



# Marksans Pharma Ltd.

**Date:** June 05, 2024

**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 – Q4FY2024 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, kindly find enclosed the transcript of the investor(s) / analyst(s) meet for Q4FY2024 financial performance and strategy update held on May 31, 2024.

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  
Q4 FY’24 Earnings Conference Call”  
May 31, 2024



**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  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Earnings Conference Call of Marksans Pharma Limited, hosted by Elara Securities 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 star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Dr. Bino Pathiparampil from Elara Securities Limited. Thank you and over to you.

**Bino Pathiparampil:** Thank you, Yashashri. Good evening to all of you on the call. On behalf of Elara Securities, I, Dr. Bino Pathiparampil, welcome you all to the management call of Marksans Pharma to discuss the Q4 and full year FY '24 earnings release and the business outlook. We have with us Mark Saldanha, Chairman and MD; and Jitendra Sharma, CFO. I now hand over the call to Mark and Jitendra. Over to you.

**Mark Saldanha:** Thank you, Bino. Welcome, everyone, and thank you for joining us in our Q4 and FY '24 Earnings Conference Call. We appreciate your continuous interest and support for the company. We are pleased to report our strong performance for the year where we have achieved our highest revenue and EBITDA in FY '24.

Our revenue expanded by 18% year-on-year to INR2,177 crores and EBITDA expanded by 35% year-on-year to INR459 crores. The performance was mainly driven by volume gains, new product launches and an increase in the wallet share of our existing customers as well as addition of new customers. We witnessed a favorable demand in our key markets. The pricing pressure was moderate for our Rx products in the U.S.

In U.K. region, we are one of the leading Indian pharmaceutical companies and aspire to sustain a growth momentum. The profitability of the company has also improved due to the softening of raw material prices and the improved operating efficiencies. Throughout FY '24, we achieved remarkable milestones. We exceeded our projected target of INR2,000 crores in revenue and a 20% EBITDA margin. We received key approvals on USFDA and market authorizations from UK MHRA in pain management, cough and cold, and other therapeutic segments.

Our expansion and scalability of the acquired unit of Teva Pharma is proceeding according to plan and we will see meaningful revenue contribution from the unit in FY '25. Our Q4 performance was flattish with a slight decline. Although our revenue was slightly lower as compared to the previous quarter and this is mainly due to the seasonality of product mix, we were still above our projected target of INR500 crores per quarter.

The transit time and freight rates almost doubled in Q4 as compared to Q3 due to the Red Sea crisis. This escalation impacted the cost of approximately INR9 crores. We're taking steps to include strategic route optimization to ensure no delay in delivery. In the fourth quarter, obviously, we have hired over 200 new people in the acquired manufacturing plant in Teva.



This strategic move has led to an increase in expenses. This is crucial for growth as we scale and improve the utilization of this unit. The profitability parameters will start improving thereafter.

We have strategically increased our inventory levels of finished products and key raw materials in our U.S. warehouse due to various supply chain issues in recent times. And based on the nature of our business, we have large SKUs and are required to deliver weekly orders to our customers. This buffer helps us to mitigate the risk of supply shortages and production delays.

This decision has resulted in an increase in our stock reserves by approximately INR7 crores while consolidation of the account. We look ahead and feel optimistic on the coming year. Our strategic initiatives to increase our market share, enter new markets, expand capacity, strengthen our product pipeline, increase operational efficiency, and focus on our execution should deliver a robust growth. As a part of our commitment to enhance our shareholder value, I'm pleased to announce that the Board has recommended a final dividend of INR0.6 per equity share, which is 60% of INR1 face value.

With this, I'd like to turn it over to Jitendra to update you on the financials.

**Jitendra Sharma:**

Thank you, sir. In Q4 of FY '24, our operating revenue was INR560 crores, an increase of 15.2% compared to INR486 crores in the same quarter last year. The U.S. and North America was at INR245 crores, representing a 26.6% increase on a year-on-year basis. U.K. and EU formulation market grew by 12.9% year-on-year to INR230.8 crores.

Australia and New Zealand formulation market recorded revenue of INR63.3 crores, stable on a year-on-year basis. The rest of the world recorded sales of INR18.9 crores in Q4 of FY '24. Gross profit was at INR290 crores, up 19.8% year-on-year. Gross margin for the quarter was at 51.8%. EBITDA for the quarter was at INR109.6 crores, an increase of 0.1% year-on-year and a decline of 17.6% quarter-on-quarter.

EBITDA margin for the quarter was 19.6%. The sequential decline is due to the surge in freight cost, due to the Red Sea crisis from January '24 and the increase in expenses related to the Teva acquisition. And also, with the increase in hiring in the new facility in Q4 of FY '24. Profit after tax was at INR77.6 crores compared to INR82.7 crores in Q4 FY '23, a decline of 6.1%. PAT decline was due to the increase in the tax rate. The EPS for the quarter was INR1.73.

Talking about the full year financial performance. In FY '24, our operating revenue was at INR2,177 crores, an increase of 17.6% compared with INR1,852 crores in the same period last year. The U.S. and North America was at INR918 crores, representing 18.5% increase on year-on-year basis. The U.K. and EU formulation market grew by 22.9% year-on-year to INR943 crores.

Australia and New Zealand formulation market recorded revenue of INR218.8 crores, a 4.4% on year-on-year basis. The rest of the world recorded sales of INR97.4 crores. Gross profit was

at INR1,139 crores, up 22.4% year-on-year. Gross margin increased by 207 basis points from 50.3% to 52.3% in FY '24.

The EBITDA for the period was at INR459 crores, an increase of 35% year-on-year. EBITDA margin stood at 21.1%, a 274 basis point improvement over the previous year. Profit after tax was at INR314.9 crores compared to INR265.3 crores in FY '23, a growth of 18.7%.

EPS for FY '24 was INR6.92. In FY '24, The cash from operation was at INR230 crores, while the free cash flow was at INR21.6 crores. The capex incurred during the period was INR208 crores, which increased INR125 crores in the acquired facility from Teva Pharma, INR30 crores in the existing Goa facility, INR31 crores in the U.S. facility, and INR22 crores in the U.K. manufacturing facilities. We spent INR34.6 crores in R&D, which amounts to 1.6% of the sales. We continue to remain debt-free and have a total of INR674 crores of cash as of 31st March 2024.

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

**Moderator:** Thank you very much. We have our first question from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Sir, a few questions on this increase in gross margins we have seen. So obviously, there is a seasonality impact there and also a change in product mix, right? So I was just wondering on a like-to-like basis, what have you seen on the gross margin front?

**Jitendra Sharma:** Hi, Agastya, this is Jitendra here. So gross margin for the year was at 52.3% as against 50% last year. The improvement in gross margin mainly was on account of reduction in raw material prices and also some favorable product mix. So, we expect the gross margins to remain in the range of between say 50% to 52% on a sustainable basis.

**Agastya Dave:** Okay. So this whatever benefits we are -- like this is sustainable, right, this range between 50% and 52%?

**Jitendra Sharma:** Yes, definitely.

**Agastya Dave:** Okay. So what would be the capacity utilization at the new plant, acquired from Teva?

**Jitendra Sharma:** See, the capacity -- we are in the process of increasing the capacity of the new facility. So in terms of the capacity utilization right now, it is very low. But from this month -- see April onwards, we have started utilizing the newer capacities as well. So in coming quarters, we will see much-improved capacity utilization at the Teva facility.

**Agastya Dave:** Okay. In terms of the additional cost that we have incurred, so now if I look at the employee cost base, for example, it's at around INR80 crores a quarter. So is that a good assumption? Like we are done with the hiring? Or are there any incremental hires that we need to make even now?

**Jitendra Sharma:** There will be some more incremental hiring but I think the large part of it is already over.

- Agastya Dave:** Perfect. Perfect. And any other start-up costs that you will incur?
- Jitendra Sharma:** No, I think we have incurred almost all the cost.
- Agastya Dave:** Right. Sir, on a plant level, when do we expect the breakeven to happen? By when -- tentatively, sir, very, very tentative numbers -- timelines, not even numbers.
- Jitendra Sharma:** I think from this quarter itself we should be breaking even.
- Agastya Dave:** At an EBITDA level, sir or PBT level?
- Jitendra Sharma:** At EBITDA level.
- Agastya Dave:** Okay. Great. Sir, finally, for next year, now that you have the plant in place and the production is ramping up, what kind of volume growth are you anticipating?
- Mark Saldanha:** So for this, obviously, we have broken the capex and capacity into 3 phases. The first phase was 3 billion tablets and which we have achieved installing this capacity. So now we are scaling up to utilize this capacity and we will probably have that additional revenue, which comes out of 3 billion. But in the FY '25, we plan to increase this capacity towards the second half of FY '25 to 5 billion. And hopefully, by the end of FY '25, we will start -- this will be added value accreditations to already existing revenue.
- Agastya Dave:** So could you quantify that number, can we see like a 15% growth on the entire base?
- Mark Saldanha:** Yes, sure.
- Agastya Dave:** Yes. 15%. I'm saying just volume growth, sir. I'm not talking about value.
- Mark Saldanha:** Yes, yes. Definitely. 15% is achievable.
- Agastya Dave:** Thank You, Sir, I think it was a very decent quarter
- Moderator:** We have our next question from the line of Nirali Shah from Ashika Stock Broking.
- Nirali Shah:** Could you provide insight into what percentage of our top line comes from ibuprofen and -- considering it is our largest molecule. And what our current market share is for this product? Additionally, what are our internal market share pull for ibuprofen?
- Mark Saldanha:** So ibuprofen is just one of the molecules that we have. Obviously, it does contribute decently to our revenue. I would say we are approximately about 15% of contribution comes from this molecule, one point.
- Nirali Shah:** Okay. And the market share?
- Mark Saldanha:** Again, depending on which market we are talking about but it will pretty much be at above 15% maybe of the market share.

- Nirali Shah:** You mean globally or just North America?
- Mark Saldanha:** It's a very broad question. So I would say globally. I mean, whichever markets we are in.
- Nirali Shah:** And my next question is, given that our focus on the U.K. and Europe regions, they have actually shown the highest growth over the past year, we see Y-o-Y comparison. Could you provide an update on the expected launch timeline for new products in these markets?
- Mark Saldanha:** Launch time for our new molecules in the markets are happening every quarter. So we do expect launches happening during the year, which will again fuel growth. We are very optimistic and bullish on our road map for the U.K. market. And for the Europe market, obviously, we do plan, we are working towards having our entry into the European market, hopefully in this financial year, we are working towards that.
- Nirali Shah:** That's great. And just one more, just global perspective. So with the increasing demand for drug in the U.K. I just came across an article today. So how well are we positioned to capitalize on this opportunity considering U.K. is a mature market for us?
- Mark Saldanha:** We're very strongly positioned. We are among the top 5 companies out there in U.K. So we are very strongly positioned in terms of inventory, in terms of our stock position, in terms of our inroads, and market penetration. So we are strongly positioned out there in U.K.
- Moderator:** We'll take our next question from the line of Sudhir Bheda from Bheda Family Office.
- Sudhir Bheda:** Congratulations on a good set of numbers for the FY '24. In fact, the last quarter was muted and that I think was very well explained by you why the margin was down. Sir, my questions are what's our outlook on the U.S. market? I believe that the U.S. is a very, very big market and you are trying to penetrate. And if we are able to succeed then huge market will open for you. So can you throw some light on your U.S. -- approach in the U.S. market?
- Mark Saldanha:** Well, we are very bullish on the U.S. market. It is our growth driver for the next 2 years. We have increased our capacity, we've increased our presence out there, our product portfolio out there. So we are expecting to double our revenue, in the U.S. market soon. So literally, we are quite optimistic and bullish where U.S. market is concerned.
- Sudhir Bheda:** So what kind of growth do you expect in the U.S. market in the next couple of years?
- Mark Saldanha:** Well, in a short-term point of view, from a short -- from a span of maybe 1 to 2 years, we are looking at doubling our revenue. So, if we are getting \$100 million, a little at \$200 million.
- Sudhir Bheda:** Great. Great. That's so nice to hear. And sir, I think somewhere the concern you have projected from INR3,000 crores of revenue by '26 and 20% plus margin. Is it still achievable? Or -- how do you see your next couple of years spanning out?
- Mark Saldanha:** It is still achievable. I mean, last year, we had projected INR2,000 crores and we landed up at INR2,177 crores. So, we did across our projection. I believe in the next 2 years, we'll definitely touch INR3,000 crores.



- Sudhir Bheda:** Great. And sir, the last question, there are some reports on the shortage of drugs in U.S. So what's your opinion on that? And how is that opportunity...
- Mark Saldanha:** Well, there were some reports of shortage of drugs but I don't think we stand to gain on any of that. And these are spot shortages, which happen and then will go up after some time. So -- but again, I don't think it is basically within our portfolio to basically encash on that.
- Moderator:** We'll take our next question from the line of Kashish Thakur from Elara Capital.
- Kashish Thakur:** Sir, my first question is based on the Australian market. I'm just looking into your numbers for the past 2, 3 years. So, your Q4 has been substantially stronger as compared to other quarters in the Australian market. So, any specific reason behind it?
- Mark Saldanha:** Because Australia has reverse seasonal -- seasonality is different in Australia. So when it's summer, there's winter out there, right? So normally, the winter always is the peak season for any pharma industry which are strong in pain and cough and cold. So, they have a reverse season out there compared to other markets in the world.
- Kashish Thakur:** Understood, sir. Sir, my second question will be your R&D outlook. What kind of R&D spend should we expect for FY '25?
- Mark Saldanha:** Around 2%.
- Kashish Thakur:** Sorry, 2% to 3%?
- Mark Saldanha:** No 2%. I would say 2% is more reasonable.
- Kashish Thakur:** And any like specialization you want to target this R&D towards?
- Mark Saldanha:** We are working on a diversified portfolio. So it is -- it basically covers a huge portfolio and segments and delivery systems. So it's difficult to pinpoint on any specialty but it has different delivery systems involved in that.
- Kashish Thakur:** Understood, sir. Sir, my next question will be on the U.S. market. Like what is the total number of monographs you have overall in the U.S. market?
- Mark Saldanha:** About 30-odd -- 25 -30-odd.
- Kashish Thakur:** And like how are we seeing this in FY '25?
- Mark Saldanha:** The nominal growth that we would expect, maybe 40 plus.
- Kashish Thakur:** So around 10 plus end of FY '25?
- Mark Saldanha:** Yes.
- Kashish Thakur:** Last question will be on the capex. What kind of capex can we expect in FY '25? And any -- like any kind of capex, which is going to be spilled over in FY '25 from the Teva plant?





- Mark Saldanha:** So in Teva, we have invested about INR125 crores. We had presented about INR200 crores as what we have kept for Teva. What we needed to get adopt to you at least minimum the 2 phases that we have planned out for it. So we will be putting in another INR75-odd crores into Teva and then the nominal capex, which goes on to all our plants that whether it's U.S. or earlier plants, we normally do nominal capex, which goes to about INR25 crores on per plant.
- Kashish Thakur:** So optimally INR100 crores is what we are expecting?
- Mark Saldanha:** Yes, about INR100 crores, INR125 crores total.
- Kashish Thakur:** Sir, last question, if I may. Again on Teva plant. On which -- by when can we expect the optimum utilization for the Teva plant.
- Mark Saldanha:** So like I said, we book -- obviously, there's really so much you can do in a short span of time. And we have commercialized the plant. We have got it to 3 billion units. And we have just started attrition to capitalize on this 3 billion units. Now we are investing into the next phase, which will take us to 5-plus billion units. That 5-plus billion units will probably come after September -- in the second half of the year -- financial year. But hopefully, by the end of this year, we will have a decent run rate of revenue coming out from the Teva plant.
- Moderator:** The next question is from the line of Deepak Jain from SKS Research.
- Deepak Jain:** So my first question is to understand what is the next target or goal now that we have crossed our target of INR2,000 crores in revenue and EBITDA of 20%?
- Mark Saldanha:** Our next milestone will be INR3,000 crores.
- Deepak Jain:** Okay. So my another question that I had was regarding the employee expenses. So is this a new base that would be with the onboarding of Teva's acquired manufacturing facility employees or will it increase in the coming quarters?
- Mark Saldanha:** There might be a slight increase, not -- marginal but not exhaustively, because all -- most of the people have boarded on. It just depends on what phase of the acquisition, what phase of the capex we are on. So as and when we go up, let's say, \$5-plus billion, then we would need more people, if you are talking of the -- raising it from \$5 billion to \$8 billion, then we would obviously need more people to fill that growth.
- Deepak Jain:** Got it. From my side. I just wanted to understand, so any progress on the targets you were exploring in the European region?
- Mark Saldanha:** Well, we are in dialogue. We are in advanced dialogue but nothing concrete right now. But we are hoping the optimistic we're hoping. M&A is such an unpredictable thing even when we come to the last step it may not happen. So right now, there's nothing concrete to discuss or put pen to paper right now.
- Moderator:** We have our next question from the line of Dr. Bino Pathiparampil from Elara Securities.

- Bino Pathiparampil:** You mentioned about doubling the U.S. revenues from current level of \$100 million to \$200 million in a couple of years. So how would this mean -- how would this work out? Would it be about penetrating into the existing customers? Or would it be new customers?
- Mark Saldanha:** So obviously, it's a mix -- Dr. it's a mix of both. Our order book status is quite healthy. So we have a good order book status to give us visibility of reaching to this number. And -- but it is a growth on existing plants as well as new customers coming in. And it's a mix of both, actually, that is feeling us to achieve this objective. It's still a very small number for a market like U.S. So it's not something that is novel or is unique in any way but it's still at tip of the iceberg.
- Bino Pathiparampil:** Understood. And when you say penetrating the existing customer further, is it to buy new products to the customer? Or is it that in the same product you will get more market share from a single customer?
- Mark Saldanha:** So when it's a new customer, it's normally with existing products that we are supplying to another customer because that becomes our strength and our visibility for the new customers to see the performance and consistency. So it's normally the existing molecules but there are cases where they have gone and opted for new molecules altogether.
- Bino Pathiparampil:** Understood. Okay. And this is a big jump in -- jump in number from \$100 million to \$200 million in 2 years. So what would be the key risk to this -- achieving this in your mind?
- Mark Saldanha:** What will be -- I'm sorry, you were not audible. What will be?
- Bino Pathiparampil:** The key risk to this -- achieving this in your mind.
- Mark Saldanha:** I don't think that's much of risk because, obviously, when we talk of these numbers, it is with a good understanding on the visibility of contracts, the order book status and where do you standby within the next 12 months and what will fuel the balance 12 months. So I can safely say that we are quite confident of achieving these objectives.
- Moderator:** We'll take our next question from the line of Darshil Jhaveri from Crown Capital.
- Darshil Jhaveri:** Firstly, congratulations on a great set of results. So sir, I just wanted to ask that I think we -- our target is to grow to INR3,000 crores by FY '26. But also other target is to double the U.S. market from \$100 million to \$200 million. So majority of our growth on the full basis is going to come from U.S. because that only will account for around INR700 crores or INR800 crores plus revenue coming directly to us from U.S. and North America. So can we overperform on INR3,000 crores because U.K. is also growing at a good pace. So I just wanted some color on that.
- Mark Saldanha:** Yes. So this rapid growth, obviously, when you talk of it, you're right, UK's also growing. But based on this high jump within a short span of time, the U.S. will be our growth drivers to achieve this objective. This will constitute like we said earlier, INR800 crores, the balance INR200 crores will come from U.K. and other markets. But definitely, there's the possibility that U.K. may contribute more.



But here again we are talking of literally in the next 24 months. So U.K. may need a little more time as the base is already very big in U.K. compared to the market size. The U.S., the base is very small compared to the market size. So it's easier to go out there.

**Darshil Jhaveri:** Fair enough. That makes sense, sir. And sir, just one another part, like once we scale up to this level, will our margins also improve because we'll get some leverage, right?

**Mark Saldanha:** So our margins will improve because of operational efficiencies will increase. Leverage -- operational leverage will also increase. So definitely, we are anticipating a much more robust bottom line.

**Darshil Jhaveri:** So that can go to 23% roughly, right? Because like December quarter, we were able to get that with a higher revenue. So just wanted to...

**Mark Saldanha:** It's difficult to actually put a number and say but on a consistent basis -- are you talking of EBITDA?

**Darshil Jhaveri:** Sorry?

**Mark Saldanha:** Are you talking of EBITDA?

**Darshil Jhaveri:** Yes, EBITDA.

**Mark Saldanha:** I didn't get you. When you're saying margins...

**Darshil Jhaveri:** EBITDA margin, sir.

**Mark Saldanha:** So I think, yes, EBITDA margins will improve. I think it is possible to achieve those numbers. So we are aiming for better numbers, obviously. So I think it is doable.

**Darshil Jhaveri:** Perfect. Perfect, sir. And just a final question, sir, with some geopolitical risk as well as some wars going on. So how will that impact on U.S. business as well as elections coming up out there also? Is there like any sort of a risk for us out there or just anything that you could see in the environment that can hamper us?

**Mark Saldanha:** Jhaveri, if I had that answer, I would have been a global leader right now. I honestly can't predict geopolitical issues and force measures which may be beyond our control. I don't have a crystal ball, unfortunately. And we literally have no saying on the wars that are happening. And hopefully, we all look for better times and we don't like -- we'd like not to think of the worst case scenario, because -- I mean, we all want peace and growth.

**Moderator:** Next question is from the line of Akshat Vijay from Hem Securities.

**Akshat Vijay:** On to your financial number at the stand-alone level, the business has delivered a very strong growth in this quarter. But at the consolidated level, I mean it's a subsidiary share, the performance has been on the muted side. So can you throw some light on it, like why the



subsidiaries have underperformed in this quarter and maybe this is not the right way to look at the operations.

**Moderator:** Akshat, can you mute once you're done with your questions, there's some background noise on your line.

**Mark Saldanha:** Yes. So stand-alone, obviously, there is a consolidation that happens at the corporate level -- at the group level. So stand-alone -- while stand-alone looks positive, subsidiaries and everything at the end of a consolidation that takes place basically results onto the end numbers and subsidiaries that are in U.K. and U.S., these are all related to again seasonal product mix that I mentioned about.

I would say we are flattish okay. But that's said and done. Again, we have to look at the overall metrics of what we have projected and where we are, what we've achieved not so much quarter-to-quarter because the third quarter is the peak season in -- where you talk of cough and cold and everything of that stuff winters are better months compared to the summer.

**Akshat Vijay:** Okay. Fair enough. And my second question is regarding the USFDA observations that we have received for our Goa facility. Could you please share the status of the same like how severe they are and do you see any impact on that operations in the short term? And by when are you expecting, any idea?

**Mark Saldanha:** I don't see any impact on our operations, number one. Number two is, obviously, we replied to all the observations. And we don't foresee any issues in the observations. Now we have to wait for FDA to come back. But as far as we are concerned, there are just normal observations that were there.

**Akshat Vijay:** And one final question which I had is that in your previous calls you mentioned that you're expecting some additional INR600 crores of revenue from the Teva facility in FY '25. Will you reassure that you're expecting the INR600 crores?

**Mark Saldanha:** Well, we should be hitting, let's put a run rate number. I will not say we will hit INR600 crores for the full year because these are ongoing capex. We never landed up spending INR200 crores on Teva, we said only INR125 crores like I mentioned in our call. We did only INR125 crores, which is literally slightly more than half of what we have presented that we will be doing. We have achieved the first phase target of 3 billion tablets. And now we have to hit the 5 billion tablet plus mark. So once we start hitting that, we will definitely start hitting the run rate that would see us to this number that we used to talk of.

**Moderator:** Next question is from the line of Viraj Mahadevia from MoneyGrow India.

**Viraj Mahadevia:** Congratulations on stable results. Mark, a question for you regarding the new Teva facility. What is the envisage product portfolio? Is it likely to be a higher-margin product portfolio with better mix versus the rest of the Goa? Or is it likely the same?



- Mark Saldanha:** It will be most likely the same, maybe slightly better. So I will put average -- at the end of the day, even our Goa doing decent margins and we are doing decent EBITDA and contribution on gross margin. So I would like to maintain it at the same portfolio, it may be slightly better depending on the product mix. But the product mix will be slightly different. So I'm hoping for a better margin to come out of the plant.
- Viraj Mahadevia:** Right. And Jitendra, you touched upon this but you likely break even at the EBITDA level in Goa in the next 6 months?
- Jitendra Sharma:** Yes, definitely. We are expecting in this quarter itself.
- Viraj Mahadevia:** Right. Okay. And look forward to you using those cash balances for that acquisition.
- Moderator:** We'll take our next question from the line of Aditya from MSA Capital Partners.
- Aditya:** Congratulations on a good set of results. So I wanted to understand a few things. First is on Teva. So that -- now that Teva is in India and will be manufacturing in India and exporting majorly to U.K. and Europe, do we envisage a better gross margin profile? Not a lot but a slight uptick from here because of Indian to export market?
- Mark Saldanha:** It's pretty much what the other gentlemen, Vijay had spoken in the previous question. Yes, I mean, we do -- we have a product mix that we are planning -- that we are launching from this facility. So we do see better product portfolio and product mix coming out of the facility but that's said and done our margins are quite decent. First thing, I mean, the most important thing in the Teva facility that we've acquired is to first breakeven. And basically, then you have operating leverage taking in to see that profitability kick in. For that we have to cross that bridge when we hire that.
- Aditya:** So what I was trying to understand was, definitely you had answered the previous part of the question that the product profile will be similar. But just wanted to get a feel that because this facility is located in India, do we have any margin advantage when we'll supply to U.K. and Europe?
- Mark Saldanha:** No. I mean all our facilities -- this is not the first facility we have in India. So in comparison, we have another facility, which does literally 100% of our facility what we manufacture goes to Europe and U.S. And I think from that standpoint -- point of view, our product portfolio in terms of gross margins will be very similar, maybe slightly better, like I said. So -- but I mean from a comparison, we are supplying into these markets. So what you see is what you see our historic numbers will basically increase but the margins will remain relatively same.
- Aditya:** Sir, in the previous few con calls, you had mentioned that the U.S. is operating at a bit lower EBITDA margin than our overall company margin. Do you -- what would be the margin and where do you -- do you think that once we double the margins would be better?
- Jitendra Sharma:** Last year, we had a relatively better EBITDA margin in the U.S. as well. And as we increase our revenues in U.S., we are seeing like a lot of improvement in our EBITDA margin because



of the operating leverage, which will get kick in. So I think we will see a much improved margin in the U.S. from this year onwards.

**Aditya:** Sir, on that question only, just as an addition, because U.K. also we have similar revenue but the margin profile is higher. So what is the -- is it in U.S. because having the same revenue but a lower margin profile than our U.K. and Europe operations?

**Mark Saldanha:** The U.K. and U.S. are 2 different markets. So I think we can't compare the 2 and the product portfolio is also different. But on average, I think if you can see that trending of the U.S., what is it showing, it is showing the same amount of gross contribution on margins but the operating leverage had to be kicked in. And now that the operating leverage has kicked in and will -- it will improve from there on. But from a margin portfolio point of view, it's very similar. It is only -- the operating cost in the U.S. is different and that in U.K. is different.

**Aditya:** Understood. Understood. And do we plan to take a U.S. FDA audit on Teva?

**Mark Saldanha:** Maybe in the near future, yes.

**Aditya:** All right. Any thought process, maybe in the next couple of years? Or it is much -- it is a longer thought process that you have?

**Mark Saldanha:** Probably a shorter thought process, like in a couple of years. I hope we can get it next year.

**Moderator:** Our next question is from the line of Kashish Thakur from Elara Capital.

**Kashish Thakur:** Sir, just one question. Like I was just going through your annual reports of past few years. So like in FY '22, you had given time cap of financials, you have given EBITDA number and PAT number. So similarly, will it be -- will you be able to give us the EBITDA and PAT number of FY '23 and FY '24?

**Jitendra Sharma:** Yes, definitely. It will be like the subsidiary annual reports will be available on our website. So definitely those numbers will be shared.

**Kashish Thakur:** Understood. And sir, like just following up on the question which previous participant asked. Sir, what kind of EBITDA margin we might be generating from our OTC segment in the U.S.?

**Jitendra Sharma:** See, we are at -- like we are at 10% plus EBITDA margin in the U.S. as well in terms of our overall U.S. portfolio. And that stands -- that is going to increase. That is what we are expecting in this year and to increase our revenues.

**Kashish Thakur:** Understood. And sir, any bifurcation, can you provide us like what percentage of sales in the U.S. will be from prescription business and what will be from OTC business.

**Jitendra Sharma:** See, broadly, the mix in our U.S. revenue for OTC 80% and Rx is around 20%.

**Moderator:** Next question is from the line of Shyamal Patel, an individual investor.



- Shyamal Patel:** Few questions. I know you must be -- I don't know what to say but I cannot keep everything to my heart, that's why I keep on asking, of course, for the betterment of the company. In a INR314.9 crores profit, just INR27.18 crores is given as dividend. Don't you think you can improve the percentage of dividend linked to the shareholders who have been with your thick and thin, just 9%? Good companies give 85%. Okay. I don't expect 85%. But can't we have a benchmark of giving 25% back?
- Mark Saldanha:** So Shyamal, we had a formula free cash flow that we have mentioned and we are going -- actually, we have gone above that formula itself. Our free cash flow -- based on a free cash flow basis, it would have been much more lesser but we've actually improved over the last year. So we always do it based on free cash flow. We invested like we mentioned a substantial amount in capex. And based on the free cash flow that we've generated, we basically then distributed the balance amount -- full balance amount after that into dividends.
- Shyamal Patel:** But we can't have a policy of 25% of the profits of the company, because we already have INR674 crores in cash. I'm just asking.
- Jitendra Sharma:** The profit figure, basically, like eventually the funds get utilized in various areas, so working capital adjustment is an important aspect we need to see. The tax payments also are huge. And the capex is also there over and above that. So basically, as a company, we have decided -- we have a policy of distributing 1/3 of free cash flow to the shareholders. And we will definitely stick to that. Definitely, we are investing more money in capex and other growth-related avenues. So that also has a priority. So basically approach will be eventually to mix and follow the policy which we have established at those levels.
- Shyamal Patel:** Yes, Mark and Jitendra ji, of course. But then till the people turn into buyers, Marksans share price cannot improve so much. And the people always see what is the return the company offers. I'm not trying to be selfish. I put it on record without knowing, I could be one of the largest shareholders of Marksans. I don't know individually. I'm not talking like Mahavir Prasad Agrawal or something.
- But as individual shareholders, I must be one of the largest shareholders of Marksans. And I try to see the benefits which the company would get. Because if the company gets I will get. And what we are asking is not much. The 25% if you stick on -- even 20%, okay, we will get 20% of our declared profits. That should even offset the peace of shareholders.
- Moderator:** We've lost the connection from Mr. Patel. Next question is from the line of Deepak Jain from SKS Research. Please go ahead.
- Deepak Jain:** So one more question that I had was regarding the backward integration, which is a great move. So I just wanted to understand when will the benefits start kicking in for this move?
- Jitendra Sharma:** So we have filed, like I said, 1 DMF already on one of the items. We have to basically get an approval to fill to basically use that DMF of that active into our formulation -- so we are now taking batches and we are going to put it on stability and file it for past -- we have to file a



prior approval to FDA. So we are looking at a good 6 to 8 months -- a minimum 8 months and above time lines created for that.

**Deepak Jain:** Okay. Understood. Sir one more question is regarding, I think raw material prices have been on the lower end, at least the last few quarters that's been the trend. So do you expect the same trend to continue going forward? Or is there any correction -- like changes that you would be expecting?

**Mark Saldanha:** I think the raw material has hit its bottom low. So I do believe that it will be stable. Another gentleman spoke about war or something like that, that we can't predict any of the post-major part of it. But right now, based on our outlook, I do believe it will be stable.

**Deepak Jain:** Okay. Sir, one last question from my side. Do we have any substantial launches coming up in FY '25? And can you just let us know any revenue contribution for this?

**Mark Saldanha:** So yes, we do have launches coming in FY '25, definitely but the revenue contribution is difficult to pinpoint to a launch -- product launch, because we have multiple products that we will be launching into various markets. So it's difficult to actually say that which product will be give you more revenue on accounts basically.

**Moderator:** The next question is from the line of Jayesh, an Individual Investor

**Jayesh:** Yes, so my question is when 2 years down the line, when we will be achieving our desired revenue of INR3,000 crores plus, so will we be able to maintain the sustainable net margin rate of 15% and more? Or will the Teva Pharma dent a little bit on the net profit margin?

**Mark Saldanha:** I think if we hit our -- we were talking of 2 years down the line, I think it should be -- we should be able to maintain the margins. It may improve only, it is not going to go down.

**Moderator:** As there are no further questions, I now hand the conference over to management team for closing comments. Over to you.

**Mark Saldanha:** Thank you all for participating. I know it's always tiring in the evening to get on the call. But once again, I'd like to thank you for your continuous interest and support in our company and be safe. I'm looking forward to talking to you soon. Thank you.

**Moderator:** Thank you, members of the management team. On behalf of Elara Securities Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.