frontend marketing capabilities
- The Company invested in a state of- the-art R&D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



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
- 6 bn tablets per annum

Accreditations



Southport, UK



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

Capacity

- 2 bn bottles per annum
- 1 bn tubes per annum
- 1 bn 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





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 into 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 50+ 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

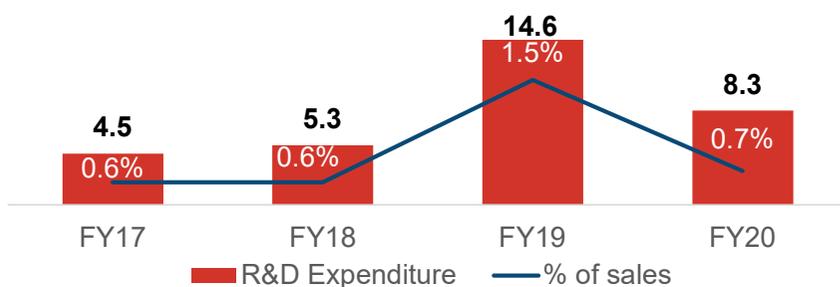
R&D and Product Launches Highlights



Marksans Pharma Ltd.

Continued focus on R&D investments leading to a robust pipeline of new developed & pipeline products

R&D Expenditure (₹ Crores)



4
R&D Centers

50
Scientists

40+
Products in Pipeline

350+
Dossiers filed

300
Approved ANDAs / MAs

25+
Filed ANDAs / MAs

Recent key product launches

Brand	Composition	Therapy Segment	Market
ADALAT	Nifedipine SGC – 5mg, 10mg	Cardiovascular	UK
PROPECIA	Finasteride Tablet – 1mg	Hair Loss	UK
LAMICTAL	Lamotrigine – 100mg	Central Nervous System	UK
RISPERDAL	Risperidone	Central Nervous System	UK
KEPPRA	Levetiracetam – 750mg, 1000mg	Central Nervous System	UK
ZOLOFT	Sertraline – 100mg	Central Nervous System	UK
ADVIL MINI	Ibuprofen(Min) SGC – 200mg	Pain Management	UK
PANADOL RAPID	Paracetamol (Rapid) 650mg	Pain Management	Australia
MUCINEX	Mucinex Fast / Sinus Max	Cough & Cold	UK
VICKS DQ/NQ	Day quil / Nightquil SGC	Cough & Cold	UK
ALKASELTZER	Alka Seltzer Plus	Gastrointestinal	UK

- Plans to enhance portfolio with addition of 12-13 products every year

- Focus is on developing soft gels and different delivery system like extended release, liquid, OTC products and ointments



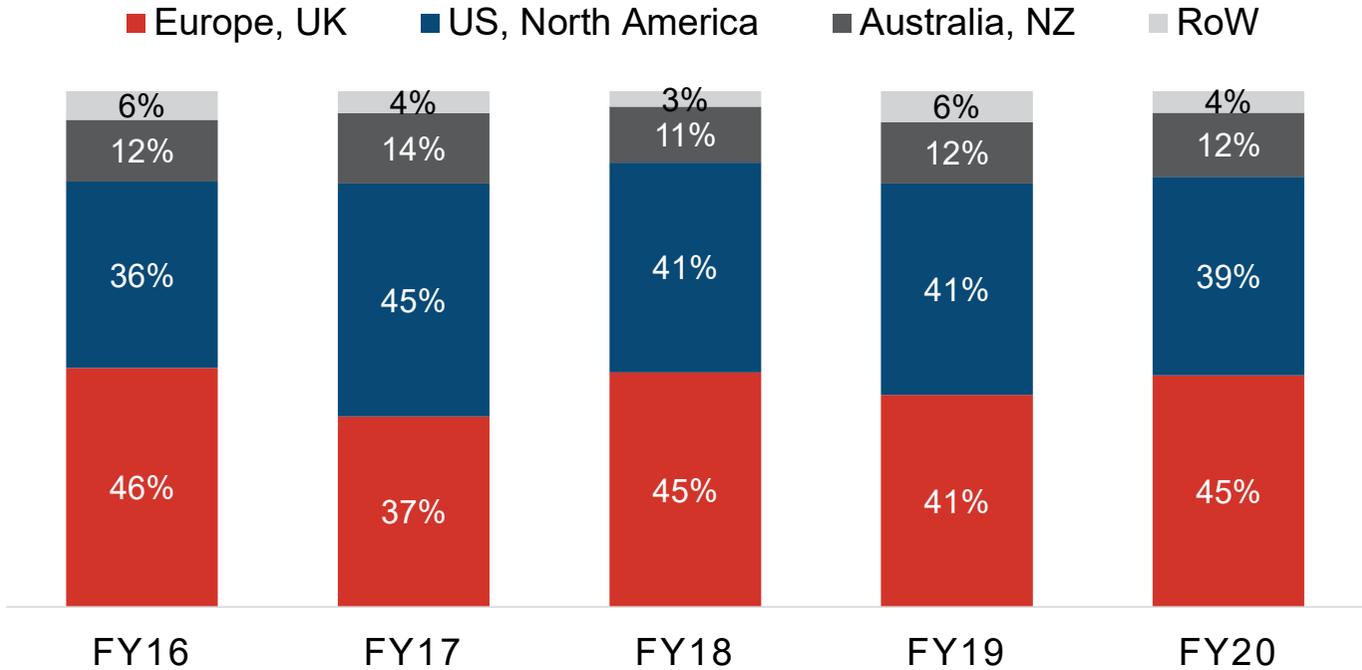
Segmental revenue composition

Global Reach Enables Reduction in Country Risk

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)

REVENUE MIX



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



Marksans Pharma Ltd.

The UK

510.0

Total revenues
(₹ Cr.)

23.5%

Y-o-y growth

45.0%

Contribution to
total revenues

Overview of the market

- The UK & EU pharmaceutical market is estimated to grow from ~USD 468 billion in 2016 to ~USD 585 billion by 2030, at a CAGR of 1.6%, 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 150+ 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 to UK market
- Company is awaiting approval for ~20 MAs in the UK market

FY20 financials

* Source: Cefic.org

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



Marksans Pharma Ltd.

**The
United
States**

436.4

Total revenues
(₹ Cr.)

6.1%

Y-o-y growth

38.5%

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 favorable 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

FY20 financials

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Australia and NZ region continue to deliver high teens growth in FY20



Marksans Pharma Ltd.

**Australia
and New
Zealand**

140.7

Total Revenues
(₹ Cr.)

17.3%

Y-o-y growth

12.4%

Contribution to
total revenues

Overview of the market

- Australia's pharmaceutical market is set to rise from \$30.5 billion in 2018 to US\$ 40.1 billion by 2024 registering a CAGR of 5.1%*

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

FY20 financials

*Source: IBIS 2018

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

Rest of
the world

47.4

Total Revenues
(₹ Cr.)

-21.3%

Y-o-y growth

4.2%

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

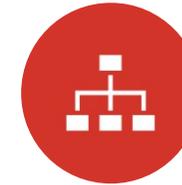


Investment Rationale

Investment Rationale



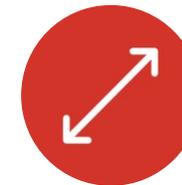
Company is widening its products portfolio in the complex and high-margin generics segment



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.



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