



Marksans Pharma Ltd.
Health Care in Safe Hands

Marksans Pharma Limited

Investor Presentation

October 2014

An Overview

Background

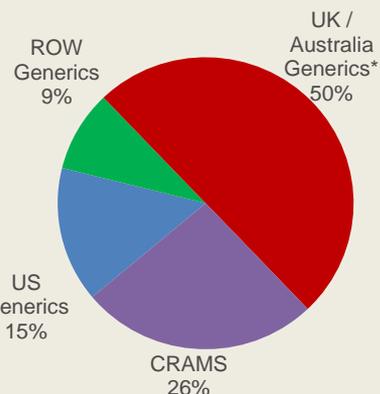
- ❖ Marksans Pharma Limited (“Marksans” or “the Company”) promoted by Mr. Mark Saldanha is manufacturer of generic pharmaceuticals across regulated markets – soft gelatin capsules & tablets in niche segments
 - Also undertakes Formulation CRAMS
- ❖ Export oriented business (exports contribute more than 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
- ❖ USFDA¹, UKMHRA² & TGA³ 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), CRAMS⁴ (external as well as for own subsidiaries) and ROW⁵ Generics (CIS⁶ & South East Asia are key regions)

Revenue Split by Therapeutic Segment

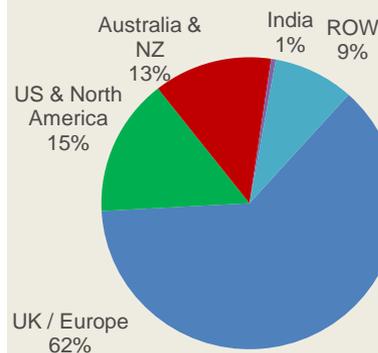
Therapeutic Segments	FY14 (in INR mn)	In %
Pain Management	2,056.6	32.6%
Cough & Cold	1,135.7	18.0%
Anti-Diabetic	848.4	13.5%
Cardiovascular System (CVS)	642.7	10.2%
Central Nervous System(CNS)	411.1	6.5%
Anti-Biotic	389.5	6.2%
Gastrointestinal	301.9	4.8%
Anti-Allergic	174.2	2.8%
Oncology	43.0	0.7%
Miscellaneous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

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

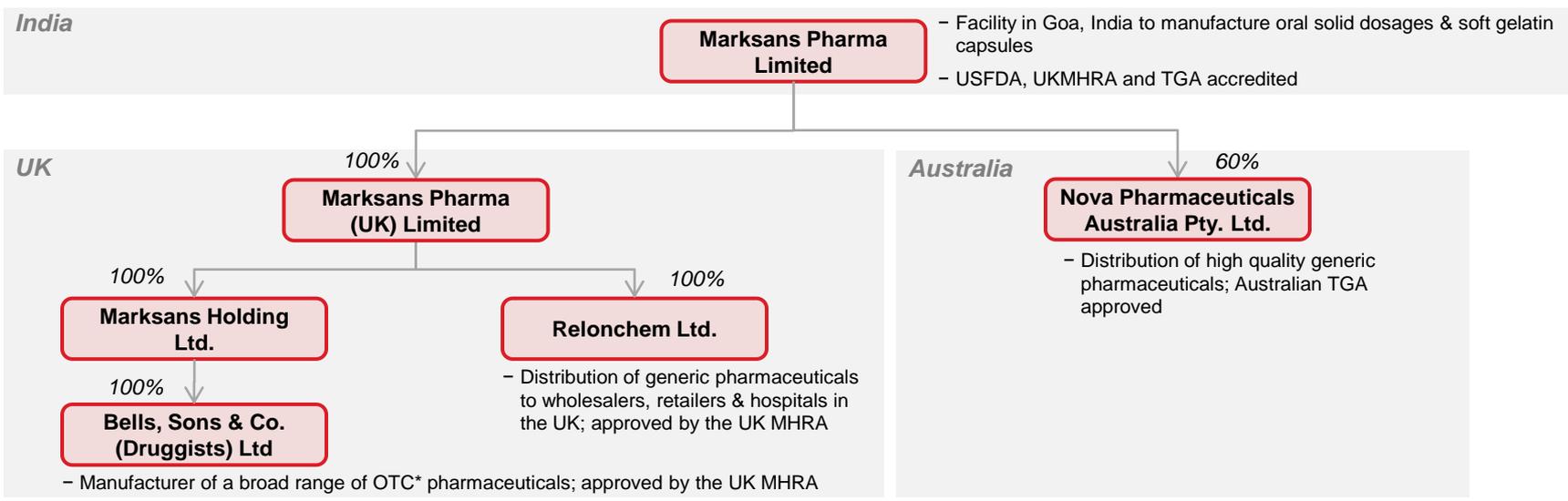
Particulars	Quarter ended 30-June-14 (%)	Quarter ended 30-Sept-14 (%)
Promoter	51.26%	51.26%
DII's	0.15%	0.27%
FII's	0.25%	7.31%
Non Institutions**	48.34%	41.16%

*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"> ❖ Softgel: Major Indian player in the niche softgel segment <ul style="list-style-type: none"> - 1 ANDA approval - FY14 revenue of INR 600 mn ❖ Non-Softgel: Includes tablets & orals <ul style="list-style-type: none"> - 7 ANDA approvals - FY14 Revenue – INR 360 mn 	<ul style="list-style-type: none"> ❖ Bells & Sons (UK): OTC product manufacturer with 38 products licenses ❖ Relonchem (UK): Licensing & marketing of generic products with 47 products licenses ❖ Nova (Australia): Marketing & R&D of generic OTC products with 17 products licenses 	<ul style="list-style-type: none"> ❖ Presence across all major markets: Asia, Africa, S. America, CIS, Middle East ❖ Has 401 IP approvals and 204 products awaiting approval 	<ul style="list-style-type: none"> ❖ Pure CRAMS: Formulation Contracts for leading companies in the US and European markets ❖ Subsidiary CRAMS: Undertakes formulations CRAMS for its own subsidiaries
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 was formed in 2001 as a wholly owned subsidiary of Glenmark Pharma but in 2003, it was spun off into a separate entity as Glenmark Laboratories Ltd.
- ❖ Post that, it merged with TASC Pharma (an API producer incorporated in 1992) by a reverse merger 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)

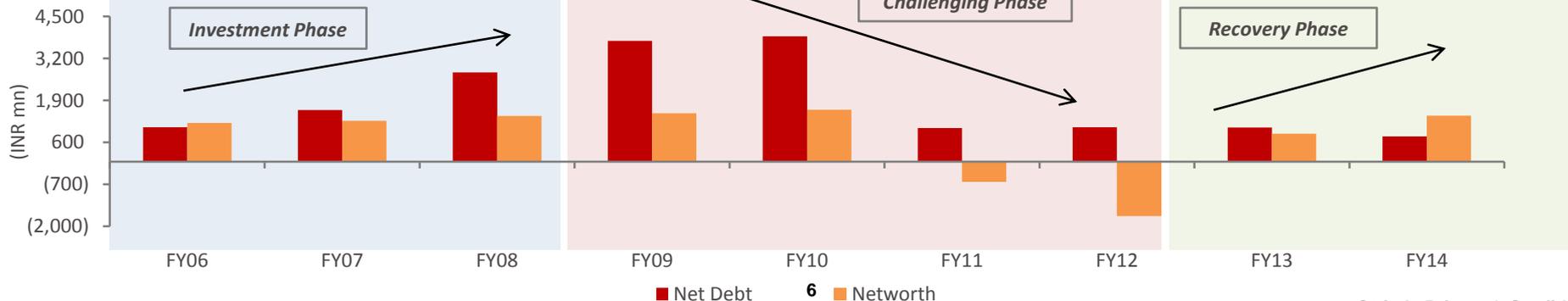
- ❖ Raised INR 2.25 bn (USD 50 mn) through FCCB's
- ❖ Acquired 3 companies (Nova, Australia in March 2006; Bell's, UK, in January 2008; and Relonchem, UK, in August 2008) for a total consideration of INR 1.5 bn
- ❖ Increased its ANDA filing plans & also invested in product site transfers (of newly acquired 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
- ❖ Company decided to focus on its core business and hence sold the API business in July 2010
- ❖ Net worth got eroded due to losses & Company was referred to BIFR in the year 2011

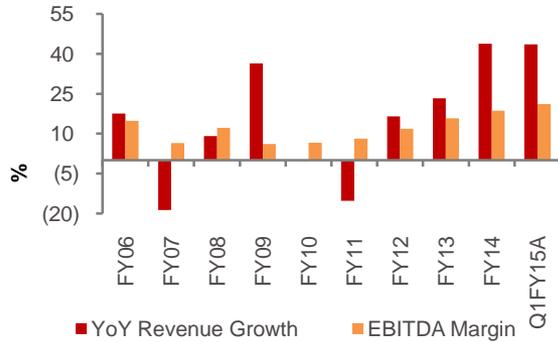
Recovery Phase (FY13-15TD)

- ❖ Decided to focus on specific verticals & identified nonperforming products
- ❖ This led to the divestment of API business (2011) and also discontinuation of 2 other business segments in India (Mark Remedies & Zenmark) in 2010
- ❖ 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

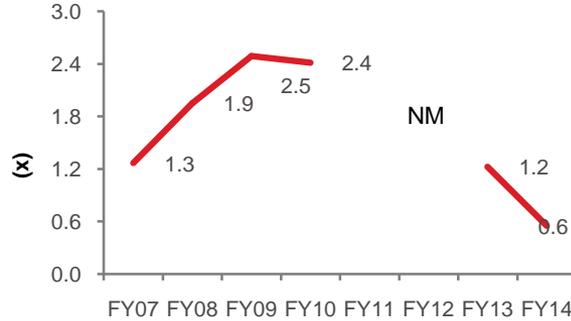


...with a visible improvement seen in the last 2 years

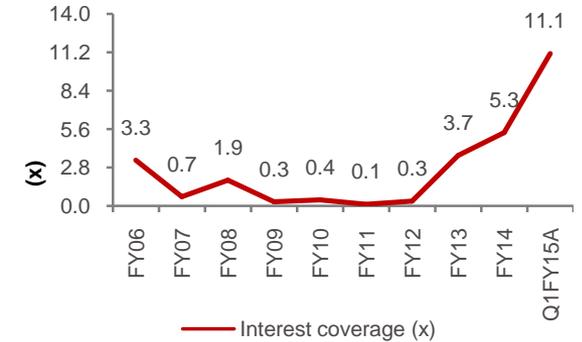
Margins & growth have rebounded in recent times...



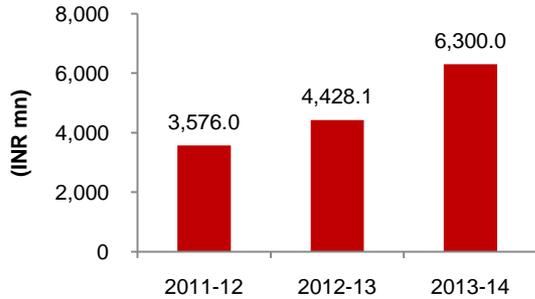
An earlier stretched balance is now deleveraged with Debt/Equity dropping from a high of 2.5x to 0.6x



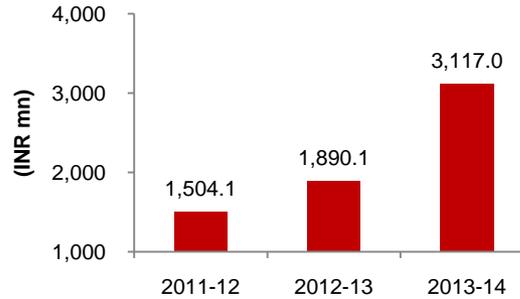
...translating into improved interest coverage



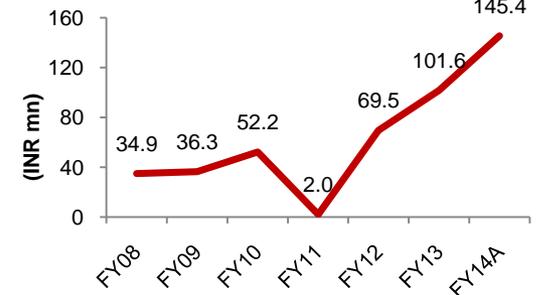
Consolidated Revenues have grown at a CAGR of 32.7%



Exports from the Goa plant have grown at a steady pace

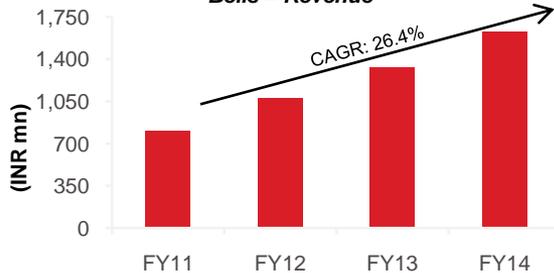


...Leading to improvement in Operating Cash Flows

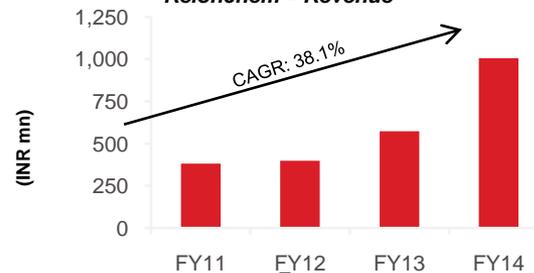


Acquired businesses in the UK & Australia have stabilized & started performing

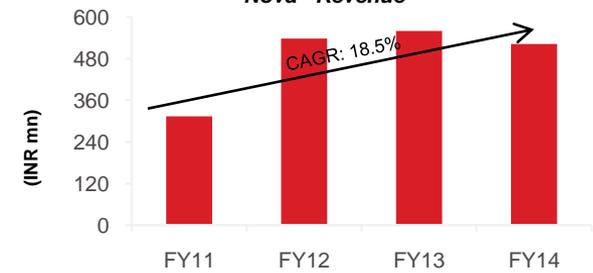
Bells – Revenue



Relonchem – Revenue



Nova - Revenue



Key Highlights



State-of-the-art manufacturing facilities with major regulatory accreditations



Well poised to capture the niche softgel opportunity



US market to be major growth driver with a strong pipeline to aid expansion



Targeting existing global markets for growth



Focused & experienced management team with a proven track record

State-of-the-art manufacturing facilities with major global regulatory accreditations

Goa Plant – Capsules & Tablets

- ❖ One of the largest manufacturing facilities for soft gelatin capsules & tablets
- ❖ Fully-automated unit spread across 18,000 sq. meters
- ❖ 100% Export Oriented Unit
- ❖ Received recognition from the Department of Scientific and Industrial Research
- ❖ Fully automated packaging capabilities and a R&D centre that comprises of 3 key divisions for formulation development, devising analytical methods & conducting stability studies
- ❖ Also used for contract manufacturing by other large pharmaceutical companies
- ❖ 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 niche, at a approx. USD 9 bn market size, Softgel is a relatively big market for Marksans

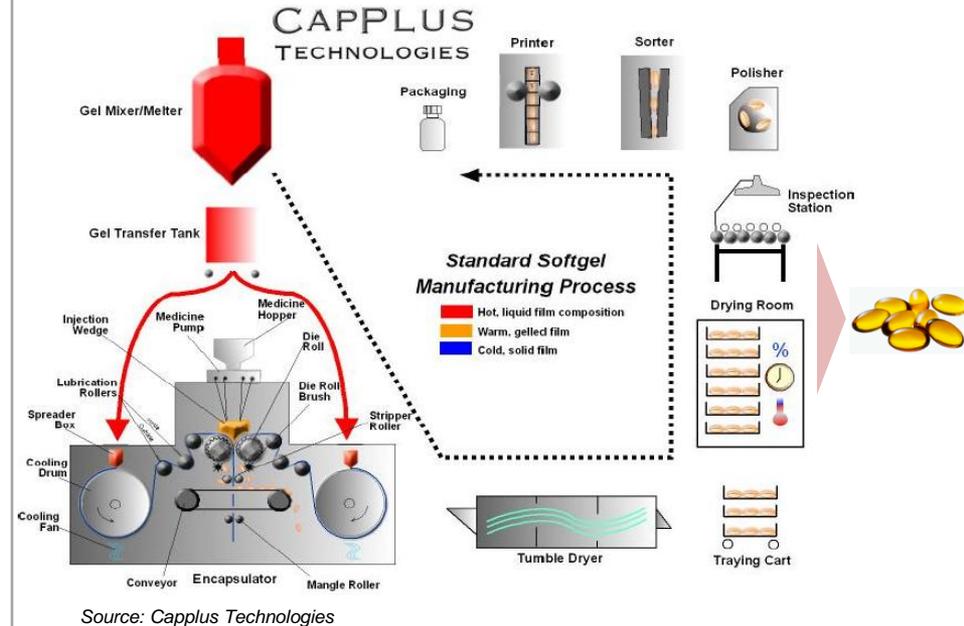
Price Erosion Trends – Softgels vs Other Segments

- ❖ 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

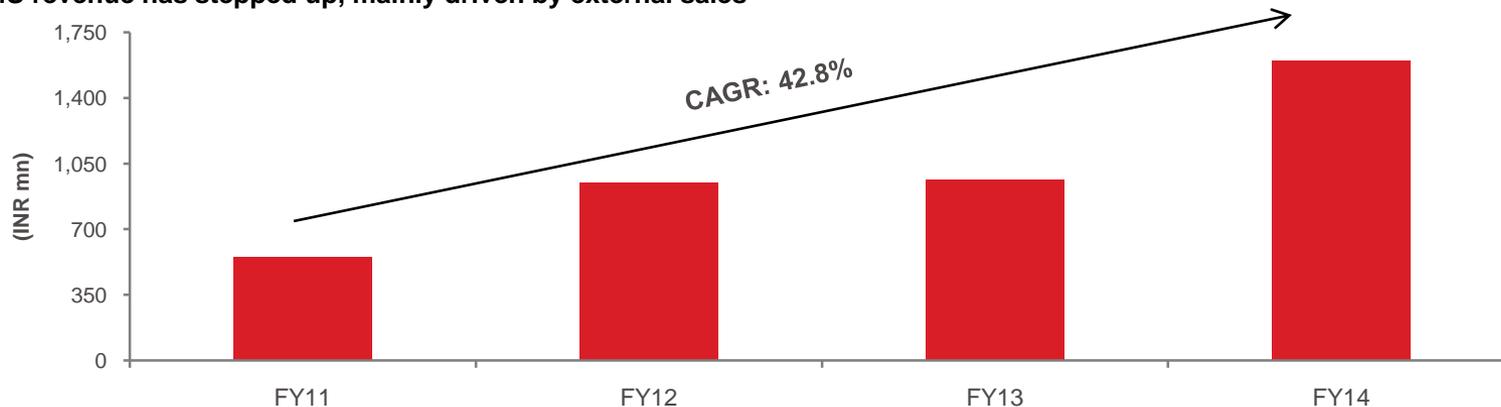
Manufacturing capabilities with major approvals in place: Marksans's Goa SGC facility has the necessary approvals from USFDA, UKMHRA, TGA, etc.

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 M&Cs 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

Aggressive expansion of US Business

- ❖ Focus on increasing sales from existing approved ANDAs (e.g., scale up contracts with branded retail players for Ibuprofen softgel)
- ❖ To 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 seem to 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
Total Income	6,335.0	4,428.2
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		
Total Expenditure	5,122.7	3,690.2
EBITDA	1,212.3	737.9
Depreciation	156.9	156.5
Interest	191.3	146.0
PBT	864.1	435.5
Tax	127.9	(52.8)
PAT	736.2	488.3
Less : Minority Interest	17.2	29.4
Profit/(Loss) for the period after adjustment of Minority Interest	719.0	458.8

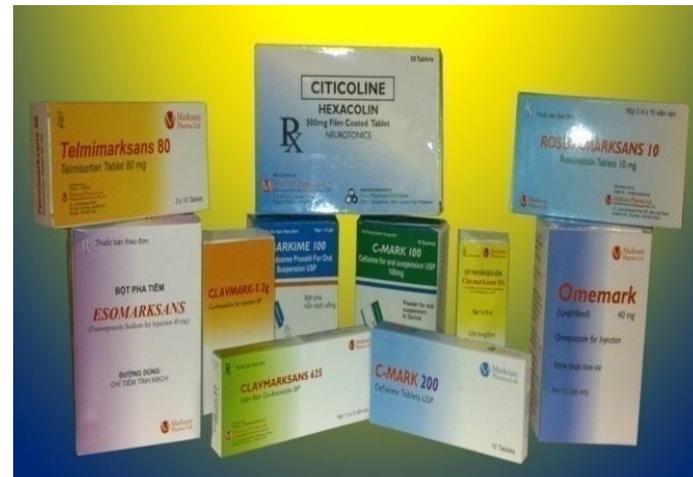
Balance sheet (INR mn)

Particulars	FY 14 (Consolidated)	FY 13 (Consolidated)
Equity & Liabilities		
Share Capital	520.30	520.31
Reserves and surplus	901.50	344.48
Minority Interest	66.40	69.90
Share Application money pending allotment		
Total Equity	1,488.20	934.69
Non-current liabilities		
Long-term borrowings	221.60	104.93
Deferred tax liabilities (Net)	198.20	78.77
	23.40	26.16
Current Liabilities		
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
Total Liabilities	4,901.00	4,012.45
Assets		
Non-current assets		
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
Current assets		
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
Total Assets	4,901.00	4,012.45

USA Products



ROW Products



Bell's OTC Products



Nova Australia Products



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