



# Marksans Pharma Ltd.

**Date:** 16<sup>th</sup> November, 2023

**BSE Limited**

Corporate Relation Department  
PhirozeJeejeeboi Towers,  
Dalal Street,  
Mumbai – 400001.  
Scrip Code: 524404

**National Stock Exchange of India Limited**

Listing Department  
Exchange Plaza, C-1, Block-G,  
Bandra-Kurla Complex,  
Bandra (East), Mumbai – 400051.  
Symbol: MARKSANS

**Subject: Transcript of investor(s) / analyst(s) meet – Q2FY2024 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 Q2FY2024 financial performance and strategy update held on November 09, 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.**

11th Floor, "GRANDEUR", Opp. Gundecha Symphony, Veera Desai Extension Road, Oshiwara,  
Andheri (W), Mumbai - 400 053 • Tel.: +91 22 4001 2000 • E-mail: info@marksanspharma.com  
www.marksanspharma.com



# “Marksans Pharma Limited Q2 FY24 Earnings Conference Call”

**November 09, 2023**



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

**MODERATOR: DR. BINO PATHIPARAMPIL – ELARA SECURITIES  
PRIVATE LIMITED**



**Moderator:** Ladies and Gentlemen, Good day and welcome to the Marksans Pharma Q2 FY24 Earnings Conference Call hosted by Elara Securities Private 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 now hand the conference over to Mr. Dr. Bino Pathiparampil from Elara Securities Private Limited. Thank you and over to you, sir.

**Bino Pathiparampil:** Thank you Shiva a very good afternoon to all of you. On behalf of Elara Securities, I Dr. Bino Pathiparampil welcome you to the Q2 FY24 earnings call of Marksans Pharma. We have on the call from Marksans Pharma Mr. Mark Saldanha – Chairman and Managing Director and Mr. Jitendra Sharma – Chief Financial Officer.

We will start with the opening remarks from the management. After that, we will have a Q&A session. Over to you, Mr. Saldanha.

**Mark Saldanha:** Thank you, Dr. Bino. Welcome, everyone, and thank you for joining us in our Q2 and H1 FY24 earnings conference call. We appreciate your continuous interest in and support for the company. We've had another strong quarter with our revenues expanding by nearly 17% year-on-year and EBITDA and PAT expanding around 40% year-on-year, this is attributed to the market share expansion along with our existing customers and some new product launches.

The improved margins in the quarter resulted from the focus on cost efficiencies and reduction in raw material and freight cost. We recently received key product approvals from USFDA and market authorization from UK MHRA in the pain segment, cough and cold segment, and digestive.

Our continued focus remains on strengthening our product pipeline and creating a complete offering in our four key therapeutic segments that is pain, cough and cold, gastro, and anti-allergy.

On the compliance front, the USFDA inspection which was conducted in October 2023 for a wholly owned subsidiary time cap laboratories was completed with EIR status.

Moving on to our operational environment, we saw improved demand and volume growth across all our key markets and the pricing pressure is normalized for our RX products in the US

We witnessed a reduction in rates of a few raw materials and freight rates compared to the last year, resulting in improved margins in the quarter. An update on the newly acquired Teva manufacturing unit in Goa. We are presently on track with the expansion capacity and integration of the manufacturing unit and a recent audit from the German health authorities was successfully completed with no major observation.



We expect the revenue contribution from this unit to increase quarter-on-quarter. Building our momentum, we are optimistic about driving growth through our base business and strategic initiatives which will maximize shareholder value. With this, I'd like to turn it over to Jitendra who will update you on the financials and then we can start with our Q&A.

**Jitendra Sharma:**

Thank you, sir. For Q2 of FY24, our operating revenue was at Rs. 531 crores an increase of 17.4% compared with Rs. 452 crores in the same quarter of last year. The US and North America was at Rs. 222.3 crores representing a 16.8% increase year-on-year basis. UK and EU formulation market grew by 20.6% year-on-year basis to Rs. 233 crores. This was on account of new launches and incremental market share.

Australia and New Zealand formulation market recorded revenue of Rs. 48.4 crores, an increase of 10.3% on year-on-year basis. The rest of world recorded sales of Rs. 27.3 crores in the Q2 of FY24. Gross profit was at Rs. 278 crores up 21.4% year-on-year basis. Gross margin increased by 174 basis points from 50.7% to 52.4% in Q2 of current year.

EBITDA for the quarter was at Rs. 113.9 crores, an increase of 41.9% year-on-year basis and an increase of 11.7% on quarter-on-quarter basis. EBITDA margin for the quarter was 21.4%. The improvement in EBITDA margin was led by cost optimization initiatives and the reduction of freight expenses compared to last year's same quarter, profit after tax was at Rs. 83.9 crores compared to Rs. 60.1 crores in Q2 of FY23, a growth of 39.5%. EPS for the quarter was Rs. 1.84.

Talking about half year financial performance. For the H1 of FY24, our operating revenue was at Rs. 1,031.3 crores an increase of 16.4% compared with Rs. 886 crores in the same period last year. The US and North America was at Rs. 415 crores, representing a 14.1% increase year-on-year.

UK and EU formulation market grew by 22.6% on YoY basis to Rs. 459 crores. Australia and New Zealand formulation market recorded revenue of 107 crores, an increase of 10.9%. The rest of the world recorded sales of 49.5 crores in the H1 of FY24. Gross profit for the first half of the year was at Rs. 535 crores up 19.5%, gross margin increased by 137 basis points from 50.5% to 52% in H1 of FY24.

EBITDA for the period was at Rs. 215.9 crores an increase of 41% year-on-year. EBITDA margins stood at 20.9%. Profit after tax was at Rs. 154.3 crores compared to Rs. 120.3 crores in H1 of FY23, a growth of 28.3%. Growth is attributed to improved performance. However, there is an increase in tax rate in UK from 19% last year to 25% in the current year. EPS for the H1 of FY24 was at Rs. 3.4 per share.

In H1 of FY24, the cash from operation is at Rs. 90.6 crores, and the free cash flow is at -29.3 crores, this is on account of higher CAPEX in the quarter. The CAPEX incurred during the period was 119.9 crores. The investment is in line with our plan for scaling the acquired manufacturing unit from Teva Pharma in Goa and we spent Rs. 16.89 crores in the R&D, which



amounts to 1.6% of the sales. We continue to remain debt-free and had a total of Rs. 661 crores of cash as of 30th September 2023.

With this, I would like to open the floor to questions-and-answer. Thank you very much.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Sudhir Bheda from Bheda Family Office. Please go ahead sir.

**Sudhir Bheda:** Congratulations Sir on superb performance in Q2 as well as H1. I have a couple of questions. As you see the EBITDA margin is clocked at 21.4% led by an increase in the gross profit margin to 52.4%. So, if these kinds of raw material continue to remain soft and freight rates are also soft. So, this kind of margin we are able to do in the H2 as well?

**Mark Saldanha:** We are hoping for that. Obviously, we continue to work towards that and we are hoping that this trend continues.

**Sudhir Bheda:** My second question is now I believe that Teva facility is now completely integrated and now the revenue can flow from that facility. So, I think, do you expect that the growth rate could be higher in H2 as well because of Teva facility coming into operation?

**Mark Saldanha:** So, the Teva facilities in operation, but the integration is still going on. We have invested a decent amount and we have to continue investing to ensure we upgrade the facility in terms of capacity. Like I mentioned in my introduction that we do expect growth quarter-on-quarter basis where Teva is concerned, but you will see the full potential of revenue generation only somewhere in April 24 onwards.

**Sudhir Bheda:** And can you throw some light on the firstly the new product launches and the demands scenario in UK and the US if you can throw color on that these two aspects?

**Mark Saldanha:** Well, new product launches obviously we are into segments, different segments. So, there are lot of new products that are and as and when a product does get approved like we've received Esomeprazole approvals, or we have received Cyanocobalamin and few other approvals. We basically we launched it in the respected markets, and we basically take market share to our distribution channels that were already existing.

So, it increases our product portfolio and obviously increases our revenue and our penetration into the market. So, we do see with the product approvals coming in our revenue generation happening on those segments in respected markets.

**Sudhir Bheda:** And demand scenario so in the US and Europe in view of recessionary kind of trend going on there?

**Mark Saldanha:** Did you say demand scenario.



- Sudhir Bheda:** Yes in US and Europe market?
- Mark Saldanha:** So, we do see our growth drivers being in the US and in Europe. We do believe this trend will continue for the coming year also. So, we are quite optimistic on both these markets.
- Moderator:** Thank you. We take the next question from the line of Sriram an Individual Investor. Please go ahead, sir.
- Sriram:** So, just wanted to understand can we expect a buyback in FY24?
- Mark Saldanha:** We have to yet work on that but like in the last conferences based on free cash flow determination we will basically be splitting it between potential buyback or dividends.
- Sriram:** Another thing I would like to know is how is the competition scenario in the UK and US markets for OTC products?
- Mark Saldanha:** Well, it's crowded and tough as always that's the nature of the beast. So, it is not simple, just that whatever we do, we excel at it and we basically work hard towards getting market share penetration into that segment and we've got a bit of a longer history where that product portfolio or segments are concerned.
- Moderator:** Thank you. We take the next question from the line of Ishita Jain from Ashika Stock Broking. Please go ahead.
- Ishita Jain:** Congratulations on a good quarter. So, my first question is so for our backward integration plans and subsequent DMF filing. Can you talk about for which products is backward integration a priority, so which are the raw materials that are more sensitive or strategically more important for us to backward integrate?
- Mark Saldanha:** So, we've taken obviously our wish list is quite large, but we have basically selected one item on each category. So, we picked up one item in pain and we are working on ibuprofen then we have in anti-allergy we have picked up another product and in digested we picked up our product. So, there are three categories that we are targeting so that we have a single product in every category and then we can expand our product portfolio from there on.
- Ishita Jain:** Second question, so we are expecting US to be a major growth driver going forward especially when operating leverage kicks in, can you comment on what is the timeline on this and how many more launches are we expected in the US this year and finally from a geography mix standpoint, what is the percentage of our revenue that we think is going to be US, say by end of FY25?
- Mark Saldanha:** I think US will be, I mean, it's a very close call because both the markets are very strong. So, I think our US will be very close to 48% maybe and between 45% to 48% by FY25 and UK will be pretty much around the same 40% or 42%, 45%.



- Ishita Jain:** If I could just squeeze in one more so cash on books is about approximately 700 crores. Can you comment on our capital allocation strategy going forward, I know it's mentioned in the investor presentations, just want to know what kind of inorganic growth opportunities are we looking for from a product or a geography mix perspective?
- Mark Saldanha:** Well, obviously the first part of the CAPEX deployment is to expand our capacity in the newly acquired plant, which was concluded early in April this year. So, we are still working exhaustively and at a very rapid pace to scale up those capabilities to meet our demand. So, I do see some decent amount of CAPEX going there and obviously then we have M&A's that we are planning in a couple of geographies, Europe being one of that. Our plan is to expand our geographies. It's always been there. We have been in dialogue, but nothing concrete or nothing to put pen to paper or discuss about, but there are we are exploring M&A in Europe basically.
- Moderator:** Thank you. We take the next question from the line of Dr. Bino Pathiparampil from Elara Capital. Please go ahead sir.
- Bino Pathiparampil:** Mark a couple of questions in the US, how many ANDAs do we file per year now on an ongoing basis and what are your plans? Do you plan to increase that number and similarly the filings for the UK as well?
- Mark Saldanha:** So, in the US we are averaging or we're targeting very close to 5 ANDAs. So, you can see between 4 to 5 and in Europe we are talking of around 20 authorizations you can say 15 to 20.
- Bino Pathiparampil:** Sorry, so you are basically saying that you are going to triple the rate of filings in a year's time.
- Mark Saldanha:** Yes, total filings, I mean we have a big product portfolio in Europe, in the UK. So, it is quite an exhaustive many market authorizations we have. So, it will not be tripling it, but we are looking at definitely we have already been working on 60-70 odd products. So, we are planning to file very close to maybe like I said 20 odd products year-on-year.
- Bino Pathiparampil:** Sorry, I didn't quite understand. So, in the US you are filing 5 ANDAs in a year, will that run rate increase going forward to 15, 20 or you are saying 30?
- Mark Saldanha:** No, the US would be 5 only every year and I was talking of Europe.
- Bino Pathiparampil:** Okay. Second question, our own brands in these markets roughly what sort of revenue would that be contributing in each of these markets in US and UK?
- Mark Saldanha:** So, we are not into brands, we are into generic formulations, but I mean we have segments that we talk about. Obviously, we have the pain segment which is still the largest for us. Then we have the digestive and the cough and cold which contributes then we have a substantial amount of I mean we have about 30% odd on our prescription related segments that we pursue, and we do have certain brands, we have brands in Australia, we have brands in our Dubai regions and obviously we are very active in the Amazon segment also.



- Bino Pathiparampil:** For housekeeping questions, for the first half you have given a CAPEX figure of 120 crores. Does that include the payment given to Teva for the facility?
- Mark Saldanha:** Yes it does.
- Bino Pathiparampil:** And I have seen a jump in depreciation this quarter, is that related to the Teva facility and does it fully capture the impact?
- Jitendra Sharma:** Yes, this depreciation for the quarter includes the Teva facility depreciation. So, we started depreciating it from this quarter onwards.
- Moderator:** Thank you. We take the next question from the line of Viraj Mahadevia an Individual Investor. Please go ahead, sir.
- Viraj Mahadevia:** Congratulations on good encouraging results. Mark, you mentioned briefly that you were looking at 3 molecules across different therapeutic areas for potential backward integration. These three molecules represent what percentage of your overall revenue of your total revenues that you're looking to backward integrate?
- Mark Saldanha:** So, about very close to 30%.
- Viraj Mahadevia:** And when is the impact of that backward integration likely to kick through in terms of lower raw material benefits as a result of these agreements?
- Mark Saldanha:** Maybe the mid or latter part of 2024.
- Viraj Mahadevia:** Calendar year?
- Mark Saldanha:** Yes.
- Moderator:** Thank you. We take the next question from the line of Vilin an Individual Investor. Please go ahead.
- Vilin:** Congratulations on good set of numbers and thank you for the opportunity. So, Mark, considering the additional CAPEX that we are doing for the new facility and for the backward integration, how much additional CAPEX do you see we are going to make an investment in the next 6 months to 12 months?
- Mark Saldanha:** We are looking between 80 crores to 100 crores.
- Vilin:** So, is that for any future growth then is that the full capacity for the Teva or we can still have few more plants and make few more investment at the same facility?
- Mark Saldanha:** No, obviously we can make some more investments, but this is the initial onset that we had planned like I mentioned very close to 200 crores was going to go into facility including the





acquisition cost, so that's pretty much what we are planning to do and then obviously maybe after a year and a half, we may have to invest more to increase our capacity further on.

**Vilin:** And I think in the past concall you referred to filing spending more on the filing of ANDA's and the percentage of R&D going to increase. So, do you see it's going to be a significant jump or it's going to be gradual increasing?

**Mark Saldanha:** It is going to be a gradual increase, but it will be an increase for sure.

**Vilin:** And the last question from my side, Do you see most of the tailing from the raw material cost are there now, so any future works will be given by more operating leverage and the product portfolio, would that be a safe assumption?

**Mark Saldanha:** Yes, that's fair enough to say.

**Moderator:** Thank you. We'll take the next question from the line of Prerit Choudhary from Green portfolio. Please go ahead.

**Prerit Choudhary:** Congratulations for good set of numbers. I just had two questions. First one is we had plan to file DMF for backward integration on September, any updates on that if you can provide?

**Mark Saldanha:** We are still working towards that.

**Prerit Choudhary:** So, any tentative dates mean by which month we can file those DMFs?

**Mark Saldanha:** I think hopefully we will be optimistic by the end of this financial year.

**Prerit Choudhary:** And my last question is what would be the total expense number for our Teva facility for this quarter?

**Mark Saldanha:** You're talking of the expense?

**Prerit Choudhary:** Yes expense amount for the whole Teva facility for this quarter.

**Mark Saldanha:** Around 10 crores.

**Moderator:** Thank you. The next question is from the line of Ishita Jain from Ashika Stock Broking. Please go ahead.

**Ishita Jain:** Thank you for the opportunity again. So, given the product mix, we must have not faced very high price erosion in the U.S, can you quantify the price erosion, if any?

**Mark Saldanha:** It's difficult to quantify exactly, but obviously we are not immune to price erosion. There's always some price erosion happening because when raw material prices come down, so do

finished products come down. So, we're not immune to it, but definitely we didn't suffer as compared to the prescription segments, but there was some price erosion, but not dramatic.

**Ishita Jain:** Do you think that we will be able to cushion this even further with backward integration, at least for the molecules we are considering backward integration from?

**Mark Saldanha:** Yes. I mean, obviously we do believe in that, and we do believe it will basically strengthen our sourcing capabilities and reliability of ensuring materials available on key molecules. So, that was the objective more than anything else that because when prices go up or when circumstances happen in the market manufacturers tend to exploit the situation, so we that's the reason why we wanted to backward integrate ourselves.

**Ishita Jain:** So, Teva plant breaks even first quarter 25 is this timeline still intact?

**Mark Saldanha:** Definitely.

**Ishita Jain:** And last question, if I may R&D spend on a consolidated level was 1.6%, do you have any guidance for R&D spend say for FY25-26?

**Mark Saldanha:** About 2% may go slightly higher, but I would conservatively say 2%.

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

**Vilin:** Mark, I think there are confluence of all these good things that are coming together, between these do you see any risk that you should be considering the geopolitical situation and all?

**Mark Saldanha:** Geopolitical situation, I mean there's not much control we have out there. Geopolitical is something which I think globally is always a risk from the global scenario, the overall countries and industry that will have pretty much a proportion that impact if things go South, but I think pharma industry basically is quite immune because at the end of the day, people still need medications and we are optimistic that whatever geopolitical scenarios do arise we'll probably be the least impacted out there.

**Moderator:** Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

**Nitin Agarwal:** Two questions one is we can only recap the proportion of OTC business for US and UK?

**Mark Saldanha:** We are right now trending at a very close to 70 and 30 US 70 and RX is about 30.

**Nitin Agarwal:** In US?

**Mark Saldanha:** US maybe I'm talking of globally US it may be slightly more maybe 78.

**Nitin Agarwal:** And UK would be similar about 70 30?



**Mark Saldanha:** Yes, I mean, UK, the RX portfolio is slightly larger so that's where the average coming down to 70, 30.

**Nitin Agarwal:** And do you see this proportion sort of changing over the next three odd years three to five years?

**Mark Saldanha:** I think it will be pretty much standard maybe 5% here and there OTC maybe 75 RX maybe 25.

**Nitin Agarwal:** And lastly with the Teva plant capacity available for us, I mean, what degrees of freedom does it just give you from our planning perspective I mean are you're looking to push in more volume to the existing products in the same geography you're looking to go out to more geographies, what are we really thinking about it?

**Mark Saldanha:** So, basically, we are looking at the same geographies and pushing more volumes and products both because of new product launches into similar geographies that we already existing. So, obviously that, I mean, we are talking of nearly looking at potentially doubling our supplies into the geographies that we are already existing.

Thereby, that's where the growth is going to be generated because while the front end we have a strong order book status, we need to ensure infrastructure supports those initiatives and fuels of growth out there. So, we do see Teva giving us equivalent amount of our revenue like our existing old plant and that's where we are investing on this CAPEX out there and it will also help us and assist us in any new geographies we basically venture into.

**Nitin Agarwal:** And just last one in terms of the current portfolio that you're supplying to US and UK, I mean, how much it's given once you get more capacity from Teva I mean are there opportunities for you take significantly higher market share than you already have and what would drive up?

**Mark Saldanha:** Yes, that's pretty much it, right. So, we will be able to get more market share. We'll be able to service more share because we have additional capacity and we are reliable supplier. So, we already have penetration. We already have distribution and all we need to do is expand our product portfolio and also expand our products within the same clients and that can happen with additional capacity.

**Nitin Agarwal:** Sorry, just persist of that, but during over the last year or so, you've had situations where you can take a business because you don't have capacity or was it like a widespread thing for us?

**Mark Saldanha:** No, it wasn't that Nitin it's basically we could foresee that our existing plant is reaching to its optimum and we need more facility to service increasing demand. Order book status is pretty much for next year, decent amount of that is going to will be basically coming out from the new facility. So, we could foresee that after a certain amount we would need additional capacity to service, increase demand and growth. So, that's where the Teva facility comes into play.

**Nitin Agarwal:** And lastly, on this one when you're taking higher market share or higher volumes so in your current products, so it's a market which is growing that you are participating in or you're taking



market share and if you're taking market share over typical kind of player, you're taking the market shares from?

**Mark Saldanha:** So, obviously I don't think the market is going to the tune of our growth, but we are we are taking market share and again product portfolio, new product add it to the portfolio helps us to also add to the basket of our market share and revenue and when you talk of taking market share from competitors or from lead companies you're looking like Perrigo and PLDS and various other top companies that are existing already there.

**Moderator:** Thank you. We take the next question from the line of Hiral Nandu from Kalpvruksh Capital. Please go ahead.

**Hiral Nandu:** Congratulations on good set of numbers. Just one question on the brand thing if I heard something and correct me if I got wrong, I just wanted to understand how we are planning to expand our own brand in the various geographies. I heard that we have in presence in Australia and Dubai. I think on the branded side what about the other geography?

**Mark Saldanha:** Presently, obviously we have a few markets, those markets are more branded than generics looking at India, for example, so that is a huge possibility then you're looking at certain markets in Europe, which basically encourages branding and you're looking at certain other like evident US you have looking at Amazons or the E retail type of opportunities that exist, but I would say in branded business the markets that we are presently in or when we talk of US or when you talk or UK or Europe they are more generic driven and focus is there. We may explore brands, but they are relatively very small in terms of the revenue contribution and the big markets are obviously India and we would explore M&A's as and when we get an opportunity for that.

**Hiral Nandu:** So, the margin profile will certainly be higher in the branded products, right or even the generic brand will give a similar margin?

**Mark Saldanha:** Well, Hiral we always look at expanding our margins and we are always working towards that. The branded business does give definitely lucrative bottom lines, but that is once it reaches a certain level of revenue and optimization till then you have to invest a lot of money into marketing and sales and everything. So, it's like a chicken and egg situation. It's not like from day one branded business gives you business bottom line and it's actually a lot of investments go into branding.

**Hiral Nandu:** And as you rightly said, even though M&A could help it to cut down that cost and the timeline, so which might help?

**Mark Saldanha:** Definitely.

**Moderator:** Thank you, sir. As there are no further questions, I would now like to hand the conference over to the management for closing comments.



**Mark Saldanha:** I'd like to take this opportunity to wish everyone on the call and all our shareholders a very Happy Diwali and have a great year ahead and be safe. Thank you.

**Moderator:** Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.