



Marksans Pharma Ltd.  
Health Care in Safe Hands

# Marksans Pharma Limited

*Corporate Presentation*

*October 2014*

# An Overview

---

## Background

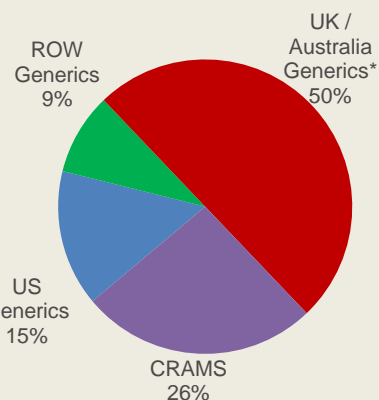
- ❖ Marksans Pharma Limited (“Marksans” or “the Company”) promoted by Mr. Mark Saldanha is manufacturer of generic pharmaceuticals across regulated markets – soft gelatin capsules & tablets in niche segments
  - Also undertakes Formulation CRAMS
- ❖ Export oriented business (exports contribute more than 99% of revenues) with a focus on regulated markets
- ❖ Supplies its products to 25+ countries globally with UK followed by US being its largest markets
- ❖ USFDA<sup>1</sup>, UKMHRA<sup>2</sup> & TGA<sup>3</sup> accredited manufacturing facility for oral solids and soft gelatin capsules in Goa, India
  - UKMHRA approved manufacturing facility for Liquids/Ointments/ Sachets at South Port, UK
- ❖ The business is classified under 4 heads: US Generics, UK / Australia Generics (Relonchem & Bells in UK and Nova in Australasia), CRAMS<sup>4</sup> (external as well as for own subsidiaries) and ROW<sup>5</sup> Generics (CIS<sup>6</sup> & South East Asia are key regions)

## Revenue Split by Therapeutic Segment

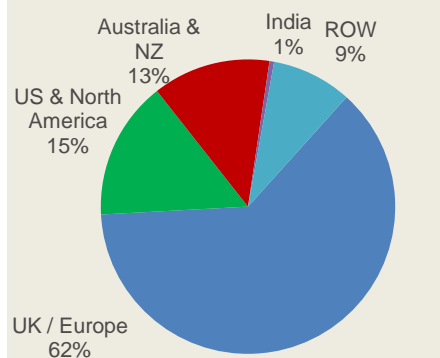
Therapeutic Segments	FY14 (in INR mn)	In %
Pain Management	2,056.6	32.6%
Cough & Cold	1,135.7	18.0%
Anti-Diabetic	848.4	13.5%
Cardiovascular System (CVS)	642.7	10.2%
Central Nervous System(CNS)	411.1	6.5%
Anti-Biotic	389.5	6.2%
Gastrointestinal	301.9	4.8%
Anti-Allergic	174.2	2.8%
Oncology	43.0	0.7%
Miscellaneous	296.8	4.7%
<b>Consolidated Revenue from operations</b>	<b>6,299.9</b>	<b>100.0%</b>
OTC	3,192.4	50.7%
Rx	3,107.5	49.3%
<b>Consolidated Revenue from operations</b>	<b>6,299.9</b>	<b>100.0%</b>

## Revenue Mix (as on FY14)

Revenue Mix by Business Vertical



Geographic Mix



\*UK Subsidiaries contribute 41.5% & Australian Subsidiary contributes 8.5% to consolidated revenue

## Shareholding Pattern

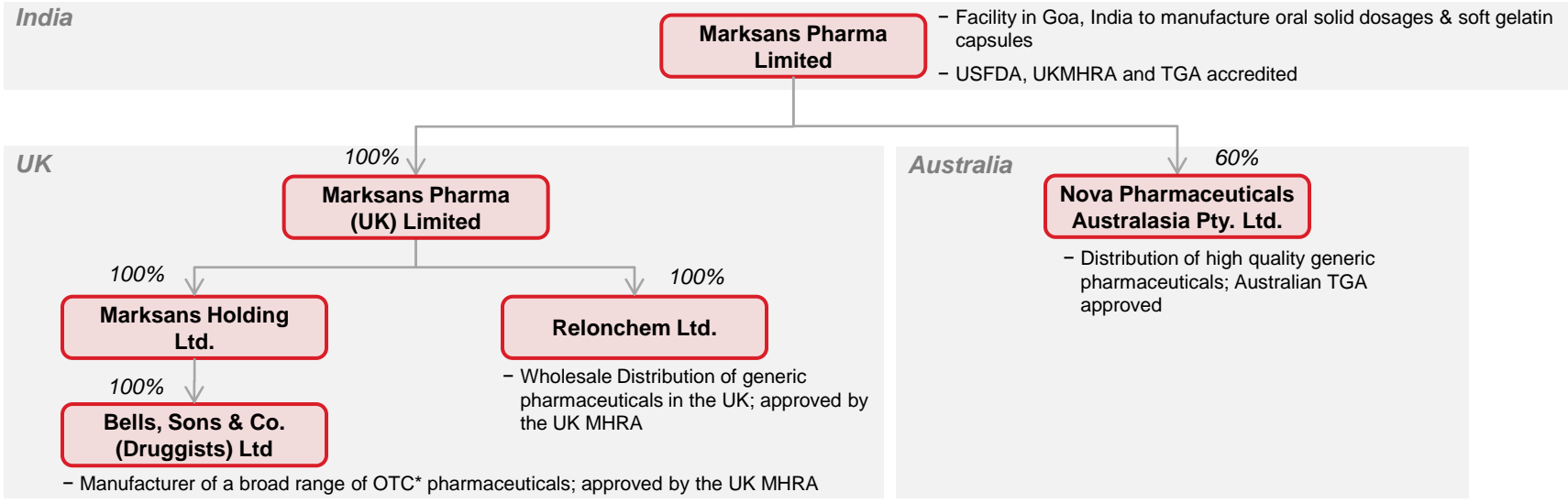
Particulars	Quarter ended 30-June-14 (%)	Quarter ended 30-Sept-14 (%)
Promoter	51.26%	51.26%
DII's	0.15%	0.27%
FII's	0.25%	7.31%
Non Institutions**	48.34%	41.16%

\*Non Institutions includes individuals, Bodies Corporate, NRI's, Clearing Members, Trusts, etc.

Note:

1. USFDA – US Food & Drug Administration
2. UKMHRA – UK Medicines and Healthcare products Regulatory Agency
3. TGA – Therapeutic Goods Administration
4. CRAMS – Contract Research & Manufacturing Services
5. ROW – Rest of the World
6. CIS – Commonwealth of Independent States

# Corporate Structure & Key Business Verticals



\*Includes Liquids, Ointments, Powders, etc.

## Marksans Pharma – Key Business Verticals

US Generics	UK/Australia Generics**	ROW Generics	CRAMS
<ul style="list-style-type: none"> <li>❖ <b>Softgel:</b> Major Indian player in the niche softgel segment                             <ul style="list-style-type: none"> <li>- 1 ANDA approval</li> <li>- FY14 revenue of INR 600 mn</li> </ul> </li> <li>❖ <b>Non-Softgel:</b> Includes tablets &amp; orals                             <ul style="list-style-type: none"> <li>- 7 ANDA approvals</li> <li>- FY14 Revenue – INR 360 mn</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>Bells &amp; Sons (UK):</b> OTC product (liquids, ointments, powders, etc.) manufacturer</li> <li>❖ <b>Relonchem (UK):</b> Licensing &amp; marketing of generic products</li> <li>❖ <b>Nova (Australia):</b> Marketing &amp; R&amp;D of generic OTC products</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>Presence across all major markets:</b> Asia, Africa, S. America, CIS, Middle East</li> <li>❖ <b>Has several IP approvals and various products awaiting approval</b></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>Pure CRAMS:</b> Formulation Contracts for leading companies in the US and European markets</li> <li>❖ <b>Subsidiary CRAMS:</b> Undertakes formulations CRAMS for its own subsidiaries</li> </ul>
FY14 Revenue : INR 960 mn (15%) EBITDA: INR 307 mn (25%)	FY14 Revenue : INR 3,150 mn (50%) EBITDA: INR 327 mn (27%)	FY14 Revenue : INR 580 mn (9%) EBITDA: INR 120 mn (10%)	FY14 Revenue : INR 1,610 mn (26%) EBITDA: INR 458 mn (38%)

\*\*UK Subsidiaries contribute 41.5% & Australian Subsidiary contributes 8.5% to consolidated revenue

# History & Evolution of the Company

---

# The Company has had 4 Phases thus far in its Evolution...

## History – Early Days (FY04-06)

- ❖ Marksans is a result of a merger between Glenmark Laboratories Ltd. and TASC Pharma in March 2005 and hence became publicly listed on the NSE & BSE
- ❖ Subsequently, it changed its name to Marksans Pharma Limited in October 2005

## Business has rebounded from a trough

### Investment Phase (FY07-09)

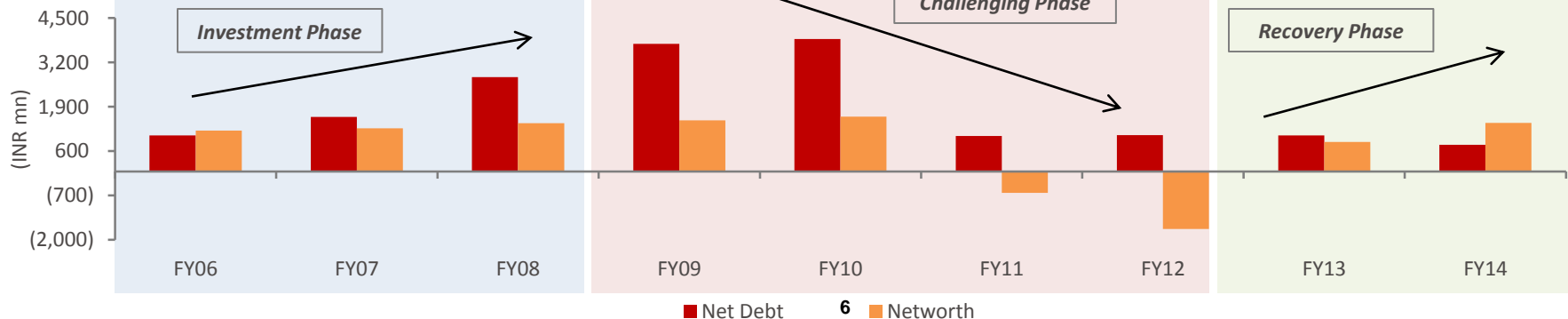
- ❖ Raised INR 2.25 bn (USD 50 mn) through FCCB's
- ❖ Acquired 3 companies (Nova, Australia; Bell's, UK; and Relonchem, UK)
- ❖ Increased its ANDA filing plans & also invested in product site transfers (of newly acquired companies) to India for multiple geographies

### Challenging Phase (FY10-12)

- ❖ Integration of acquired companies was running slower than expected
- ❖ Adverse forex movement during this phase post the financial crisis made it difficult to service debt repayment of FCCB holders
- ❖ Problem was compounded as several investors had exited the FCCB's at a steep discount during the global financial crisis in FY09
- ❖ Net worth got eroded due to losses & Company was referred to BIFR in the year 2011

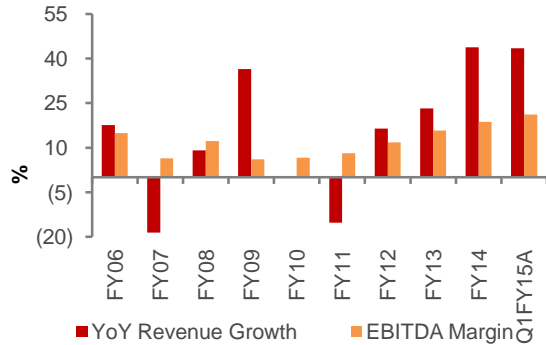
### Recovery Phase (FY13-15YTD)

- ❖ Decided to focus on specific verticals & identified nonperforming products
- ❖ Reduced liabilities & entered into settlement agreement with 99.88% of the FCCB's holders
- ❖ Exited BIFR in FY13 with reduced liabilities & an improving business outlook
- ❖ With Advil in US ramping up & subsidiary business stabilizing, operating performance improved significantly in FY14/Q1FY15
- ❖ Marksans has 8 ANDA approvals and a robust pipeline with 11 more ANDAs filed

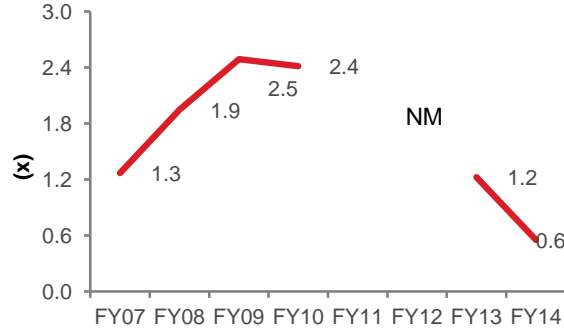


# ...with a visible improvement seen in the last 2 years

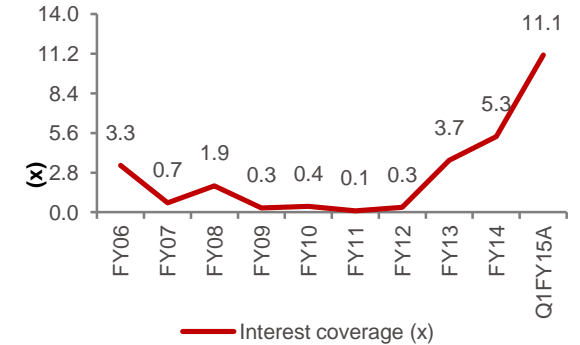
Margins & growth have rebounded in recent times...



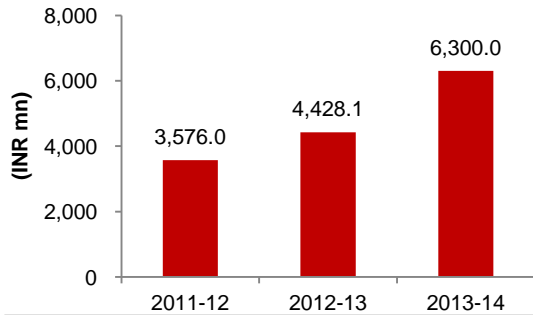
An earlier stretched balance sheet is now deleveraged with Debt/Equity dropping from a high of 2.5x to 0.6x



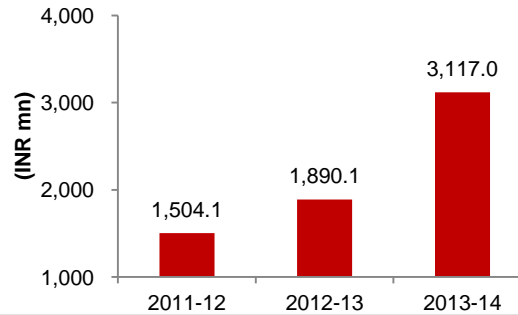
...translating into improved interest coverage



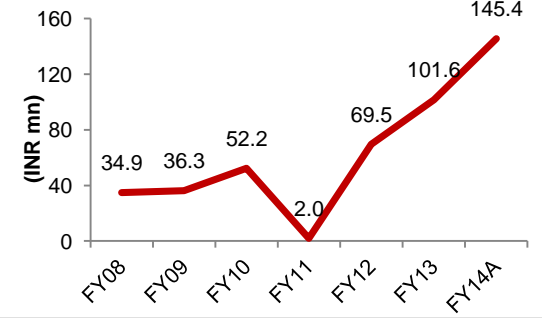
Consolidated Revenues have grown at a CAGR of 32.7% from FY12-14



Exports from the Goa plant have grown at a steady pace



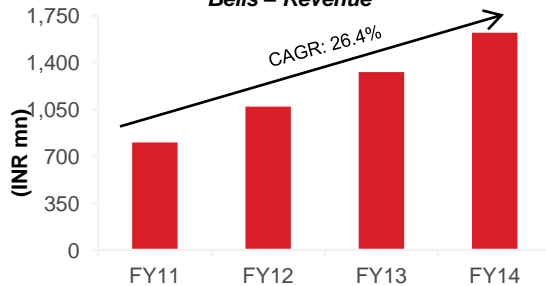
...Leading to improvement in Operating Cash Flows



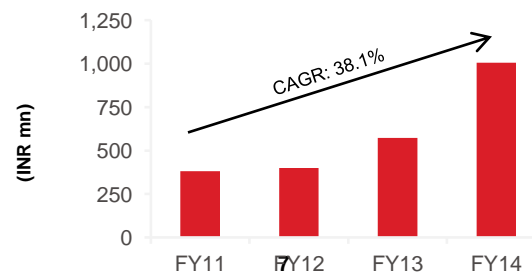
Note: Nos. above are on consolidated basis

Acquired businesses in the UK & Australia have stabilized & started performing

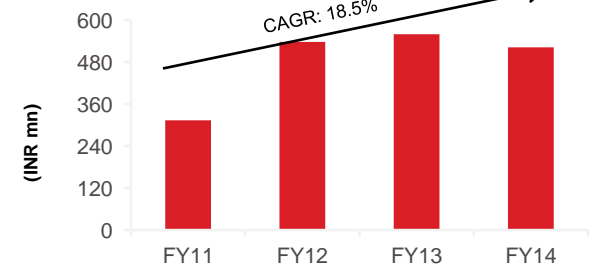
**Bells – Revenue**



**Relonchem – Revenue**



**Nova - Revenue**



# Key Highlights

---





**Manufacturing facilities with global major regulatory accreditations**



**Well poised to capture the niche softgel opportunity**



**Expanding presence in the US market to be a key focus area**



**Targeting existing global markets for growth**



**Focused & experienced senior management team**

# Manufacturing facilities with global major regulatory accreditations

## Goa Plant – Capsules & Tablets

- ❖ Facility for manufacturing soft gelatin capsules & tablets
- ❖ Fully-automated unit spread across 18,000 sq. meters
- ❖ Generic pharmaceuticals manufactured from this facility are exported across the globe
- ❖ Fully automated packaging capabilities and a R&D centre that comprises of 3 key divisions for formulation development, devising analytical methods & conducting stability studies
- ❖ Employs 30+ staff in its R&D lab
- ❖ Accreditations:



## Southport, UK Plant – Liquids, Ointments & Powders

- ❖ Primarily used to produce formulations (non-sterile liquids, ointments & powder products)
- ❖ Supplies to UK, West Africa & Middle East
- ❖ Accreditations:



# Well poised to capture the niche softgel opportunity

## Advantages of Softgels

- ❖ Easy to swallow & readily dissolves
- ❖ Masks odour and unpleasant tastes
- ❖ Enhances bioavailability of the active ingredient
- ❖ Higher shelf life than the traditional tablets
- ❖ Used for formulations not possible in tablet form, like liquids

## Softgel – A Unique Opportunity

- ❖ 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 & operational costs
- ❖ Attractive Potential – Even though a niche market, Softgel is a relatively big market for Marksans

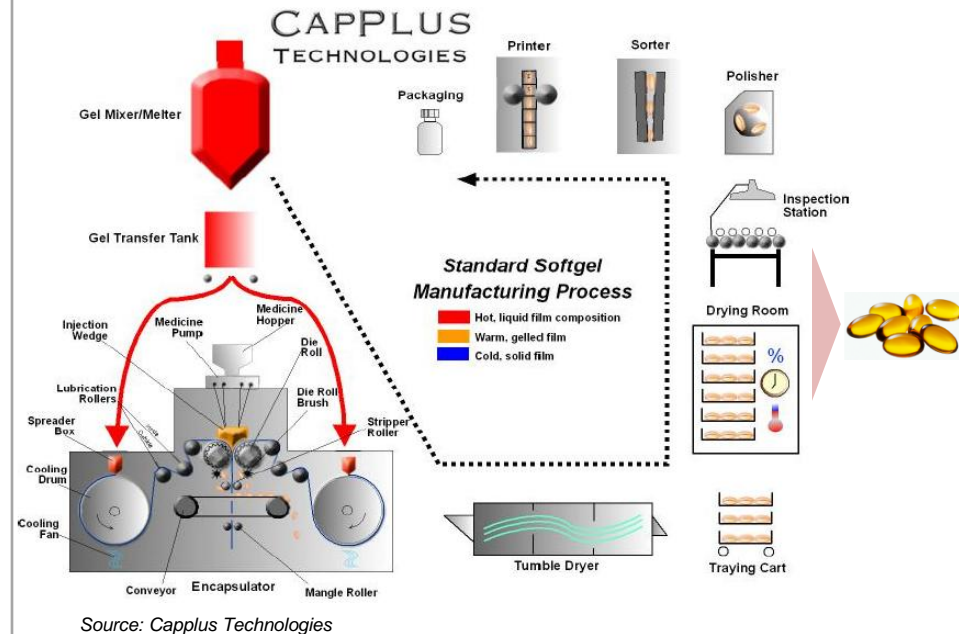
## Price Erosion Trends – Softgels vs Other Segments

- ❖ Typical Price Erosion (post entry of multiple Generics in a Patented Drug): 85-90%
- ❖ Typical Price Erosion for Softgels (post entry of Generics): ~40-50%

## Reasons why softgel is a niche segment

- ❖ SGC is a relatively more complex delivery format
- ❖ Stabilizing formulations in soft gelatin core is very challenging

## Manufacturing Softgels entails a complex series of steps



## How Marksans can effectively leverage the Softgels opportunity

**An active Softgel player from India:** Marksans is currently one of the few active Indian firms focused on the Softgel segment

**Differentiated offerings:** Focused on Softgels with a view to build a differentiated set of offerings in the crowded generics market

**Selectively targeting the world's biggest markets:** Filed SGC products in all major markets including USA, UK, Europe, Canada, Australia & Russia

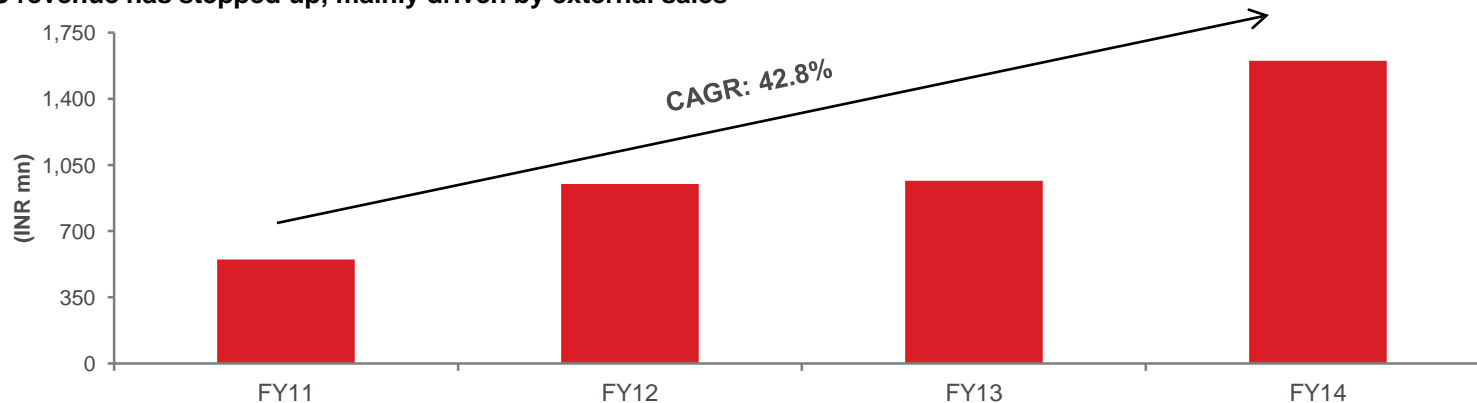
**Manufacturing capabilities with major approvals in place:** Marksans's Goa SGC facility has various global regulatory approvals from USFDA, UKMHRA, TGA, etc.

# Growth in formulations business is supported by a high margin & cash generating CRAMS vertical

## CRAMS: Leveraging R&D and manufacturing capabilities

- ❖ The CRAMS business broadly comprises:
  - External CRAMS: Global pharmaceutical companies like Sandoz, Teva and Actavis
  - Subsidiary CRAMS: MRKS' subsidiary companies Relonchem, Bells, Nova etc.
- ❖ The CRAMS business with its strong margins is the largest contributor to the company's EBITDA
  - With only a 26% contribution to the revenues, it adds 38% to consolidated EBITDA
- ❖ The Company undertakes selected contracts for highly specialized molecules, like narcotics, thus commanding higher margins than the industry average and hence offering better profitability
- ❖ Apart from taking manufacturing contracts for its own subsidiaries, it also has licensing agreements with other 6-7 MNCs for the next few years, including with leading players such as **Teva, Sandoz and Actavis**
  - Subsidiary CRAMS contributed 67% of the revenues in FY14

## CRAMS revenue has stepped up, mainly driven by external sales



## Marksans Pharma is led by the dynamic leadership of Mr. Mark Saldanha...



**Mr. Mark Saldanha**  
*Chairman & Managing Director*

- ❖ Mr. Saldanha is the founder promoter of the company
- ❖ He is also the Chairman & Managing Director of Marksans
- ❖ A science graduate with more than two decades of experience across business and technical functions
- ❖ Prior to Marksans, he had been associated with Glenmark Pharmaceuticals Ltd. as a Whole Time Director

## .... supported by an experienced senior management team

### Senior Team



**Dr. Balwant S, Desai**  
*Whole - Time Director & Chief Operating Officer*

### Experience

- ❖ He holds a B.Sc. (Chemistry), M.Sc. (Analytical Chemistry) and a Ph.D. (Analytical Chemistry).
- ❖ He was previously associated with companies like Lupin and Dr. Reddy's. He holds 23 years of experience in the field of quality management systems as per national and international requirements



**Mr. Brian Gulliver**  
*MD - Bell's Healthcare*

- ❖ Mr. Gulliver is a Chartered Chemist, Chartered Scientist & a Member of Royal Society of Chemistry
- ❖ He has over 22 years of experience in handling overall business requirements in the bulk, specialty chemicals and pharmaceutical sectors and in production



**Mr. Jitendra Sharma**  
*CFO*

- ❖ Mr. Sharma is a chartered accountant and cost accountant with over 20 years experience in financial functions including treasury and forex management
- ❖ He has expertise in the areas of costing, fund raising and internal control systems

# Business Strategy

---

## Expanding the US business through filings and tie-ups

- ❖ Focus on increasing sales from existing approved ANDAs (e.g., scale up contracts with branded retail players for Ibuprofen softgel)
- ❖ To be the first to file the product in the US aiming for Day 1 launch after patent expiry
- ❖ Tie up with the US pharma majors for exclusive supply & marketing arrangements

## Set-up front end presence in the US

- ❖ Set up front-end presence in US, especially for the OTC segment in the near term, to maximize returns from fresh ANDA approvals in softgels expected over the next couple of years

## Increase presence in Europe

- ❖ Expand presence in Europe, targeting other key markets besides UK such as Germany where softgels as well as other pipeline products have a good market potential

## Continue building CRAMS Business

- ❖ Continue to build CRAMS business and expand CRAMS in regulated markets which could be at higher realizations and profitability

## Explore out-licensing opportunities & Focus on drugs going off-patent

- ❖ Explore out-licensing opportunities for growth wherever the Company's presence is limited
- ❖ Marksans's Pharma is focusing on drugs going off patent between 2013 and 2018

## Inorganic Growth Strategies

- ❖ Initiatives already taken in this direction with the acquisitions of Bell's, Relonchem & Nova
- ❖ Out-licensing ANDA's to increase market penetration
- ❖ Leveraging manufacturing and R&D competencies in India (Low-cost)

# Appendix

---



## Income statement (INR mn)

Particulars	FY14 (Consolidated)	FY13 (Consolidated)
Sales	6,300.0	4,384.2
Other Income	35.0	44.0
<b>Total Income</b>	<b>6,335.0</b>	<b>4,428.2</b>
Cost of materials consumed	2,290.5	1,359.3
Purchases of Stock-in-Trade	1,416.5	1,047.8
Changes in inventories of finished goods , work-in-progress and Stock-in-Trade	(27.7)	121.5
Employee Benefits Expense	664.4	559.1
Other Expenses	779.0	602.5
Miscellaneous Expenditure Written Off		
<b>Total Expenditure</b>	<b>5,122.7</b>	<b>3,690.2</b>
<b>EBITDA</b>	<b>1,212.3</b>	<b>737.9</b>
Depreciation	156.9	156.5
Interest	191.3	146.0
PBT	864.1	435.5
Tax	127.9	(52.8)
<b>PAT</b>	<b>736.2</b>	<b>488.3</b>
Less : Minority Interest	17.2	29.4
<b>Profit/(Loss) for the period after adjustment of Minority Interest</b>	<b>719.0</b>	<b>458.8</b>

## Balance sheet (INR mn)

Particulars	FY 14 (Consolidated)	FY 13 (Consolidated)
<b>Equity &amp; Liabilities</b>		
Share Capital	520.30	520.31
Reserves and surplus	901.50	344.48
Minority Interest	66.40	69.90
Share Application money pending allotment		
<b>Total Equity</b>	<b>1,488.20</b>	<b>934.69</b>
<b>Non-current liabilities</b>		
Long-term borrowings	221.60	104.93
Deferred tax liabilities (Net)	198.20	78.77
	23.40	26.16
<b>Current Liabilities</b>		
Short-term borrowings	3,191.20	2,972.83
Trade payables & Other liabilities	1,055.40	1,137.87
Other current liabilities	831.80	560.62
Short-term provisions	965.80	1,087.34
	338.20	187.00
<b>Total Liabilities</b>	<b>4,901.00</b>	<b>4,012.45</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Fixed assets		
(i) Tangible assets	1,471.50	1,573.18
(ii) Intangible assets	724.80	741.25
Non-current investments	731.70	819.91
Long-term loans and advances	-	
	15.00	12.02
<b>Current assets</b>		
Inventories	3,429.50	2,439.26
Trade receivables	1,025.90	776.92
Cash & cash equivalents	1,696.10	1,313.14
Short-term loans and advances	469.50	158.80
Other current assets- Miscellaneous expenditure	238.00	190.40
<b>Total Assets</b>	<b>4,901.00</b>	<b>4,012.45</b>

## USA Products



## ROW Products



## Bell's OTC Products



## Nova Australia Products



The information in this presentation has been prepared by Marksans Pharma Limited (the “Company”) and has not been independently verified. No representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such information or opinions contained herein. The information presented or contained in these slides is current as of the date hereof and is subject to change without notice, and its accuracy is not guaranteed. Neither the Company nor any of its advisors or representatives make any undertaking to update any such information subsequent to the date hereof and shall have any liability whatsoever (in negligence or otherwise) for any loss arising from the use of this presentation or its contents or otherwise arising in connection with this presentation.

This presentation is intended for financial institutions and professional investors only and is not intended for distribution or reproduction to, or use by, retail investors. This presentation is also not intended for distribution or reproduction to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. The information in this presentation is given in confidence, and reproduction of this presentation, in whole or in part, or disclosure of any of its contents, without prior consent of the Company, is prohibited. This presentation should be distributed and read in its entirety. This presentation remains the property of the Company and on request must be returned and any copies destroyed. This presentation is for information and convenient reference and does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of the Company nor should it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. This presentation does not constitute an offer of securities for sale in any jurisdiction, including the United States, and any securities described in this announcement may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended or an exemption from such registration. Please refer to the financial statements of the Company that have been filed with the stock exchanges and is available on the Company’s website. This presentation is not intended to be fully inclusive and may not contain all of the information that you may consider material. This presentation contains historical information of the Company that should not be regarded as an indication of future performance or results. Certain statements in these slides may be considered forward-looking. These statements are based on management current expectations and are subject to certainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors.