



Marksans Pharma Ltd.

# Investor Presentation

Q2 and H1 FY20

12<sup>th</sup> November 2019

BSE: 524404 | NSE: MARKSANS | ISIN: INE750C01026

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Marksans Pharma Ltd.

# Forward looking statement

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 risks and uncertainties relating to these statements include, but are not limited to, fluctuations in earnings, our ability to successfully integrate acquisitions, competition in our areas of business, client concentration, liability for damages in our contracts, withdrawal of tax incentives, political instability, unauthorized use of our intellectual property and general economic conditions affecting our industry

# Agenda

- Company at a glance
- Long-term strategy
- Research & development
- Segmental revenue composition
- Operational review and financials
- Quarterly review – Q2 FY20
- Investment rationale



# Company at a glance

# Company overview



Marksans Pharma Ltd.

## Business Description

- Marksans Pharma Ltd., headquartered at Mumbai, is engaged in Research, Manufacturing & Marketing of generic pharmaceutical formulation
- Key focus areas lie in the OTC & prescription (Rx) drugs
- Company manufactures tablets (plain, enteric coated and film coated), hard & soft gelatin capsule, oral liquids and ointments
- Its manufacturing facilities are accredited by USFDA, UKMHRA and Australian TGA

## Business Model



- 94% of revenues comes from regulated markets



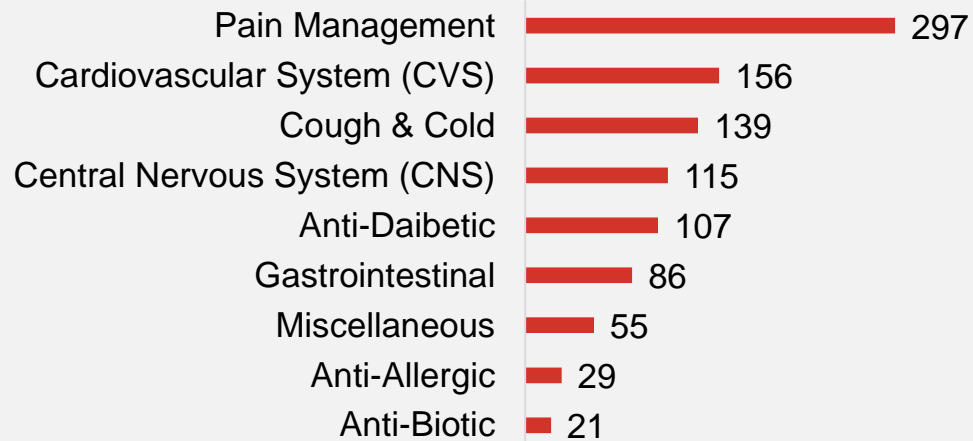
- Forward-integrated business model



- Presence in niche softgel segment

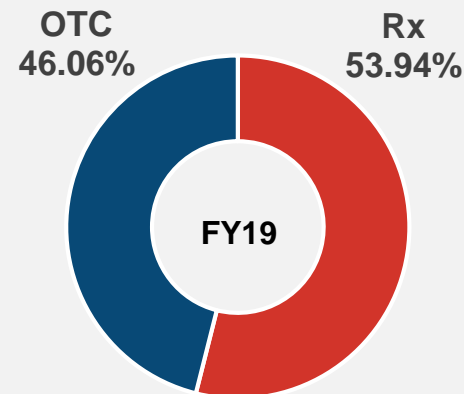
## Product Portfolio

Rs. Cr.

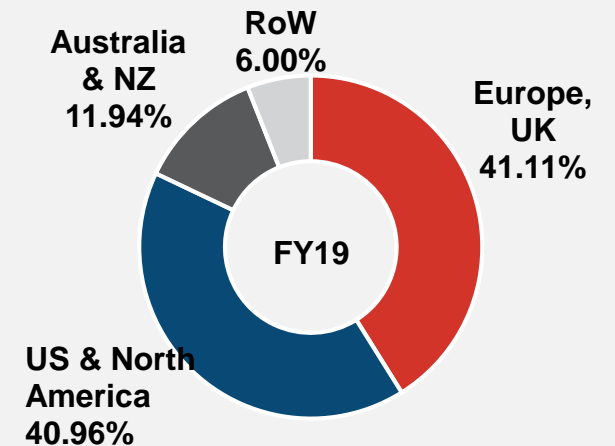


(FY19)

## Revenue Mix



## Geographic Mix

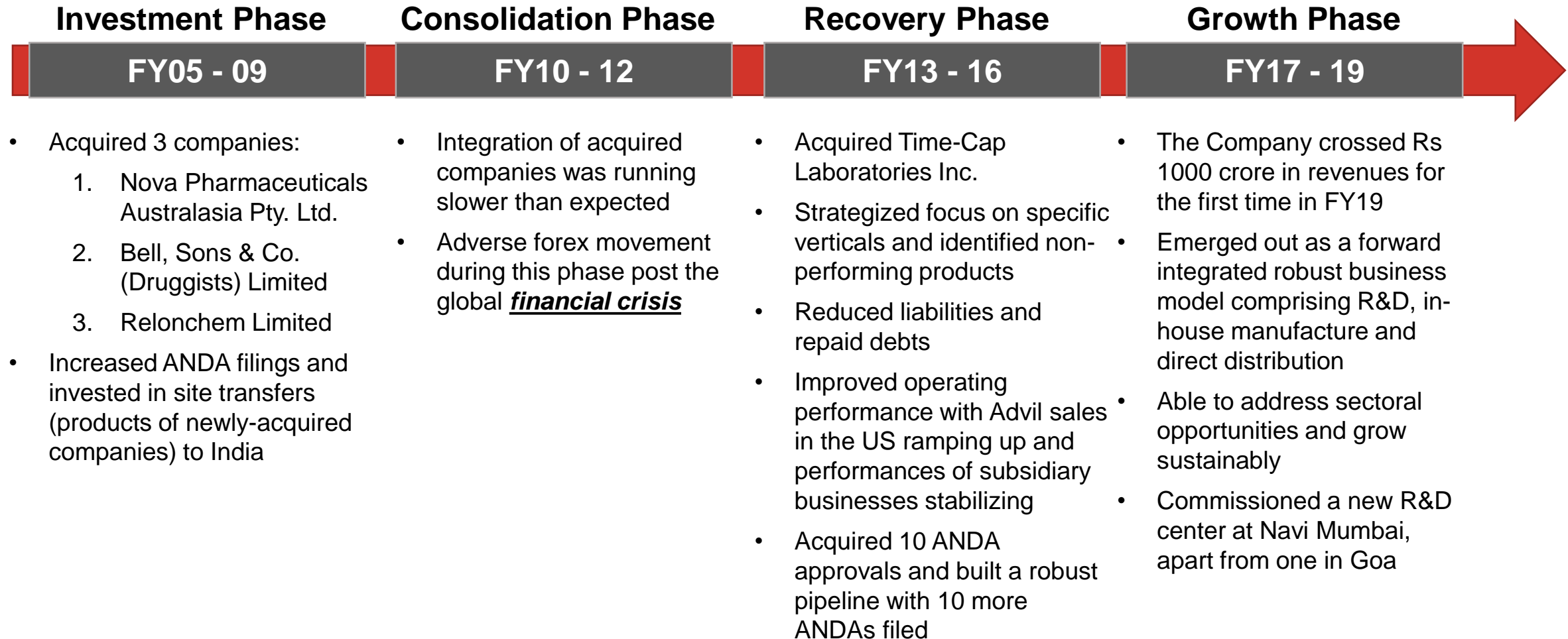




# Marksans Pharma Evolution



Marksans Pharma Ltd.





## Focus on Regulated Markets

- Marksans commenced business with CRAMS directed at the UK and Australian markets
- Entered the regulated Australian market with the acquisition of Nova in 2005
- Entered the regulated UK market with the acquisition of Bell Sons & Company Ltd. in 2007 and Relonchem Limited in 2008
- Entered the US market in 2011-12 and acquired Time-Cap Laboratories in 2015
- The Company now has a global presence across 25 countries



## Forward integrated business model

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



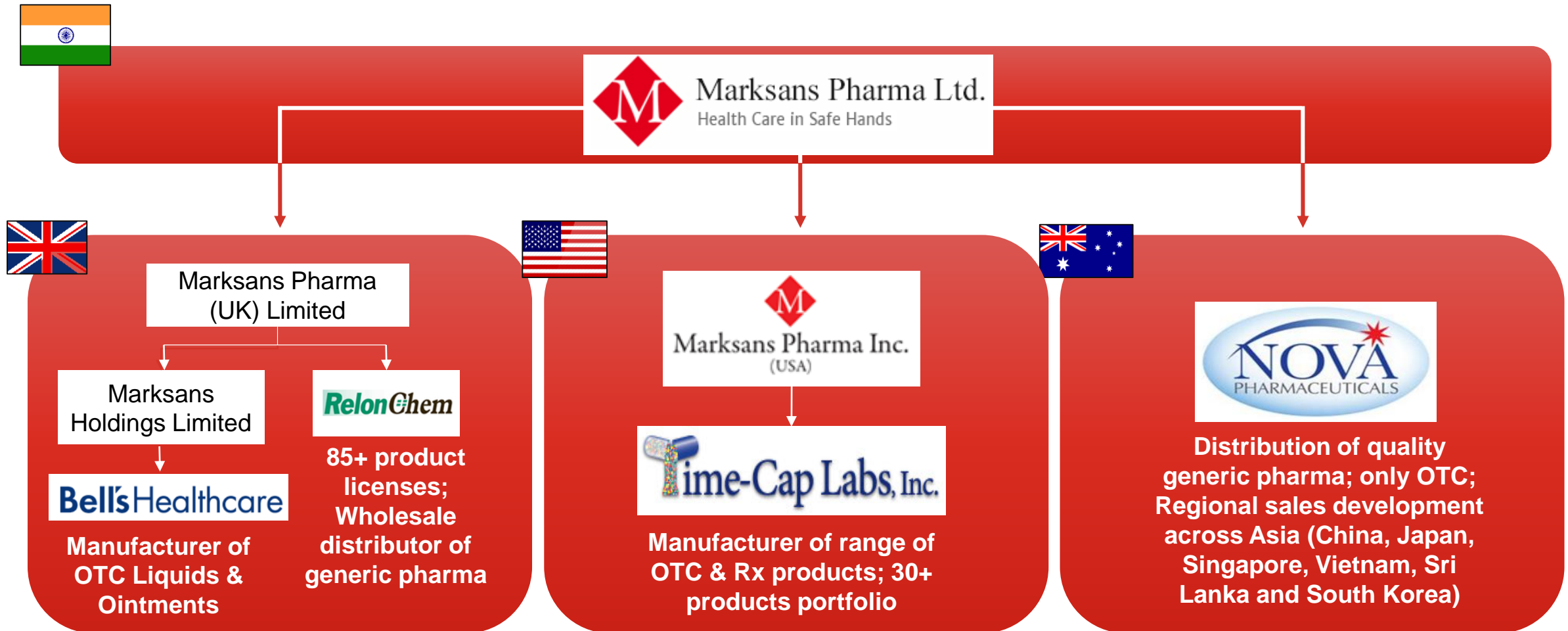
## Wider product basket

- Marksans commenced its journey with products addressing the pain management segment
- The Company focused on high-growth areas impacted by lifestyle disorders
- The Company launched soft gelatin capsules, a niche category
- The Company now offers products across >10 therapeutic segments

# Company structure



Marksans Pharma Ltd.





# Manufacturing capabilities



Marksans Pharma Ltd.

## Goa, India

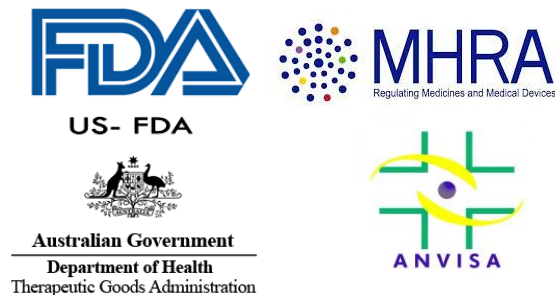


- Manufactures oral solid tablets and soft gelatin capsules
- One of the biggest manufacturing facility in Asia having 18,000 square mtr campus

### Capacity

- 2.4 bn softgel and hard gelatin capsules per annum
- 5 bn tablets per annum

### Accreditations



## Southport, UK



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

### Capacity

- 13.6 mn bottles per annum
- 7.8 mn tubes per annum
- 5.7 mn sachets per annum

### Accreditations



## Farmingdale, USA



- Manufactures soft gels, tablets and capsules
- Spread across an area of 7000 sq. m
- "Made in the USA" product offering

### Capacity

- 6 bn tablets and hard capsules per annum

### Accreditations





# Long-term strategy

# Strategic focus on regulated markets



Marksans Pharma Ltd.

Marksans Pharma generates ~95% of its revenues from regulated markets



USA



UK



Australia



New Zealand

- Marksans Pharma entered strategic tie-ups and acquired key players in major markets to expand its global footprint
- Company can generate higher margins by eliminating third parties from the value chain
- Currently, the company markets products in 25+ countries with **the UK and the US being the largest**
- Other prominent markets include Australia, New Zealand, Canada and several other European countries
- These markets are empowered with regulatory approvals which allows the company to sell its products without restrictions
- Marksans is among a handful of Indian players with a proprietary marketing presence in the world's largest pharma market such as US, UK and Australia
- The Company expects to expand in the regulated markets through integrated product development, cGMP compliance, regulatory compliance and utilization of latest technologies

# Niche formulations with few competitors



Marksans Pharma Ltd.

Marksans Pharma is currently one of the most active Indian firms focused in Softgel segment



- **Differentiated offerings:** Focused on softgel capsules with a view to build a differentiated set of offerings in the crowded generics market
- **Limited competition** - Given the challenges in preparing Softgel formulations plus other economic, technical and patent constraints there are not many players in this segment
- **High barriers to entry** – High capex requirements and operational costs further restrict entry
- **Selectively targeted larger markets:** Marksans has filed softgel products in all major markets including USA, UK, Europe, Canada, Australia & Russia. Of this, US alone is potentially a USD9 billion market
- **New approvals:** 6 new approvals are awaited in US
- **Manufacturing capabilities with regulatory approvals:** Marksans' Goa facility has a capacity to turn out 2.4 billion softgel capsules per annum, and has all the necessary approvals by USFDA, UKMHRA, TGA & other key regulatory authorities



# Forward integrated business model



Marksans Pharma Ltd.





# Research & development

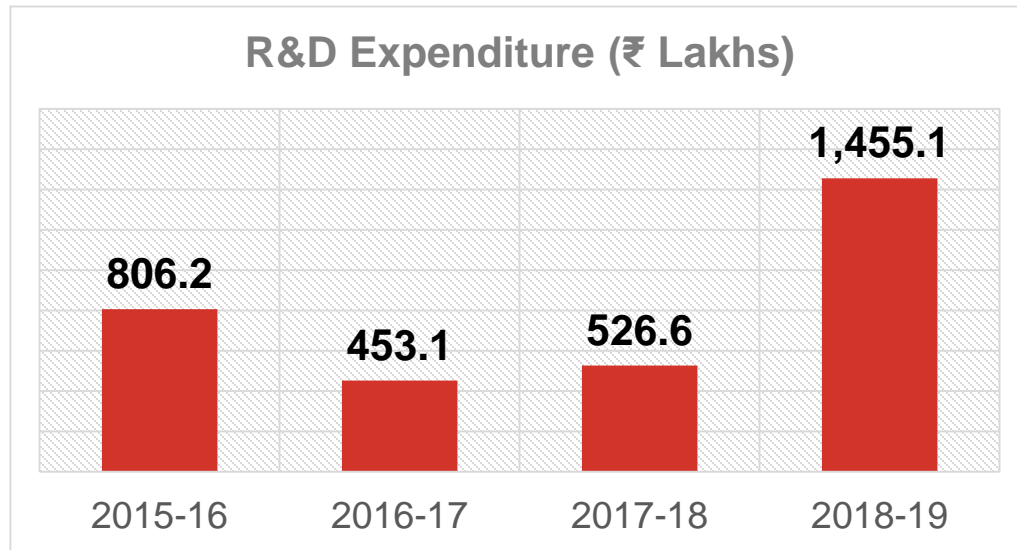


# R&D continues to be the backbone of the Marksans



Marksans Pharma Ltd.

In FY19, total R&D expenditure as a percentage of total standalone revenue was 3.37 %



## R&D activities comprises of:

- **Developing** generic products and pharmaceutical formulations
- **Identifying niche areas** (such as cardiovascular diseases, diabetes and neuroscience) for product development
- **Post-patent filing** for regulated and emerging markets
- **Collaborating with partners** in developing drugs going off-patent

## KEY HIGHLIGHTS

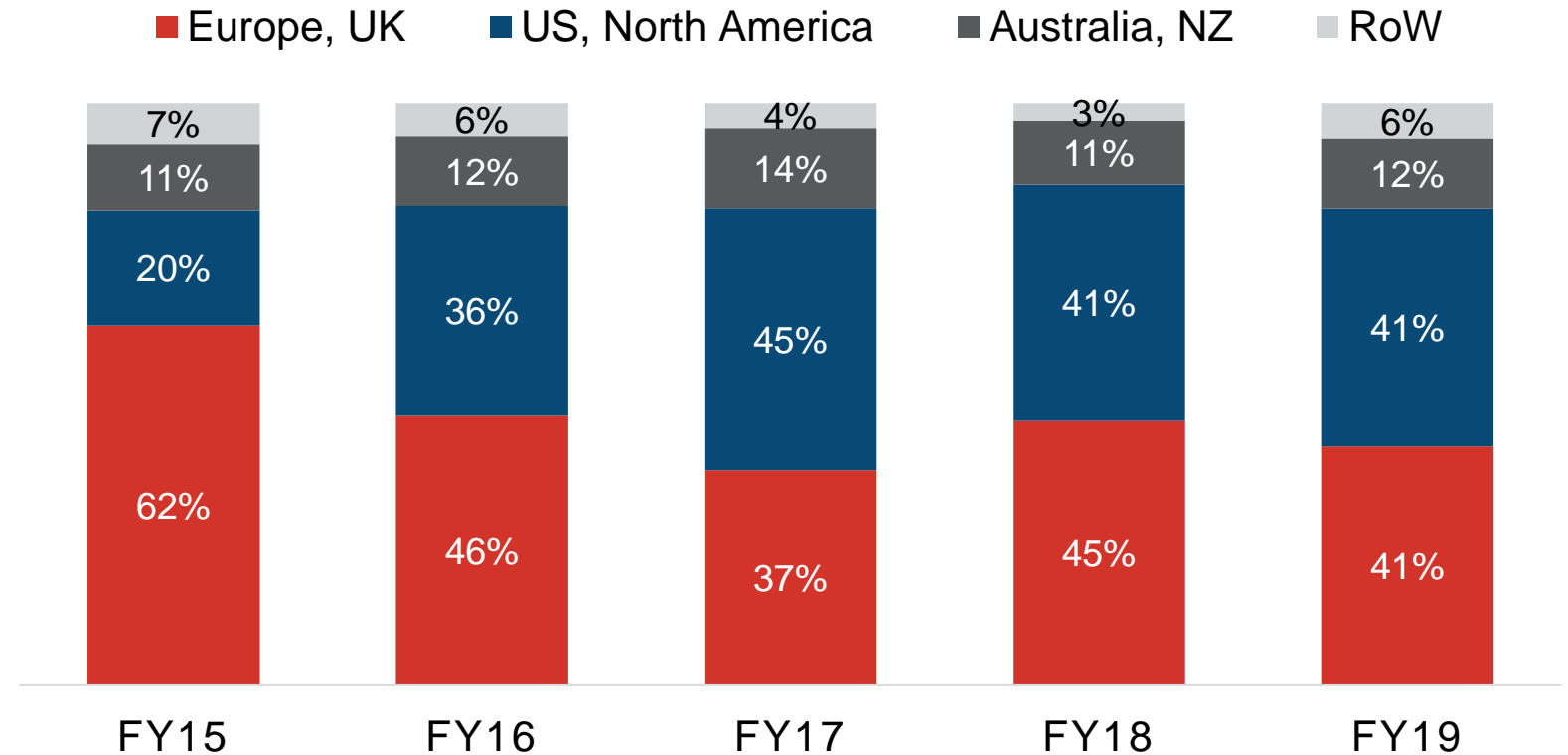
- In FY18, Marksans commissioned a new R&D center at Navi Mumbai, apart from one in Goa to foray into new segments, respond to globally unmet therapeutic needs, enhance the Company's opportunity responsiveness and to file a larger number of ANDAs
- Team of over **50 experienced scientists** specializing in new drug delivery systems, formulation development and analytical development
- The company continues to maintain regulatory certifications with MHRA, TGA and USFDA, based on recent inspections
- **Marksans's ability to formulate and market a drug in the shortest possible lead time has given the business a critical competitive advantage**



# Segmental revenue composition

# The US, North America has increased its share in revenue over the past years

## REVENUE MIX



Company's business is classified under 4 heads:

- North America/ US generics
- Europe/UK generics
- Australia and New Zealand
- Rest of the world (RoW) generics (CIS, Middle Eastern, African and South-East Asian countries)

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



Marksans Pharma Ltd.

**The UK**

**413.0**

Total revenues  
(₹ Cr.)

**(0.52)%**  
Y-o-y growth

**41.10%**  
Contribution to  
total revenues

## Overview of the market

- The UK pharmaceutical market is estimated to grow from ~USD 29 billion in 2015 to ~USD 43 billion by 2020, at a CAGR of 8.4%, driven primarily by a robust life sciences industry

## Company presence

- One of the top 5 Indian pharma companies in the UK
- UK business is driven by its two subsidiaries, Relonchem and Bell
- Bell has a strong OTC portfolio with 50+ products
- Relonchem's portfolio comprises high-end Rx portfolio of 100+ products

## Outlook

- Company has 50+ products in the pipeline in different stages to cater UK market
- Company is awaiting approval for ~20 MAs in the UK market

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



Marksans Pharma Ltd.

**The  
United  
States**

**411.5**

Total revenues  
(₹ Cr.)

**10.76%**

Y-o-y growth

**40.96%**

Contribution to  
total revenues

## Overview of the market

- The US holds over 30-40% of the global pharmaceutical market. It is expected to reach USD 190.4 billion by 2024, at a projected CAGR of 10.6% during 2019-2024, due to favoring government programs and policies

## Company presence

- In June 2015, Marksans acquired Time-Cap Labs which enabled Marksans to expand its offering in US market
- 30+ products, positioned in the niche soft gel category
- Proprietary marketing presence with 100% integration of Time-Cap Laboratories
- Strong distribution channel marketing for both OTC and Rx products

## Outlook

- Strengthen company's US operations in the coming years
- Add 4-5 new products to its portfolio during the year under review

# Australia and NZ region registered highest growth among regulated markets in FY19



Marksans Pharma Ltd.

**Australia  
and New  
Zealand**

**119.9**

Total Revenues  
(₹ Cr.)

**21.05%**

Y-o-y growth

**11.94%**

Contribution to  
total revenues

## Overview of the market

- Australia's pharmaceutical market is set to rise from >\$22.85 billion in 2016 to \$25.2 billion by 2020 registering a CAGR of 2%

## Company presence

- Marksans carries out business operations in Australia and New Zealand through its subsidiary Nova Pharmaceuticals
- Nova is one of the leading generics and private label suppliers in Australia
- Tie-ups with topmost retailers & pharmacies in Australia, like Woolworths Ltd., Coles Mayer Ltd., Aldis, Metcash and Fauldings
- Presence in key therapeutic areas

## Outlook

- Australia and New Zealand will continue to remain focus markets for the Company



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



Marksans Pharma Ltd.

**Rest of  
the world**

**60.3**

Total Revenues  
(₹ Cr.)

**70.03%**

Y-o-y growth

**6.00%**

Contribution to  
total revenues

## Overview of the markets

- ROW includes markets of South East Asia, MENA, Russian Federation & Africa

## Company presence

- Targeting four major clusters such as South East Asia, Russia and the CIS, Middle East and Africa
- In these four clusters, specific countries like Iraq, Kenya, Ukraine, Sri Lanka and Myanmar are targeted
- Started filing for approvals in these countries

## Outlook

- Company is strengthening its presence in the target markets and expects to generate 10% of the Company's revenue by FY22

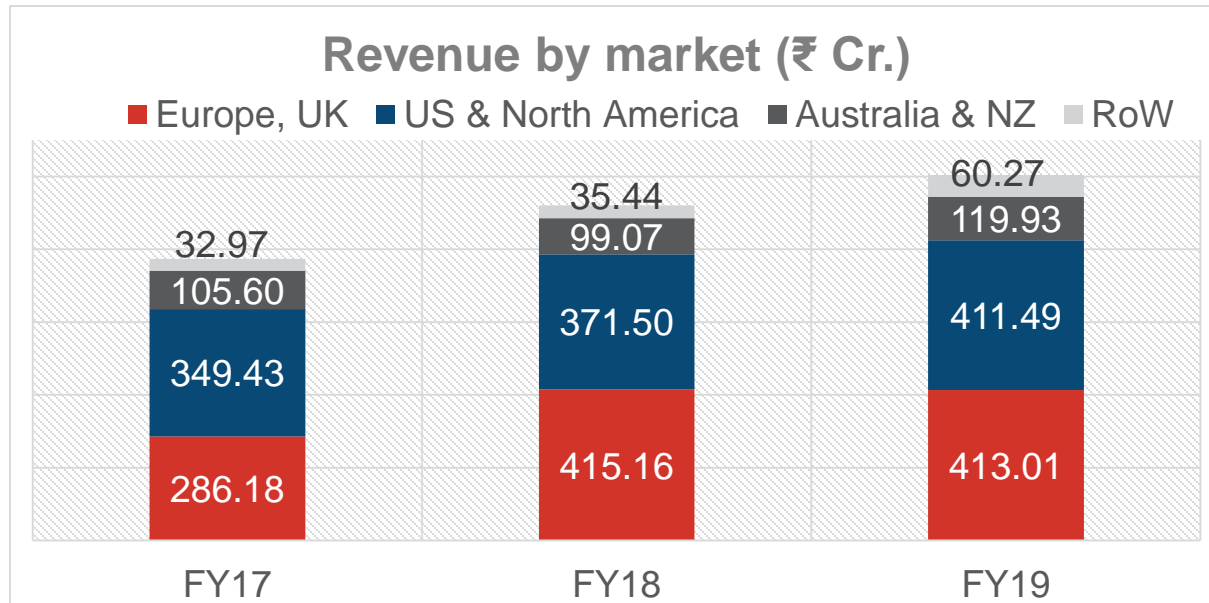
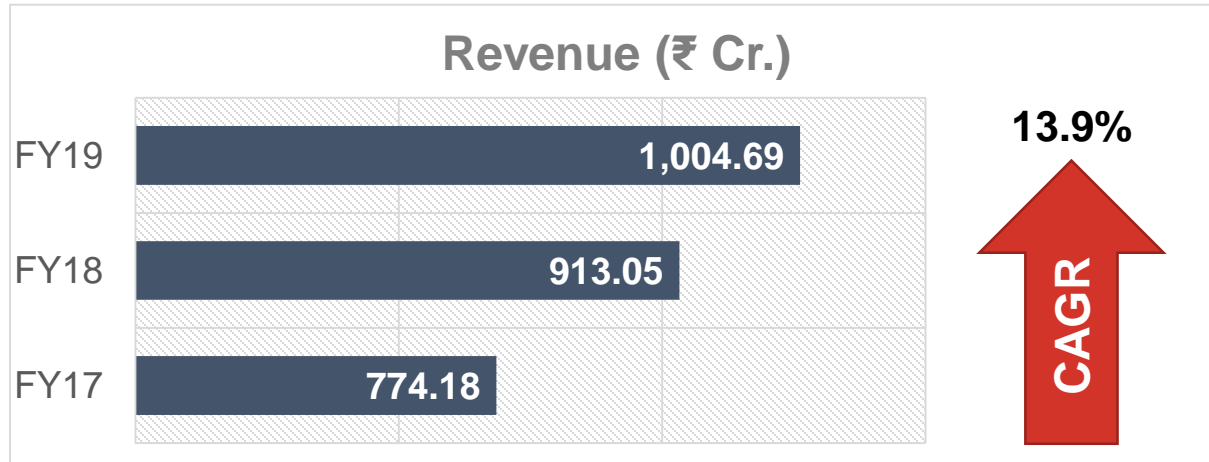


# Operational review and financials

# Consolidated revenue crossed INR 1000 Cr. in FY19



Marksans Pharma Ltd.



## Topline driven by key geographies

- The revenue growth in FY19 was driven by increasing market share in the US & North American region

### US Region:

- Revenue from the US market grew 10.76% over FY18, contributing to ~41% of the total revenues
- Completed 100% integration with Time-Cap Laboratories in FY18
- Time Cap Labs Inc has achieved revenue of USD 57.91 Millions (FY 18-USD 52.48 Millions)

### UK Europe:

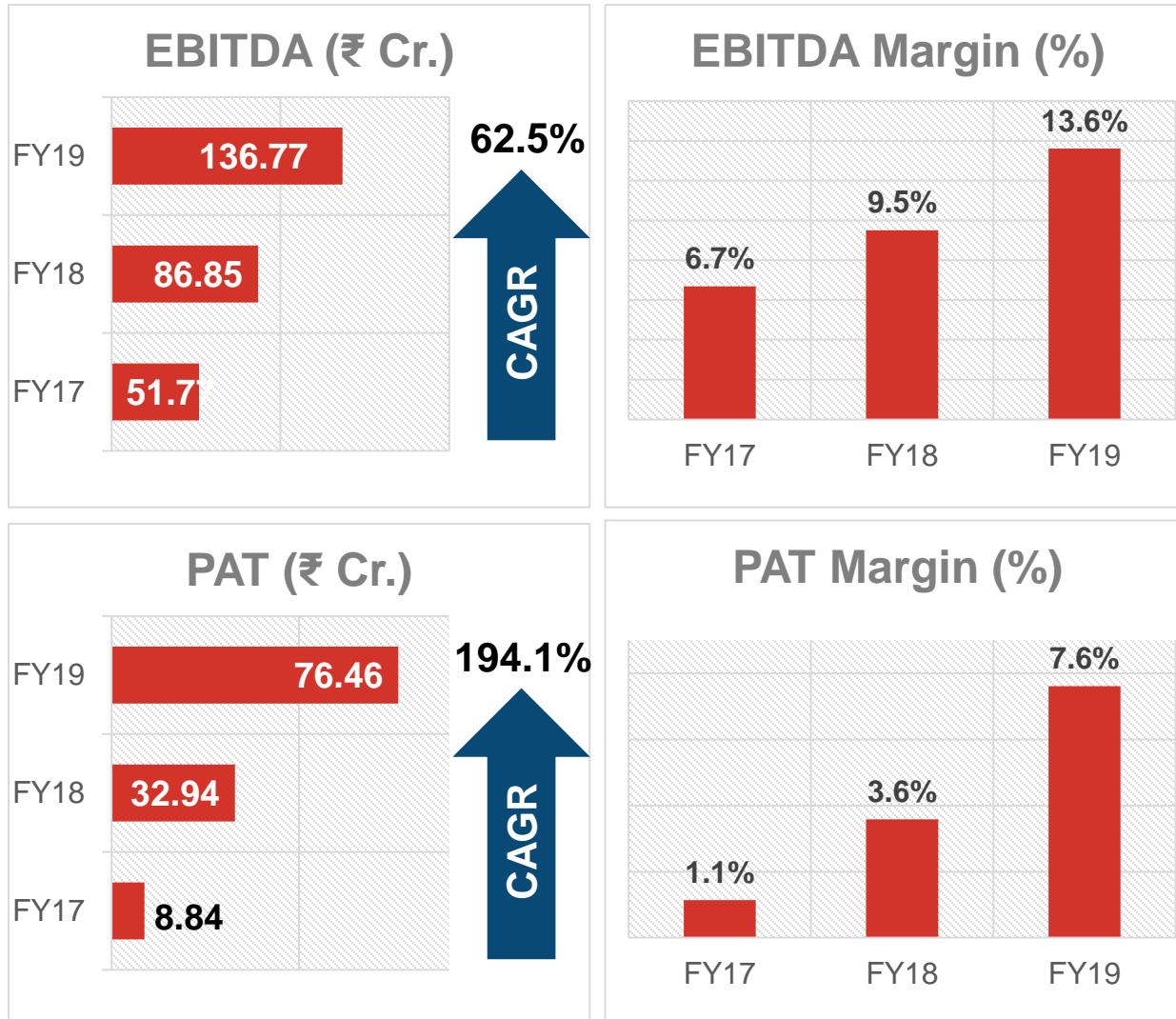
- Strong product pipeline followed by successful launches every quarter
- In Europe, UK, company targets a focused segments where competition is low
- There is a consistency in the top line generation and will be followed by existing pipeline and future launches

Source – 2019 Annual Report

# EBITDA margin increased by 418 bps during FY19



Marksans Pharma Ltd.



## Steady growth in the profitability

- Gross margin improved from 42.7% during FY18 to 50.2% in FY19 due to better product mix in US
- The company reported a ~410 bps increase in EBITDA margin in FY19. This was the result of enriching its product basket with superior products and higher improved operating efficiency across the business
- The company reported a ~300 bps increase in PAT margin in FY19.

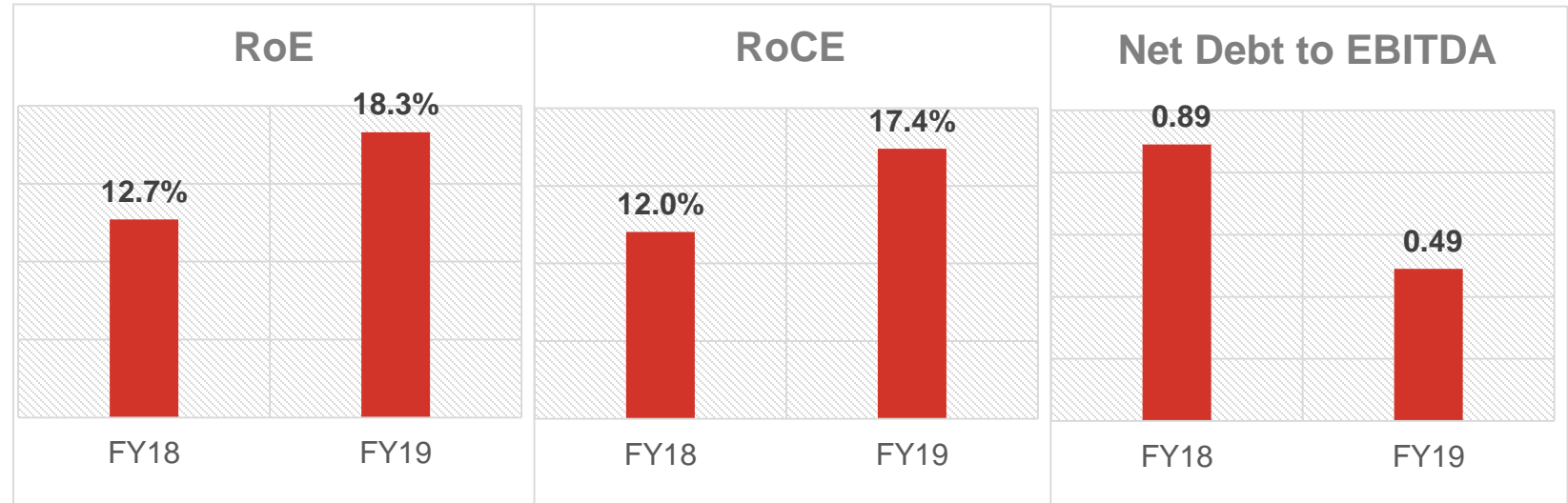
Source – 2019 Annual Report

# Balance Sheet Trends as on 31<sup>st</sup> March, 2019



Marksans Pharma Ltd.

Particulars (₹ Cr.)	Mar-19	Mar-18
Net Worth	542.48	470.86
Capital Employed	571.08	497.51
Net debt	66.37	77.54
Cash & Bank Balance	33.54	39.88
Inventories	293.25	218.12
WC Cycle	108.6 days	85.5 days
Asset Turnover	2.6x	2.4x



## Highlights

- Marksans reported a peak debt-equity ratio of >3 in 2008; since then the company has ploughed profits into debt repayment and business expansion
- The Company repaid all long-term debt in 2014-15
- The Company's D/E ratio was 0.12 as on 31st March 2019 as compared to 0.16 in FY18
- Company's net debt/EBITDA has also declined which indicates a growing ability to service debt
- Inventories increased by 34.4% mainly to support the increase in sale of formulation

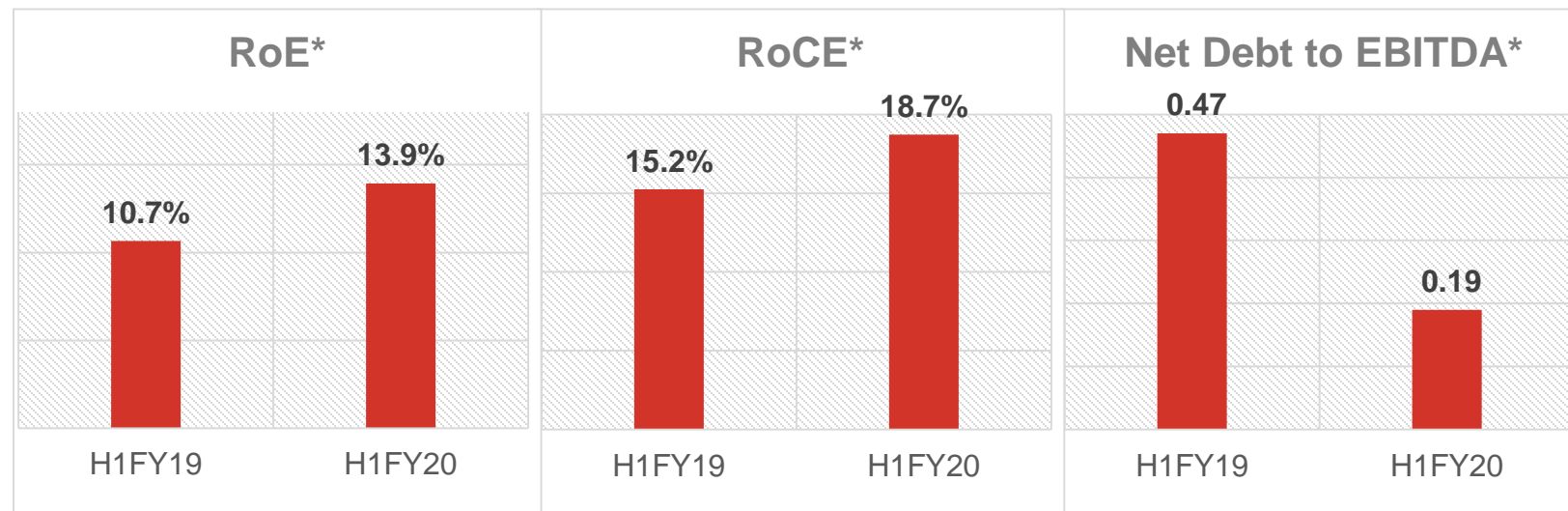
Source – 2019 Annual Report

# Balance Sheet Trends as on 30<sup>th</sup> September, 2019



Marksans Pharma Ltd.

Particulars (₹ Cr.)	Sep-19	Sep-18
Net Worth	587.10	519.73
Capital Employed	623.62	553.53
Net debt	26.28	50.33
Cash & Bank Balance	47.30	35.04
Inventories	234.36	237.50
WC Cycle	122.4	117.2
Asset Turnover	1.25	1.20



\*Annualised

## Highlights

- The Company's debt-equity ratio is 0.29 in September 2019 from 0.52 in September 2018, annualised
- Company's net debt/EBITDA has also declined which indicates a growing ability to service debt
- ATO increased from 1.25x in September 2019 from 1.20x in September 2018 which shows increase in the company's efficiency and productivity

Source – Company Data





# Quarterly Review – Q2 FY20

# Growth in Profitability



Marksans Pharma Ltd.

Rs. Cr.	Q2FY20	Q2FY19	YoY Growth (%)	YoY% (Constant currency)	1HFY20	1HFY19	YoY Growth (%)	YoY% (Constant currency)
<b>Total Revenue</b>	264.28	268.24	<b>-1.48%</b>	<b>6.90%</b>	511.49	506.73	<b>0.94%</b>	<b>9.38%</b>
<b>EBITDA</b>	41.45	36.32	<b>14.12%</b>	<b>20.15%</b>	76.05	75.04	<b>1.34%</b>	<b>6.70%</b>
<b>EBITDA Margin%</b>	<b>15.68%</b>	<b>13.54%</b>	<b>214 bps</b>	<b>168 bps</b>	<b>14.87%</b>	<b>14.81%</b>	<b>6 bps</b>	<b>-36 bps</b>
<b>PAT</b>	25.97	20.58	<b>26.20%</b>	<b>32.88%</b>	48.45	45.45	<b>6.61%</b>	<b>12.25%</b>
<b>PAT Margin%</b>	<b>9.83%</b>	<b>7.67%</b>	<b>216 bps</b>	<b>186 bps</b>	<b>9.47%</b>	<b>8.97%</b>	<b>50 bps</b>	<b>24 bps</b>

## Key Highlights

**Overall business grew at 6.90% on constant currency (cc) basis in Q2 FY20 and 9.38% (cc) in H1 FY20**

- EBITDA was Rs. 41.45 Cr. In Q2 FY20 as compared to Rs. 36.32 Cr. in Q2 FY19, an increase of 14.12% vs 20.15% in constant currency
- EBITDA Margin stood at ~15.68% in Q2 FY20 and ~14.87% in H1 FY20
- PAT stood at Rs. 25.97 Cr. in Q2 FY20 as compared to Rs. 20.58 Cr. in Q2 FY19, a growth of 26.20%

Source – Company Data

# Business Review



Marksans Pharma Ltd.

Rs. Cr.	Q2FY20	Q2FY19	YoY Growth (%)	YoY% (Constant currency)	1HFY20	1HFY19	YoY Growth (%)	YoY% (Constant currency)	Mix (H1 FY20) %
Europe, UK	124.37	133.86	-7.09%	2.76%	225.24	242.10	-6.96%	2.90%	44.04%
US & North America	99.79	99.11	0.69%	6.01%	203.36	191.19	6.37%	11.99%	39.76%
Australia & NZ	31.12	32.87	-5.32%	5.40%	61.94	58.24	6.35%	18.40%	12.11%
Rest of World (ROW)	9.00	2.40	275.00%	294.84%	20.95	15.20	37.83%	45.12%	4.10%
<b>Consolidated Revenue from operations</b>	<b>264.28</b>	<b>268.24</b>	<b>-1.48%</b>	<b>6.90%</b>	<b>511.49</b>	<b>506.73</b>	<b>0.94%</b>	<b>9.38%</b>	<b>100.00%</b>

## Key Highlights

**Almost 96% of company's total revenue came from regulated markets of US, Europe, Australia and New Zealand**

- In Q2 FY20 and H1 FY20, there were currency fluctuations across geographies such as Europe - UK, US & North America and Australia & NZ
- USD declined by 5.0%, GBP declined by 9.6% and AUD declined by 10.2% in September'19 when compared with September'18

Source – Company Data

# Financials



Marksans Pharma Ltd.

PARTICULARS (₹ Cr.)	Q2'20	Q1'20	Q2'19	H1'20	H1'19	FY19	FY18
Total Revenue	264.3	247.2	268.3	511.5	506.7	1,004.7	921.2
Material Consumption	136.8	125.4	130.8	262.1	248.3	500.3	528.0
<b>Gross Profit</b>	127.5	121.8	137.5	249.4	258.5	504.4	393.2
<i>Gross Margin %</i>	48.3%	49.3%	51.3%	48.8%	51.0%	50.2%	42.7%
Operating Expenses	86.1	87.2	101.2	173.4	183.4	367.6	306.3
<b>EBITDA</b>	41.5	34.6	36.3	76.1	75.0	136.8	86.9
<i>EBITDA Margin %</i>	15.7%	14.0%	13.5%	14.9%	14.8%	13.6%	9.4%
Finance Cost	2.8	2.3	3.1	5.1	5.5	9.7	10.2
Depreciation and amortization	4.9	4.7	5.5	9.7	11.5	22.8	26.8
<b>Earnings Before Tax</b>	33.7	27.6	27.7	61.3	58.1	104.3	49.8
Taxes	7.7	5.1	7.1	12.8	12.6	23.9	14.0
<b>Earnings After Tax</b>	26.0	22.5	20.6	48.5	45.5	80.4	35.8
<i>PAT Margin %</i>	9.8%	9.1%	7.7%	9.5%	9.0%	8.0%	3.9%

Source – Company Data



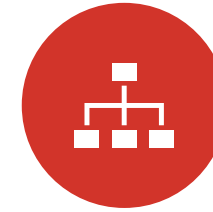
# Investment Rationale



# Investment Rationale



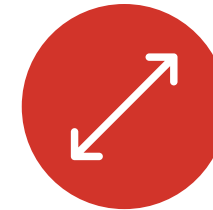
Company is widening its products portfolio in the complex and high-margin generics segment



The US, the UK and Australia are the key Marksans' markets with all of them being now empowered with all regulatory approvals



Marksans is among a handful of Indian players with a proprietary marketing presence in the US which is world's largest pharma market



Marksans is among a few mid and small-sized pharma companies to have created an integrated business model by engaging R&D team in creating and filing dossiers across major markets



The new state-of-the-art R&D center in Navi Mumbai (Nerul) is focused on formulations and novel drug delivery systems



Company has repaid long-term loans, deleveraged the Balance Sheet and reinvested the surplus in R&D, capacity creation and brownfield expansion



Marksans Pharma Ltd.





# Marksans Pharma Ltd.

## Investor Relations Team at Marksans Pharma

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