



Abhishek Jain
abhishek.jain@arihantcapital.com
022 4225 4871

The marvelous financial performance justified by its key strengths

CMP: INR 74

Rating: ACCUMULATE

Target Price: INR 86

Stock Info

BSE	524404
NSE	MARKSANS
Bloomberg	MRKS IN
Reuters	MARK.BO
Sector	Pharmaceuticals
Face Value (INR)	1
Equity Capital (INR cr)	41
Mkt Cap (INR cr)	3,027
52w H/L (INR)	82 / 21
Avg Yearly Vol (in 000')	3,363

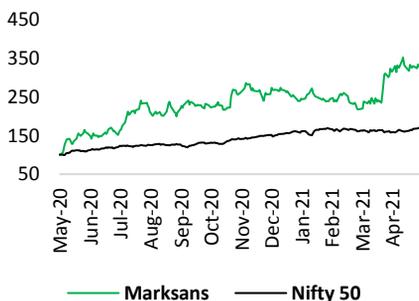
Shareholding Pattern %

(As on March, 2021)

Promoters	48.25
DII	0.30
FII	5.05
Public & Others	46.40

Stock Performance (%)	3m	6m	12m
Marksans	36.5	25.6	276.1
NIFTY	1.4	16.4	68.1

Marksans Pharma Price Chart



Abhishek Jain
abhishek.jain@arihantcapital.com
022 4225 4871

We initiate Marksans Pharma Ltd. with Accumulate rating on the stock and price target of INR 86. Marksans Pharma Ltd. is among the fastest growing pharmaceutical companies in India engaged in Research, Manufacturing & Marketing of generic pharmaceutical formulations. Marksans has established a strong, forward integrated business model focusing on OTC & prescription drugs with applications in diverse fields ranging from Oncology, CVS, CNS, Anti-diabetic, Gastroenterology ailments to Pain Management and Cough and Cold.

Investment Rationale

US market & scheduled product launches are key things to watch ahead:

Company is more focused on developing its US business and for that company has already acquired a TimeCap Labs, Inc. in the US during FY15. Company has robust distribution network with concentrated portfolio in the US. Company is planning to launch 4-5 products in the US and also working on ANDA filings in the US and product registration in various regulated markets. We expect US to be a key region for company in the future.

Maintaining EBITDA margins at current level for the near future: Company's EBITDA margins have expanded by 836bps over the last three years standing at 24.7% as in FY21. Focus on higher margin products, efficiently off-setting the rising input cost and strong business model coupled with higher operational efficiencies has witnessed the stellar performance in the margin which company believes to continue.

Strong balance sheet and improving return ratios: Marksans has recovered and became a debt free company with strong free cash flow (INR 150 cr in FY20). This is strongly reflected in the 26.7% ROE in FY21. The 5 year average ROE of 14.0% is also quite impressive after the past harsh decade. The debt repayment in FY20 has further strengthened the return ratios of the company.

Valuation and Outlook: Company has established enough capacity to meet the future market demand and it is utilizing its surplus cash in R&D as well as on registration of its products in various regulated markets. Over FY21-FY23E, margins are expected to remain range bound. We expect that product specific higher input cost will be off set by other products and hence we project EBITDA margins to come in at 23.5%/23.8% in FY22E/FY23E and we estimate revenue and PAT CAGR of 16.6% & 10.7% respectively during FY21-23E. **At CMP of INR 74, we have valued Marksans Pharma on both the parameters EV/EBITDA (7x FY23E) and PE valuation of 12x of FY23E EPS and arrived at an average target price of INR 86 and recommend ACCUMULATE rating on the stock.**

INR in Cr	FY19	FY20	FY21	FY22E	FY23E
Revenue	1000	1134	1376	1608	1869
EBITDA	132	192	340	378	445
EBITDA margin(%)	13.2%	17.0%	24.7%	23.5%	23.8%
PAT	80	121	239	251	292
PATM (%)	8.0%	10.6%	17.3%	15.6%	15.6%
EPS (in INR)	1.9	3.0	5.8	6.0	6.9
PE (x)	39.8	24.5	12.8	12.3	10.7
EV/EBITDA (x)	23.4	15.4	8.3	7.0	5.5
ROE(%)	14.0%	19.4%	26.7%	21.8%	19.9%

Source: Company, Arihant Research

Manufacturing Capacity

GOA, India

2.4 billion Softgel and Hard Gelatin capsules per annum

6 billion Tablets per annum

Accreditations: US FDA, MHRA, Australian TGA

Southport, UK

2 billion Bottles per annum

1 billion Tubes per annum

1 billion Sachets per annum

Accreditations: MHRA

Farmingdale, USA

6 billion Tablets and Hard capsules per annum

Accreditations: US FDA

Company Background

Marksans Pharma Ltd. is among the fastest growing pharmaceutical companies in India engaged in Research, Manufacturing & Marketing of generic pharmaceutical formulations. Company has established a dominant position in regulated markets in India and abroad. Leveraging its state-of-the-art research and development facilities, the Company has forayed into diverse segments within the pharma space. The constant focus on adhering to stringent regulations and norms has led approvals from prestigious authorities including USFDA, UK MHRA, Australian TGA and others, which has made a company trusted partner.

Over the last nineteen years, Marksans has established a strong, forward integrated business model focusing on OTC & prescription drugs with applications in diverse fields ranging from Oncology, CVS, CNS, Anti-diabetic, Gastroenterology ailments to Pain Management and Cough and Cold. The R&D capability of the Company includes dossier development service, formulation development and specified drug delivery system. The Company's domestic formulation business is the specialty division, which mainly focuses on oncology and critical care therapy. Company has established their foothold in diverse therapeutic segments across USA, EUROPE, Russia and CIS, Africa, LATIN America, South East Asia and Australasia.

Manufacturing Facilities present in Goa, India which is one of the biggest manufacturing facilities in Asia that is spread over 18,000 square metres campus manufacturing oral solid tablets, soft gelatin capsules and hard capsules, Farmingdale, USA manufactures soft gels, tablets and capsules. The Facility in Southport, U.K manufactures non-sterile liquids, ointments and powder products and caters to UK, West Africa & Middle East.

Exhibit 2 : Milestone

2001	<ul style="list-style-type: none"> ♦ Marksans was incorporated as a wholly owned subsidiary of Glenmark Pharmaceuticals Ltd.
2003	<ul style="list-style-type: none"> ♦ Spun-off into a separate entity - Glenmark Laboratories Ltd. ♦ Changed its name to "Marksans Pharma Ltd"
2005	<ul style="list-style-type: none"> ♦ Acquired Nova Pharmaceuticals Australasia Pty Ltd.
2008	<ul style="list-style-type: none"> ♦ Acquired Bells, Sons & Co. (Druggists) Ltd. ♦ Acquired Relonchem Limited
2009	<ul style="list-style-type: none"> ♦ Marksans Pharma established itself as a global player
2010-12	<ul style="list-style-type: none"> ♦ Integrated acquired companies and unlocked synergies
2013-16	<ul style="list-style-type: none"> ♦ Ramped up performances and stabilized subsidiary businesses. ♦ Acquired 10 ANDA approvals ♦ Acquired Time Cap Laboratories Inc. in USA
2017-20	<ul style="list-style-type: none"> ♦ Crossed the H1000 crore revenue milestone ♦ Emerged out as a forward integrated robust business
2017-20	<ul style="list-style-type: none"> ♦ Commissioned a new R&D center at Navi Mumbai ♦ Received EIR receipt from the US FDA for Time Cap Laboratories
2020	<ul style="list-style-type: none"> ♦ Debt free as on March 31,2020

Source: Company, Arihant Research

Recent key product launches in FY21:

Brand	Composition	Therapy Segment	Market
COZAAR	Losartan Potassium – 25, 50 & 100 Mg	Cardiovascular	UK
TAZAC, AXID	Nizatidine – 150 & 300 Mg	Gastrointestinal	UK
LYRICA	Pregabalin:25, 50,100 150, 200 & 300 Mg	Central Nervous System	UK
IMURAN)	AZATHIOPRINE 50 Mg	Immunosuppressant	UK
TOFRANIL	IMIPRAMINE 25 Mg	Central Nervous System	UK
LORATIDINE SGC	CLARITIN	Antihistamine	Australia
RISPERDAL	Risperidone	Central Nervous System	UK
KEPPRA	Levetiracetam – 750mg, 1000mg	Central Nervous System	UK
ZOLOFT	Sertraline – 100mg	Central Nervous System	UK
ADVIL MINI	Ibuprofen(Min) SGC – 200mg	Pain Management	UK
PANADOL RAPID	Paracetamol (Rapid) 650mg	Pain Management	Australia
MUCINEX	Mucinex Fast / Sinus Max	Cough & Cold	USA
VICKS DQ/NQ	Day quil / Nightquil SGC	Cough & Cold	USA
ALKASELTZER	Alka Seltzer Plus	Gastrointestinal	USA

Source: Company, Arihant Research

Investment Rationale

Strategically focused on regulated markets expansion with sustainable forward integrated business model:

The Forward integrated business model of company has presence across the pharma value chain. This includes in-house R&D centers, owned and outsourced manufacturing and widespread supply chain and distribution set up through subsidiaries in USA, UK and Australia which contributes ~96% of total revenue. Company has three manufacturing facilities in India, UK and the US and two R&D centers in Goa and Navi Mumbai.

Wide range of product offering:

Over the years company has spread its product portfolio across the key therapeutic areas which are now largely accepted in the regulated markets. Company is focused on manufacturing affordable medicines across multiple dosage forms and markets its products in more than 50 countries.

OTC – company has captured a large share of OTC and generic market via licensed products (ANDA authorized) with 100% reach with in the distribution channels in UK and widespread distribution network in the US

Soft Gel – The India and USA facilities manufactures the Soft gel products. Company has observed shift in preference for soft gel product mainly from regulated market. And hence it expects gain in market share going forward due to very limited competition. Company has global approvals in soft gel, (UK, AU, Canada, Russia and Ukraine)

The Formulation business of company is growing and to meet the increased demand company is in the process of capacity expansion and backward integration. The backward integration is primarily for captive consumption purpose.

Robust R&D investments:

Company has two R&D centers with over 50 experienced Scientists to identify niche areas, in regulated and emerging markets. Company continued to focus on R&D investments leading to a robust pipeline of new developed and under development products. Company develops own products through its in-house R&D facility in OTC and RX business segment across the geographies.

Regulatory compliant facilities across its key regions:

Company's facilities are with **state-of-the-art technology** developing generics and formulations products. The UK and USA manufacturing facilities are approved by UK MHRA and US FDA respectively. The Goa facility has also gone through successful GMP audit by US FDA, UK MHRA and Australian TGA Authorities. The expansion of existing capacities to meet the increased demand will result in robust revenue growth in the future.

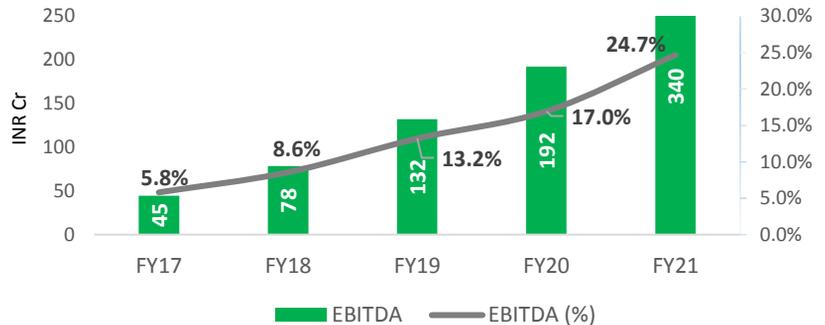
Healthy financial performance:

The integrated business model and operating capabilities have witnessed the strong financial performance during Q3FY21. Over the last three years company was able to double its EBITDA margins from 8.6% in FY18 to 17% in FY20, largely backed by increased gross margin. The debt repayment in Q4FY20 has resulted in improved PAT margins and hence we believe that the company will continue to maintain its return ratios going forward. At present company is generating good cash flow through its robust revenue and margin growth.

Margins are likely to remain range bound and a healthy revival is expected on the back of expansion in regulated market:

Marksans Pharma Ltd’s margins have expanded robustly from 5.8% in FY17 to 24.7% in FY21. Company was able to achieve this by focusing on market expansion, concentrated product portfolio with strong forward integrated business model and better operational efficiencies. Also, large manufacturing capacities and technologically driven R&D capabilities has supported company to enter in evolving and very limited competition segment like Softgel market.

Expansion in margins has witnessed in to spectacular EBITDA growth of 24.7% over FY17-FY21. Company’s absolute EBITDA has increased from INR 45 cr in FY17 to INR 340 cr in FY21.

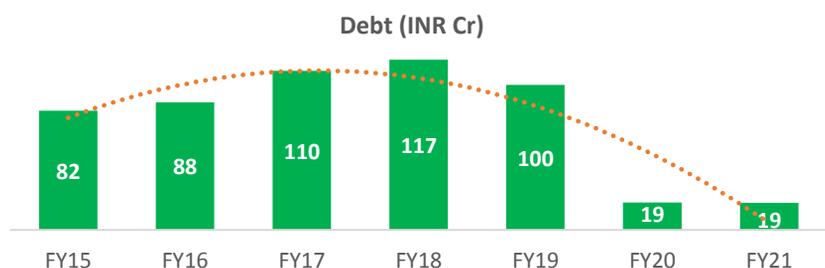


Source: Company, Aриhant Research

The margins are unlikely to expand as the scenario of input cost of few products are expected to increase. But, the company’s other products will surely off-set the pressure with its lower input costs. However, China being at the strongest position in the competition, we expect increase in KSM prices on covid related product portfolio and the industry may continue to witness volatility in the prices. Over FY21-FY23E we expect company to maintain its margins near to FY21 level going forward and hence we reckon EBITDA margins to come in at 23.5% / 23.8% in FY22E/FY23E

Debt repayment is a turn around story going forward for the company which will lead in strengthening the net profit margins and return ratios:

Marksans Pharma Ltd. raised a debt of US\$ 50mn (through FCCBs) in FY2006, to invest in overseas companies. Eventually acquired companies were not doing well and FCCBs have not been redeemed on the due date due to financial constraints and hence company sold its API business as well as assets and have suffered heavy losses. Company has failed at its risky strategy of growing by acquisition using debt. The journey of the growth of the Marksans Pharma Ltd. over the last 10 years has not been smooth however from FY18 onwards, performance of company is on an improving trend mainly on the back of company’s front end business model development and acquisition of Time-Cap Labs in the US. This excellent business move has placed company in debt-free position as on March 2020.



Source: Company, Aриhant Research

Shifting from CRAMs business to own brand of medicines and excellent step of acquisition of Time-Cap Labs, Inc. a marketing partner in the US:

The evolution of Marksans Pharma Ltd over the years, we have noticed that the company has changed its product mix from almost entirely contract manufacturing in the previous decade to branded-medicines seller with negligible contract manufacturing in 2020. While maintaining it for less than one percent as on 9MFY21 mainly for future captive consumption.

In the FY6, Company has acquired Time Cap Labs, Inc. primarily funded by way of QIP of ~US\$21mn by internal accruals to create front-end presence in the US as well as strengthen bulk formulations supply and also to establish and evolve in to Softgel segment in the US market.

This acquisition will strengthen the Company's US business in the following ways:

- The acquisition de-risks the company through an alternative solution of manufacturing facility. Time-Cap Lab's packing facility will reinforce the Marksans's capabilities in its core focus area of OTC drugs.
- The acquisition will facilitate direct distribution benefits without intermediaries which will ultimately enhance the value to the overall US business product portfolio as well as its visibility in the market.
- Through this acquisition Marksans Pharma is aiming to US\$200 million revenues for US business to by FY22E-25E, which will make US market as No. 1 geography in terms of revenue with 50% of total contribution.
- Company also look at Softgel segment as better margin drive and focused on introducing 4-5 new products p.a. in the US market through Time-Cap's distribution network.

Time-Cap Labs, Inc. has established itself as one of the premier generic pharmaceutical manufacturing companies in the United States for over thirty-seven years. Time-Cap Labs offers Over-The-Counter (OTC) products that are available for bulk purchasing for repacking and resale. Company's innovation has been widely recognized in its tablet coating processes, for which company holds several patents that have established industry standards. Company is growing its prescription product line which offers to millions of consumers the opportunity to maintain good health while providing a significant cost savings.

Time-Cap Labs, 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 (plain, enteric coated and film coated)
- Hard Gelatin Capsules
- Soft Gelatin Capsules
- Softgels

Time-Cap Labs offers diverse Over the Counter formulations including analgesics, laxatives, dietary supplements, cough and cold medications, prescription drugs. Company's world-class manufacturing facilities utilize state-of-the-art technology, as well as adherence to Certified Good Manufacturing practices under stringent regulatory lab testing that cater to global needs.

Time-Cap Labs focus is on producing high quality products and providing excellent customer service which will ensure its growth as an emerging leader in the OTC and prescription Rx market.

Risk Factors

Regulatory, compliance and approval related risk

Any change in regulation might dent the growth of the company as it can impact production. Failure in meeting requirements of international regulatory standards will not only hamper overall manufacturing process but also affects the timely consumer need which may lead to loss in market share.

Foreign currency risk

The Company is exposed to foreign currency risk arising primarily due to its business presence in a number of foreign Countries. Approximately 96% of total revenue of the company is from exports and hence any adverse movement in currency rate will impact overall profitability.

Technology risk

Obsolete technology may hamper the company's performance and erode market advantage

Geographical risk

Two of the biggest pharma markets in the world i.e. the USA and the UK account for only 83.5% of the Company's revenue. Presence in one market or dependence on one region could result in stagnant revenues.

Industry risk

A slowdown in the pharma industry may negatively impact the company's performance.

Softgel: a next generation pill for healthcare / pharmaceutical industry:

Softgel is a system for conveying medical or nutritional benefits composed of an inner fill with an API (in a semisolid or liquid form) protected by gelatin cover, which often provide clinical benefit over other solid oral dosage forms. With respect to premium consumers Various product categories are rising steadily, such as over-the-counter (OTC) oral painkillers. In intensely competitive market it is important for manufacturers to create differentiated products. As per softgel market study there is huge opportunity with limited competition and rare presence of formulations in the market.

Marksans is an ANDA softgels' player having presence in regulated market with strong supply chain and distribution network with existing softgel product portfolio. Marksans is first Indian company offering Advil and ibuprofen softgel in UK. Company has also received ibuprofen softgel approval for Canada, Ukraine, UK, USA, NZ, Australia and Russia markets. In FY21 company has launched cardio vascular softgel and received an approval for loratadine softgel. Company covers all key formulation categories which contributes 25% of total revenue of the company. Softgels have higher pricing and is stable over shelf-life period and hence is with limited competition.

North America is followed by Europe and China with shares of 29.7% and 6.0%, respectively.

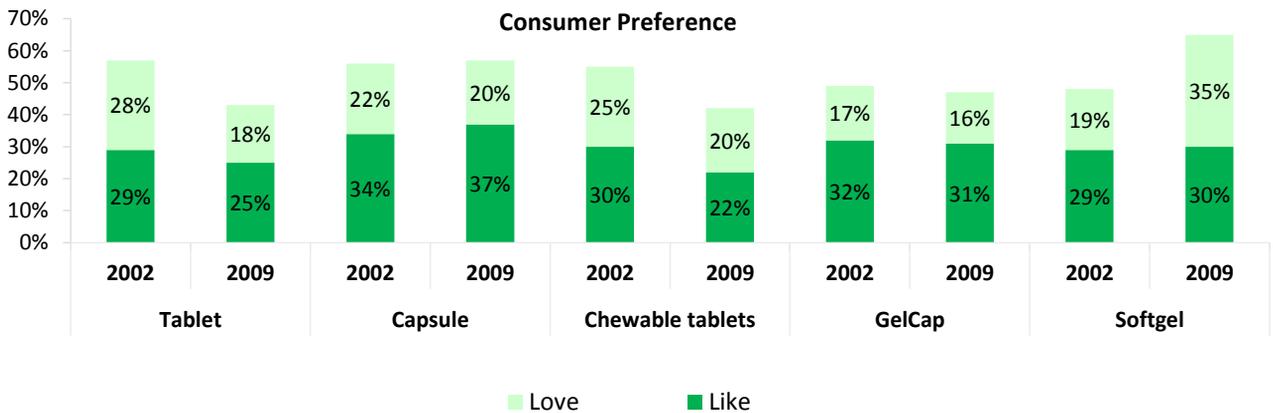
Increasing health consciousness among people & wide acceptability of these capsules are some of the major advantages driving the demand for softgel products in the Europe.

Softgel Market:

According to Coherent Market Insights research, the global softgel capsule market is estimated to be valued at US\$ 5,853.18 Mn in 2020, and is expected to exhibit a CAGR of 5.9% during the forecast period (2020-2027).

Softgels were perceived as easy to swallow and fast-acting, with a duration of action from certain surveys. The market impact in terms of premiums consumers would pay on the basis of dosage form. Soft gelatin capsules have wide range of applications in pharmaceutical industry such as being used for medication for cardiovascular diseases, health supplements, antacid, and bacterial infections.

On the basis of region, the softgel market is segmented into North America, Europe, South America, China, Japan, Rest of Asia Pacific and the Middle East & Africa (MEA). Of these, North America is currently leading the global softgel capsule market. In 2017, the region accounted for **31.4%** market share and the trend is likely to continue throughout the assessment period.



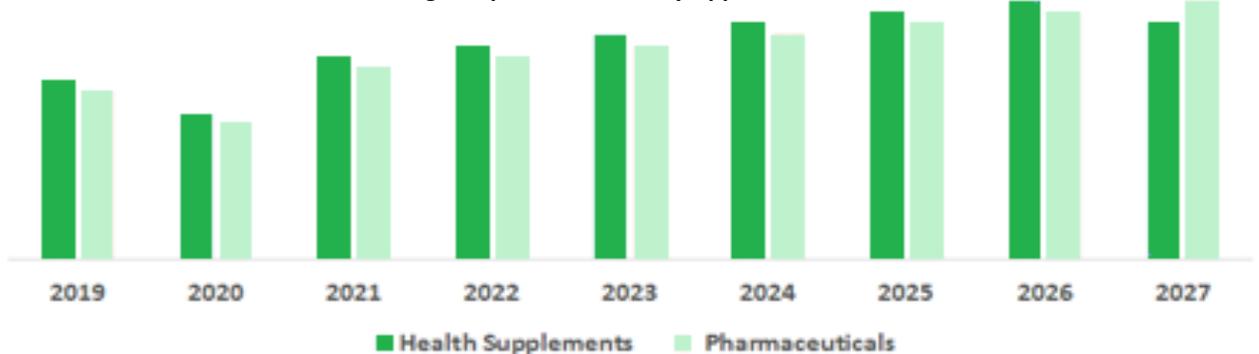
Source: capsulcn.com, Arihant Research

Softgel and Benefits of Softgel:

Softgel capsules (or soft gelatin capsules) are a solid capsule that surrounds a liquid or semi-solid center (inner fill). They consist of a gelatin based shell surrounding a liquid fill.

Soft gels allow for rapid absorption of the ingredient and they minimise the amount of additives required compared with tablets, which are poorly absorbed by the body which ultimately impacts the efficacy of the drug. Soft gel capsules provide pharmaceutical companies with an effective means of delivering poorly soluble APIs, because the APIs they contain are in a solution form.

Global Softgel Capsules Market, By Application 2020-2027



Source: Maximze Market Research, Arihant Research

Softgel Creation Process: involves four critical stages

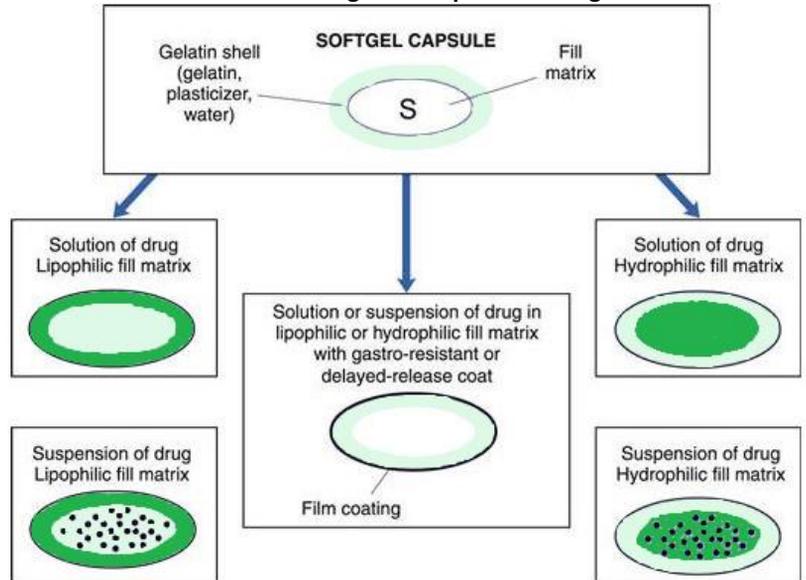
Stage 1: Preparing Gelatin

Select "container", which will hold the soft gelatin capsule ingredients the shell of these capsules. Generally, the key composition of this capsule shell includes Gelatin, Plasticizer, Water Other ingredients such as coloring, opacifying agents, flavour etc. Gelatin is one of the most popular materials in the pharmaceutical and food processing industries and has been approved by both US as well as European Pharmacopoeia.

Stage 2: Prepare Fill Material

This is the material company intends to enclose with the gelatin. The fill material for Softgel could be in the form of Liquid, Semi-solid solution or Suspension.

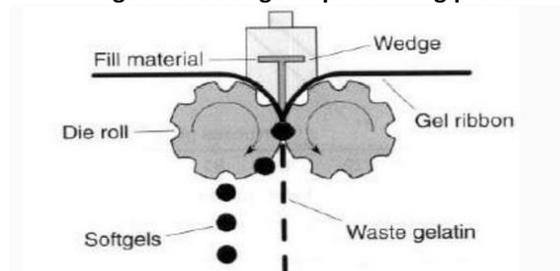
Different formulations of soft gelatin capsules – Image source Clinical



Stage 3: Begin the Encapsulation Process

The process starts with the choosing the right encapsulation machine. During the encapsulation stage that both the fill material and gelatin shell come together to form capsules. At this stage there is also need to inspect the soft gelatin capsules to ensure they contain the right quantity of fill material.

Image of the Softgel capsule filling process



Stage 4: Further Processing of Filled Soft Gelatin Capsules

This involves the following important procedures:

- Drying soft gelatin capsules,
- Quality control in soft gelatin capsules manufacturing process,
- Polishing & packaging of soft gelatin capsules

In all, the need is a high quality Softgel encapsulation machine and auxiliary support equipment for quality final product.

Difference between Softgel capsules and regular tablets:

Both softgels and capsules are easy to swallow pills which include liquid blend of medication that's enclosed in an outer shell while tablets are made by compressing one or more powdered ingredients to form a hard, solid, smooth-coated pill that breaks down in the digestive tract.

The outer shell of softgels are mostly made of gelatin and have a delightful faint smell. Most of tablets contain additives that hold the pill together and improve the taste, texture, or appearance.

Capsules tend to break down more quickly than tablets. They offer faster relief from symptoms than tablets. Tablets are absorbed more slowly than capsules by the body and take longer to work.

Tablets can be round, oblong, or disc-shaped. Oblong tablets are known as caplets, which can be easier to swallow. Soft-gel capsules have a slightly different appearance than hard-shelled capsules. They're typically wider and are usually semi-transparent as opposed to opaque.

Tablets are generally inexpensive to manufacture than capsules. This often makes them more affordable for consumers. Capsules that contain liquids are generally more expensive to manufacture than tablets and ultimately costs more to the consumer.

Tablets are more durable and typically have a longer shelf life than capsules and can be cut in two for a smaller dose, if needed. Softgel capsules are not as easy to split them in half or crush like tablets and it expires more quickly than tablets.

Price differential

Compared with tablets, there are less fewer processing steps in producing capsules, which means lower equipment costs, labor costs, and pollution risks. Many manufacturers, however, believe that the efficiency of the table pressing machine is about 5 times higher than that of the capsule filling machine with the same price, so they think that tablets are more suitable for large-scale production than capsules.

But this is not entirely correct, as the above conclusion is only based on simple tablets, more and more medications use a variety of coatings. They are tablets acquired some properties of capsules by more expensive in cost and longer in production, which has better protection for internal medicines. This technology is now faster and safer.

Graham Cole calculated the cost difference for three manufacturing methods (Material and costs for per 100,000 unit).

Cost in US dollars	Tablet 1		Tablet 2		Capsule	
	Time(min)	Cost	Time(min)	Cost	Time(min)	Cost
Product preparation	480	600	180	225	180	225
Filling	/	/	/	/	50	62.5
Compressing	25	31.5	25	31.5	/	/
Film coating	240	300	240	300	/	/
Total	745	931.5	420	556.5	230	287.5

Source: capsulcn.com, Arihant Research

After comparing the detail data, it has shown that the investment for capsules is much less than that required for a tablet manufacturing facility, and that it is cheaper to operate and control, and minimizes inventory levels. Only when the cost of excipients (additives) is considered in isolation does the tablet process have an advantage.

Valuation and View

Marksans Pharma Ltd. is engaged in Research, Manufacturing & Marketing of generic pharmaceutical formulations. Company has established enough capacity to meet the future market demand and utilizing its surplus cash in R&D and registration of its products in various regulated markets. The debt repayment in FY20 has further strengthened the return ratios of the company. Over FY21-FY23E margins to remain range bound. We expect that, product specific higher input cost will be off set by other products and hence we project EBITDA margins to come in at 23.5%/23.8% in FY22E/FY23E.

At CMP of INR 74, Marksans is currently trading at 24.5x/12.8x/12.3x and 10.7x to its FY20A/21A/22E/23E respectively. We estimate revenue & PAT CAGR of 16.6% & 10.7% respectively during FY21-23E and valued stock on both the parameters EV/EBITDA (7x FY23E) and PE valuation of 12x of FY23E EPS and arrived at an average target price of INR 86 and recommend ACCUMULATE rating on the stock. We believe that, the company’s healthy return ratios, good cash flow and long term geographical / regulated market expansion potential will justify its valuation fairly.

Exhibit 3: 1 year Fwd PE Chart

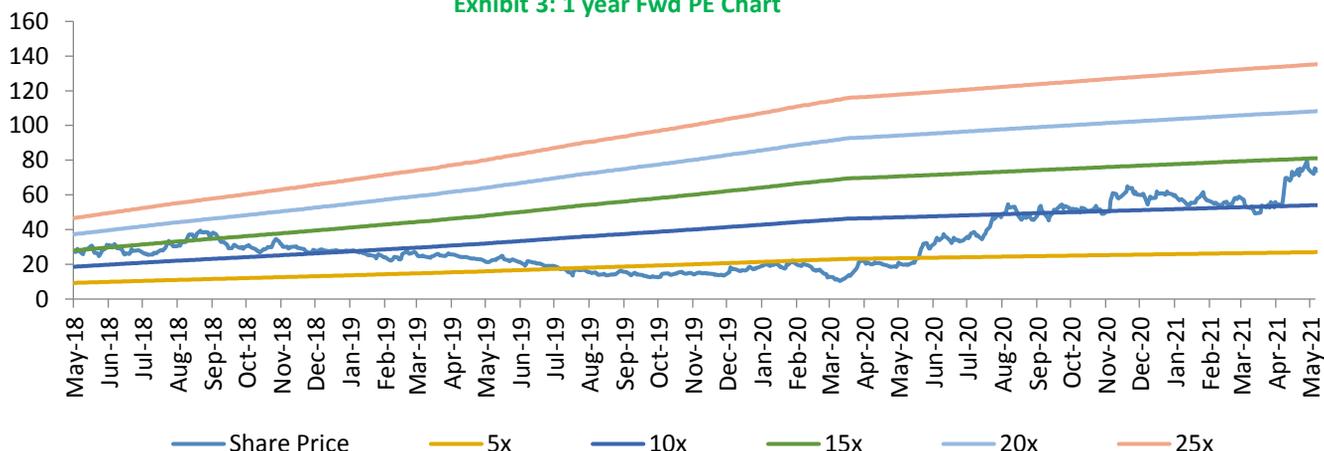


Exhibit 4 : Peer group comparison

Company Name	CMP (INR)	Revenue (INR cr)		EBIDTA (INR cr)		PAT (INR cr)		EBITDAM (%)		PATM (%)	
		FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20
Marksans Pharma Ltd.	74	1000	1134	132	192	80	121	13.2%	17.0%	8.0%	10.6%
FDC Ltd.	338	1121	1379	274	362	172	241	24.5%	26.2%	15.3%	17.5%
Hikal Ltd.	339	1590	1507	300	277	103	84	18.9%	18.4%	6.5%	5.6%
Sequent Scientific Ltd.	277	1039	1179	134	180	57	82	12.9%	15.3%	5.5%	7.0%
Solara Active Pharma	1751	1387	1322	224	287	59	115	16.1%	21.7%	4.3%	8.7%

Company Name	MCAp (INR)	EPS (INR)		ROE (%)		ROA (%)		P/E (x)		EV/EBITDA (x)	
		FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20
Marksans Pharma Ltd.	3025	1.9	3.0	14.0	19.4	16.3	23.8	39.8	24.5	23.4	15.3
FDC Ltd.	5780	9.7	14.0	12.6	16.1	17.6	21.6	34.7	24.1	21.0	15.9
Hikal Ltd.	4185	8.4	6.8	14.5	10.7	15.2	12.4	40.6	49.6	16.0	17.2
Sequent Scientific Ltd.	6892	2.0	2.8	8.6	11.6	9.2	12.3	140.8	98.6	53.5	39.6
Solara Active Pharma	4693	23.1	42.7	7.4	12.5	9.7	11.7	75.8	41.0	23.0	18.6

Source: Company, Arianth Research

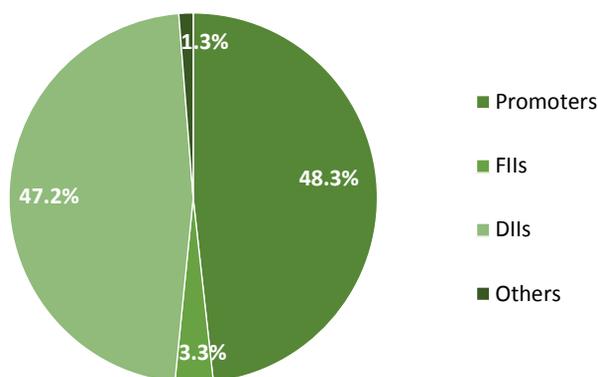
CMP as on 31st May 2021

Exhibit 5 : Key Managerial Personnel

No.	Employee	Designation
1	Mr. Mark Saldanha	Managing Director & CEO
2	Mr. Varddhman Jain	Whole-time Director
3	Mr. Sathish Kumar	MD - Marksans Pharma UK Ltd.
4	Mr. David Mohammed	MD – Pharmaceuticals Australasia Pty Ltd.
5	Mr. Jitendra Sharma	Chief Financial Officer
6	Mrs. Sandra Saldanha	Executive, Non-Independent Director & Promoter
7	Mr. Seetharama Raju Buddharaju	Non-executive & Independent Director
8	Mr. Digant Mahesh Parikh	Non-executive & Independent Director
9	Mr. Abhinna Sundar Mohanty (w.e.f. 11.07.2019)	Non-executive & Independent Director

Source: Company, Arianth Research

Exhibit 6 : Company’s Share Holding Pattern



Source: Company, Arianth Research

Exhibit 7 : Mutual Fund Holdings

Fund Name (As on March 2021)	Market Value (INR Crs)	No. of Shares
Quant Mutual Fund	1.9	380000
Total	1.9	380000

Source: Company, Arianth Research

Q4FY21 and 9MFY21 Performance of the company

INR in Cr.	Q4FY21	Q3FY21	Q4FY20	YoY	QoQ	FY21	FY20	YoY
Revenue	330	358	335	-2%	-8%	1376	1134	21%
Cost of Raw Material Consumed	75	112	145	-48%	-33%	420	394	6%
Purchase of stock In trade	149	67	7	2114%	123%	312	121	158%
Change in inventories	-97	-37	-4	2152%	162%	-136	53	-357%
COGS	127	141	148	-14%	-10%	595	568	5%
Gross Profit	203	217	188	8%	-6%	781	566	38%
Gross Profit (%)	61.6%	60.5%	55.9%	570	109	56.8%	49.9%	682
Employee Cost	63	48	46	36%	31%	197	168	17%
Other Expenses	45	78	72	-37%	-42%	244	206	19%
EBITDA	95	91	69	38%	5%	340	192	77%
EBITDA Margin (%)	28.9%	25.4%	20.6%	825	347	24.7%	17.0%	773
Other Income	6	-3	0			7	0	1941%
Depreciation	1	9	10	-86%	-84%	36	27	36%
EBIT	100	79	60	68%	26%	310	166	87%
Finance Cost	3	2	2	39%	69%	8	9	-9%
PBT	97	78	58	69%	25%	302	157	92%
Tax Expense	18	19	15	20%	-5%	64	36	75%
Effective tax rate %	18.2%	24.1%	25.8%	-753	-585	21.1%	23.2%	-211
PAT	79	59	43	86%	35%	239	121	98%
PAT margin (%)	24.1%	16.4%	12.7%	1134	763	17.3%	10.6%	669
EPS (INR)	1.9	1.4	1.0	94%	37%	5.8	2.9	101%
Revenue Segment								
Europe, UK- Formulation	140	156	149	-6%	-11%	442	361	23%
US & North America- Formulation	135	148	127	7%	-9%	451	310	45%
Australia & NZ- Formulation	42	35	48	-11%	21%	104	93	12%
Rest of World (ROW)	13	18	12	8%	-28%	49	35	39%
Total Revenue	330	358	335	-2%	-8%	1046	799	31%

Source: Company, Arianth Research

Q4FY21 Quarterly Result Highlights:

In Q4FY21, Marksans Pharma reported revenue de-growth of 2% YoY to INR 330 crs. The revenue de-growth is mainly due to deferment of certain sales in lockdown in key markets. Europe and UK Formulations revenues decreased by 6% YOY/ 11% QoQ to INR 140 crs which contributes 42.3% of revenue. US & North America formulations revenues grew by 7% YoY with 40.9% revenue contribution to INR 135 crs. Overall Australia, NZ formulations de-grew by 11% YoY while ROW business grew by 8% YoY which contributes ~14% of total revenue.

EBITDA for the quarter increased by 38% YoY to INR 95 cr backed by operating leverage as well as an optimized product mix. EBITDA margin rose sharply by 890 bps to 28.9% from 20.6% YoY and expanded by 347 bps on QoQ basis from 23.3% largely on account of operational efficiencies and improved product mix. PAT margin of the company is doubled to 24.1% vs. 12.7% YoY and 16.4% in QoQ.

Overall, Marksans Pharma's Q4FY21 performance has registered positive growth with robust operating margins and profitability.

Exhibit 8 : Financial Performance

Exhibit 1: Revenue trend

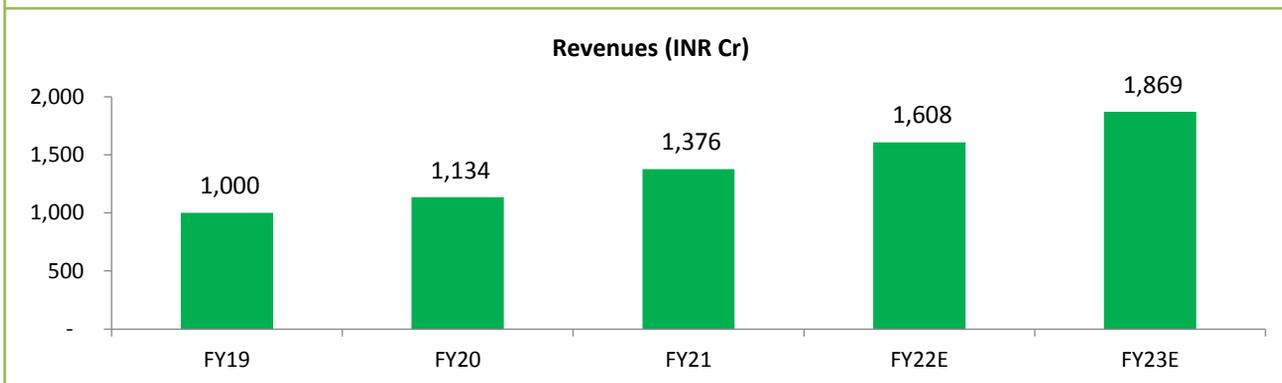


Exhibit 2: EBITDA Trend

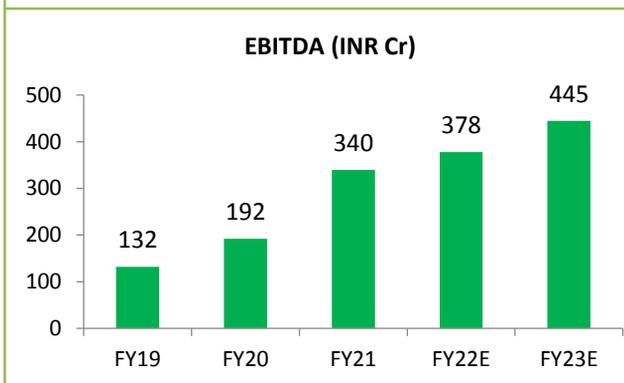


Exhibit 3: PAT trend

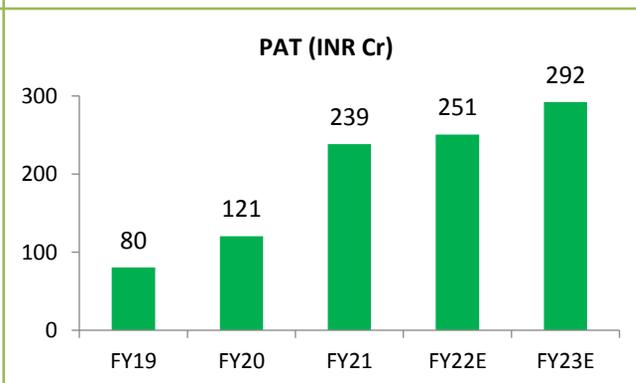


Exhibit 4: EBITDA Margin Trend

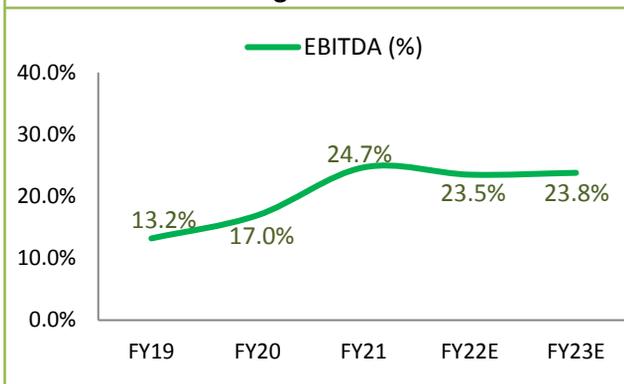


Exhibit 5: PAT Margin trend

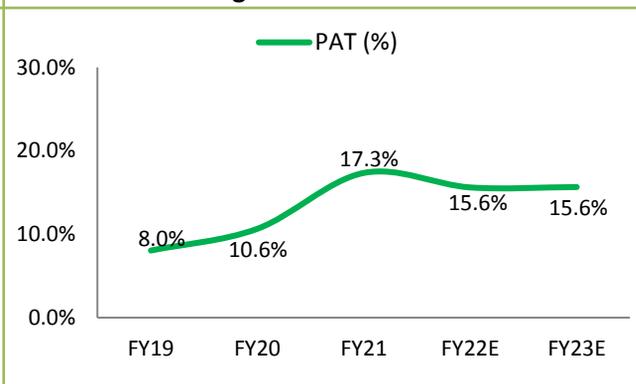


Exhibit 6: ROE Trend

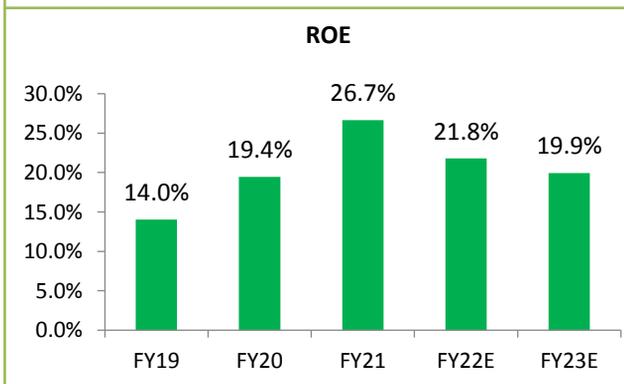
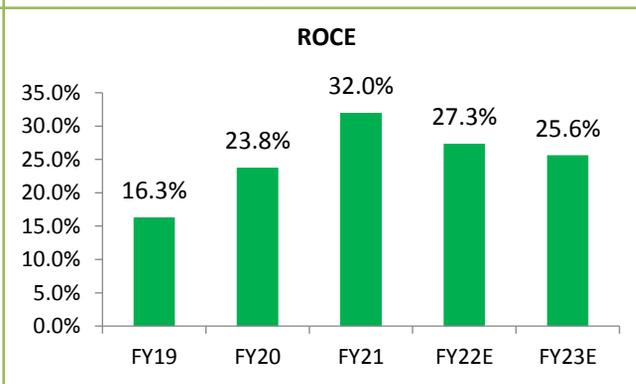


Exhibit 7: ROCE trend



Source: Company, Arianth Research

Income Statement

Y/E March (INR cr)	FY19	FY20	FY21	FY22E	FY23E
Revenues	1,000	1,134	1,376	1,608	1,869
Change (%)	9.6%	13.4%	21.3%	16.9%	16.2%
Cost of Goods Sold	498	545	595	700	804
% Sales	49.8%	48.0%	43.2%	43.5%	43.0%
Employee costs	159	168	197	233	265
Other expenses	211	229	244	298	355
EBITDA	132	192	340	378	445
EBITDA (%)	13.2%	17.0%	24.7%	23.5%	23.8%
Other Income	5	0	7	8	10
Depreciation	23	27	36	51	66
Interest	10	9	8	9	9
PBT	104	157	302	326	380
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	104	157	302	326	380
Tax	24	36	64	75	87
Rate (%)	22.9%	23.2%	21.1%	23.0%	23.0%
PAT	80	121	239	251	292
PAT (%)	8.0%	10.6%	17.3%	15.6%	15.6%
EPS	1.9	3.0	5.8	6.0	6.9

Source: Company, Arihant Research

Key Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E
Per share (INR)					
EPS	1.9	3.0	5.8	6.0	6.9
BVPS	13.3	15.5	21.7	27.7	34.6
Valuation (x)					
P/E	39.8	24.5	12.8	12.3	10.7
P/BV	5.6	4.8	3.4	2.7	2.1
EV/EBITDA	23.4	15.4	8.3	7.0	5.5
Return Ratios (%)					
Gross Margin	50.2%	52.0%	56.8%	56.5%	57.0%
EBITDA Margin	13.2%	17.0%	24.7%	23.5%	23.8%
PAT Margin	7.6%	10.9%	17.2%	15.4%	15.1%
ROE	14.0%	19.4%	26.7%	21.8%	19.9%
ROCE	16.3%	23.8%	32.0%	27.3%	25.6%
Leverage Ratio (%)					
Total D/E	0.2	0.0	0.0	0.0	0.0
Turnover Ratios					
Asset Turnover (x)	3.2	3.2	3.4	3.9	4.3
Inventory Days	187	179	198	215	218
Receivable Days	65	68	68	70	70
Payable days	67	70	84	85	88

Source: Company, Arihant Research

Balance Sheet

Y/E March (INR cr)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Share Capital	41	41	41	41	41
Reserves & Surplus	502	595	846	1092	1375
Net Worth	553	649	905	1152	1435
Total Debt	100	19	19	19	19
Other non-current liab.	7	11	8	8	8
Deferred Tax & other liab.	11	17	16	16	16
Current liabilities	133	201	280	274	305
Total Liabilities	804	897	1228	1469	1783
Application of Funds					
Net Block	198	220	234	198	149
Capital Work in Progress	0	0	0	0	0
Goodwill	72	83	81	81	81
Other non-current assets	3	4	11	55	115
Debtors	177	243	271	308	359
Inventories	293	242	404	412	480
Cash & bank balance	34	94	212	398	581
Other Current Assets	28	11	14	16	18
Total Assets	804	897	1228	1469	1783

Source: Company, Arihant Research

Cash Flow Statement

Y/E March (INR cr)	FY19	FY20	FY21	FY22E	FY23E
PBT	104	157	302	326	380
Depreciation	23	27	36	51	66
Interest & others	10	9	8	9	9
Other	0	7	31	0	0
CF before WC changes	137	199	377	386	455
(Inc)/dec in working cap	-86	52	-150	-53	-89
CF after WC changes	51	258	227	333	366
Less: Taxes	-24	-25	-49	-75	-87
Operating cash flow	27	233	179	258	278
(Inc)/dec in F.A + CWIP	-13	-60	-46	-59	-77
Cash flow from investing	-13	-60	-45	-59	-77
Free cash flow (FCF)	14	173	133	199	202
Borrowings	-18	-81	0	0	0
Finance cost paid	-10	0	0	-9	-9
Dividend	-41	-30	-4	-41	-41
Other financing	47	2	-11	37	31
Cash flow from financing	-21	-114	-15	-13	-19
Net inc /(dec) in cash	-7	60	119	186	183
Opening balance of cash	-31	34	93	212	398
Closing balance of cash	34	93	212	398	581

Source: Company, Arihant Research

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880