



# Investor Presentation

Q1 FY20

9<sup>th</sup> August 2019

BSE: 524404 | NSE: MARKSANS | ISIN: INE750C01026

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Marksans Pharma

# 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
- Revenue composition
- History & acquisition track record
- Long-term strategy
- Research & development
- Operational review and financials
- Quarterly review - Q1 FY20
- Investment rationale



Marksans Pharma Ltd.



# Company at a glance

# Company overview

## Business Description

Marksans Pharma Ltd., headquartered at Mumbai, is engaged in Research, Manufacturing and marketing of generic pharmaceutical formulation

Company's key focus areas lie in the OTC & Prescription drugs and it manufactures tablets (in, enteric coated and film coated), hard & soft gelatin capsule, oral liquids and ointments. Manufacturing facilities are accredited by FDA, UKMHRA and Australian TGA

## Business Model



94% of revenues comes from regulated markets

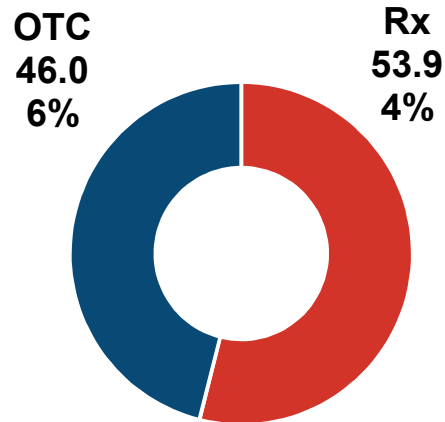


Forward-integrated business model

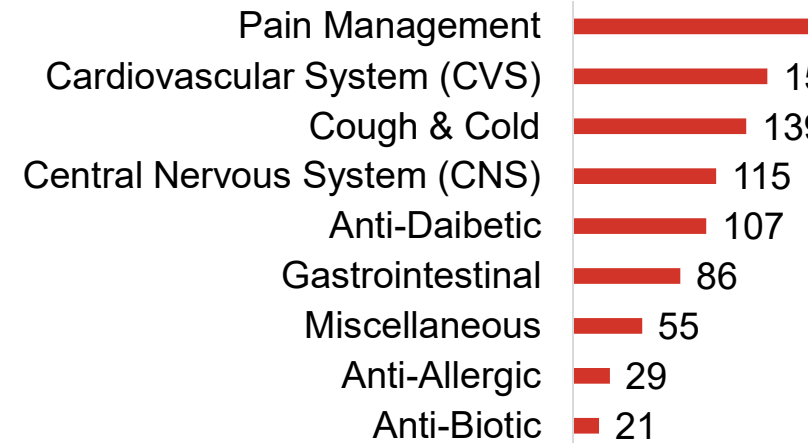


Presence in niche softgel segment

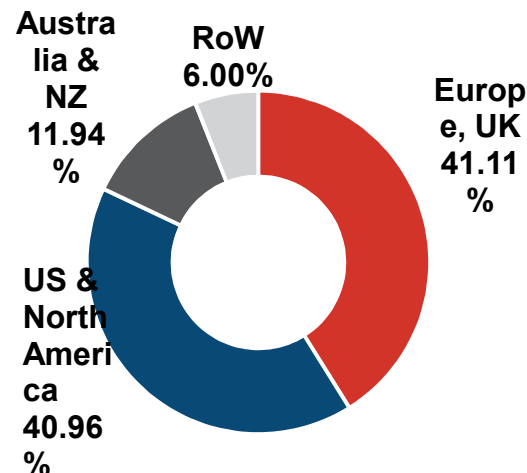
## Revenue Mix



## Product Portfolio



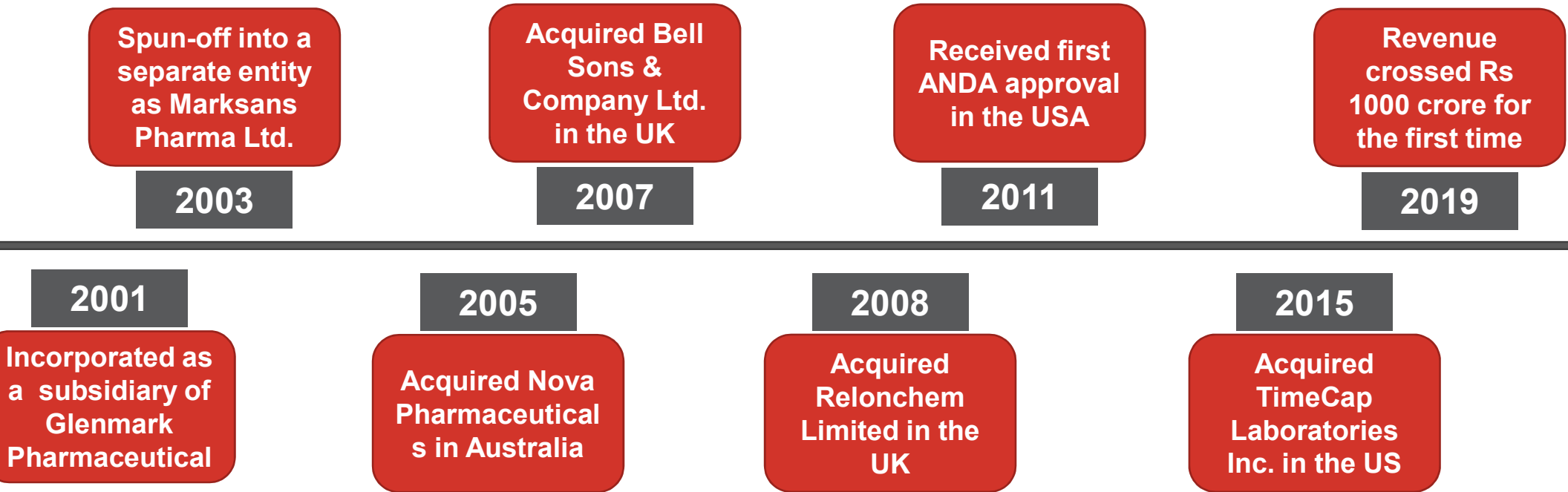
## Geographic Mix



## Financial Snapshot

Rs. Cr.	FY19	FY18	Growth
Revenue	1004.7	921.17	9.1%
EBITDA	136.8	86.9	57.5%
PAT	80.4	35.8	124.7%

# Company timeline



# Company structure



**Marksans Pharma Ltd.**  
Health Care in Safe Hands



**Marksans Pharma (UK) Limited**

**Marksans Holdings Limited**

**Well's Healthcare**  
Manufacturer of OTC liquids & Ointments

**RelonChem**

Wholesale distribution of generic pharma



**Marksans Pharma Inc. (USA)**

**Time-Cap Labs, Inc.**

Manufacturer of range of OTC & Rx products



**NOVA PHARMACEUTICALS**

Distribution of quality generic pharma

# Manufacturing capabilities

## Goa, India



Manufactures oral solid tablets and gelatin capsules

One of the biggest manufacturing facilities in Asia, an 18,000 square feet campus

### Capacity

5 bn softgel and hard gelatin capsules per annum  
10 mn tablets per annum

### Accreditations



## Southport, UK



- Manufactures non-sterile liquids, ointments and powder product
- 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
- "Made in the USA" product of

### Capacity

- 5 bn tablets and hard capsules per annum

### Accreditations





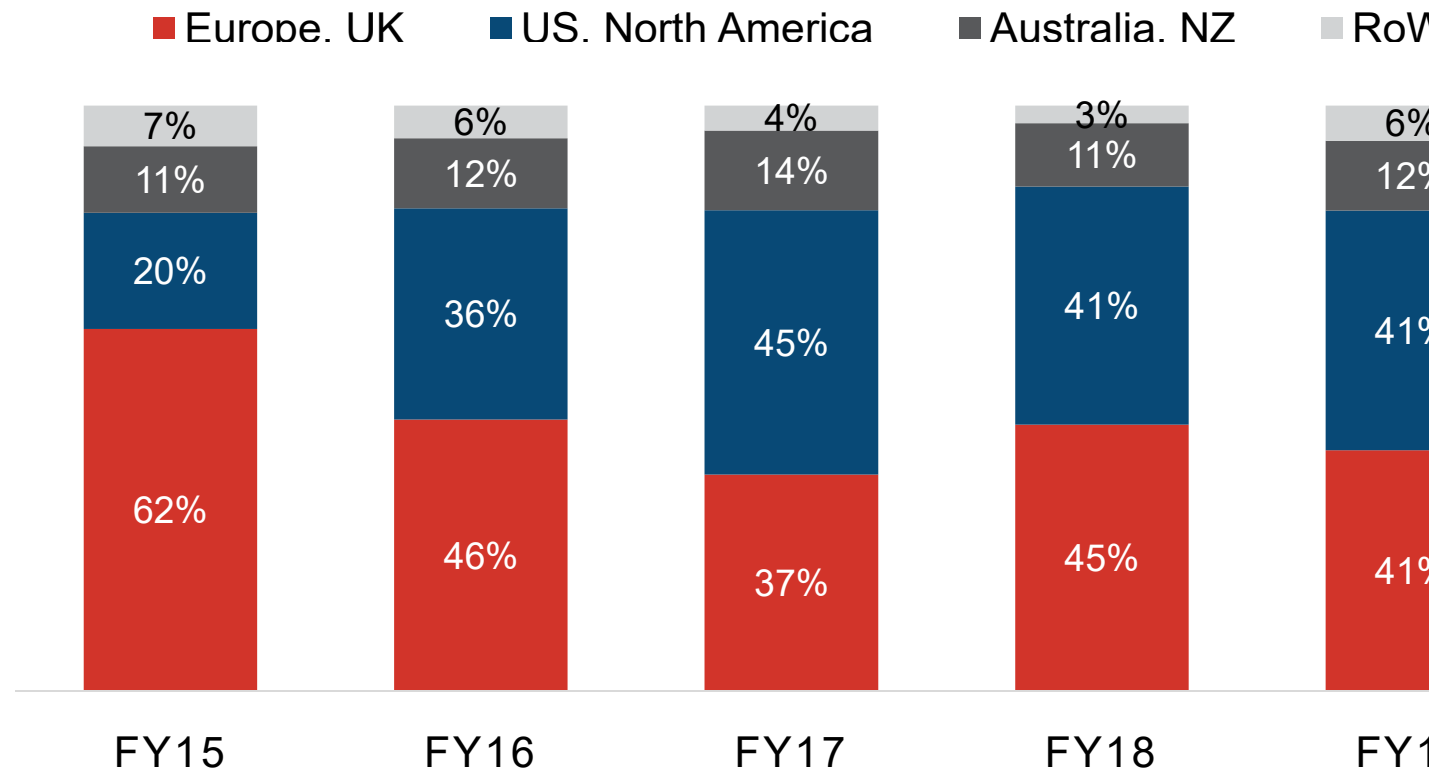


# Revenue composition

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

Company's business is divided under 4 heads:  
- US/ North America/ US generics  
- Europe/UK generics  
- Australia and New Zealand  
- Rest of the world (RoW)  
- CIS, Middle East, African and South-Asian countries

REVENUE MIX



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

Marksans

e UK

413.0

Total revenues  
(₹ Cr.)

.52)%

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

e  
ited  
ates

411.5

Total revenues  
(₹ Cr.)

0.76%

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, projected CAGR of 10.6% during 2019-2024, due to favorable 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 prescription 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

Australia  
and New  
Zealand

119.9

Total Revenues  
(₹ Cr.)

1.05%

growth

11.94%

Contribution to  
total revenues

## Overview of the market

- Australia's pharmaceutical market is set to rise from >\$22 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, Woolworths Ltd., Coles Mayer Ltd., Aldis, Metcash, Fauldings
- Presence in key therapeutic areas

## Outlook

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

# er harnessing the regulated markets, Marksans is turing out in the emerging countries

st of  
e world

60.3

Total Revenues  
(₹ Cr.)

0.03%

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 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 revenues in FY22



# History & acquisition track record

# the Marksans Evolution

Investment Phase	Consolidation Phase	Recovery Phase	Growth Phase
FY05 - 09	FY10 - 12	FY13 - 16	FY17 - 19
<p>Acquired 3 companies:</p> <ul style="list-style-type: none"> <li>Nova Pharmaceuticals Australasia Pty. Ltd.</li> <li>Bell, Sons &amp; Co. (Druggists) Limited</li> <li>Relonchem Limited</li> </ul> <p>Filed ANDA filings and completed in site transfers (products of newly-acquired companies) to India</p>	<ul style="list-style-type: none"> <li>Integration of acquired companies was running slower than expected</li> <li>Adverse forex movement during this phase post the global <b><u>financial crisis</u></b></li> </ul>	<ul style="list-style-type: none"> <li>Acquired Time-Cap Laboratories Inc.</li> <li>Strategized focus on specific verticals and identified non-performing products</li> <li>Reduced liabilities and repaid debts</li> <li>Improved operating performance with Advil sales in the US ramping up and performances of subsidiary businesses stabilizing</li> <li>Acquired 10 ANDA approvals and built a robust pipeline with 10 more ANDAs filed</li> </ul>	<ul style="list-style-type: none"> <li>The Company crossed Rs 1000 crore in revenues for the first time in FY19</li> <li>Emerged out as a forward integrated robust business model comprising R&amp;D, in-house manufacture and direct distribution</li> <li>Able to address sectoral opportunities and grow sustainably</li> <li>Commissioned a new R&amp;D center at Navi Mumbai, apart from one in Goa</li> </ul>



# Transformation over the years

## Graphic Growth



- Marksans commenced business with CRAMS directed at the UK and Australian markets
- The Company entered the US market in 2011-12; acquired Time-Cap Laboratories in 2015
- The Company entered the regulated Australian market with the acquisition of Nova
- The Company now has a global presence across 25 countries

## The Company was largely a manufacturing company



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

## Product Set



- 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

## Deleveraged Balance Sheet



- Marksans reported a peak debt-equity ratio >3 in 2008
- The Company ploughed profits into debt repayment and business expansion
- The Company repaid all long-term debt in 2014-15
- The Company's debt-equity ratio was 1.5 on 31st March 2019



Marksans Pharma Ltd.



# Long-term strategy

# Strategic focus on regulated markets

**Marksans Pharma generates 94% of its revenues from regulated markets**



USA



UK



Australia



New Zealand

- The Company markets products in 25+ countries with the UK and US being the largest. The Company's prominent markets, include Australia, New Zealand, Canada and several other European countries
- To expand its global footprint, Marksans entered into strategic partnerships and acquired key players in major markets
- The US, the UK and Australian markets are empowered with regulatory approvals which enables the company to sell its products in these markets without restrictions
- Marksans is among a handful of Indian players with a proprietary marketing presence in the world's largest pharma market which is the US, UK and Australia. By eliminating third parties from the value chain, company is able to generate higher margins
- The Company expects to expand in the regulated markets through integrated product development, cGMP compliance, regulatory compliance and utilization of latest technologies

# the formulations with few competitors

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



- **Differentiated offerings:** Focused on softgel capsules with a view to differentiated set of offerings in the crowded generics market
- **Limited competition** - Given the challenges in preparing Softgel form 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. This, US alone is potentially a USD9 billion market
- **New approvals:** 6 new approvals are awaited in US
- **Manufacturing capabilities with regulatory approvals:** Marksans' US 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

# Some of the few mid and small-sized pharma companies have a forward integrated business model

Marksans

R&D and manufacturing



Goa & Mumbai\* (India)



Southport (UK)



Farmingdale (US)



**Marksans Pharma Ltd.**  
Health Care in Safe Hands

Supply chain and distribution



Australasia

Bell's Healthcare

EMEA

RelonChem

UK & Europe



North America / Canada

EXPORT

ROW

End Consumers



Retail chains



Pharmacy stores



Hospitals

\*Mumbai has only R&D center in Navi Mumbai



# Research & development

# D continues to be the backbone of the Marksans

Marksans



## **Marksans has India's leading R&D facilities for generic molecules:**

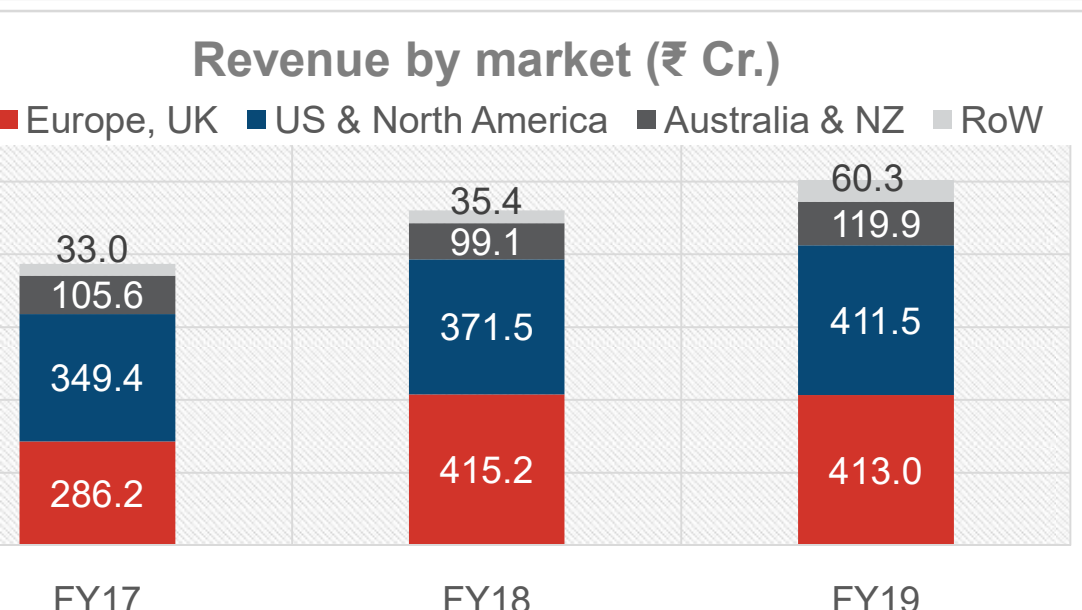
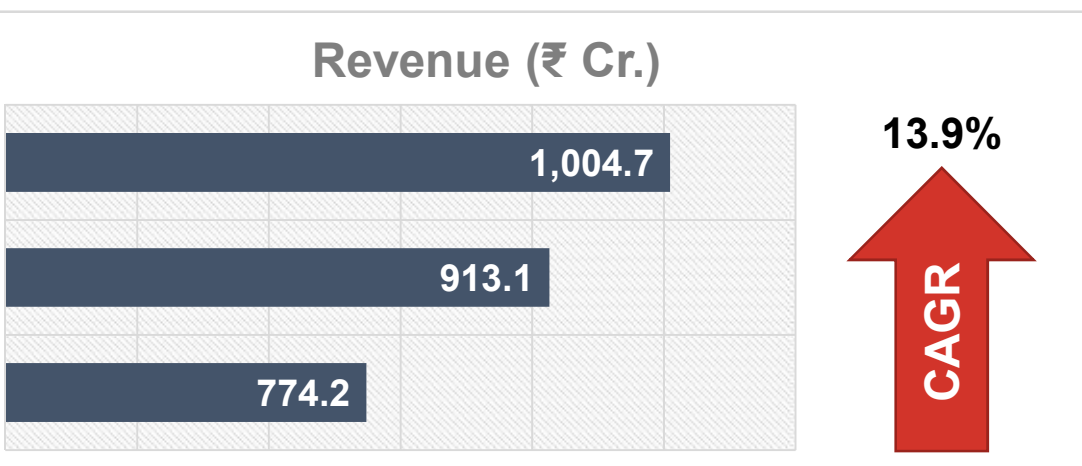
- The Company invested in R&D facilities to strengthen the integration
- In FY18, Marksans commissioned a state-of-the-art R&D facility at Navi Mumbai, apart from one in Goa
- The new R&D facility enhanced the company's capability to accelerate product development and address a growing demand for new products in USA, UK/EU, Canada, Australia and Russia marked by faster turnaround in the generic and OTC segments
- Team of over 50 experienced scientists specializing in new drug delivery systems, formulation development and analytical development
- The company continues to maintain regulatory certification from 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



# Operational review and financials



# Consolidated revenue crossed INR 1000 Cr. in FY19



## Topline driven by key geographies

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

### US Region:

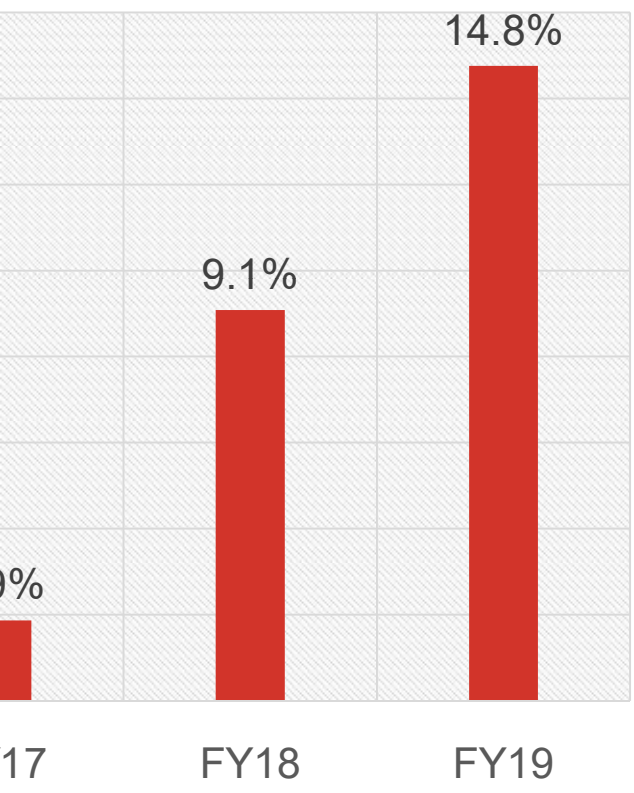
- Revenue from the US market grew 10.76% over FY18, contributing to ~41% of the total revenues
- Completed 100% integration with Time-Cap Laboratories in FY18
- Time Cap Labs Inc has achieved revenue of USD 57.9 Millions (FY 18-USD 52.48 Millions)

### UK Europe:

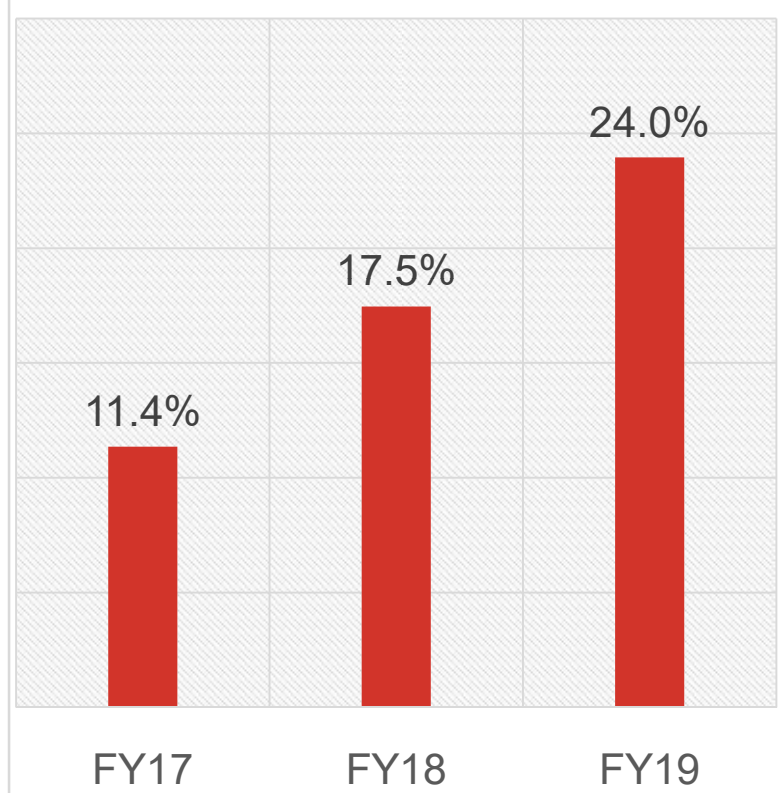
- Strong product pipeline followed by successful launches every quarter
- In Europe, UK, company targets a focused segments where competition is low
- There is a consistency in the top line generation and will be followed by existing pipeline and future launches

# Balance Sheet Trends

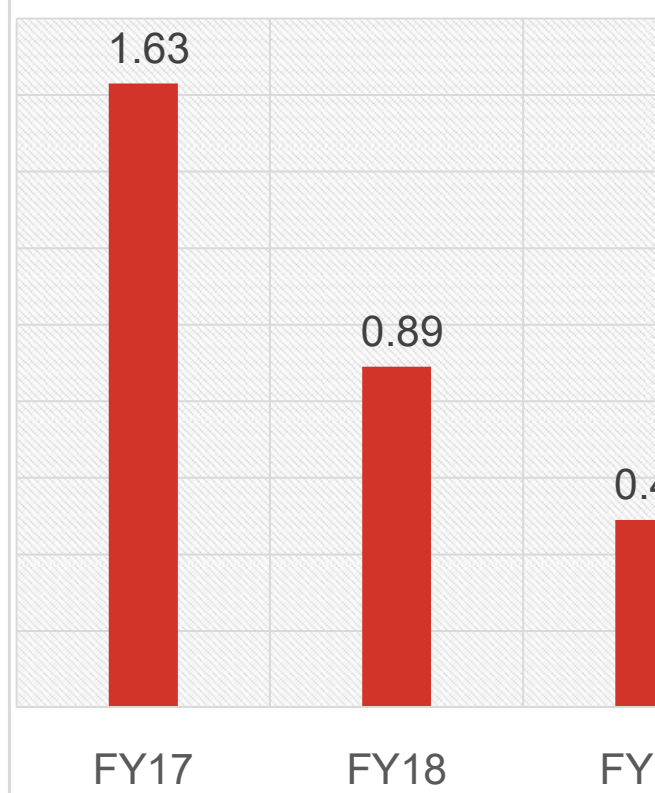
### RoE



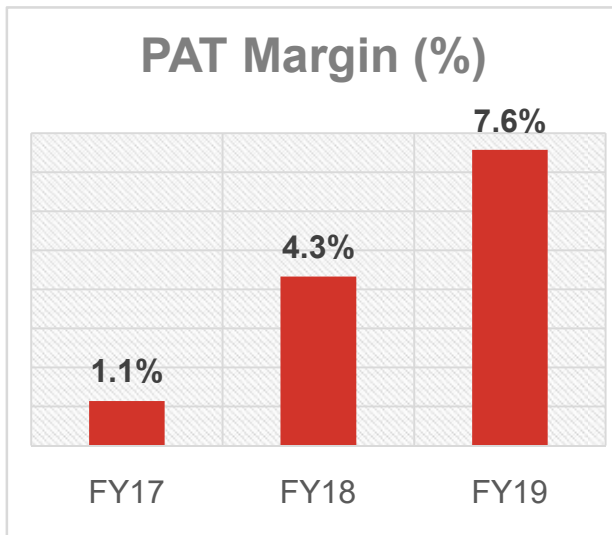
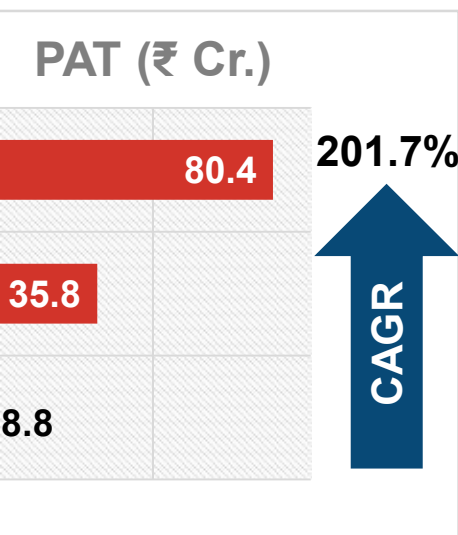
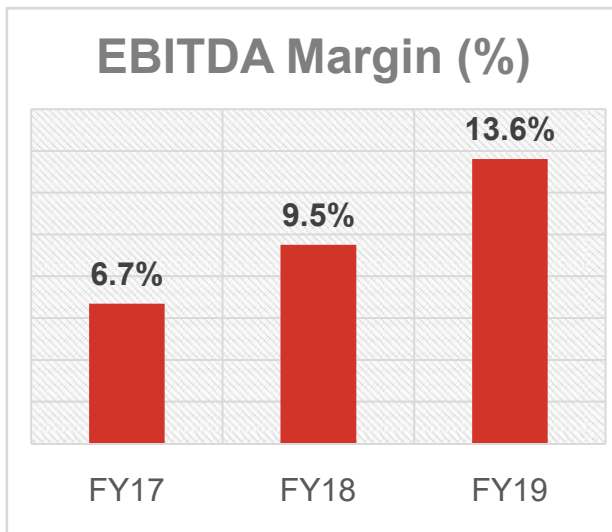
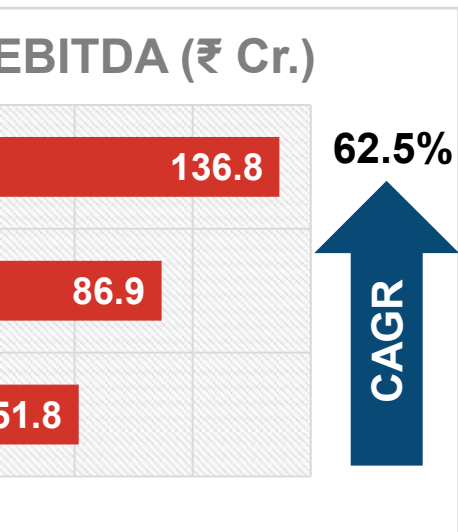
### RoCE



### Net Debt to EBITD



# EBITDA margin increased by 418 bps during FY19



## Steady growth in the profitability

- Gross margin improved from 42.68% during FY18 to 50.20% in FY19 due to better product mix in FY19
- The company reported a 418 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 330 bps increase in PAT margin in FY19.



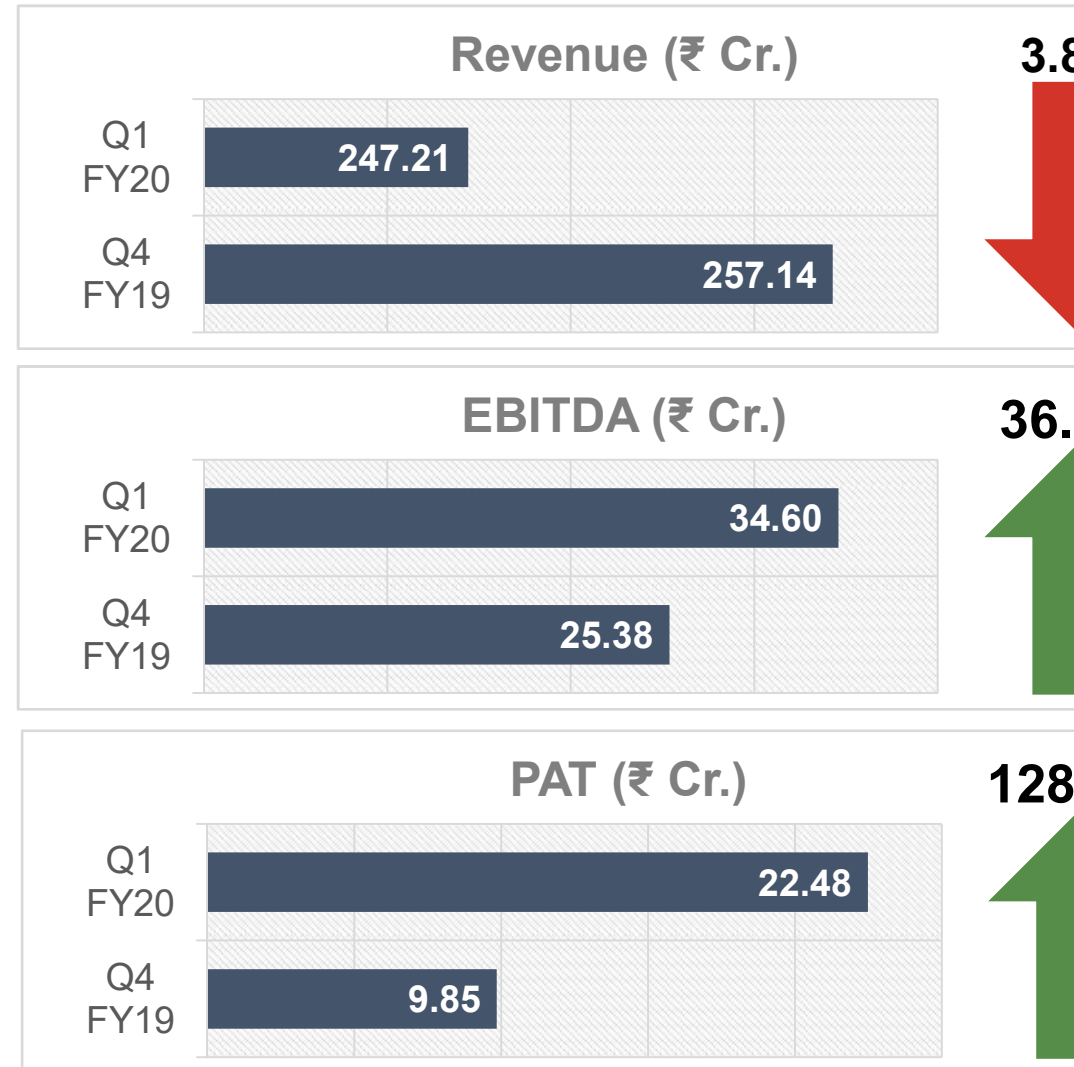
# Quarterly Review - Q1 FY20

# Growth in Profitability

“We have had a satisfactory quarter in terms of revenue growth while our EBITDA margins continues to be at a healthy level. We will continue to focus on our strategy of the products that have minimal competition to drive revenue growth. UK along with US markets will drive the revenue contribution of the Company going forward.”

“New product launches in the US and UK markets in the current fiscal would be key to further establishing our presence in those markets.”

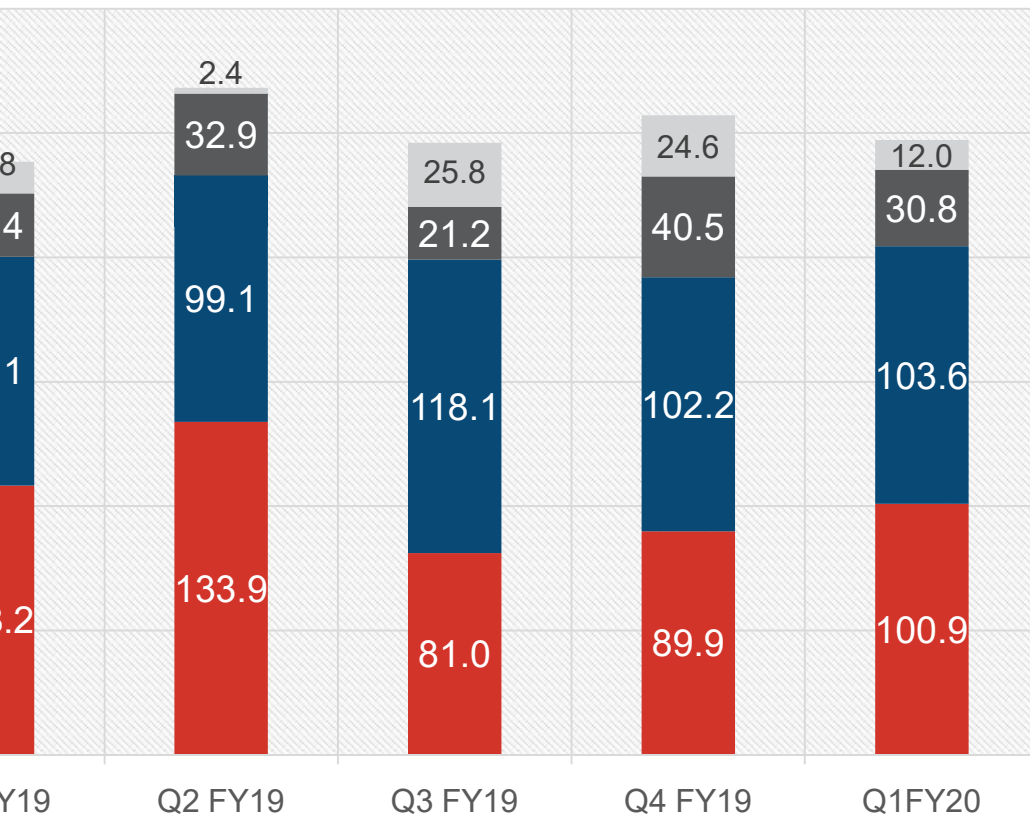
**Mr. Ank Saldanha, Managing Director, Marksans Pharma**



# Business Review

Revenue by market (₹ Cr.)

Legend: ■ RoW ■ Australia & NZ ■ US & North America



- Company achieved revenue of Rs. 100.9 crores for Q1 FY20. Europe, UK: Formulation business as compared to Rs. 108.24 crores achieved during last year same period, registering degrowth of 6.8% during the quarter, mainly on account of currency fluctuations
- US & North America Formulation business reported growth of 12.5% to Rs. 103.6 crores during the quarter. Time Cap Laboratories Inc (company's 100% Wholly Owned Subsidiary) offers Marksans an ideal platform to further expand its operations in US
- Australia & NZ Formulation business revenue was Rs. 30.8 crores for the quarter registering growth of 21.5% over June quarter in previous year
- Rest of World Formulation business was Rs. 11.99 crores
- Almost 95.2% of company's total revenue came from regulated markets of US, Europe, Australia and New Zealand

# Financials

Marksans

Particulars (₹ Cr.)	Q1'20	Q4'19	Q1'19	FY19	
Revenue from Operations	245.03	247.41	235.25	1,000.07	9
Income	2.18	9.73	3.23	4.62	
<b>Revenue</b>	247.21	257.14	238.49	1,004.69	9
Capital Consumption	124.28	122.76	115.89	498.00	5
<b>Operating Profit</b>	120.76	124.65	119.36	502.07	3
<i>Operating Margin %</i>	49.28%	50.38%	50.74%	50.20%	4
Operating Expenses	88.34	109.00	83.88	369.92	3
<b>EBDA</b>	34.60	25.38	38.72	136.76	
<i>EBDA Margin %</i>	13.99%	9.87%	16.23%	13.61%	
Depreciation and amortization	4.73	6.27	5.96	22.80	
<b>Earnings Before Tax</b>	27.61	16.68	30.36	104.30	
	5.13	6.82	5.48	23.87	
<b>Earnings After Tax</b>	<b>22.48</b>	<b>9.85</b>	<b>24.88</b>	<b>80.44</b>	
<i>After Tax Margin %</i>	9.09%	3.83%	10.43%	8.01%	



# Investment Rationale



# Investment rationale

- Company is widening its products portfolio in the complex and high margin generics segment
- The US, the UK and Australian are the key Marksans' markets with 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 have created an integrated business model by engaging R&D team creating and filing dossiers across major markets
- The new state-of-the-art R&D center in Navi Mumbai (Nerul) is focus 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



# Marksans Pharma Ltd.

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