Stock Update

Marksans Pharmaceuticals Ltd.

July 13, 2023

RETAILRESEARCH

HDFC securities
Click. Invest. Grow.
20 YEARS

Marksans Pharmaceuticals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 101.65	Buy in the band of Rs 101.5-103 & add more on dips to Rs 89.25	Rs 112.5	Rs 124.25	2-3 quarters

HDFC Scrip Code	MARPHAEQNR
BSE Code	524404
NSE Code	MARKSANS
Bloomberg	MRKS IN
CMP Jul 12, 2023	101.65
Equity Capital (Rs cr)	45.32
Face Value (Rs)	1
Equity Share O/S (cr)	45.32
Market Cap (Rs cr)	4638
Book Value (Rs)	39
Avg. 52 Wk Volumes	4828081
52 Week High	103
52 Week Low	45.4

Share holding Pattern % (Jun, 2023)	
Promoters	43.85
Institutions	18.56
Non Institutions	37.59
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Kushal Rughani

kushal.rughani@hdfcsec.com

Our Take:

Marksans' portfolio is skewed towards OTC segments and soft gel products mainly in the US and UK markets. Company derived ~74% of sales from OTC products in FY23 (vs 59% in FY21 and 69% in FY22). Given its front-end presence in these markets, it has been able to monetise opportunities optimally. OTC segment is likely to see a stable demand with low price erosion and that would ensure strong margin profile. Consolidated revenue grew at CAGR of 15% over FY18-23, led by the shift to front-end distribution through its subsidiaries located in US, UK and Australia, product launches, market share gain in the existing products and increased capacities.

Marksans is primarily into exports of oral solid formulations with a special focus around OTC and soft gelatin/hard gelatin formulations. Marksans has portfolio of 300+ generic products across 10 therapeutic areas and has a pipeline of 70+ products. Company has presence across 50+ countries with key being UK, US, Australia and New Zealand. Management has guided for strong growth in Cough & Cold, Cardiac, Gastro-Intestinal segment led by new launches. Marksans is implementing capital expenditure on its existing facility upgradation and to increase capacity at Tevapharma India. Management has guided for revenue of > Rs 2000cr with improvement in operating margin YoY basis for FY24 (vs Rs 1852cr revenue and operating margin of 18.3% in FY23). Company has a pipeline of 34 products to be filed over the next three years in the UK. 32 products are planned (20 oral solids and 12 ointment and creams) in the US market. 10 products are in the pipeline and expected to be launched over the next two years in Australia and New Zealand.

Company has three manufacturing units – one each in India, US and UK. All the manufacturing facilities are accredited by various health authorities of regulated market. Goa facility is accredited by US FDA, UK MHRA, Brazil ANVISA and Australia TGA, while US and UK facilities are accredited by US FDA and UK MHRA respectively. Company is expanding capacity at acquired Goa plant of Tevapharm India, which would augment increase in overall capacity to 16bn units (vs current 8.4 billion). Goa unit has capacity of 6 billion solid tablets and 2.4 billion softgel and hard gelatin capsules annually. US facility has capacity of 6 billion tablets and hard capsules per annum. UK facility has capacity of 2 billion bottles, 1 billion tubes and 1 billion sachets per annum. Marksans would continue to supply certain products to Teva's affiliates till the end of FY24.

On Nov 25, 2022, we had recommended to buy Marksans Pharma in the band of Rs 56-57 and add on dips to Rs 50 for base case target of Rs 62.4 and bull case target of Rs 66.6 over the next two quarters. The stock had achieved bull case target on Jan 11, 2023. (Link). On Mar 13, 2023, we had recommended to buy Marksans Pharma in the band of Rs 68.8-69.5 and add on dips to Rs 59.5 for base case target of Rs 75.5 and bull case target of Rs 83.6 over the next two quarters. The stock had achieved bull case target on May 30, 2023. (Link).

We have increased revenue estimate by 1.4%/1% for FY24E/FY25E, EBITDA and net profit by 10%/14.5% and 12%/17% for FY24E/FY25E respectively. Given fund raising, acquisition of Tevapharma India, strong numbers in FY23 and better earning visibility, we issue a stock update on Marksans Pharma with revised targets.

Valuation & Recommendation:

Marksans is concentrating on regulated markets of US and UK with focus on higher margin softgels and OTC products. Also, its strong balance sheet is likely to support inorganic growth through acquisitions of ANDAs, product licenses and capacities. With focus on backward integration, operating margin is expected to improve in the medium term.

For Q4FY23, the company reported strong operational performance on the back of strong revenue growth and lower other expenses. EBITDA margin improved 90bps YoY at 18.3%. Going ahead, operating margin is expected to improve led by i) normalisation of operating expenses, ii) balanced focus of both OTC and prescription segments and iii) backward integration (API filings). Company has strong Balance sheet with cash & equivalents of Rs 715cr as on Mar-2023. We estimate 14% CAGR in revenue led by strong growth from UK and Australia & New Zealand and healthy growth from US market over FY23-25E. We expect margin of around 19-20% over the next two years. We think investors can buy the stock at in the band of Rs 101.5-103 and add more on declines to Rs 89.25 (11.5x FY25E EPS) for base case target of Rs 112.5 (14.5x FY25E EPS) and bull case target of Rs 124.25 (16x FY25E EPS) over the next 2-3 quarters.

Financial Summary

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Total Revenues	486	418	16.3	480	1.3	1,000	1,134	1,376	1,491	1,852	2,065	2,403
EBITDA	110	64	71.9	77	43.0	132	192	340	259	339	392	485
Depreciation	14	22	-35.5	13	10.2	23	27	36	45	52	57	68
Other Income	11	15	-28.1	18	-37.9	5	0	7	42	59	61	63
Interest Cost	2	5	-52.0	2	2.1	10	9	8	8	9	8	6
Tax	22	23	-6.1	17	27.2	24	36	64	61	72	93	119
PAT	82	28	191.5	63	29.2	80	121	236	185	266	293	352
EPS (Rs)						2.0	3.0	5.8	4.5	5.9	6.5	7.8
RoE (%)						15.9	20.5	31.0	17.7	18.1	15.6	16.3
P/E (x)						51.7	34.4	17.6	22.5	17.3	15.7	13.1
EV/EBITDA (x)						29.7	20.4	11.6	15.2	11.5	10.0	8.1

(Source: Company, HDFC sec)

Q4FY23 result update

- Revenue grew 16.3% YoY at Rs 486cr. EBITDA margin expanded 730bps YoY and 650bps QoQ at 22.5% as against estimate of 17.8%. Other expenses were down 13.2% YoY at Rs 71.6cr. Gross margin improved 40bps YoY at 49.8%. Net profit increased 191% YoY at Rs 81.9cr due to lower tax expenses and better margin. PBT for the quarter was up 98% YoY at Rs 104.2cr.

- US sales grew 12.8% YoY at Rs 193.5cr. Europe business registered 33% YoY increase at Rs 206cr. Australia and New Zealand revenue declined 11% YoY at Rs 63cr.

- Marksans derived 74.4% of sales from over the counter (OTC) products in FY23 as against 68.6% in FY22. Company plans to add 10-12 new products in UK and US every year.

- Total R&D Expenditure was at Rs 29.5cr, constituting ~1.6% of revenue and expected to increase gradually to ~4% over the next few years. Company has cash & equivalents of Rs 715cr as on Mar-2023. EPS for the quarter stood at Rs 1.97 and it stood at Rs 6.4 for FY23.

- Company would add 10-12 new products in UK and US every year.

- Marksans concluded buyback of 64.7 lakh equity shares through open market route and spent Rs 32cr.

- Company reported strong performance driven by gains in existing products, and markets, as well as normalization of freight expenses. It has completed the acquisition of Teva Pharma manufacturing unit in Goa which would help accelerate growth of business and strengthen position as a leading low-cost manufacturer.

Conference call highlights

- Operating margin is likely to see steady improvement led by normalisation of operating expenses, a balanced focus on both over-the-counter and prescription segments along with a backward integration in its active pharmaceuticals ingredients (APIs) business.
- Strong market share gains coupled with new launches in the Europe market helped the company grow at faster pace.
- Company reported better full year performance than it had earlier guided.
- Acquisition of Teva would give meaningful revenue by the end of FY24 onwards.
- New high margin products are planned and that would aid margin expansion.

- RM prices have started to normalize, Cost optimization, normalization of other expenses would be driver to EBITDA margin expansion.
- Still not fully benefitted due to lower RM prices in Q4, would see benefits from Q1FY24
- Company has set aspirational target of margin at around 25% and it could be achievable in the next 4 years.
- Focus area is OTC/Cardiac/Gastro segments in Europe
- Backward Integration, operational efficiencies and change in product mix to drive margin
- Management said that EBITDA margin should improve YoY. Maintained guidance of revenue of > Rs 2000cr in FY24.
- Container rate for the US had shot up from US$ 3000 to US$ 12500 per container and that has again now come back to normalized levels of US$ 3000.
- Container rate for the UK had shot up from US$ 2000 to US$ 9000 per container and that has again now come back to US$ 2000.
- Company is evaluating inorganic opportunity in India and Abroad.
- R&D was at Rs 30cr or 1.6% of sales for FY23. R&D to inch up gradually from FY24E.
- Opex cost for Teva facility at around Rs 50cr for FY24.
- Total of Rs 150-200cr capex planned each year for FY24/FY25.
- New launches and market share gains in the existing products led to strong growth in the Europe
- Top-5 products contribute to around 30% of overall sales.
- Management said that now the company is moving towards complex molecules, clinical studies. Cost per ANDA etc. to increase significantly in the years to come.
- Marksans also specializes in own label where it provides products to supermarkets, high street retailers, pharmacy chains and wholesalers.
- Company has presence in high growth therapeutic areas through SKUs and healthy product pipeline driven by low-cost manufacturing facilities leading to long-lasting relationship with the retailers.
- Company sees growth potential in OTC and Rx markets, especially the switch from Rx to OTC. Management remains confident for strong growth driven by increase in volume, market share gains, and new product launches. UK is one of the largest Rx-to-OTC switch markets in Europe.
- OrbiMed's representative, Dr. Sunny Sharma has joined on the Marksans' Board. Company has MSKA & Associates, affiliates of BDO International, as auditors. BDO is the fifth-largest global auditing firm. It is adding value to Marksans by way of strategic direction, global connect etc.
- Lower freight costs helped in margin expansion in the quarter. Management said that RM prices have stabilised and that would help improve margins.
- Teva plant would contribute significantly 12 months down the line.

- The acquisition of capacity from Teva pharm India will provide further fillip to growth in the long term. The total cost including capital expenditure and acquisition of Teva unit would be around Rs 200cr. Capacity build up would happen over the next 24 months.
- Company is expected to double India capacity from current levels (˜8bn units per annum) led by recent acquisition of Tevapharm India thus overall capacity would increase to ˜26bn by next 18-24 months.
- Management said that the portfolio is more of matured molecules/products and that's why price erosion not significant.
- Company would file DMF on its name from third party facility and that would improve 200-300bps margin in the next 3 years.
- R&D expenses would increase gradually to ~4% of sales in the next few years. In the UK, the company has planned 34 new filings over the next three years. In addition, 16 products are already filed and awaiting approval. In the US, 32 products are in the pipeline, of which 20 are oral solids and 12 are ointments and creams. In Australia and New Zealand: 10 products are in the pipeline and expected to be launched over the next two years.
- Backward integration benefits could mostly reflect from Q4FY24E. It will be for captive consumption and company guides for ~500bps expansion in EBITDA margin on the back of better gross margin.
- There is competitive intensity in OTC segment. Many players have entered into it. However, price erosion is relatively lower than Rx.
- EBITDA margin in the OTC business is more stable and predictable while the same in the Rx business is market driven.
- Company guides that Pain Management contribution would continue to be higher. Management guided for strong growth in Cough & Cold, Cardiac and Gastro-Intestinal segment led by new launches.
- India tax rate at 25-26%, US, UK and Australia tax rate at ~20%. So, cumulative tax rate lower. Company guided for ~24% tax rate for FY24.
- Company bought back 64.74 lakh equity shares at average price of Rs 49.6 per share. This was 64.7% of total proposed buyback equity shares. Company spent Rs 32.1cr in the said buyback and paid Rs. 7.3cr towards tax on the buyback consideration pay out.

Received approval for Acetaminophen and Ibuprofen Tablets, 250 mg/125 mg

In Jul-2023, Marksans announced that it has received final approval from the US FDA for its Abbreviated New Drug Application (ANDA) for Acetaminophen and Ibuprofen Tablets, 250 mg/125 mg, over the counter (OTC) bioequivalent of Advil Dual Action Tablets 250 mg/125 mg. The Tablets are bioequivalent to the reference listed drug (RLD), Advil Dual Action of GlaxoSmithKline Consumer Healthcare Holdings (US) LLC. Advil Dual Action was first available as an over-the-counter drug in 2020. The pivotal approval, Acetaminophen and Ibuprofen Tablets, 250 mg/125 mg provides relief for multiple pain-related symptoms by combining two powerful ingredients indicated for OTC pain relief, ibuprofen and acetaminophen. Ibuprofen works through the body targeting pain at the source while Acetaminophen blocks pain signal to the brain. The innovation takes these two powerful pain fighting ingredients and combines them into one tablet to offer fast, strong pain relief. The company plans to launch the product immediately.

Focus on regulated markets

Marksans has in house R&D centers, owned and outsourced manufacturing and wide spread supply chain and distribution set up through subsidiaries in the US, UK and Australia which contributes to ~96% of total revenue. Company has three manufacturing facilities in India, UK and US and two R&D centers in Goa and Navi Mumbai. Over the years, the company has spread its product portfolio across the key therapeutic areas. It has captured a large share of OTC and generic market via licensed products with reach within the distribution channels in UK and in the US.

The India and USA facilities manufactures the Softgel products. Formulation business is growing and to meet increased demand, Marksans is in the process of capacity expansion and backward integration. The backward integration is primarily for captive consumption purpose. It develops own products through its R&D facility in OTC and Rx business segment across the geographies.

Company has three manufacturing units – one each in India, US and UK. All the manufacturing facilities are accredited by various health authorities of regulated market. Goa facility is accredited by US FDA, UK MHRA, Brazil ANVISA and Australia TGA, while US and UK facilities are accredited by US FDA and UK MHRA respectively. Company is expanding capacity at acquired Goa plant of Tevapharm India, which would augment increase in overall capacity to 16 billion units from ~8 billion units. Marksans would continue to supply certain products to Teva's affiliates till the end of FY24.

Marksans plans to backward integrate through manufacturing active pharma ingredients (API). Company is likely to spend ~Rs 100cr for API manufacturing. With the completion of proposed expansion/acquisition, the company aims to become an integrated player from API manufacturing, formulations to front-end marketing.

UK Business

Through its two subsidiaries, Bell (OTC portfolio) and Relonchem (high-end Rx portfolio), the company has a significant presence in the UK and is one of the top five Indian pharma businesses in the region. Marksans has presence in therapeutic areas such as pain management, cough and cold, CNS, cardiac, which accounts for the large portion of Marksans' revenue mix. Company has worked with major UK retailers to promote its goods, including AAH, Lyods, NHS, Tesco, Asda, Morrisons, Coop, Boots, and Superdrug, etc.

Bell's Healthcare specializes in own label products and provides to supermarkets, high street retailers, pharmacy chains and wholesalers. Private label allows customers to provide high quality own label in their own artwork. It has presence across therapeutic areas including analgesics, cough and cold, pain relief, gastrointestinal, ear care and skin care for the UK and Export markets.

Relonchem has over 160 product licenses. It supplies a broad range of own label healthcare pharmaceutical products across therapeutic areas including anti-diabetic, CNS, anticancer, anti-ulcerative, allergy, anti-viral and pain relief for the UK market. Company has planned 34 new filings over the next three years while 16 products are already filed and awaiting approval.

US Market

Time Cap Labs, Inc. has established itself as one of the premier generic pharmaceutical manufacturing companies in the United States. Time CapLabs, Inc. is specialized in new delayed and sustained release dosages and also manufacturing a wide range of solid oral dosage across a multiple of therapeutic categories in the form of Tablets, Hard Gelatin Capsules, Soft Gelatin Capsules, Softgels. Time Cap Labs offers diverse OTC formulations including analgesics, dietary supplements, cough and cold medications, prescription drugs. Its manufacturing facility is certified with Good Manufacturing Practices (GMP) under stringent regulatory lab testing that cater to global needs.

Time-Cap Labs focuses on manufacturing high quality products in the both OTC and Rx market across pain management, cough & cold, gastro-intestinal, anti-diabetic, cardiac and CNS areas. Company sells them through large wholesalers and pharmacies in the US. Company has customers like Target, Walmart, Walgreens and Kroger etc. in the US. It has 32 products in the pipeline, of which 20 are oral solids and 12 are ointments and creams. Within oral solids, 4 are softgels. Company spent Rs 30cr or ~2% of sales in R&D in FY22. It was at Rs 29.5cr or 1.6% of sales in FY23. R&D expenses would increase to ~4% of sales in the next few years.

Australia and New Zealand

Over the years, Marksans has strengthened its position in the Australia and New Zealand (NZ) pharmaceutical markets, which accounts for the third-largest share of overall revenue mix. Company has tied up with Australia's biggest retailers and pharmacies, including Woolworths Ltd., Coles Mayer Ltd., Aldis, Metcash etc.

Nova Pharmaceuticals has private label store brand manufacturing capabilities for a vast range of products. It is a prominent distributor to popular retail brands. Nova also supplies its products to major pharmacies in Australia. Australia, New Zealand and RoW contributed to ~12% of total revenue. It has 10 products are in the pipeline and expected to be launched over the next two years.

Company has expanded its geographical footprints across emerging nations and has marked its presence in South East Asia, Middle East, Africa and CIS countries. RoW business comprises of 10 countries, including CIS and MENA regions. In the RoW markets, 124 products are approved, 120 products await approval and 100+ products are in the pipeline.

Announced acquisition of capacity from Tevapharm India in Oct-2022

Marksans Pharma has on Oct 11, 2022 had entered into a Business Transfer Agreement with Tevapharm India Private Limited, to acquire its business relating to the manufacture and supply of bulk pharmaceutical formulations at Verna, Goa, as a going concern on a slump sale basis. The site has approvals to manufacture products from EU, Health Canada & Japanese Health Authority.

Teva's affiliate Watson Pharma Private Limited will continue to own and operate its other manufacturing site at Verna Industrial Estate, Goa, India. Marksans will continue to supply Teva's affiliates for certain products until the end of the year 2023 as part of the agreement, which can be extended further with mutual agreement.

The contract manufacturing agreement with Teva is to continue providing an uninterrupted supply of Teva's important medicines to customers and patients. Marksans has retained the transferring employees on terms materially similar to its current employment.

Through the acquisition, the company plans to double the existing Indian capacity from 8 billion units per annum currently. Marksans plans to manufacture tablets, hard and soft gel capsules, ointments, gummies, creams, from the new capacity. It is a scalable capacity to manufacture oral solid dosage forms. The new capacity will be an addition to the three existing manufacturing sites in Southport (UK), Farmingdale (US) and Goa (India). Company is likely to spend Rs 200cr for the acquisition and said capex.

Preferential allotment to OrbiMed

In Jul-2021, Marksans Pharma issued of 10 lakh convertible warrants to Mr. Mark Saldanha (promoter) and 4.93cr convertible warrants to OrbiMed Asia IV Mauritius FVCI Limited at a price of Rs 74 per warrant on preferential basis. In terms of the issue of the warrants, the company had received 25% of the money Rs 93cr and the balance 75% or Rs 279cr has been received on Jan 20, 2023 from the above preferential allotment.

The funds will be primarily used for further expansion in manufacturing and M&As. Post the equity infusion, the promoter shareholding has come down to 43.85% from 49%. OrbiMed Asia IV Mauritius FVCI Limited now owns 10.88% stake in the company.

OrbiMed has been investing globally for over 20 years across the healthcare industry: from early-stage private companies to large multinational corporations. It manages over US$ 18 billion across public and private company investments worldwide.

Key Risks

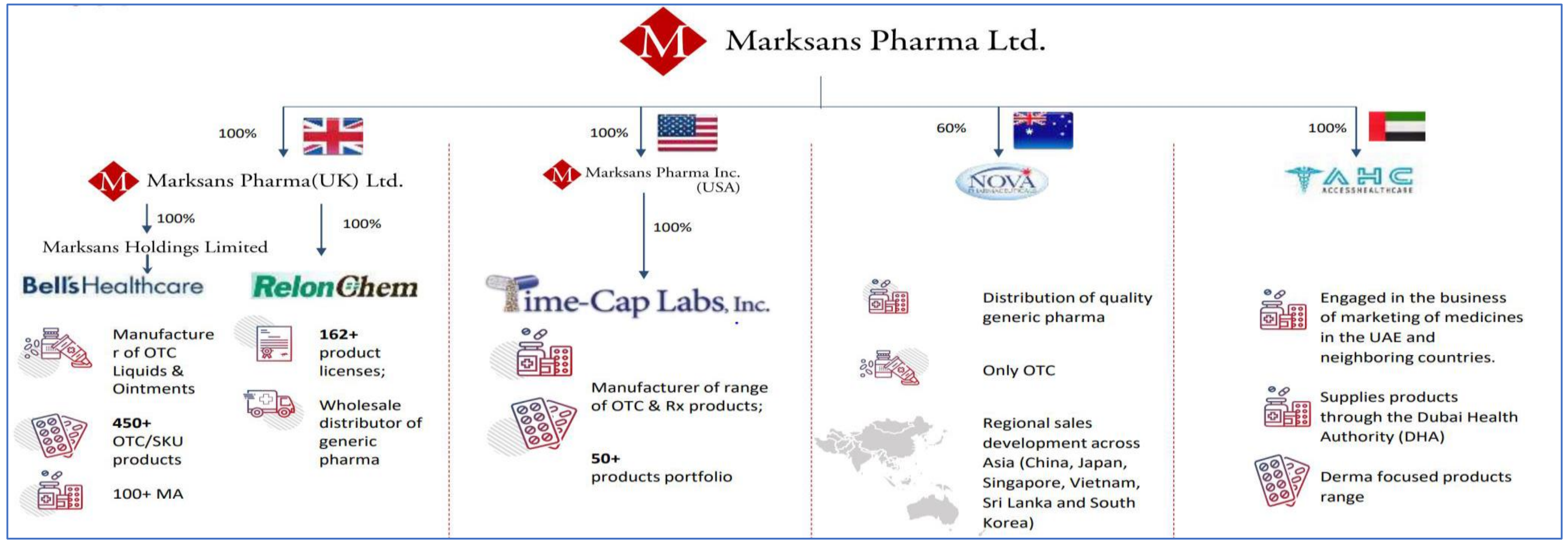
- Slower than expected ramp up in the EU business could impact growth prospects.
- Large part of revenue comes from exports and hence, the company faces risk of currency fluctuations. Depreciation of Euro/GBP could have an adverse impact on its revenues.
- Higher KSM/API prices impacted gross margin in the past few quarters. RM inflationary environment may lead to pressure in gross margin and EBITDA margin.
- Regulatory compliance remains the key risk for pharma companies. As the company derives all of its revenue from regulated markets, it needs to get regulatory approval from various authorities.
- Any expensive deal/acquisition may lead to pressure on the company's financials.
- Marksans derives ~85% of revenue from UK and US markets, where the regulatory environment has been challenging as reflected by historical pricing pressure due to channel consolidation in the US and the US FDA's regulatory scrutiny of the company's manufacturing facilities.

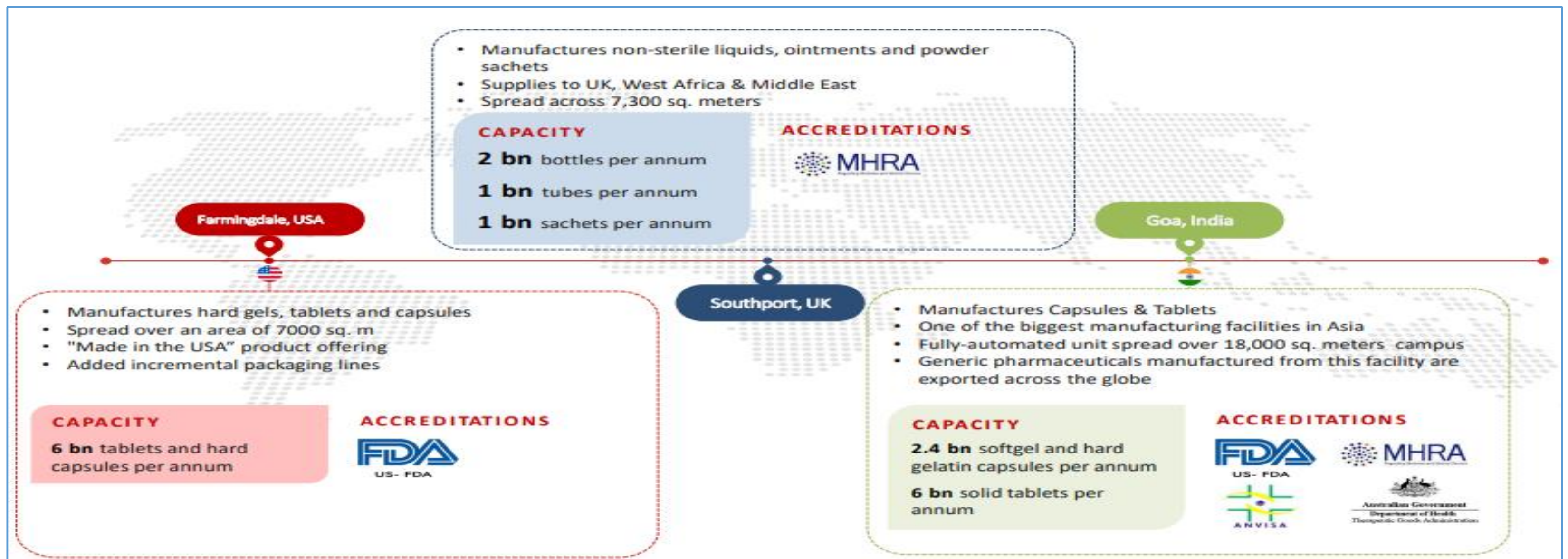
Company Background

Marksans is the mid-sized pharmaceuticals company having large presence in US, UK, Australia and New Zealand markets and forward integrated business model. Company manufactures products across various therapeutic categories including Pain Management, Cough & Cold, Cardiac, Central Nervous System (CNS), Anti-Diabetic, Gastro-Intestinal, Anti-Allergic among others. It has manufacturing facilities at Goa (India), Southport (UK) & New York (USA) equipped to deliver significant growth through maximizing its operational leverage. Company derived 43% of revenue from the US, 41% from Europe & UK, 12% from Australia & New Zealand and the rest from RoW markets. Company has portfolio of 550+ products and 34 products are in pipeline. Company has three manufacturing units – one each in India, USA and UK. All the manufacturing facilities are accredited by various health authorities of regulated markets.

Goa facility is accredited by US FDA, UK-MHRA, Brazil - ANVISA and Australia - TGA, while US and UK facilities are accredited by US FDA and UK MHRA respectively. Marksans has 1400+ employees and has presence across 50+ countries with key being UK, US, Australia and New Zealand etc. R&D capability of the company includes dossier development service, formulation development and specified drug delivery system. Company is likely to scale up R&D expenditure gradually in the coming years.

Marksans Pharmaceuticals Ltd.

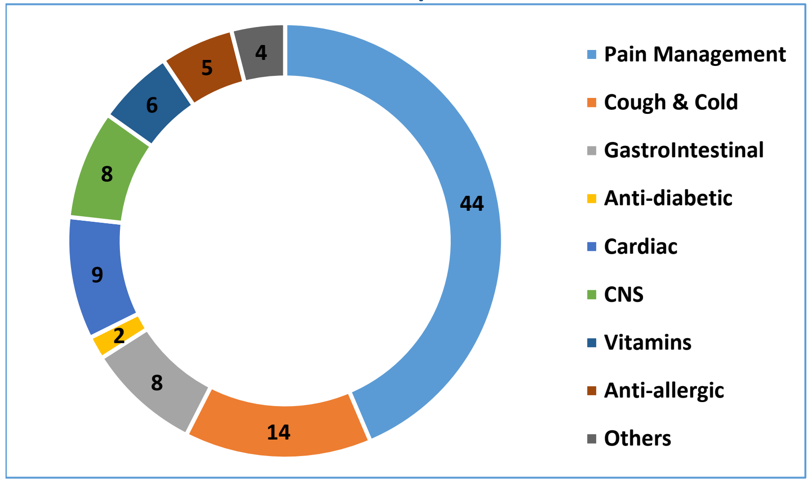




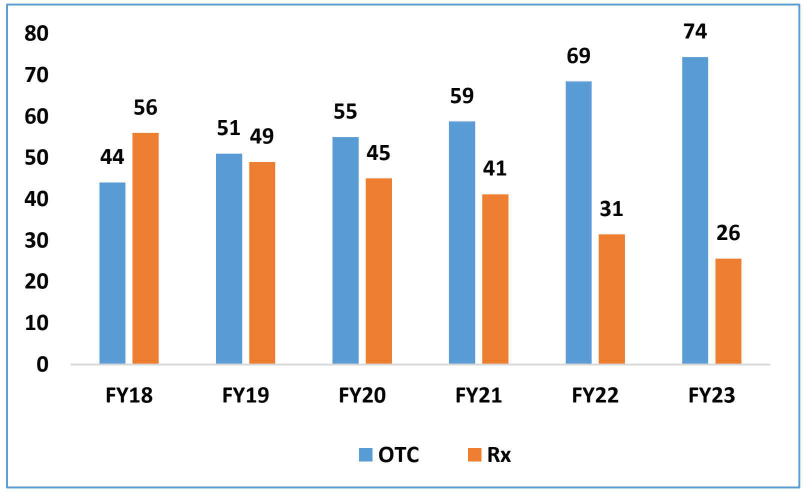
Note: Added new manufacturing facility (Acquisition of Teva Pharma Unit) in Goa, India in April 2023

Marksans Pharmaceuticals Ltd.

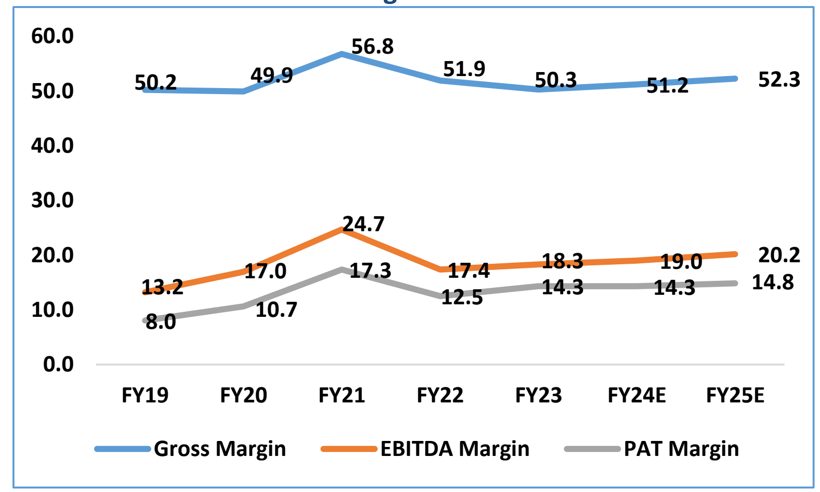
Revenue Split



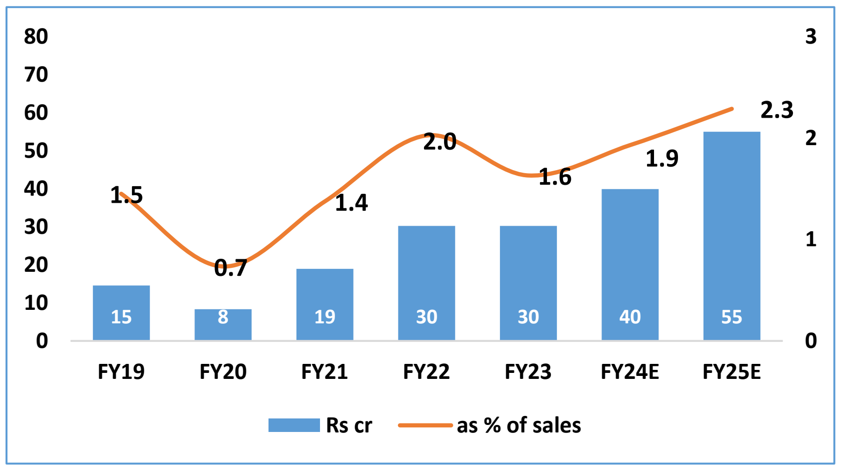
Revenue Mix



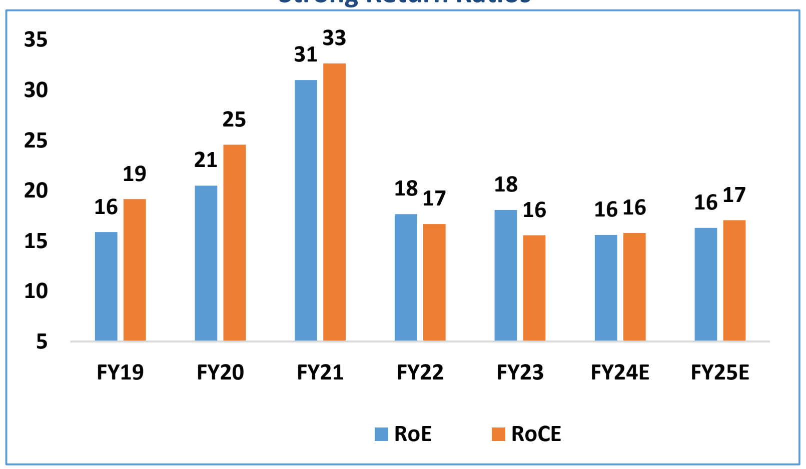
Margin Trend



R&D Trend



Strong Return Ratios



Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Total Revenue	**1134**	**1376**	**1491**	**1852**	**2065**	**2403**
Growth (%)	13.4	21.3	8.3	24.2	11.5	16.4
Operating Expenses	942	1036	1232	1513	1673	1917
EBITDA	**192**	**340**	**259**	**339**	**392**	**485**
Growth (%)	45.6	76.7	-23.8	31.1	15.6	23.6
EBITDA Margin (%)	17	24.7	17.4	18.3	19	20.2
Depreciation	27	36	45	52	57	68
EBIT	166	304	214	288	335	417
Other Income	0	7	42	59	61	63
Interest expenses	9	8	8	9	8	6
PBT	157	302	248	338	388	474
Tax	36	64	61	72	93	119
RPAT	**121**	**236**	**185**	**266**	**293**	**352**
Growth (%)	50.2	95.4	-21.8	44.3	9.9	20.2
EPS	3	5.8	4.5	5.9	6.5	7.8

Balance Sheet

As at March	FY20	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	40.9	40.9	40.9	45.3	45.3	45.3
Reserves	595	846	1161	1700	1959	2267
Shareholders' Funds	**636**	**886**	**1202**	**1745**	**2005**	**2312**
Net Deferred Taxes	10	7	14	15	15	15
Long Term Provisions & Others	14	17	43	69	82	95
Minority Interest	13	19	21	20	20	20
Total Source of Funds	**673**	**929**	**1280**	**1849**	**2122**	**2442**
APPLICATION OF FUNDS						
Net Block	230	254	342	386	544	571
Intangible Assets	73	61	87	107	107	107
Long Term Loans & Advances	6	10	6	22	25	29
Total Non-Current Assets	**309**	**325**	**435**	**515**	**675**	**706**
Current Investments	0	0	0	0	0	0
Inventories	242	404	424	485	522	611
Trade Receivables	243	272	395	417	497	573
Cash & Equivalents	94	212	350	714	745	899
Other Current Assets	15	14	32	59	66	80
Total Current Assets	**594**	**903**	**1201**	**1675**	**1830**	**2162**
Short-Term Borrowings	19	19	41	42	37	27
Trade Payables	111	169	200	231	271	315
Other Current Liab & Provisions	71	110	114	67	73	81
Short-Term Provisions	29	2	1	1	2	3
Total Current Liabilities	**229**	**299**	**356**	**341**	**383**	**426**
Net Current Assets	365	604	845	1334	1446	1736
Total Application of Funds	**673**	**929**	**1280**	**1849**	**2122**	**2442**

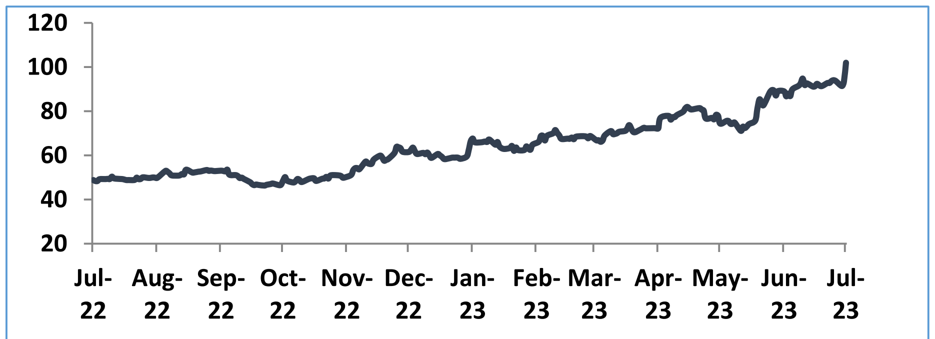
Marksans Pharmaceuticals Ltd.

HDFC securities Click. Invest. Grow. 20 YEARS

Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	157	302	248	338	388	477
Non-operating & EO items	0	-7	-42	-59	-61	-63
Interest Expenses	9	8	8	9	8	6
Depreciation	27	36	45	52	57	68
Working Capital Change	66	-113	-87	-39	-81	-136
Tax Paid	-25	-49	-73	-63	-93	-119
OPERATING CASH FLOW (a)	**234**	**178**	**99**	**238**	**218**	**229**
Capex	-60	-47	-46	-54	-215	-95
Free Cash Flow	174	132	53	184	3	134
Investments	0	-5	-37	-265	-3	-4
Non-operating income	0	7	42	59	61	63
INVESTING CASH FLOW (b)	**-60**	**-45**	**-42**	**-259**	**-157**	**-36**
Debt Issuance / (Repaid)	-75	-9	97	-47	13	13
Interest Expenses	-9	-8	-8	-9	-8	-6
FCFE	90	115	141	128	8	142
Share Capital/Issuance	0	6	2	235	0	0
Dividend/Buyback	-30	-4	-11	-24	-35	-47
FINANCING CASH FLOW (c)	**-113**	**-15**	**80**	**198**	**-30**	**-40**
NET CASH FLOW (a+b+c)	**60**	**118**	**137**	**177**	**31**	**154**

One Year Price Chart



Key Ratios

	FY20	FY21	FY22	FY23P	FY24E	FY25E
Profitability (%)						
Gross Margin	49.9	56.8	51.9	50.3	51.2	52.3
EBITDA Margin	17	24.7	17.4	18.3	19.0	20.2
EBIT Margin	14.6	22.1	14.4	15.5	16.2	17.3
APAT Margin	10.7	17.3	12.5	14.3	14.3	14.8
RoE	20.5	31	17.7	18.1	15.6	16.3
RoCE	24.6	32.7	16.7	15.6	15.8	17.1
Solvency Ratio						
Net Debt/EBITDA (x)	-0.4	-0.6	-1.2	-2.0	-1.8	-1.8
D/E	0.03	0.02	0.03	0.03	0.02	0.01
Net D/E	-0.1	-0.2	-0.3	-0.4	-0.4	-0.4
PER SHARE DATA						
EPS	3	5.8	4.5	5.9	6.5	7.8
CEPS	3.6	6.7	5.6	7.0	7.7	9.3
BV	16	22	29	39	44	51
Dividend	0.1	0.3	0.3	0.5	0.8	1.0
Turnover Ratios (days)						
Debtor days	78	72	97	82	88	87
Inventory days	86	86	101	90	92	93
Creditors days	56	81	82	75	79	80
VALUATION						
P/E	34.4	17.6	22.5	17.3	15.7	13.1
P/BV	6.5	4.7	3.4	2.6	2.3	2.0
EV/EBITDA	20.4	11.6	15.1	11.5	10.0	8.1
EV / Revenues	3.5	2.9	2.6	2.1	1.9	1.6
Dividend Payout	3.4	4.3	5.5	8.5	11.6	12.9

KUSHAL MAHENDRA RUGHANI

Digitally signed by KUSHAL MAHENDRA RUGHANI
Date: 2023.07.13 08:05:59 +05'30'

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400