



Marksans Pharma Ltd.

Q1FY24

Earnings Presentation

11th August 2023



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; 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.



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Marksans Pharma is India's leading pharmaceutical company specializing in the research, manufacturing, and marketing of generic pharmaceutical formulations



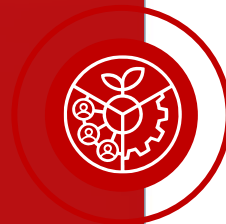
Q1FY24 Financial and Business Highlights



About Marksans Pharma



Roadmap for the future



ESG



Q1FY24 Business & Financial Highlights



Management Commentary

“We have had a strong start to FY24, with our revenue crossing INR 5 bn in the first quarter, reflecting our commitment to strengthening our OTC portfolio. We continue to experience an increase in wallet size from existing customers which reinforces our strong capabilities and relationship with our customers, we intend to strengthen the momentum in the coming quarters. The integration and scalability of acquired Teva Pharma’s manufacturing unit in Goa is proceeding as planned.

Looking ahead, we remain focused to drive sustainable growth and creating superior shareholder value.”



Mark Saldanha

MANAGING DIRECTOR AND CEO

₹ 500.0 cr

+15.3%

(YoY)

Q1FY24 Revenue

₹ 102.0 cr

+39.9%

(YoY)

Q1FY24 EBITDA

₹ 70.4 cr

+17.0%

(YoY)

Q1FY24 PAT

₹ 636 cr

as of June 30th, 2023

Cash Balance



Financial Highlights Q1FY24 – YoY Performance

₹ Cr.	Q1FY24	Q1FY23	YoY Growth %	YoY Performance
Revenue	500.0	433.8	↑ 15.3%	Revenue growth is being driven by market share increases and new launches in the UK and Europe, the US, Australia, and New Zealand regions
Gross Profit	257.3	218.9	↑ 17.5%	Gross Profit improved mainly on account of better product mix and reduction in rates of few raw materials
Gross Margin %	51.5%	50.5%		
EBITDA	102.0	72.9	↑ 39.9%	Improvement in EBITDA margins was led by cost optimization initiatives and the normalization of freight expenses
EBITDA Margin %	20.4%	16.8%		
PAT	70.4	60.2	↑ 17.0%	Overall, PAT growth is due to improved performance, however, there is an increased tax rate in the UK from 19% last year to 25% in the current year
Net Profit Margin %	13.8%	13.4%		



Financial Highlights Q1FY24 – QoQ Performance

₹ Cr.	Q1FY24	Q4FY23	QoQ Growth %	QoQ Performance
Revenue	500.0	486.0	↑ 2.9%	Revenue growth is driven by share gains with existing customers and markets
Gross Profit	257.3	242.1	↑ 6.3%	Gross Profit improved mainly on account of better product mix and reduction in rates of few raw materials
Gross Margin %	51.5%	49.8%		
EBITDA	102.0	109.5	↓ 6.9%	Employee expenses increased due to the onboarding of Teva's acquired manufacturing facility employees. Other Expenses increased on account of the addition of newly acquired facility costs
EBITDA Margin %	20.4%	22.5%		
PAT	70.4	82.7	↓ 14.8%	Tax rates in the UK increased from 19% to 25% in the current year resulting in higher tax provisions, which impacted PAT margins
Net Profit Margin %	13.8%	16.6%		



Other Highlights

Revenue from operations in Q1FY24 is at Rs 500.0 cr. , out of which US revenues is at Rs 193.3 Cr. , UK and Europe revenues at Rs 225.9 Cr., and Australia and New Zealand revenues at Rs 58.6 Cr.

Cash Balance at the end of 30th June 2023 is at Rs 636 cr. in Q1FY24

Research & Development (R&D) spend Rs 8.46 cr. in Q1FY24

In Q1FY24, Cash from Operations is at Rs 34.3 cr. and Free Cash Flow is at -47.2 cr. on account of high capex in the quarter

In Q1FY24, the capex incurred was Rs 81.5 cr. Capex investment is in-line with our plan for scaling the acquired manufacturing unit from Teva Pharma in Goa

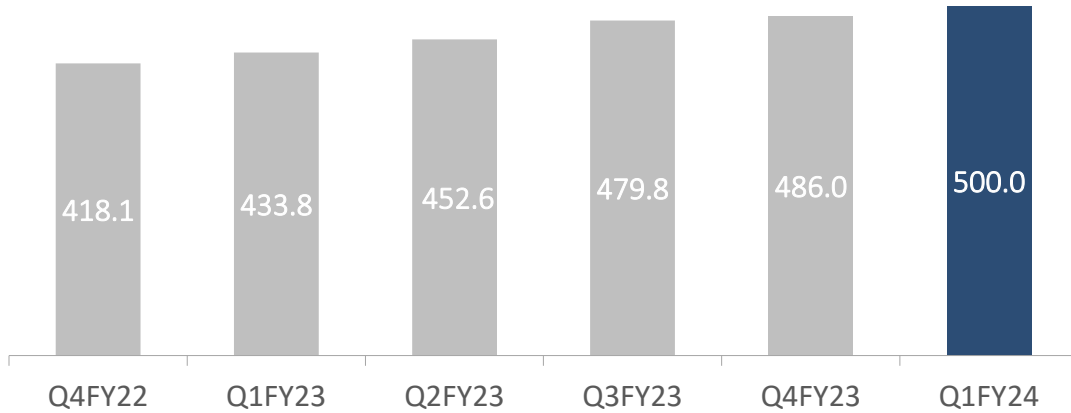
Working capital cycle for the quarter was ~120 days

The company received FDA approval for a key product, Acetaminophen, and Ibuprofen Tablets, 250 mg/125 mg (OTC), the OTC equivalent of Advil@ Dual Action Tablets.

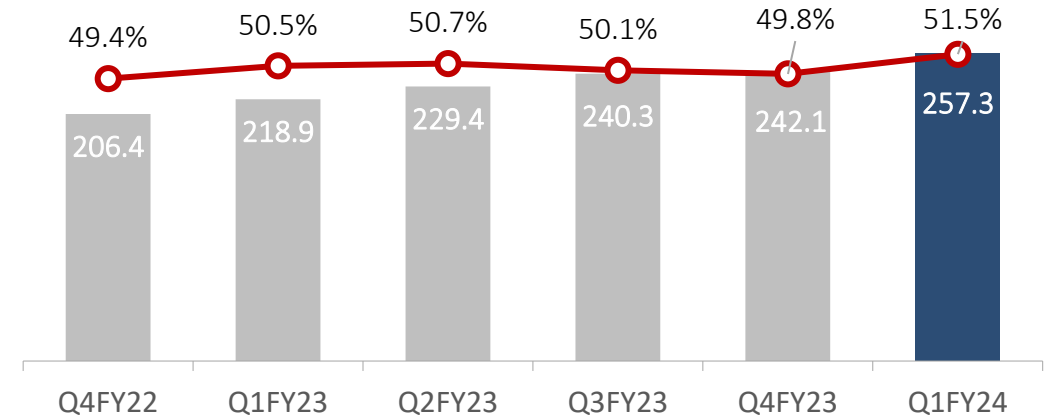


Q1FY24 Financial Trends

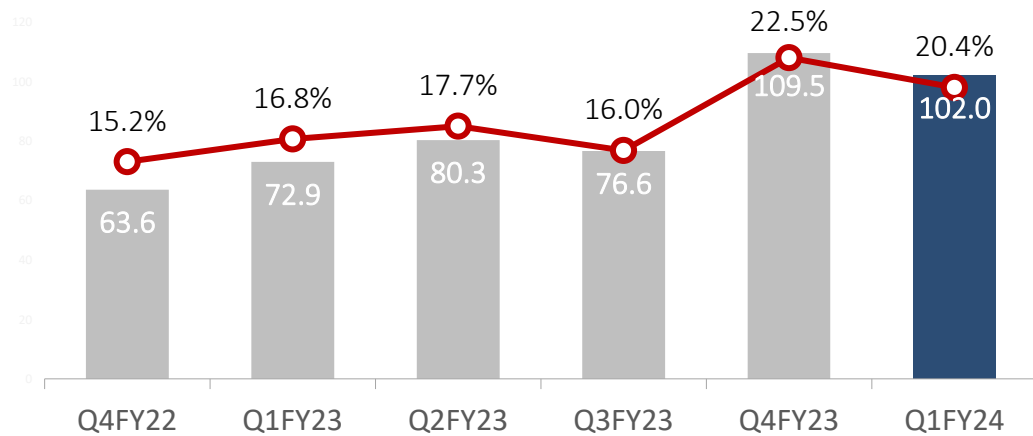
Operating Revenue (₹ Cr.)



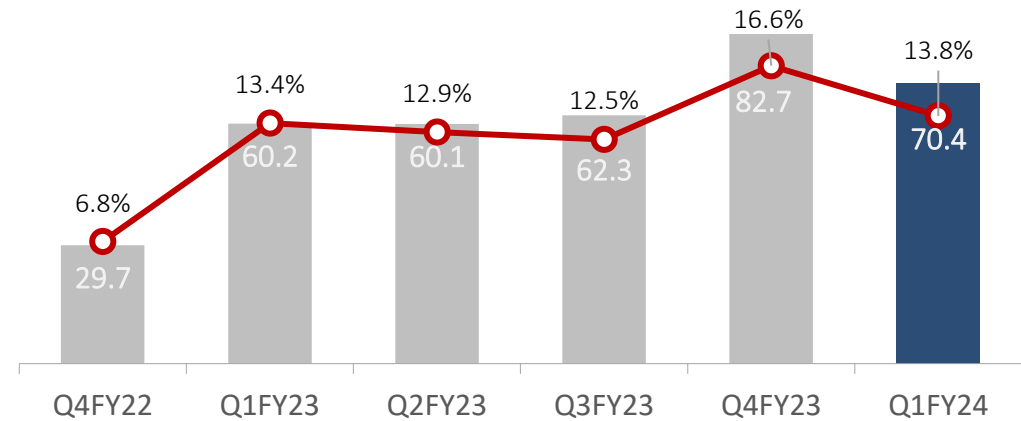
Gross Profit (₹ Cr.) & Gross Profit Margin (%)



EBITDA (₹ Cr.) & EBITDA Margin (%)

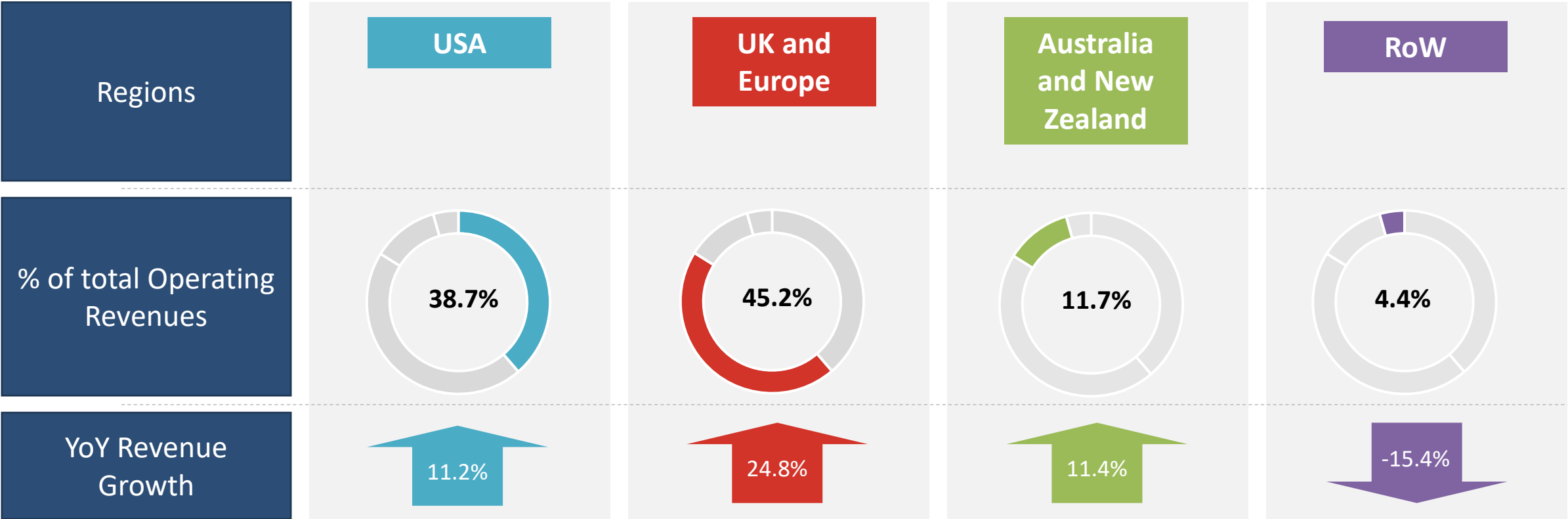


PAT (₹ Cr.) & PAT Margin (%)





Q1FY24 Revenue spilt by Market



- Revenue from the USA region in Q1FY24 is INR 193.3 cr. grew by 11.2% YoY on account of new product launches and also due to an increase in the wallet size of existing customers
- 12.1% CAGR over FY17-23

- Revenue from the UK and Europe region in Q1FY24 is INR 225.9 cr. grew 24.8% YoY on account of new launches, incremental market share, and also on account of better realization due to currency fluctuation.
- 15.1% CAGR over FY17-23
- One of the leading Indian pharmaceutical firms in the UK in terms of revenue.

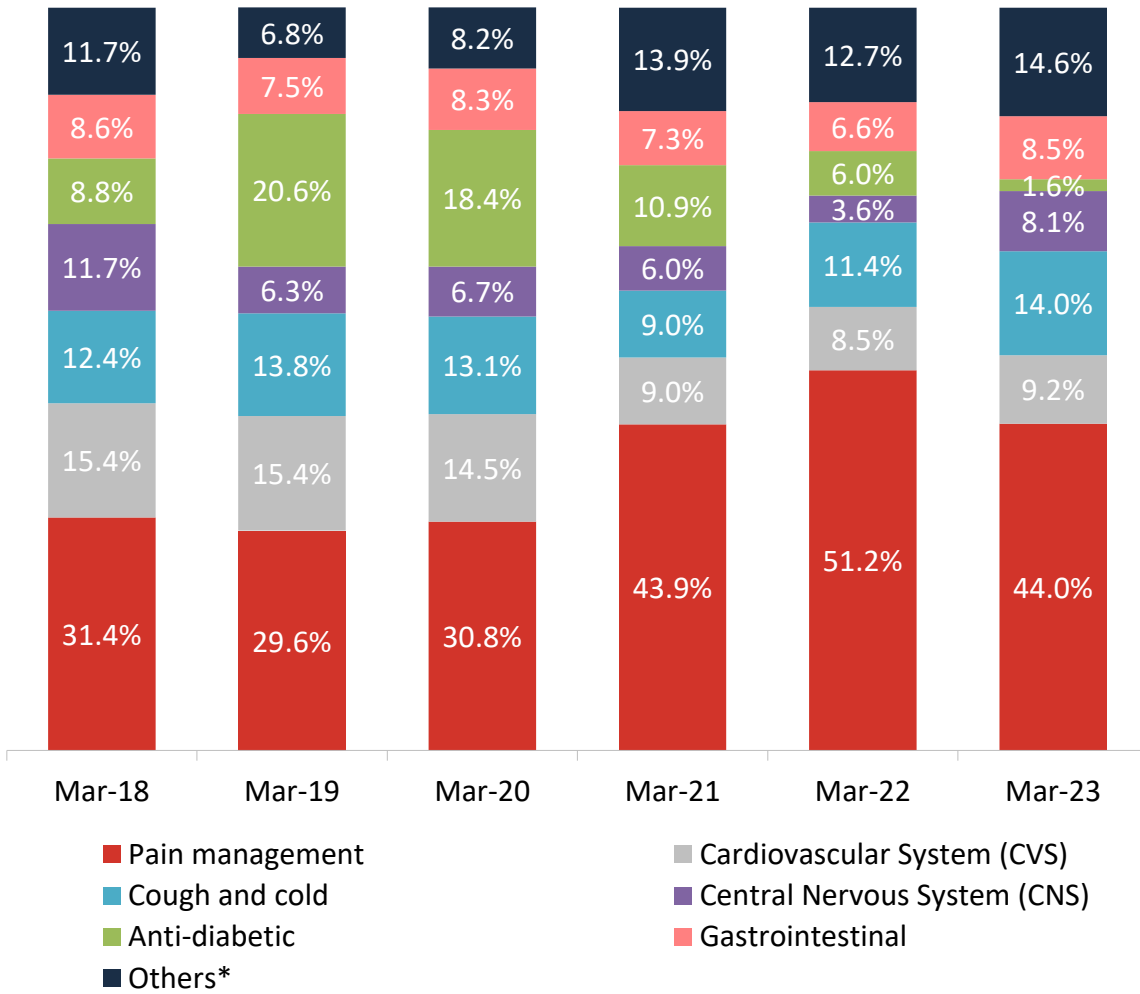
- Revenue from the Australia and New Zealand region in Q1FY24 is INR 58.6 cr. grew 11.4% YoY due to incremental market share
- 10.2% CAGR over FY17-23

- Revenue from RoW region in Q1FY24 is INR 22.2 cr. declined by 15.4% YoY
- 20.7% CAGR over FY17-23
- ROW includes markets of Southeast Asia, MENA, Russian Federation & Africa

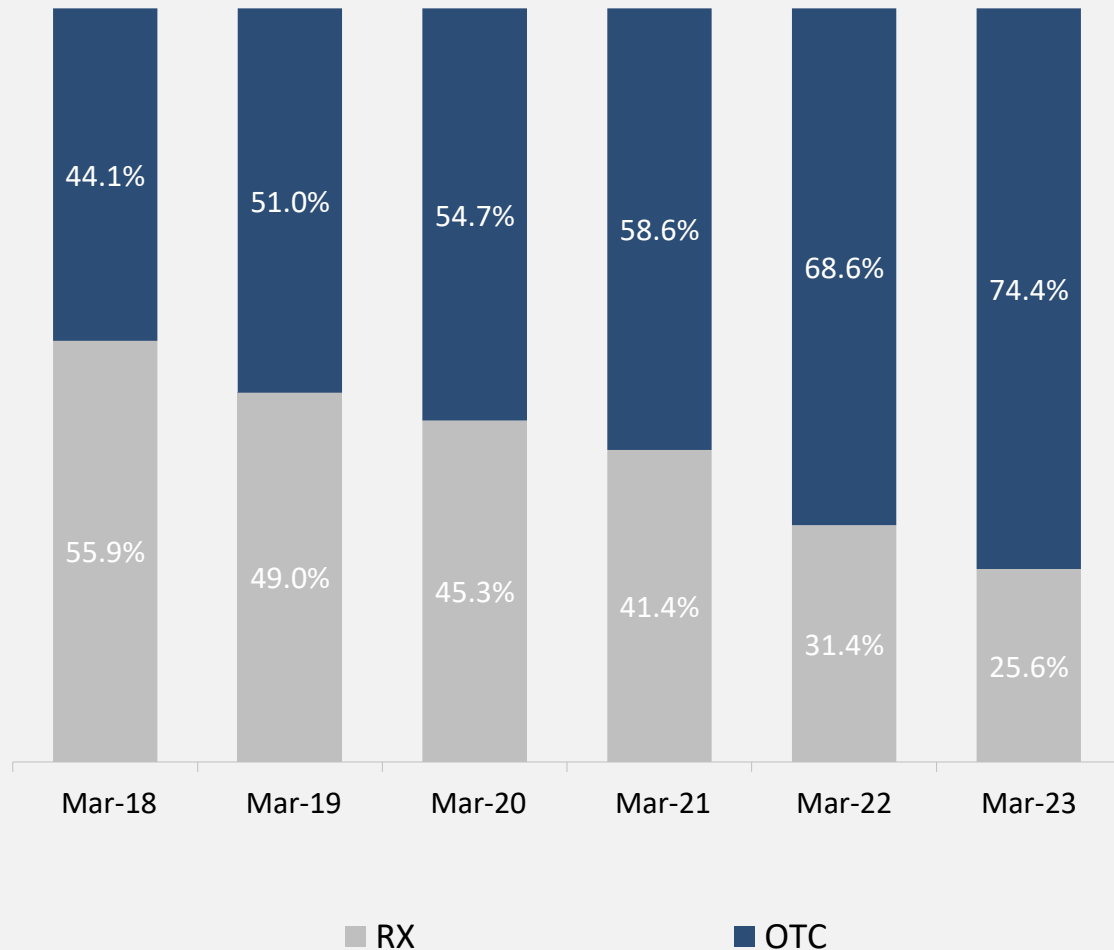


Segmental Mix

Therapeutic Segment-Wise Split



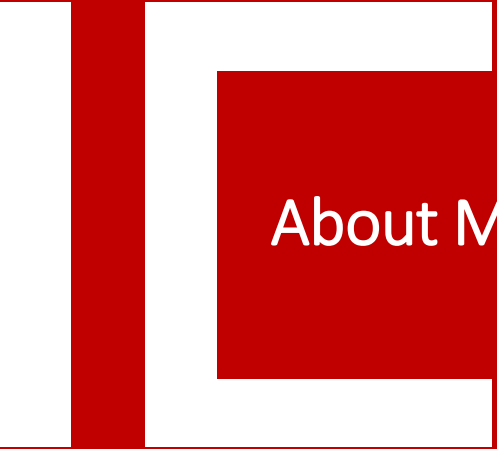
Segment Revenue Split





Consolidated Profit and Loss Statement

Particulars (₹ cr.)	Q1FY24	Q1FY23	Q4FY23	YoY	QoQ	FY23	FY22	YoY
Operating Revenue	500.0	433.8	486.0	15.3%	2.9%	1,852.1	1490.8	24.2%
Gross Profit	257.3	218.9	242.1	17.5%	6.3%	930.8	774	20.3%
<i>Gross Margin %</i>	<i>51.5%</i>	<i>50.5%</i>	<i>49.8%</i>	<i>95 bps</i>	<i>165 bps</i>	<i>50.3%</i>	<i>51.9%</i>	<i>-170 bps</i>
EBITDA	102.0	72.9	109.5	39.9%	-6.9%	339.3	258.9	31.1%
<i>EBITDA Margin %</i>	<i>20.4%</i>	<i>16.8%</i>	<i>22.5%</i>	<i>359 bps</i>	<i>-211 bps</i>	<i>18.3%</i>	<i>17.4%</i>	<i>100 bps</i>
Finance Costs	1.6	1.8	2.4	-12.4%	-34.3%	9.1	8.4	8.1%
Depreciation & Amortization	13.7	11.1	13.9	23.1%	-1.7%	51.9	44.8	15.8%
Other Income	10.1	16.5	11.0	-38.8%	-8.2%	59.3	41.9	41.7%
Profit before tax	96.8	76.4	104.2	26.7%	-7.1%	337.7	247.5	36.4%
Taxes	26.4	16.3	21.5	61.9%	22.7%	72.3	60.7	19.2%
PAT	70.4	60.2	82.7	17.0%	-14.8%	265.3	186.8	42.0%
<i>Net Profit Margin %</i>	<i>13.81%</i>	<i>13.40%</i>	<i>16.6%</i>	<i>41 bps</i>	<i>-279 bps</i>	<i>13.9%</i>	<i>12.2%</i>	<i>170 bps</i>
Diluted EPS (INR)	1.52	1.46	2.0	3.8%	-24.2%	6.4	4.5	42.2%



About Marksans Pharma



Marksans Pharma - At a Glance

Market Reach

Global footprint- Present in **50+** countries
~**96%** revenue generated from the regulated markets of the **US, UK and Europe, Australia, and New Zealand.**

Employee

1400+ employees

Manufacturing and R&D Capabilities

4 Manufacturing Units in **Goa, UK and USA**

4 R&D centers in **Goa, Navi Mumbai, UK and USA**

Accreditations

USFDA, UK MHRA, Australian TGA, EU, Health Canada and Japanese Health Authority

Products

300+ products in the form of tablets (plain, enteric coated and film coated), hard & soft gelatin capsule, oral liquids and ointments

Product Pipeline

Strong pipeline of more than **76** products

Cash in hand

Cash position of **₹636 cr.** and a net debt-free position as of 30th June 2023

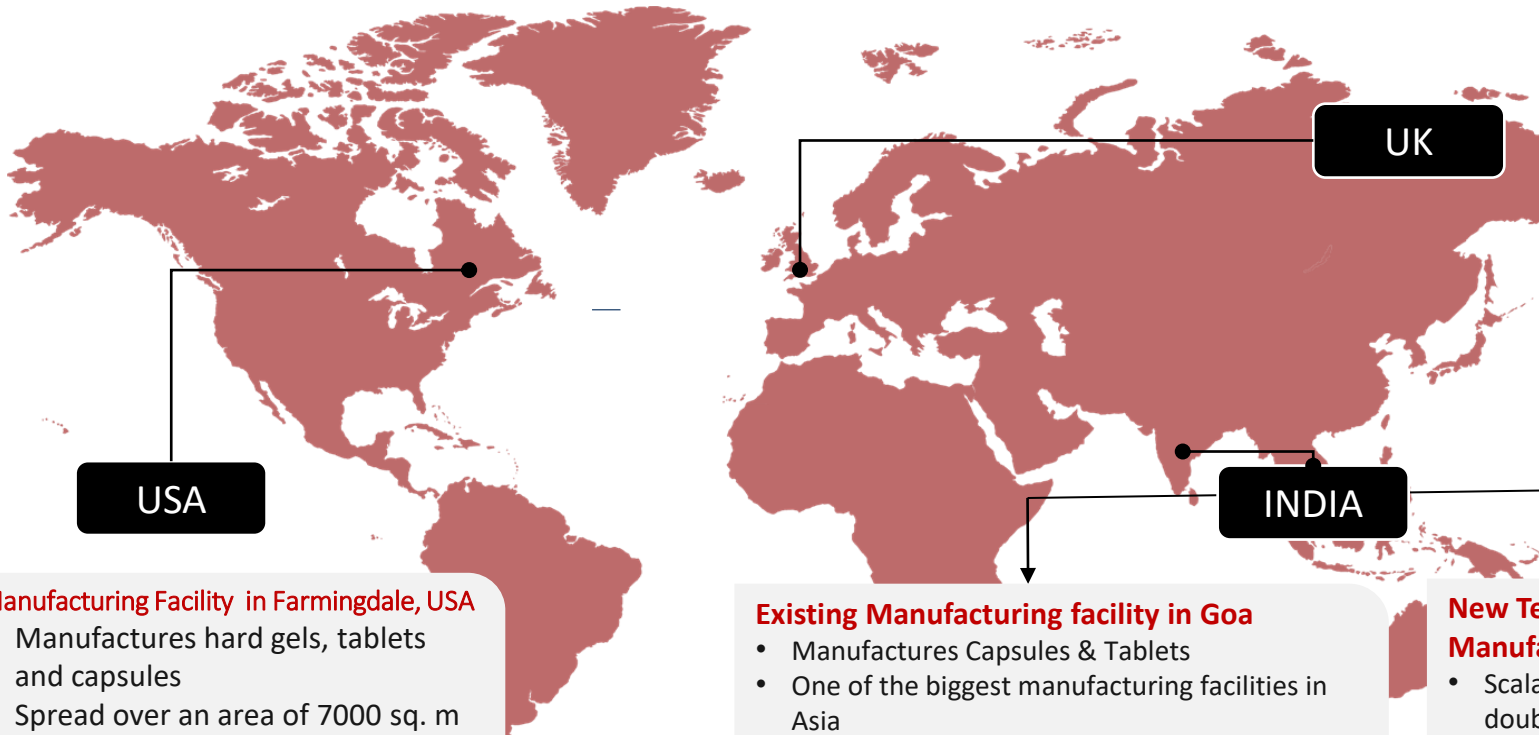
Free Cash Flow

Healthy Free Cash Flow of **₹183.8 cr.** in FY23

Net debt negative balance sheet for last five years



Manufacturing Capabilities



USA

UK

INDIA

Manufacturing Facility in Farmingdale, USA

- Manufactures hard gels, tablets and capsules
- Spread over an area of 7000 sq. m
- "Made in the USA" product offering
- Added incremental packaging lines

CAPACITY ACCREDITATIONS

6 bn tablets and hard capsules per annum



Existing Manufacturing facility in Goa

- Manufactures Capsules & Tablets
- One of the biggest manufacturing facilities in Asia
- Fully-automated unit spread over 18,000 sq. meters campus
- Generic pharmaceuticals manufactured from this facility are exported across the globe

CAPACITY ACCREDITATIONS

2.4 bn softgel and hard gelatin capsules per annum
6 bn solid tablets per annum



Manufacturing Facility in Southport, UK

- Manufactures non-sterile liquids, ointments and powder sachets
- Supplies to UK, West Africa & Middle East
- Spread across 7,300 sq. meters

CAPACITY

2 bn bottles per annum
1 bn tubes per annum
1 bn sachets per annum

ACCREDITATIONS



New Teva Pharma acquired a Manufacturing facility in Goa

- Scalable capacity with a plan to double the existing Indian capacity from 8bn units per annum
- Manufacturing site is spread across 47,597 sq mt
- Plan to manufacture tablets, hard and soft gel capsules, ointments, liquids, creams

ACCREDITATIONS





Business Structure

Supply and Distribution through a network of subsidiaries



Marksans Pharma Ltd.

100%



Marksans Pharma(UK) Ltd.

100%

Marksans Holdings Limited

100%

Bell's Healthcare

RelonChem



Manufacturer of OTC Liquids & Ointments



162+ product licenses;



Wholesale distributor of generic pharma



450+ OTC/SKU products



100+ MA

100%



Marksans Pharma Inc. (USA)

100%

Time-Cap Labs, Inc.



Manufacturer of range of OTC & Rx products;



50+ products portfolio

60%



Distribution of quality generic pharma

Only OTC

Regional sales development across Asia (China, Japan, Singapore, Vietnam, Sri Lanka and South Korea)



100%



Engaged in the business of marketing of medicines in the UAE and neighboring countries.



Supplies products through the Dubai Health Authority (DHA)



Derma focused products range



OTC Store Brand Retailers/Customers

- In the OTC Segment, Marksans manufactures store brands (private label manufacturing) for retailers/customers and manufactures OTC products through its own label as well.
- The company has more than 1500+ SKUs and 300+ products
- Marksans is a preferred store brand partner where our capabilities and expertise in private-label manufacturing have helped sustain and grow our long-lasting partnership with top retailers in key regions

Long-lasting partnership for store brand manufacturing with the leading retailers across our key geographies

Our top Retailers/Customers in USA



Walmart RITE AID
Kroger Walgreens TARGET
DOLLAR GENERAL

Our top Retailers/Customers in UK



Superdrug NHS PHOENIX Boots Aldi MCKESSON TESCO Sainsbury's
Morrisons ASDA

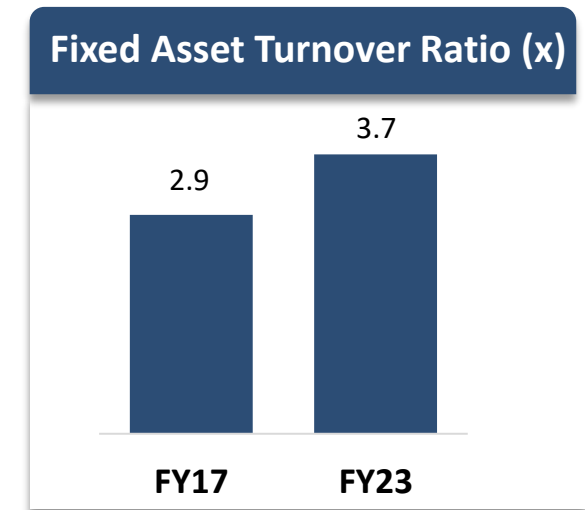
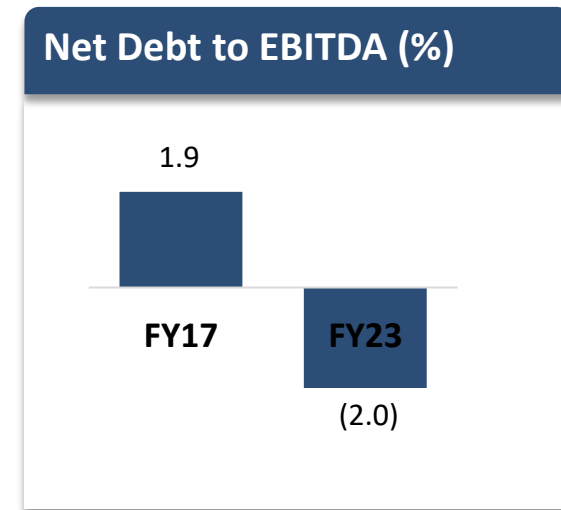
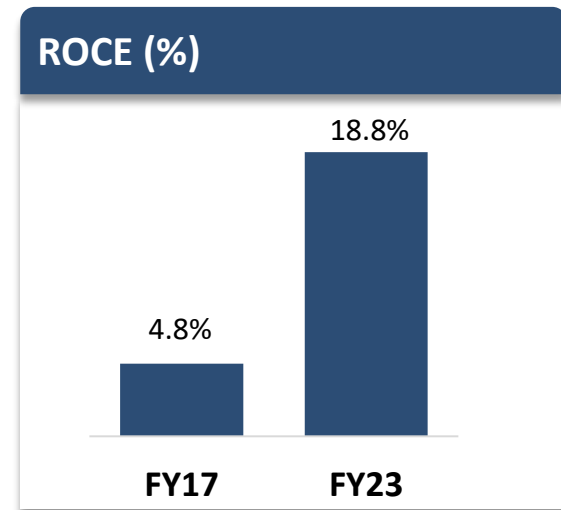
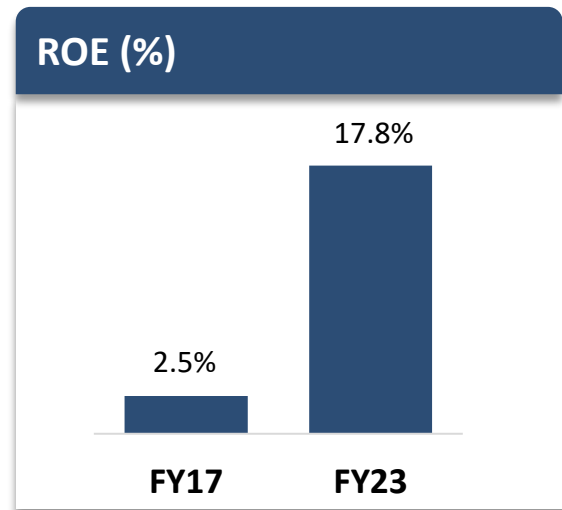
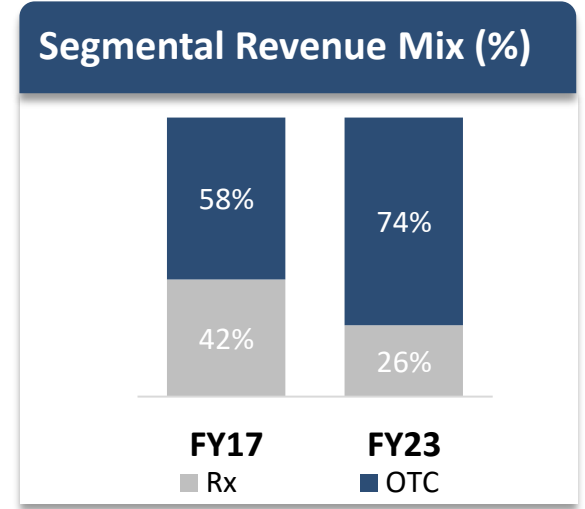
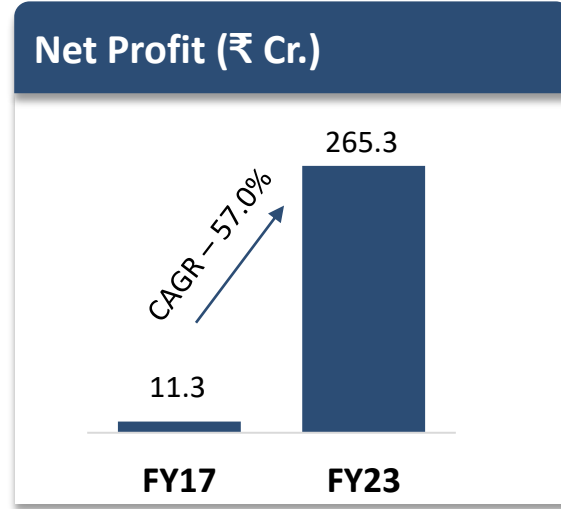
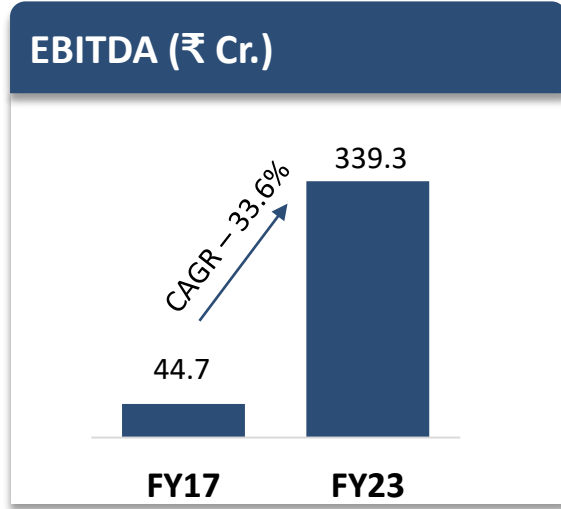
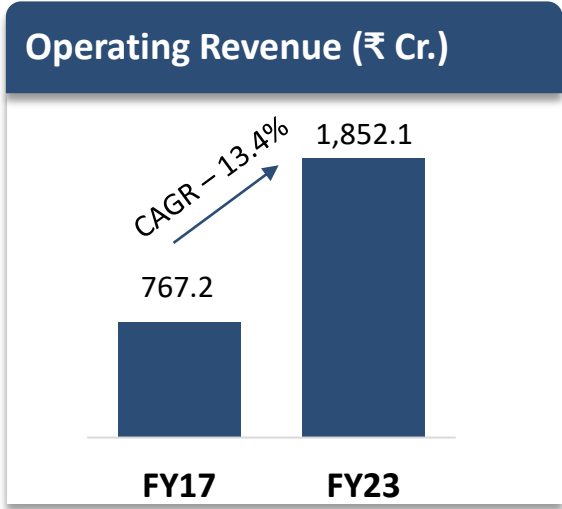
Our top Retailers/Customers in Australia



ALDI SIGMA APOTEX
coles Woolworths SANOFI
Metcash priceline pharmacy

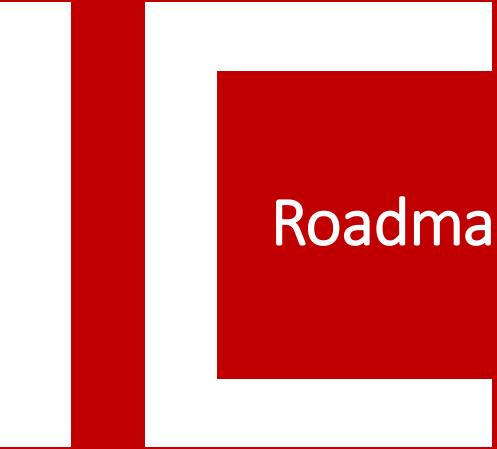


High Growth Trajectory



ROE = Net Profit after taxes / Average Shareholder's Value

ROCE = EBIT / Capital employed || Capital employed = Tangible Net Worth + Total Debt + Deferred Tax Liabilities



Roadmap for the future



Roadmap for the future



Consistent Growth in Topline and Profitability

Strengthening the OTC Business

- Aim to capture a significant part of the multi-billion-dollar OTC opportunity. According to IQVIA, Global OTC Size in 2022 is \$176 billion.
- Marksans's OTC segment grew at CAGR of 18% (from FY17-FY23) Majority of revenue in OTC comes from manufacturing and selling store brands (private label manufacturing) for key retailers in key regions
- Marksans is the most preferred and growing store brand low-cost manufacturing partner

Backward Integration for sustained margin development

- Aim to expand Gross & EBITDA margin through backward integration
- Marksans is in the process of Backward integration , API manufacturing for captive consumption and top 10 molecules

Supplement growth through acquisitions

- Marksans will follow calibrated inorganic growth approach
- Expansion in growing markets and EU through acquiring front-end marketing and distribution companies is the focus area
- Marksans has a strong balance sheet to support the growth

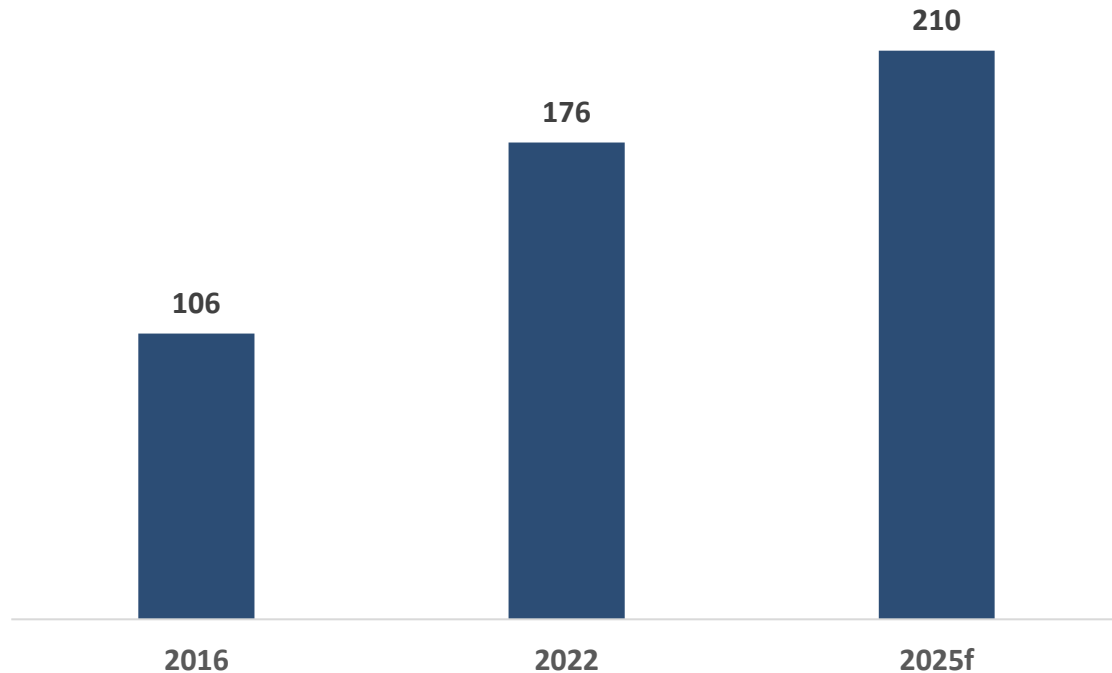
Continued product launches through a healthy product pipeline

- Strong product pipeline followed by successful launches led by continued focus on R&D
- Strong pipeline of more than 76 products.



The OTC Opportunity (1/2)

Global OTC Drugs Market (\$ Bn)



Source: IQVIA OTC Review

- In **2022**, the OTC market grew by 10.4% YoY to achieve total **global sales of \$176 billion**.
- **North America and Western Europe have the highest market shares**
- North America OTC holds around ~25% of total global sales
- **Robust growth is projected for the global OTC market** over the next four years despite continued macroeconomic challenges, inflationary pressures, cost of living increases, and changing consumer behaviors. **In 2023, 6.8% growth is forecasted**
- The prescription to over-the-counter (**Rx to OTC**) drugs switch - **increasing demand for and availability of OTC drugs** is driving this market segment

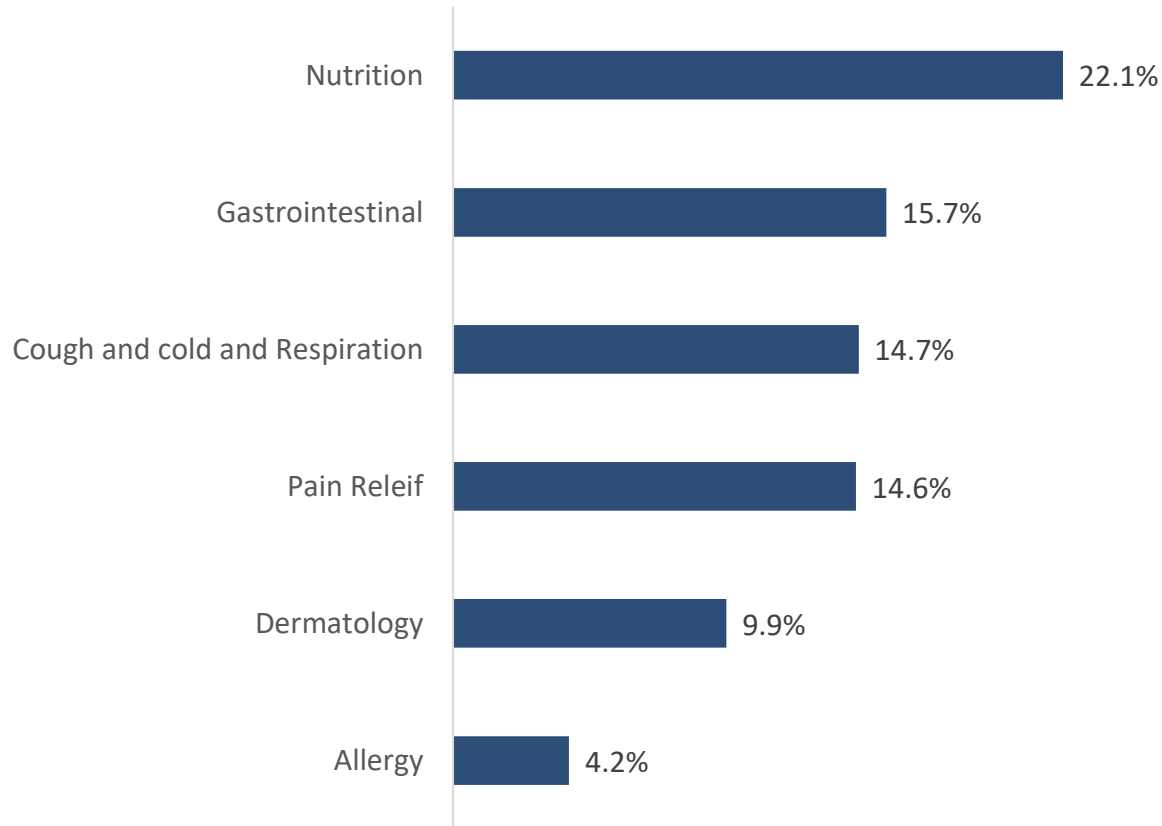
Source: IQVIA OTC Review

Marksans Pharma's OTC business is present in US, UK & Europe, Australia, and a few RoW nations. The company is present in the largest markets by total OTC drugs sales and its focus is to expand the footprint.



The OTC Opportunity (2/2)

Category Value Share



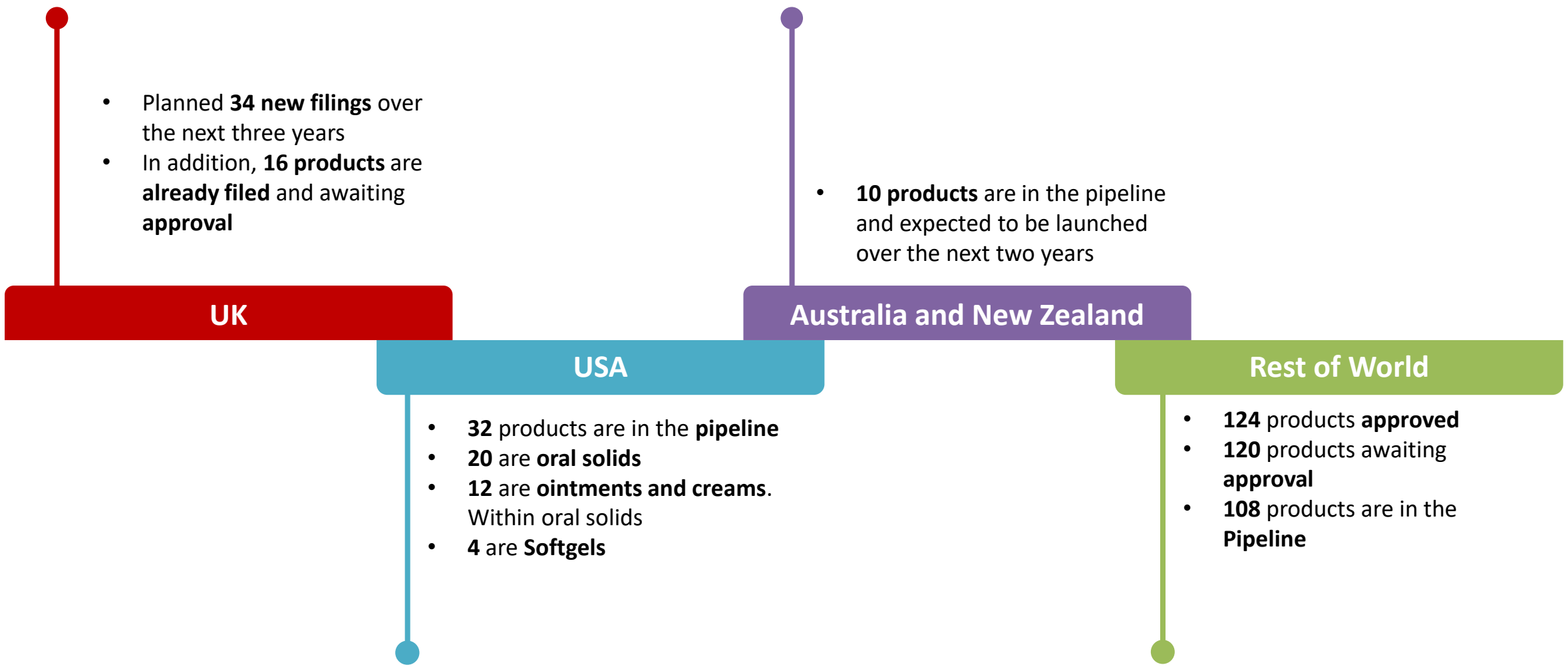
Source: IQVIA OTC Review | Global OTC Category Performance – YTD November 2021

- According to IQVIA, Cough and cold and Respiratory, Pain Relief, Nutrition, Gastrointestinal, Dermatology, and Allergy are the largest OTC therapeutical segments globally according to total OTC sales
- Marksans is currently present in large market-size therapeutical segments in OTC -Pain Management, Cough and Cold, Gastrointestinal, and Anti-Allergic – **Our near-term focus is to create a complete product offering in these four segments**
- **The company’s focus is to get into the liquids, creams, and ointments OTC category**



Continued product launches through a healthy product pipeline

Strong product pipeline followed by successful launches led by continued focus on R&D





Key Product Launches

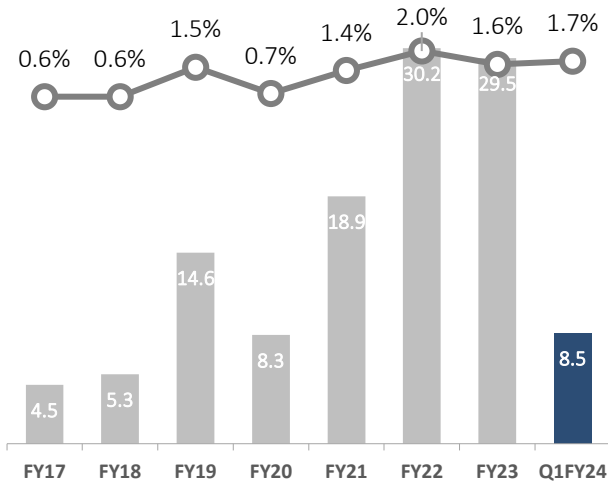
Brand	Composition	Therapy Segment	Market
LOSARTAN	LOSARTAN 25 MG, 50 MG, 100 MG TABLETS	Anti-Diabetic	UK
ONDANSETRON	ONDANSETRON 4MG, 8 MG TABLETS	Gastrointestinal	UK
CARVEDILOL	CARVEDILOL 3.125 MG, 6.25 MG, 12.5 MG, 25 MG TABLETS	Cardiovascular System(CVS)	UK
TRAMADOL	TRAMADOL 50 MG CAPSULES	Pain Management	UK
CLOPIDOGREL	CLOPIDOGREL 75 MG TABLETS	Cardiovascular System(CVS)	UK
PREDNISOLONE	PREDNISOLONE 5 MG TABLETS	Anti-Allergic	UK
ROSUVASTATIN	ROSUVASTATIN 5MG, 10MG, 20MG, 40 MG TABLETS	Cardiovascular System(CVS)	UK
BICALUTAMIDE	BICALUTAMIDE 50MG , 150MG TABLETS	Anticancer	UK
FUROSEMIDE	FUROSEMIDE 20MG, 40MG TABLETS	Cardiovascular System(CVS)	UK
LIQUIDS - LORATIDINE	LORATIDINE 5MG/5ML ORAL SOLUTION 70ML GSL PACK	Anti-Diabetic	UK
LIQUIDS - IBUPROFEN	IBUPROFEN 100 MG/5ML ORAL SOLUTION 200 ML P PACK	Pain Management	UK
LIQUIDS - ALL IN ONE SOLUTION	PARACETAMOL, GUAIFENESIN, PHENYLEPHRINE	Cough and Cold	UK
APAP ER	ACETAMINOPHEN EXTENDED RELEASE 650MG	Pain management	US
CETRIZINE TABLETS	CETRIZINE 5MG, 10MG	Anti Allergy	US
FLUOXITINE CAPSULES	FLUOXITINE 10MG, 20MG, 40MG	Central Nervous System(CNS)	US
FAMOTIDINE TABLETS	FAMOTIDINE TABLETS USP, 10 MG and 20 MG	Gastrointestinal	US
ACETAMINOPHEN AND IBUPROFEN TABLETS	ACETAMINOPHEN AND IBUPROFEN TABLETS, 250 mg/125 mg	Pain Management	US
FLUOXETINE ORAL SOLUTION	FLUOXETINE 20MG/5ML ORAL SOLUTION	Central Nervous System(CNS)	UK
PREGABALIN CAPSULES	PREGABALIN CAPSULES, 25 MG, 50 MG, 75 MG, 100 MG, 150 MG, 200 MG, 225 MG, and 300 MG.	Central Nervous System(CNS)	US



R&D Capabilities

R&D (₹ Cr.) and R&D % to sales

Expected to increase to ~4-5 % over the next few years



R&D Centers



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



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

4 R&D Centres **50+** Scientists

70+ Products in Pipeline

350+ Dossiers filed

300 Approved ANDAs/MAs

25+ Filed ANDAs/MAs



Investment Rationale



Follows calibrated inorganic growth approach: Marksans Pharma has a proven record of successful and capital-efficient acquisitions and creating a unique forward-integrated model in key regions



Funding through strategic investors and promoters: Orbimed and Promoters fund infusion has provided significant strength for organic and inorganic opportunities.



Headroom for Significant Multiple Expansion



Focused on Balance Sheet disciplined growth: net debt negative balance sheet for last five years.



Teva Pharma's acquired manufacturing unit will be a **backbone to achieve the desired topline growth**



Strong capabilities and experience to capture a significant part of the multi-billion-dollar OTC opportunity



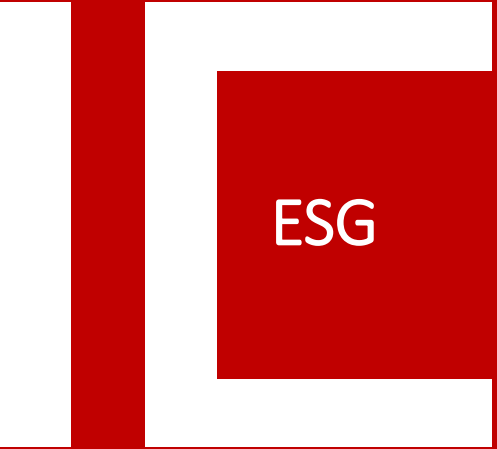
Preferred Store Brand Partner for Traditional Retailers



Significant Balance Sheet strength (over Rs 636 cr. as of 30th June 2023)



Backward Integration will be a backbone to **achieve the desired goal of Margin Expansion**



ESG



ESG

Provided Covid-19 Relief Supplies

Provided Covid-19 related, antibody testing, and other medical requirements like medicines , sanitizers, masks, gloves and PPE kits to the frontline workers in Goa

Free Food To Needed People

Joined hands with NGO's to serving meals, ration, grocery kits for migrant families in villages in Goa

Promoting Healthcare

Medical treatment to under privileged society suffering from cancer and other blood disorders in Maharashtra

Overall Wellbeing Of Women And Children

Women and children development, professionalizing Anganwadis and national nutrition mission in Goa with Ministry of Health, Government of Goa

Tree Plantation

Tree plantation in Verna Industrial Estate, Goa

Oxygen Concentrator

Tree plantation in Verna Industrial Estate, Goa

Women And Child Development

Provided Sanitary Pads to poor women under the "MY PAD, MY RIGHT" program, an initiative of Swachh Bharat scheme of Beti Bachao scheme of the Govt of India



Marksans Pharma Ltd.

Thank you

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