



Marksans Pharma Ltd.

Date: 22nd August, 2023

BSE Limited

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Dalal Street,
Mumbai – 400001.
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Bandra (East), Mumbai – 400051.
Symbol: MARKSANS

Subject: : Transcript of investor(s) / analyst(s) meet – Q1FY2024 financial performance and strategy update

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the investor(s) / analyst(s) meet for Q1FY2024 financial performance and strategy update held on August 16, 2023.

The above information is also available on the website of the Company i.e. <http://www.marksanspharma.com/investors-meet.html>

We request you to take the aforesaid on records.

Thanking you.

Yours faithfully,

For Marksans Pharma Limited

Harshavardhan Panigrahi
Company Secretary

Encl: As above

Marksans Pharma Ltd.

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“Marksans Pharma Limited Q1 FY2024 Earnings Conference Call”

August 16, 2023



ANALYST: MR. NITIN AGARWAL – DAM CAPITAL ADVISORS

**MANAGEMENT: MR. MARK SALDANHA – FOUNDER, MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER -
MARKSANS PHARMA LIMITED
MR. JITENDRA SHARMA - CHIEF FINANCIAL OFFICER -
MARKSANS PHARMA LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Marksans Pharma Limited Q1 FY2024 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Agarwal from DAM Capital. Thank you and over to you, Sir!

Nitin Agarwal: Thank you, Carol. Good afternoon, everyone, and a very warm welcome to Marksans Pharma’s Q1 FY2024 post earnings call, hosted by DAM Capital Advisors Limited. On the call today representing Marksans Pharma, we have Mr. Mark Saldanha – Founder, Chairman & Managing Director; and Mr. Jitendra Sharma – Chief Financial Officer. I will handover call to the Marksans team to make some opening comments and then we will open the floor for questions. Please go-ahead sir.

Mark Saldanha: Thank you, Nitin. Welcome everyone and thank you for joining us in Q1 FY2024 earning conference call. We appreciate your continued interest and support for the company. We have had a strong start to the FY2024, and our revenue exceeded INR 5 billion in the first quarter. We saw strong growth across our key regions attributed to share expansion with existing customers and new product launches. We observed a stable market condition in the quarter and our gross profit expanded mainly on account of better product mix and reduction in the rates of few raw materials. We are on track with the integration of the newly acquired Teva manufacturing unit in Goa and expect a meaningful revenue contribution from this plant to start from Q4 of FY2024. We are delighted to inform you that we were the first Indian company to receive US FDA approval on one of our key OTC molecule, which is equivalent to the Advil dual action tablets. I would also like to inform you that we have just been added to the MSCI Global Small Cap Index list. We continue to follow our balance sheet disciplined growth approach. Our interest remains in capturing major market share in the OTC market across geographies and with the newly acquired Teva manufacturing unit serving as a backbone to fuel our strong top line growth. Our immediate focus is to create a complete product offering in three of our key OTC therapeutic segments that is pain, cough and cold and digestives. Our backward integration and cost management initiatives will lead to expanding our EBITDA margins in the coming years. We are optimistic about our growth journey in the coming years with a commitment towards our three pillars which are providing superior value to our shareholders, exemplary service to our customers and engaging experience to our employees. With this, I would like to turn it over to Jitendra who will update you on the financials and then we can start our Q&A.



Jitendra Sharma: Thank you sir. For Q1 of FY2024 our operating revenue was Rs.500 Crores an increase of 15.3% compared to Rs.433.8 Crores in the same quarter last year. US and North America was at Rs.193.3 Crores representing an 11.2% increase on a year-on-year basis. UK and new formulation markets grew by 24.8% year-on-year basis to Rs.225.9 Crores on account of new launches, incremental market share, and also on account of better realization due to currency fluctuation. Australia and New Zealand formulation market recorded revenue of Rs.58.6 Crores, an 11.4% increase year on year basis. The rest of the world recorded sales of Rs.22.2 Crores in Q1 of FY2024. Gross profit was at Rs.257.3 Crores up 17.5% year on year basis. Gross margin increased by 95 basis points from 50.5% to 51.5% in Q1 of FY2024. EBITDA for the quarter was at Rs.102 Crores, an increase of 39.9% year-on-year basis and a decline of 6.9% on quarter-on-quarter basis. EBITDA margin for the quarter was at 20.4%. This quarter, our employee expenses increased due to the onboarding of Teva's acquired manufacturing facility employee, and other expenses also increased on account of the addition of newly acquired facility costs. Profit after tax was at Rs.70.4 Crores compared to Rs.60.2 Crores in Q1 of FY2023, a growth of 17%. EPS for the quarter was Rs.1.52. In Q1 of FY2024, the cash from operations is at Rs.34.3 Crores and the free cash flow is at -47.2 Crores on account of high capex in the quarter. The capex incurred during the quarter was Rs.81.5, with investment in line with our plan of scaling and acquiring a manufacturing unit from Teva Pharma in Goa and we spend Rs.8.46 Crores in R&D which amounts to 1.7% of the sales. We continue to remain debt free. We had a total of Rs.636 Crores of cash as of 30th June 2023. With this I would like to open the floor to questions and answers. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question answer and answer session. The first question is from the line of Viraj Mahadevia an Individual Investor. Please go ahead.

Viraj Mahadevia: Hi Marks, congratulations on stable results and on getting recognized by MSCI. You mentioned that you had some incremental expenses coming on account of Teva facility this quarter. Can you give us a sense of the loading on the P&L in the quarter due to that Teva facilities and when these facilities are likely to turn break even later this year?

Mark Saldanha: So, I will answer the latter part of your question and Jitendra can take you through the other numbers. So obviously like I mentioned in my previous concalls, there will be some pain before any gain and we do believe in early 2024 maybe the last quarter of this financial year, you will see optimization and revenue generation from Teva, although we have started the plant, plant is operational but the revenue generation right now is relatively smaller and we are just supplying a few items as per contract to Teva, but the actual revenue generation with all the capex expansions will probably start by Q4 of this financial year. Jitendra you want to add on to the first part of it.



- Jitendra Sharma:** Yes, Viraj in terms of the exact expenses which are loaded in P&L both on account of employee expenses and other expenses, there was an increase of approximately around Rs.11 Crores in the quarter.
- Viraj Mahadevia:** Understood, thank you. Given your cash balance you have been talking about potentially making some bolt on acquisitions Mark, asset-light bolt on acquisitions in Europe, can you give us a sense of any progress made on that front?
- Mark Saldanha:** We are in dialogue Viraj with actually two target companies, but nothing concrete to highlight, we are far away from any pen coming to paper per se, so I think it is too early to discuss anything relevant because these M&As and 90% of the time the probability factors are they do not go through. So as on today while we are exploring possibilities there is nothing concrete.
- Viraj Mahadevia:** Understood and assuming these are asset-light businesses, so it would not involve manufacturing and plants in Europe, but more registrations and teams on the ground.
- Mark Saldanha:** Yes, that is it. You are correct on that.
- Viraj Mahadevia:** Perfect. All the very best. Thank you.
- Mark Saldanha:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vilin an individual investor. Please go ahead.
- Vilin:** Thanks for the opportunity. I just have follow-up question on the Teva facility. So, Mark can you just help us understand when this facility is likely to be optimally utilized, probably can we expect sometime mid-next year?
- Mark Saldanha:** Yes, so basically like I mentioned while the facility is operational obviously, but we are investing a lot into capex and expansions of capacity and machinery and everything of that stuff. We do see revenue generation happening towards the first quarter of the calendar year or you can say last quarter of this financial year, we would see some revenue, better optimization happening and from a full-fledged point of view, I would be more comfortable to give maybe the first quarter of next financial year we would be fully optimized and running in full flow with regards to the Teva facility, but I am hoping at least towards the end of this financial year we will see that growth coming up from the Teva plant.
- Vilin:** Great and from this facility, it is going to be all new products, new registrations or it will be some of the existing products which will be shifted from the current?



- Mark Saldanha:** It is going to be a mix of both and initially obviously we are doing a lot of site variations so that we can jump start with products which we historically have done with confidence and new additions, but I would say maybe 60% will come from new items and maybe 40% maybe from existing items.
- Vilin:** Great. Just one more question if I can squeeze in, we are hearing from lot of Indian pharma companies exporting to US that there is a less pricing pressure now in the US, maybe low single digit and as a result many of these companies are able to perform better, but in our commentary, our performance was primarily driven by low freight cost than product mix. So, I mean how does it, it is not so much pricing which has favored us versus the other Indian pharma, just to get more colour on this?
- Mark Saldanha:** Like I mentioned in my commentary that obviously, we are seeing a bit of stability in the market. So, I guess that is pretty much in the comment to what all other companies are talking about, so compared to the historic last year, this year we have witnessed a good stability so price erosion has tapered down because probably we hit rock bottom when that is concerned and then again we are talking of optimizing our cost and reduction of costs and raw material corrections, our pricing to improve our profitability per se. There will always be some challenges molecule specific, but overall it is not as bad as in previous years.
- Vilin:** This trend seems to be continuing.
- Mark Saldanha:** Yes
- Vilin:** Okay, great. All the best for the future.
- Mark Saldanha:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Mahesh Vyas from UTI AMC. Please go ahead.
- Mahesh Vyas:** So congratulations for your consistent performance and just one question on your UK geography if you can just spread down the growth which has been coming, I mean this has been a tremendous growth which had come from UK. So if you can lay down the growth of UK in terms of like market share being led by volumes or is there any price hikes taken, contractual agreements?
- Mark Saldanha:** So the growth and consistency from UK is basically product mix. It is also market share being taken, gaining new market share from present clients and also product expansion. So we are launching products, three to four products every quarter. So that value addition is happening. So I think it is on the right path and will continue to show consistent results.



Maresh Vyas: Okay, also sir whether our US margins are lower than the average margins of the company?

Mark Saldanha: I did not get you whether the US margins?

Maresh Vyas: Are our US geographical margins are lower than the average margin of the company?

Mark Saldanha: It is presently, operational leverage has to kick in and we are seeing that kicking in so we will definitely perform better than the previous year and in the coming years we will perform better than this year. So it is as and when, we have invested a lot in terms of manufacturing, in terms of people, in terms of infrastructure. So we have got a good platform now to scale it up so as and when your revenue generation grows, your operational leverage kicks in and you will see better bottom-line expansion happening over time.

Maresh Vyas: Okay and sir one more question, how do you feel US is a market, I mean in terms of size and what would be the growth expectation for the next 2-3 years overall market size in the US?

Mark Saldanha: Well market size in US is huge and we expect to double our revenue in the next couple of years, but we are relatively very small in the US market. So that gives us the potential for growth. I do see US being a growth driver in the coming years.

Maresh Vyas: Okay, sure. Thank you.

Moderator: Thank you. The next question is from the line of Vishal from Systematix Group. Please go ahead.

Vishal: So can you share revenue and margin outlook for FY2024, so what sort of revenue growth you are expecting and what margin should we close the year?

Mark Saldanha: So I can tell you like I told in the previous calls if you extrapolate what have done in the first quarter we will cross Rs.2000 Crores in this year and that was our commitment that we have done. In terms of profitability, I would say we would be in range bound of 17 to 19% by the end of the year. So we are targeting that obviously if we do something better than that would be great, but looking at the various visibility factors, I think we will be range bound with that is concerned.

Vishal: So you said 17 to 19% range?

Mark Saldanha: Yes.

Vishal: Okay.



- Mark Saldanha:** I know, I know the first quarter is 20%, but we are trying to extrapolate for the whole year.
- Vishal:** So should we expect margins to come down in subsequent quarters and any reasons for that?
- Mark Saldanha:** It is not, I do not foresee margins to come down, but there are a lot of variabilities, unforeseen variabilities. Obviously the Teva acquisition which we are spending a lot of resources on. We are not going to break even in the next two quarters where the Teva operation is concerned because obviously we need to get all these revenues generated and I did mention you see probably revenue generation happening in the last quarter. So that is a bit of overhang that we have right now, but like I said no pain, no gain but we will definitely perform better than the previous years that is why we will cross Rs.2000 Crores and we will probably be range bound from the overall 17 to 19%. We may overshoot that, but I would like to keep it like that.
- Vishal:** Can you share the expected Teva contribution in revenues in the year FY2024?
- Mark Saldanha:** It will be very less because right up to December, I think revenue will not be more than I mean in this year you say around Rs.40 Crores that will probably come from Teva, but it will be relatively less compared to the overall picture, but I am hoping in the last quarter you will see some real improvement happening from the plant.
- Vishal:** You said Rs.40 Crores would be the contribution.
- Mark Saldanha:** Yes, between 40 to 50 Crores coming from Teva.
- Vishal:** In an answer to the previous question you said 11 Crores is the cost addition on account of the Teva plant?
- Mark Saldanha:** Yes.
- Vishal:** Sir would probably be kind of more or less breaking even on Teva this year.
- Mark Saldanha:** I would not say breaking even. I would say definitely from the first quarter of next year we will be breaking even, but the last quarter will probably be the best quarter for Teva. That is my assumption. We would have to scale up operations to get ready for the new manufacturing setup or the new capacity so there will be some more cost additions before revenue gets generated. So we anticipate a bit of over drag out there for a couple of months, but that said and done, our overall performance will be better than the previous year.



- Vishal:** Okay and like just a broader question on the US market. So we have been seeing discontinuation on the RX front, prescription front. So are we also kind of witnessing discontinuations on the OTC front companies exiting out of OTC products?
- Mark Saldanha:** That is the nature of the beast. I think there are different reasons for companies to take different calls. Consolidation is the normal process in the pharma industry. So different companies take calls based on product portfolio, product change, focus change. I would not attribute it to the market structure but it is more company specific.
- Vishal:** Okay and any shortages that you see on the OTC front?
- Mark Saldanha:** No abandoned stock, so enough of stock.
- Vishal:** Okay. Any guidance on the number of launches in US this year?
- Mark Saldanha:** I would say in this financial year maybe three, if we are lucky four.
- Vishal:** Three to four launches that includes this the one Advil dual action?
- Mark Saldanha:** Yes.
- Vishal:** Okay. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Hrishit Jhaveri from Pisquare Investments. Please go ahead.
- Hrishit Jhaveri:** Can you tell me what is the current capacity utilization excluding the Teva?
- Mark Saldanha:** So our utilization is around the 70% right now excluding Teva facility.
- Hrishit Jhaveri:** Okay. In UK, you mentioned that tax has jumped from 19%, so expect that to be stable.
- Mark Saldanha:** Jitendra you want to highlight on the taxation of UK increasing from 19 to 25%??
- Jitendra Sharma:** Yes Hrishit, we have mentioned in our presentation, the tax rates in the UK have gone up to 25%. We believe that this will remain now, they would not increase it further it looks like 25% will be a normal run rate from here on so far as the UK taxation is concerned.
- Moderator:** Thank you. The next question is from the line of Neelam Punjabi from Perpetuity Ventures LLP. Please go ahead.



- Neelam Punjabi:** Thanks for the opportunity and congratulations on a good quarter. My first question is on a potential EBITDA margin over the medium term once the Teva facility ramps up and your operating leverage starts kick in?
- Jitendra Sharma:** So Neelam see we expect our EBITDA margin to improve once we start full-fledged Teva operation. So currently they are in the range of, last year it was around 18%, this year for the first quarter it is around, it is in the range of 20%. So gradually it will go up to 21, 22% as we utilise more of Teva capacity.
- Neelam Punjabi:** Once Teva is at the optimum utilisation our margin can go up to 21 to 22%, that is what you are saying?
- Mark Saldanha:** Yes.
- Neelam Punjabi:** Okay and you mentioned that you have higher expenses of about Rs.11 Crores during the quarter on account of the Teva facility. So is this the base or are we expecting any further increase in expenses?
- Jitendra Sharma:** As we increase the capacity, definitely the expenses will go up. So at present this is the base, but definitely as and when we increase, we will definitely incur more expenses.
- Neelam Punjabi:** Okay and on the gross margins, we have seen an improvement during the quarter. So is the current gross margin sustainable throughout the year?
- Jitendra Sharma:** We expect it to remain at this level, yes.
- Neelam Punjabi:** Got it. Lastly on backward integration into API so you had mentioned in the last quarters that our backward integration would start from September. So are we on track for this is?
- Mark Saldanha:** Yes, we are on track to file our DMF by September.
- Neelam Punjabi:** Okay. Thank you.
- Mark Saldanha:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jawahar Soneji an Individual Investor. Please go ahead.
- Jawahar Soneji:** Thank you, Sir. Good evening and congratulations for the good results. Before acquiring Teva plant we already had one plant in Goa, which is considered one of the largest facility in Asia right and the size of the plant is about 18,000 square feet and the land is about two



acres. Now what I wanted to know is since we have acquired Teva plant which is much, much bigger, six times bigger plot than the Goa plant or earlier plant, right. It is almost six times bigger land than the earlier existing one. What are your future plans, are we going in for the world's largest plant, what are your plans. How you are going to utilise the land, how much it is being utilised compared to the earlier one. In earlier one almost 1/4 of the land is utilised for the plant and the other 3/4 is open and in this case, how big is your plant now and what are your plans on that, that is what I wanted to know?

Mark Saldanha: Our present plant is about 8 acres so 7.5 acres our old plant. It is not 2 acres it is about 7.5 acres and it is about 24,000 square meters and build up is about 18,000 square meters so we have utilised substantial amount of land out there, definitely we are one of the largest in terms of softgels and we have huge capacities in tablets and capsules. Coming back to our Teva plant. You are right. Teva plant, it is not six times bigger than our present plant it is about 2 times bigger than our present plant; it is 48,000 square meters built up, 48000 built up compared to 38,000 square meters compared to about 24000 square meters. Obviously Teva we do expect the overall capacity to be larger than our present plant and that will address our requirements for the next three years. I would like to say three to five years, but I being bullish on front ends, I would say it will at least address our requirements for the next three years.

Jawahar Soneji: Thank you. One more question sir about the procurement of the raw material for our plants, are we procuring from a local source or we are importing the raw materials if at all we are importing what is the security, assurance given for the long term?

Mark Saldanha: We sign all contracts. These are all approved vendors we are dealing with for the last 10 to 15 years, some of them maybe 20 years and we sign yearly contracts or maybe sometimes bi-yearly contracts and technically it is only on the contracts and the purchase order and normally unless there is force majeure situation, most of them honor their commitments. We do keep a huge amount of inventory with us, very close to five to six months of stock of raw materials are kept with us and we do buy both locally as well as import internationally.

Jawahar Soneji: Is it a major part is imported or major is local I mean indigenous?

Mark Saldanha: I think it is a mix, I would say maybe 50:50.

Jawahar Soneji: Fine. Thank you very much, Sir.

Moderator: Thank you. The next question is from the line of the Deepesh Sancheti from Manya Financial Services. Please go ahead.

Deepesh Sancheti: Hi, am I audible?

- Mark Saldanha:** Yes, you are.
- Deepesh Sancheti:** Okay just wanted to know on the capacity utilization and sales that come from the new Goa unit of Teva?
- Mark Saldanha:** Right now, the sale has just started. It is very negligible. Based on the current capacity and our contracts with Teva basically I would assume we will probably do Rs.40 odd Crores, Rs.40, Rs.45 Crores by the end of this year. But that is why we are investing into enhancement of capacity where that additional revenue you probably see happening in the last quarter trickling in the last quarter of this financial year.
- Deepesh Sancheti:** Going ahead in the next financial year FY2025 what do we expect?
- Mark Saldanha:** That will be substantial. Maybe that will be substantial revenue coming from the Teva plant.
- Deepesh Sancheti:** About the USFDA status on the Goa facility where I believe we had two observations we had received qualifications now have we answered them, is it cleared?
- Mark Saldanha:** I think the due date for answering is this week, so we will be answering they are just normal process of questions that has to be answered, some SOPs that have to be updated and sent to them so I do not foresee any issues with that.
- Deepesh Sancheti:** So we should see that resolution maybe this month or in this quarter itself, right?
- Mark Saldanha:** Once we answer normally they take a couple of months to issue the EIR report so that is what the formality is.
- Deepesh Sancheti:** Okay Congratulations and all the best for this year.
- Mark Saldanha:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shlok Dave from CAO Capital. Please go ahead.
- Shlok Dave:** Yes, hi, good evening and congratulations again for great execution. Mark, I had just one question on the Teva plant in terms of the fixed overheads that will be incurring and what our plant capex was. Are you seeing any possibilities of any cost overheads there?
- Mark Saldanha:** Any cost or?



Shlok Dave: Cost overheads, whatever you had initially planned, is there a possibility that we may have some overruns over and above those targeted cost?

Mark Saldanha: No. I think it is pretty much going as per our target as per our budget. So obviously we have seen, Jitendra has mentioned the overheads that we have taken for the quarter. I think the next quarter will also be in a similar number towards the latter part when we are planning to go full scale you will see a bit of cost increase happening because obviously more people manpower will have to added to produce those requirements but relatively faster those returns will come in and operational leverage will kick in soon.

Shlok Dave: Great. One question this is more an industry question rather than company specific. Can you give some assessment of what is happening on the API pricing, so the way specialty chemical and even basic chemical prices are falling, I am pretty sure sooner or later they will start reflecting quite heavily in the API price, so how are you seeing the situation and if there is a dramatic fall let say 20% across the board fall in API prices from the current levels, do we gain or do we pass on everything to our end users?

Mark Saldanha: So obviously COVID was an API boom more than anything else, and prices were highly inflated. That had to come down per se and we are witnessing some heavy drops in the API to the extent it is going down from the prehistoric low before COVID so I do see a bit of stability happening there for some time and then obviously I do not have a crystal ball to predict the road map ahead, but I do see a bit of stability happening, at least for the next 12 months.

Shlok Dave: Okay and no chances of any significant destocking in the channel, right, because generally what happens is if the prices fall out people do tend to destock. So how is the channel looking like?

Mark Saldanha: Well, it does happen more in the RX industry. In the prescription industry you see a high volatility happening and price tanking overnight and OTC relatively it is much more stable because you are on contracts and eventually the next contract be at the lower price.

Shlok Dave: Right.

Mark Saldanha: So it will correct eventually but you do not see the volatility and obviously in the RX you see an immediate price correction happening overnight and that is where companies with higher cost of raw material get impacted sometimes.

Shlok Dave: So volumes will not be challenged just because of channel destocking?

Mark Saldanha: Volumes will not, but price will be challenged.

- Shlok Dave:** That is fine. Thank you very much Mark. All the best for the next quarters. Thank you.
- Moderator:** Thank you. The next question is from the line of Jayesh an Individual Investor. Please go ahead.
- Jayesh:** First of all congratulations on a wonderful performance. First question is on Teva Pharma, what will be the target area, we will be selling this product in US, UK or rest of the world and the second one is what is the progress of the backward integration of API molecules?
- Mark Saldanha:** So if I got it right so the targeted market is basically pretty much the same market that we are strong in. You are looking at Europe, you are looking at Australia, and you are looking at US all three markets will be targeted markets for the Teva molecule. For the backward integration like I said in September we will probably be filling our first DMFs, so we are expecting to file at least two DMFs by this financial year and maybe the third one by early next year.
- Jayesh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dinesh Kulkarni an Individual Investor. Please go ahead.
- Dinesh Kulkarni:** Thanks for the opportunity and congratulations on a good quarter. I have just one question. I can see working capital cycle for the quarter is about 120 days so in line with this revenue growth and EBITDA scaling up on the business where do you see this working capital cycle, will it be improved or any specific measures been taken for that or it will stay around this?
- Mark Saldanha:** No it will remain in the same range like it has already come down a bit, with Teva plant operating in full fledged definitely there will be incremental requirement of materials and also the receivable will also increase in line with the increase in sale. So overall, I think it will remain in the range of around 120 days.
- Dinesh Kulkarni:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Harish Shiyad an Individual Investor. Please go ahead.
- Harish Shiyad:** Yes. Good numbers management and the team. I have a question Teva is a part of the standalone Marksans Pharma I suppose?
- Mark Saldanha:** Yes.



Harish Shiyad: Okay and next question is, as you said that Rs.11 Crores we have spent **43:56 audio cut**. The second question any more expenses on this.

Mark Saldanha: Harish. Your first part of the question was not audible.

Harish Shiyad: Hello. I am talking about the additional expenses we have incurred in this quarter on because of Teva. So will it be there in the second quarter also?

Mark Saldanha: Yes, it will be there in the second quarter also.

Harish Shiyad: Okay and more about integration plan on the marketing, distribution, logistics and the research and development part **44:50 audio cut**?

Mark Saldanha: We are not getting your question, but I think you are asking that whether we will incur additional expenditure on marketing, other infrastructural development, is that your question?

Harish Shiyad: No, no, I am talking about integrating the marketing and the distribution expenses and operating leverage out of it?

Mark Saldanha: I am sorry, I am not able to get your question?

Moderator: Thank you. The next question is from the line of Vilin an Individual Investor. Please go ahead.

Vilin: Thanks again, Mark. I think it is now put together all the levers whether it is Teva facility and also the backward integration and everything, is my assessment correct that our revenue growth for the next 2-3 years will be higher than our historical growth rate of 15 to 16% for last ten years and also margins would be much better with all these benefits and the initiatives that we have taken.

Mark Saldanha: Well, as your base grows higher the percentage may not always be proportional to what the theory you are mentioning, but our absolute numbers will be much higher compared to historic numbers. So that is pretty much what we can summarize because obviously, the contribution that will come from the Teva plant will help us to fuel our growth. So I think per se now that we are expecting to cross let's say Rs. 2000 Crores, I am hoping that we can aim for the Rs.3000 Crores mark now.

Vilin: I agree Mark, I am not putting you on the number but I think in your earlier remark you said that we expect US to also double and with the Teva facility even the base is high, is it fair to assume even about 15% which we used to do historically. I just really do that growth rate



higher obviously I know you want to be on the conservative side, but we do at least 15% from next two three years.

Mark Saldanha: That will be fair enough to say.

Vilin: Okay and second question, any major challenge you see to do this from any front, whether it is the market or competition any major challenges you see?

Mark Saldanha: Not major challenges, but that is the nature of the beast. There will always be challenges we have to overcome with it and we have to move forward. So, we are quite optimistic in what we do. We do believe our growth pattern will continue and we are working hard to ensure we hit our objectives.

Vilin: Perfect. Thanks a lot.

Mark Saldanha: Thank you.

Moderator: Thank you. The next question is from the line of Vishal from Systematix Group. Please go ahead.

Vishal: Thanks for the opportunity. There have been a few RX to OTC switches that have been allowed by the US FDA in the recent past. So for Marksans to kind of participate in these opportunities, can you kind of participate in this immediately or will there be an exclusivity for this switches that will happen?

Mark Saldanha: Again, depends on which items. The present one, which has happened is more into nasal and different delivery systems which we do not have. So obviously setting up infrastructure specific for a molecule is always more expensive and difficult for us to do it right now, but in the past there has always been RX to OTC switches where we have launched products relatively fast. So I think because molecules are more older molecules they do not have an exclusivity per se. Just simply changing from an RX to an OTC does not give them an exclusivity, it is more molecule specific. There can be an exclusivity which is a process related or molecular related, but not for the switch per se.

Vishal: Okay kind of if potentially you have the capability you can participate in those categories immediately, the filing process basically whatever it takes to?

Mark Saldanha: Normally what happens is this happens relatively fast. So the people who are actually working on it, they get the first bite because they are aware of when it is going to happen, the rest of the market follows.



Vishal: Okay and another general question with respect to the overall OTC market, is the private label market growing faster than the brand market, basically the own brand market?

Mark Saldanha: So, obviously the private label market, it is growing. The branded, we are not into branded right now and different markets encourage different outlook. So there are markets which basically promote only branded and there are markets which basically promote generics and there are in the generics from the private label. So we are more into the generic markets. In some markets you do find some growth happening in branded per se. Today the branded market does have a bigger market share, but for that obviously you need to invest a lot. So we are not into that space right now.

Vishal: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Harish Shiyad an Individual Investor. Please go ahead.

Harish Shiyad: Hello. Am I audible now?

Mark Saldanha: Yes you are.

Harish Shiyad: Okay. My question was regarding the Teva facility. I wanted to understand or wanted your view on the integration of the marketing, distribution, logistics and the research in both the factories and what economies of scale we will get in operating leverages?

Mark Saldanha: All the marketing, distribution, everything remains the same. So there is not going to be an additional, we are going to use Teva more as a manufacturing platform more than anything else and the distribution, marketing everything else will be leveraged for my existing platform only. So there is not going to be any additional cost impact out there. The operating leverage like I mentioned will happen only when your production and your output actually gets generated for which we are investing huge amount of capex into the Teva plant so that the manufacturing, the number of units that come out of the plant will be much higher and thereby the operating leverage will kick in.

Harish Shiyad: Okay and since our Teva facility will start by end of this year so any ballpark figure for the next year capex plan, FY2025?

Mark Saldanha: Well it is part of our growth strategy. So I would like to use it as a standalone business model, but it falls within our growth plans eventually because we are using our fair marketing infrastructure. I would not like to assume that well Teva is a different marketing setup so they will get different revenues, but it will help us to fuel our overall growth plans and get us close to our next target that we are aiming for.



Harish Shiyad: Okay. Thank you very much and all the best of luck for the future.

Mark Saldanha: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments. Thank you and over to you all.

Mark Saldanha: I would like to thank all our investors for taking their time on a busy day to participate and looking forward for your continued support. Thank you very much and have a pleasant evening and a great day to come tomorrow. Take care and be safe.

Moderator: Thank you.

Jitendra Sharma: Thank you. Thank you everyone.

Moderator: On behalf of DAM Capital Advisors Limited, we conclude today's conference. Thank you for joining. You may now disconnect your lines.