



Marksans Pharma Ltd.

Investor Presentation

Financial Year 2020

2nd June 2020

BSE: 524404 | NSE: MARKSANS | ISIN: INE750C01026

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Marksans Pharma Ltd.

Safe Harbor

Certain statements in this presentation concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research and development; competitive developments; regulatory actions; the extent and duration of the effects of the COVID-19 pandemic; litigation and investigations; business development transactions; economic conditions; and changes in laws and regulations, including health care reform. The company undertakes no duty to update forward-looking statements except as required by applicable law.

FY20 Highlights



Marksans Pharma Ltd.

12.9%

(YoY)



Revenue

40.8%

(YoY)



EBITDA



Mark Saldanha

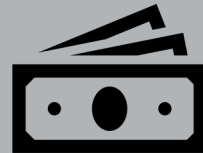
Managing Director And CEO



50.1%

(YoY)

Cash



93.7

₹ crore

As on 'Mar-20

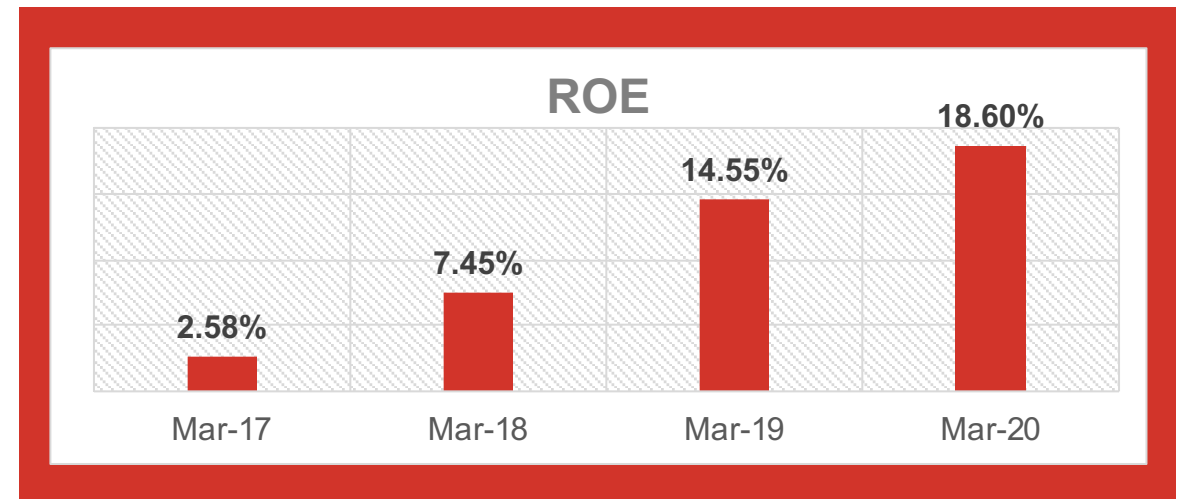
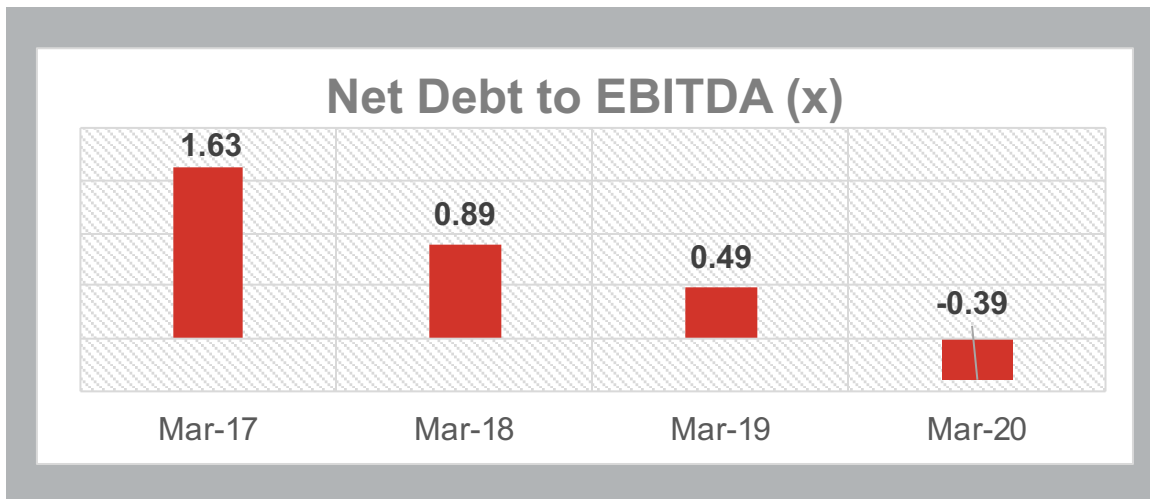
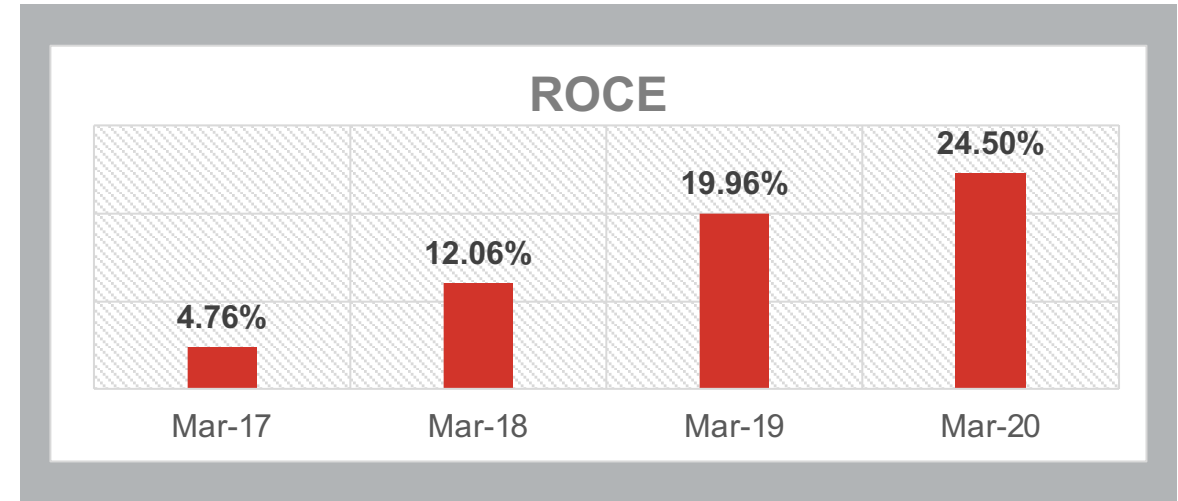
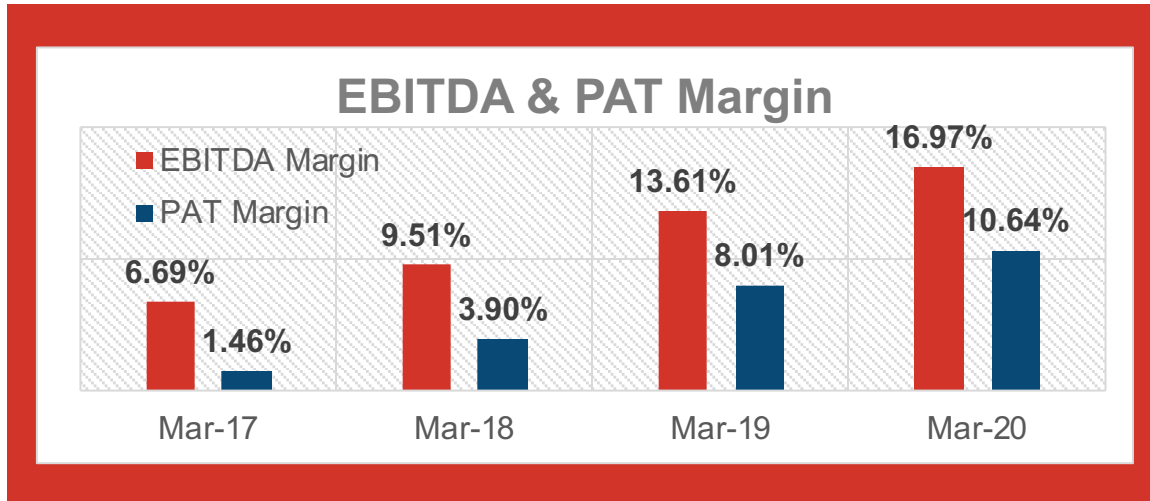
"I am extremely delighted to share with you the strong performance in this fiscal despite the lockdown due to the COVID pandemic at the end of March. Revenue for the year expanded by ~13% and EBITDA by ~41%. We also received EIR from the US FDA for Time Cap Laboratories located at Farmingdale, New York, USA . This positions us favorably to expand our reach in US market.

On the financial front we became a zero-debt company with cash of Rs 94 crore at the end of this fiscal. The outlook for FY21 looks positive and we expect the growth momentum to continue."

Operational Excellence leading to positive margin & return ratios



Marksans Pharma Ltd.



Ratios calculated using standardized financial formula

Agenda

- Q4 & FY20 Performance Review
- Operational review and financials
- Company at a glance
- Long-term strategy
- Research & development
- Segmental revenue composition
- Investment rationale



Marksans Pharma Ltd.



Q4 & FY20 Performance Review

Growth in Profitability



Marksans Pharma Ltd.

Rs. Cr.	FY20	FY19	YoY Growth (%)	YoY% (Constant currency)	Q4FY20	Q4FY19	YoY Growth (%)	YoY% (Constant currency)
Total Revenue	1,134.5	1,004.7	12.9%	15.8%	335.4	257.1	30.4%	33.9%
EBITDA	192.6	136.8	40.8%	41.1%	69.2	25.4	172.8%	173.4%
EBITDA Margin%	17.0%	13.6%	336 bps	297 bps	20.6%	9.9%	1,077 bps	1,028 bps
PAT	120.8	80.4	50.1%	50.5%	42.7	9.9	333.8%	334.8%
PAT Margin%	10.6%	8.0%	264 bps	239 bps	12.7%	3.8%	891 bps	861 bps

Key Highlights

- Overall business grew by 12.9% in FY20 when compared to FY19
 - Growth was led by strong growth across key market of UK, US and Australia
- EBITDA was Rs. 192.6 cr. as compared to Rs. 136.8 Cr. in FY19, an increase of 40.8%
- PAT stood at Rs. 120.8 cr. as compared to Rs. 80.4 cr. in FY19, a growth of 50.1%

Source – Company Data

Financials



Marksans Pharma Ltd.

Consolidated (₹ Cr.)	Q4'20	Q3'20	Q4'19	FY'20	FY'19
Total Revenue	335.4	287.7	257.1	1,134.5	1,004.7
Material Consumption	147.8	140.1	122.8	544.9	498.0
Gross Profit	187.5	147.5	124.7	589.3	502.1
<i>Gross Margin %</i>	55.9%	51.3%	50.4%	52.0%	50.2%
Operating Expenses	118.3	100.2	109.0	397.1	369.9
EBITDA	69.2	47.3	25.4	192.6	136.8
<i>EBITDA Margin %</i>	20.6%	16.4%	9.9%	17.0%	13.6%
Finance Cost	2.0	1.6	2.4	8.7	9.7
Depreciation and amortization	9.6	7.3	6.3	26.7	22.8
Earnings Before Tax	57.6	38.3	16.7	157.2	104.3
Taxes	14.8	8.8	6.8	36.4	23.9
Earnings After Tax	42.7	29.6	9.9	120.8	80.4
<i>PAT Margin %</i>	12.7%	10.3%	3.8%	10.6%	8.0%

*Gross Profit & Gross Margin is calculated using revenue from operation

Source – Company Data

Business Review



Marksans Pharma Ltd.

Rs. Cr.	FY20	FY19	YoY Growth (%)	YoY% (Constant currency)	Mix (FY20) %
Europe, UK	510.0	413.0	23.5%	27.6%	44.9%
US & North America	436.4	411.5	6.1%	6.3%	38.5%
Australia & NZ	140.7	119.9	17.3%	26.6%	12.4%
Rest of World (ROW)	47.4	60.3	-21.3%	-21.1%	4.2%
Consolidated Revenue from operations	1,134.5	1,004.7	12.9%	15.8%	100.0%

Key Highlights

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

- Formulation business from Europe, UK was Rs. 510.0 cr. this fiscal as compared to Rs. 413.0 cr. achieved during same period last year registering a growth of 23.5%
- US & North America reported growth of 6.1% to Rs 436.4 cr. in FY20
- Australia & NZ revenue was at Rs. 140.7 cr. in FY20, registering growth of 17.3% YoY

Source – Company Data



Marksans Pharma Ltd.

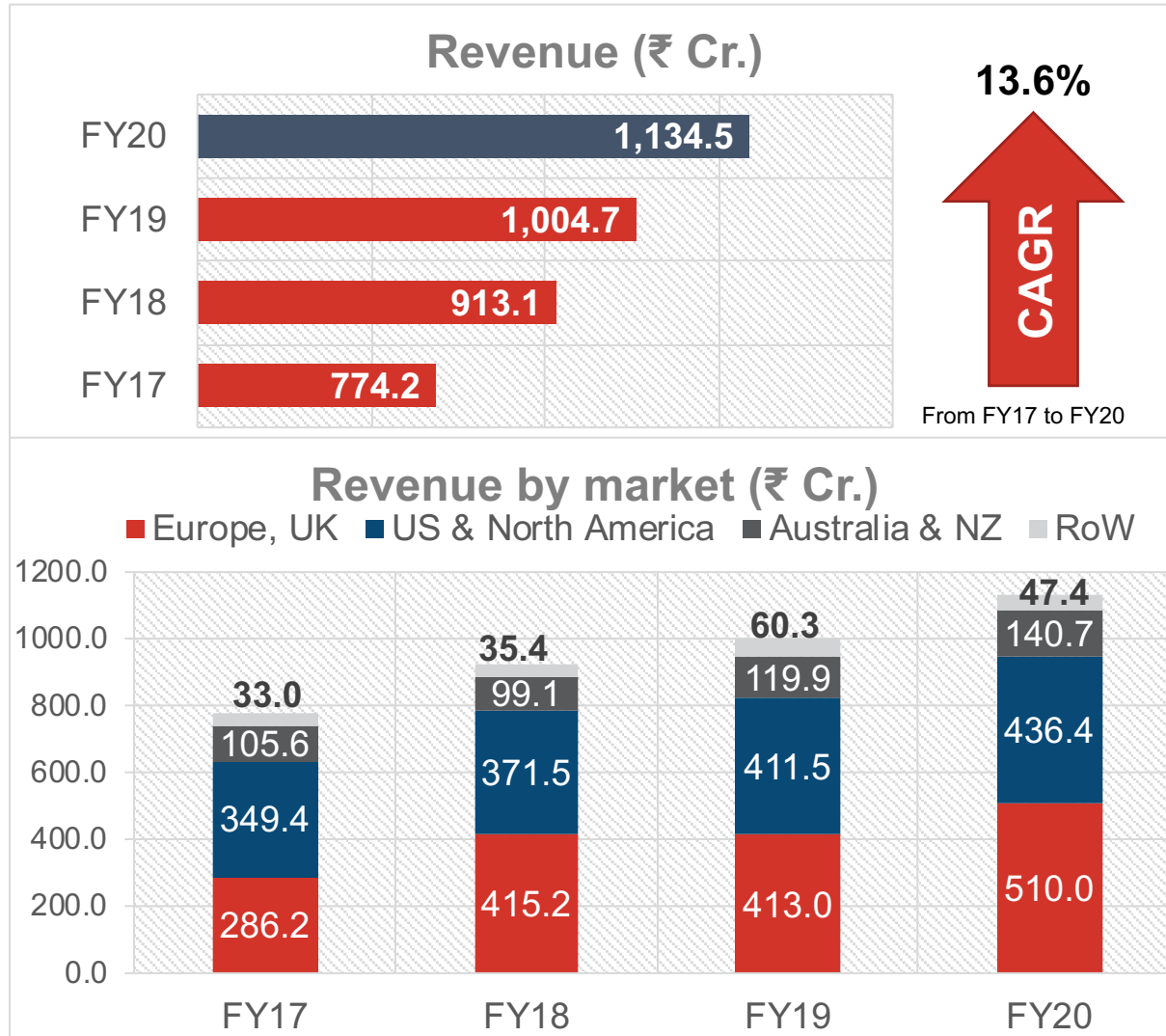


Operational review and financials

Consolidated Revenue up 12.9% led by Strong Growth in Europe and Australia



Marksans Pharma Ltd.



Topline driven by key geographies

- The revenue growth in FY20 was driven by increasing market share in the US & North American region

US Region:

- Revenue from the US market grew 6.06% over FY19, contributing to ~38% of the total revenues
- Time Cap Labs Inc has achieved revenue of USD 59.23 Millions (FY 19-USD 57.91 Millions)

UK Europe:

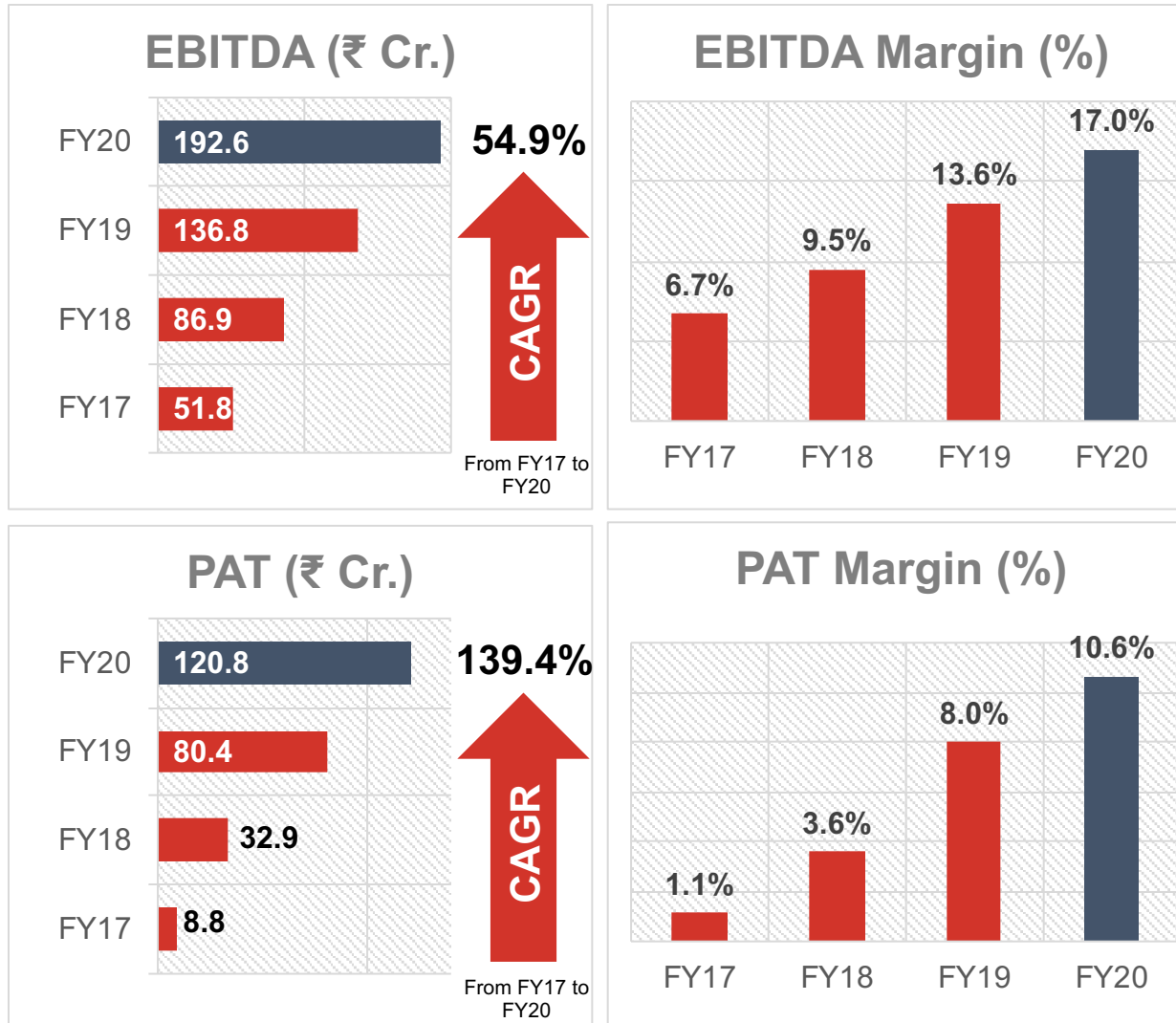
- Strong product pipeline followed by successful launches every quarter
- In Europe, UK, company targets focused segments where competition is low
- There is a consistency in the top line generation and will be followed by existing pipeline and future launches

Source – Company Data

EBITDA Margin Increased by 336 bps during FY20 – Strong Growth Expected in FY 21



Marksans Pharma Ltd.



Steady growth in the profitability

- Gross margin improved from 50.2% during FY19 to 52.0% in FY20 due to better product mix in US, UK and Europe
- FY 20 had a 336 bps increase in EBITDA margin. This was the result of enriching product basket with superior products and higher improved operating efficiency across the business
- PAT margins have improved from a low single digit to almost 10.6% in FY 20.

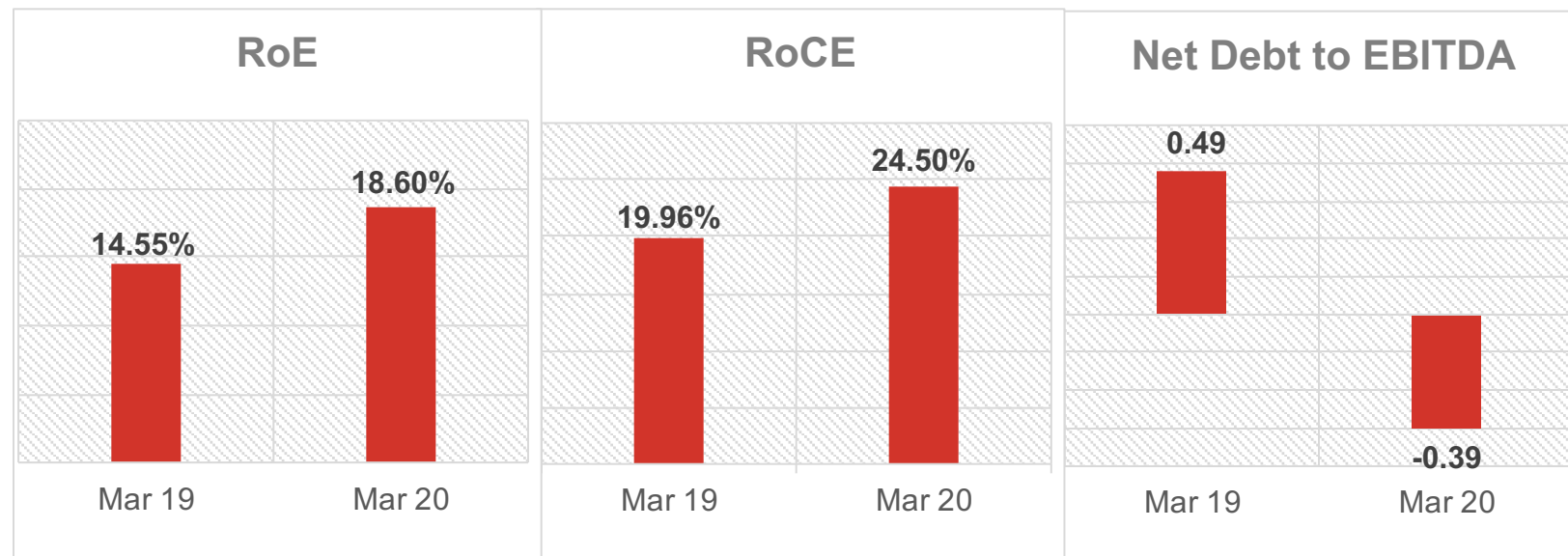
Source – Annual Report

Balance Sheet Trends (Mar 20 vs Mar 19)



Marksans Pharma Ltd.

Particulars (₹ Cr.)	Mar-20	Mar-19
Net Worth	636.0	542.5
Capital Employed	677.2	571.1
Net debt	-74.9	66.4
Cash & Bank Balance	93.7	33.5
Inventories	241.8	293.3
WC Cycle	119 days	109 days
Asset Turnover	1.33x	1.31x



Ratios calculated using standardized financial formula

Highlights

- The Company's cash balance as on March 2020 is ₹93.7 cr
- Strong ROCE of 24.5%
- Net debt to EBITDA as on March 2020 is -0.39 as company has zero net debt (including long-term and short-term borrowing)

Source – Company Data



Marksans Pharma Ltd.



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 formulations
- Key focus areas lie in 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



- 96% of revenues comes from regulated markets

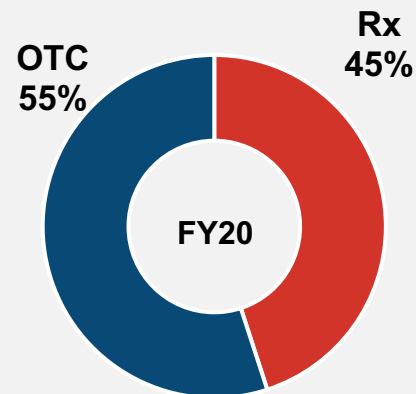


- Forward-integrated business model

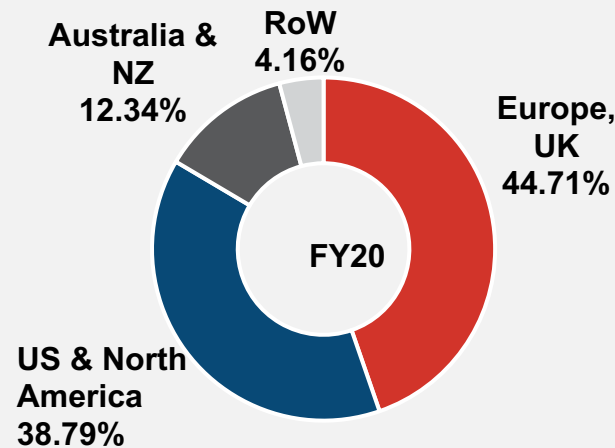


- Presence in niche softgel segment

Revenue Mix

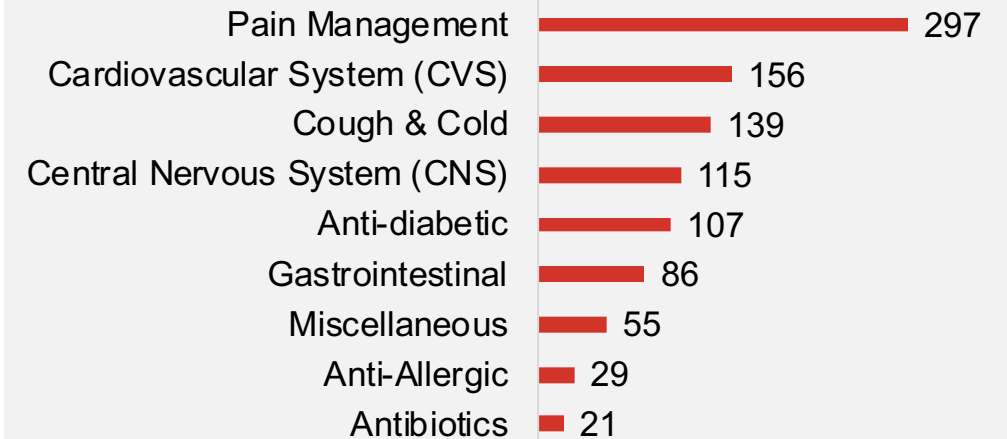


Geographic Mix



Product Portfolio

Rs. Cr.

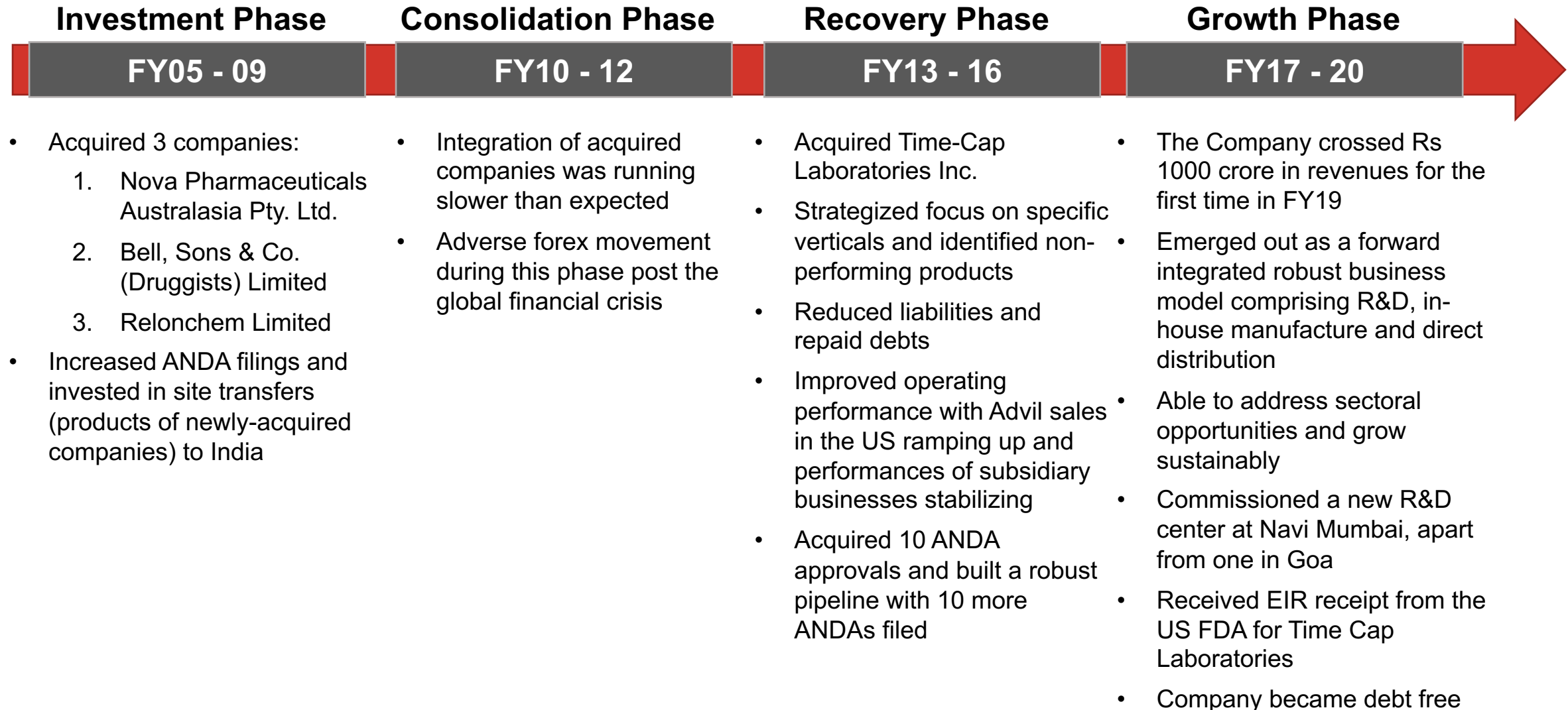


(FY19)

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



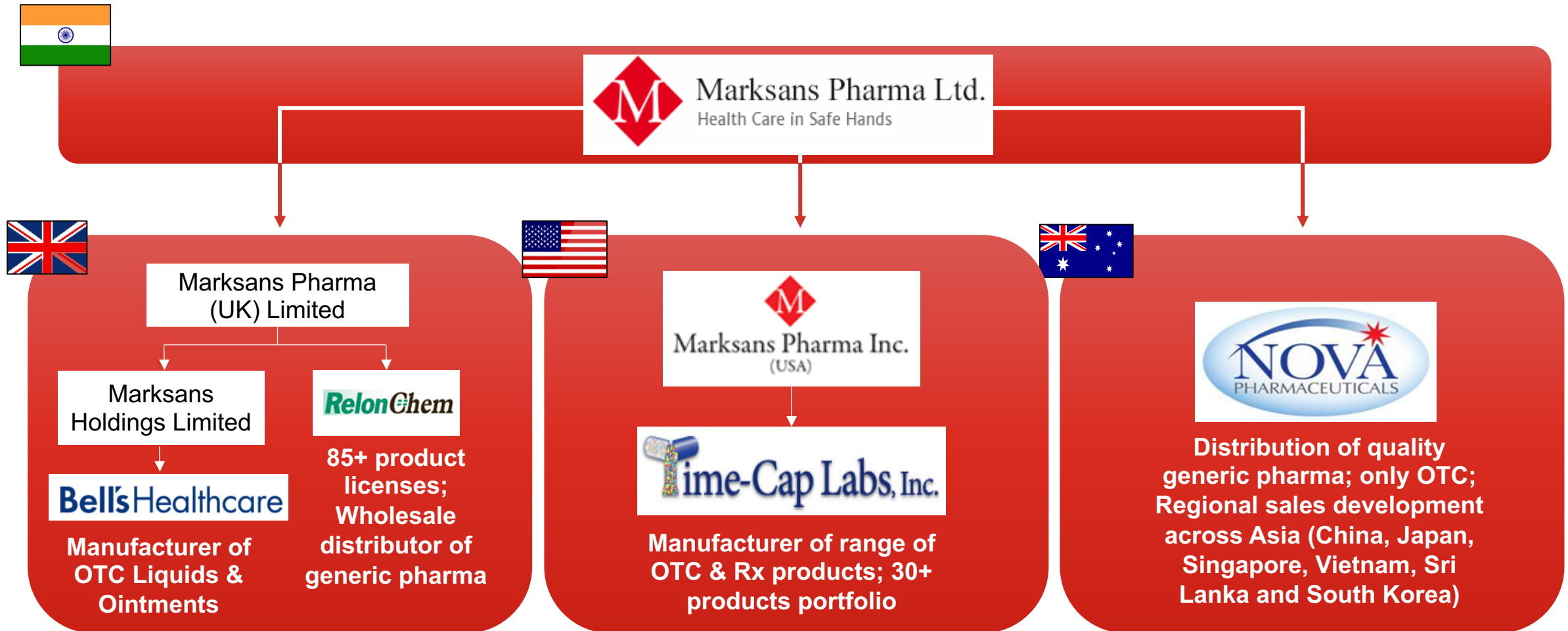
Wider product basket

- 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 ~96% 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.



*Mumbai has only R&D center in Navi Mumbai



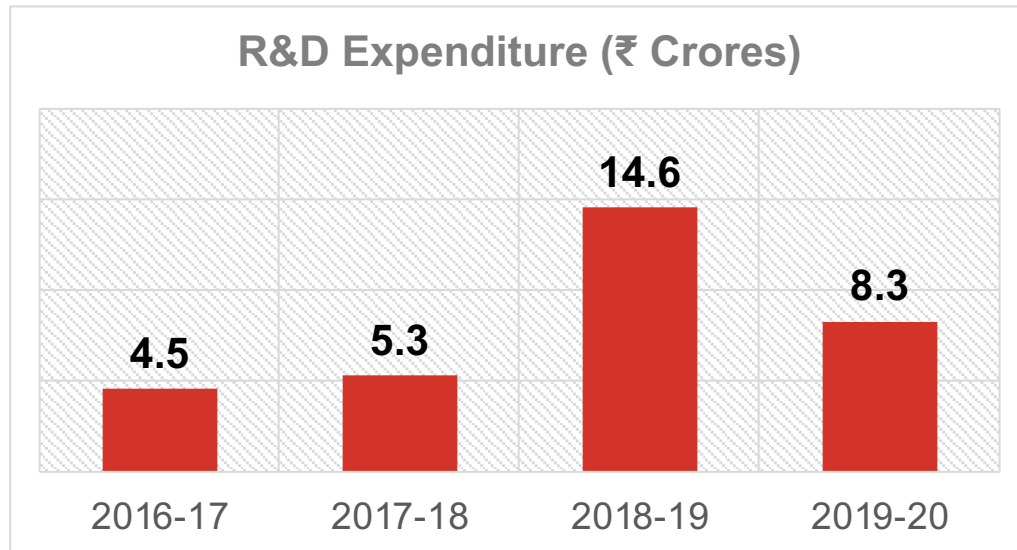
Research & development

R&D Continues to be the Backbone of the Marksans



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In FY20, total R&D expenditure was Rs. 8.3 crore



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

- Marksans newly commissioned state of art R&D center apart from the existing Goa facility, at Navi Mumbai fosters its foray into new segments, cater to hitherto unmet globally therapeutic needs and 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**

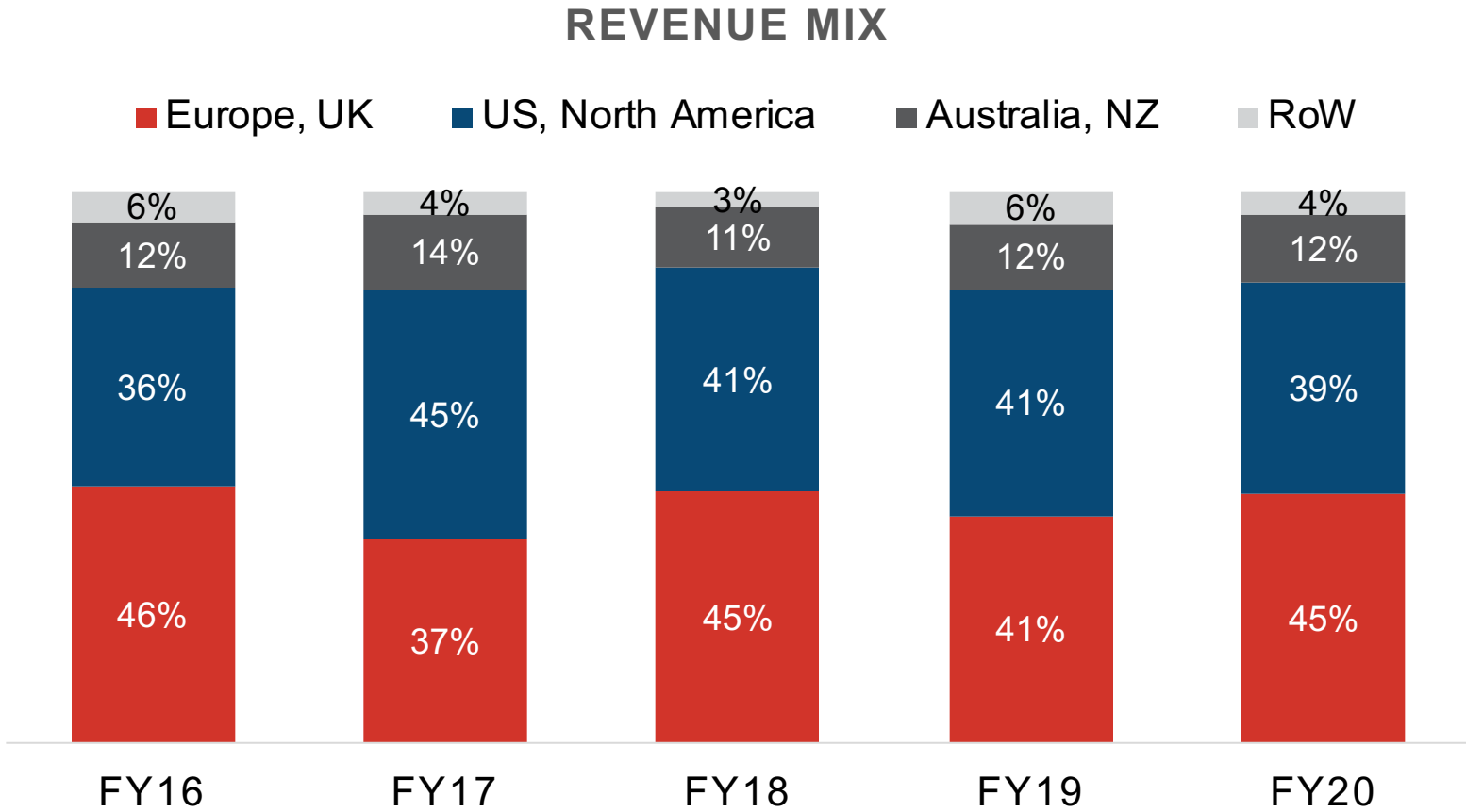


Segmental revenue composition

Global Reach Enables Reduction in Country Risk

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

510.0

Total revenues
(₹ Cr.)

23.5%

Y-o-y growth

45.0%

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**

436.4

Total revenues
(₹ Cr.)

6.1%

Y-o-y growth

38.5%

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 continue to deliver high teens growth in FY20



Marksans Pharma Ltd.

**Australia
and New
Zealand**

140.7

Total Revenues
(₹ Cr.)

17.3%

Y-o-y growth

12.4%

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**

47.4

Total Revenues
(₹ Cr.)

-21.3%

Y-o-y growth

4.2%

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

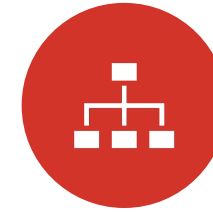


Investment Rationale

Investment Rationale



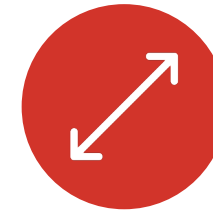
Company is widening its products portfolio in the complex and high-margin generics segment



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



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