



Marksans Pharma Ltd.

November 25, 2024

BSE Limited

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Dalal Street,
Mumbai – 400001.
Scrip Code: 524404

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Listing Department
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Bandra (East), Mumbai – 400051.
Symbol: MARKSANS

Subject: Transcript of investor(s)/analyst(s) meet – Q2FY2025 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 Q2FY2025 financial performance and strategy update held on November 13, 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.

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**“Marksans Pharma Limited
Q2 FY25 Earnings Conference Call”
November 13, 2024**

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

**MODERATOR: MR. KASHISH THAKUR – ELARASECURITIES INDIA
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Marksans Pharma Q2 FY25 Conference Call hosted by Elara Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kashish Thakur from Elara Securities India Private Limited. Thank you, and over to you, sir.

Kashish Thakur: Thank you, Aditya. Good evening, everyone. A very warm welcome to Marksans Pharma Q2 FY25 Earnings Call hosted by Elara Securities India Private Limited. On the call today, we are representing Marksans Pharma Management -Mr. Mark Saldanha, Founder, Chairman and Managing Director, Mr. Jitendra Sharma, Chief Financial Officer. Before I hand over the call to the management, please note the disclaimer. Certain statements made by the management in today's call may be forward-looking statements.

These forward-looking statements reflect management's best judgment and analysis as of today. The actual results may differ materially from the current expectations based on number of factors affecting the business.

I will now hand over the call to Mark sir to give the opening comments, and then we will open the floor for questions. Thank you, and over to you, sir.

Mark Saldanha: Thank you. Welcome everyone and thank you for joining us in our Q2 & H1 FY25 earnings conference call. We appreciate your continuous interest and support for the company. I am delighted to share that we have another strong quarter marked by a broad-based growth across all our markets. Our revenue grew by 20.8% year-on-year in Q2 FY25, led by a very strong performance in the US, followed by Australia & New Zealand.

The US market grew and remains our strategic focus for growth. UK & Europe witnessed a relatively soft quarter due to seasonality, and we expect to bounce back in the second half on the onset of the winter season.

Australia & New Zealand business also came in very strong this quarter with an improved growth trajectory. The continued focus on our product mix has enabled us to deliver a significant expansion in our gross margin and also achieve an all-time high quarterly EBITDA of INR 135.7 crores.

The manufacturing facility acquired from Teva Pharma is ramping up well and maintains on track to scale up operations. We expect this facility to supplement our growth further in the coming quarters. Our strategy of expanding our present business, new product launches and enhancing supply from our new facility will help us to achieve our next milestone, which

we've always maintained at INR3,000 crores in revenue within the next 2 years. With this, I'd like to turn it over to Jitendra to update on our financials.

Jitendra Sharma:

Thank you, sir. For Q2 FY25, our operating revenue stood at INR641.9 crores, an increase of 20.8% year-on-year compared with INR531.2 crores in the same quarter last year. Revenue from the US & North America market stood at INR304.2 crores, an increase of 36.8% on a year-on-year basis, driven by new product launches and increased market share. UK & EU formulary business grew by 5.7% year-on-year to INR246.7 crores.

We witnessed mixed demand trends in this category. Australia & New Zealand market recorded revenue of INR63.6 crores, up by 31.3% year-on-year. The rest of the world recorded revenue of INR27.5 crores in Q2 FY25. Gross profit was at INR383.5 crores, up 37.7% year-on-year. Gross margin expanded by 732 basis points from 52.4% to 59.7% in Q2FY25.

This was driven by a better product mix and continued softness in raw material prices. We recorded an all-time high EBITDA of INR135.7 crores in Q2 FY25, an increase of 19.1% year-on-year. The EBITDA margin for the quarter stood at 21.1%, primarily due to addition of new employees at the Teva facility and increase in the freight costs. Profit after tax was at INR97.8 crores compared to INR83.9 crores in Q2 FY24, an increase of 16.6% year-on-year.

EPS for the quarter was INR2.1. R&D expense for Q2 came in at INR10.7 crores, i.e. 1.7% of the consolidated revenue. Now talking about half yearly performance, in H1 FY25, our operating revenue stood at INR1,232.5 crores, an increase of 19.5% compared with INR1,031.3 crores in the same period last year. The US & North America market recorded revenue of INR555 crores, up 33.5% year-on-year basis and contributing 45% of the total revenue.

The UK & EU market grew by 8.5% year-on-year to INR498.1 crores, contributing 40.4% to the revenue. Australia & New Zealand market recorded revenue of INR129.2 crores, an increase of 20.7% on a year-on-year basis. The Rest of the World recorded revenue of INR50.2 crores. Contribution from these 2 markets stood at 10.5% and 4.1% respectively.

Gross profit was at INR712.4 crores, up 33% year-on-year. Gross margin increased by 584 basis points from 52.0% to 57.8% in H1 FY25. EBITDA for the period was at INR264.1 crores, an increase of 22.3% year-on-year. EBITDA margin stood at 21.4%, an improvement of 49 basis points over H1 FY24. Profit after tax was at INR186.8 crores compared to INR154.3 crores in H1 FY24, a growth of 21.1%.

EPS for H1 FY25 was INR4.1. In H1 FY25, the cash from operations came in at INR77.1 crores. The capex investments during the period were INR76.0 crores, which is in-line with our plan to scale up the acquired facility from Teva Pharma. We spent INR22.7 crores in R&D in H1, which amounted to 1.8% of the sales. We continue to remain debt free and cash balance stood at INR657 crores as of 30th September 2024.

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

- Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Ishita Jain from Ashika Group.
- Ishita Jain:** Congratulations on a good quarter. My first question is, so in this quarter, what is the revenue share from the Teva facility and the capacity utilization on it?
- Mark Saldanha:** So, we have presently, our capacity utilization is around 40%.
- Ishita Jain:** Okay. And the revenue share this quarter from Teva?
- Jitendra Sharma:** Approximately INR100 crores.
- Mark Saldanha:** Yes, approximately INR100 crores.
- Ishita Jain:** My second question, can you...
- Mark Saldanha:** Our current run rate is we are ranging around INR440 crores. I mean our current run rate is about INR440 crores a year.
- Ishita Jain:** Understood. And my second question is, can you give some color on which were the new product launches in the U.S., which contributed in part for the growth in the top line from the US geography?
- Mark Saldanha:** Well, it's in all three segments that we are in: pain, cough&cold and digestive. So, from that angle, we have quite a few products that have contributed. And this, again, constitutes mainly from market share that we have taken a bit of market share, more market penetration and a few product launches that happened during that time.
- Ishita Jain:** Do you want to highlight any product or any specific therapy area?
- Mark Saldanha:** Yes. That's what I said, right? The therapy is in pain and digestive. You can put these 2 categories.
- Ishita Jain:** Got it, understood. And given how our gross margin is also inching up, could you comment on how the product mix is changing? I mean, is there any meaningful change in Rx versus OTC split or any other way that the product mix is changing?
- Mark Saldanha:** No, right now, it is trending as to what we historically were doing. So, there is no product -- I mean, there is no mix change per se. But obviously, the gross margin has gone up because of a bit of a transition from a high-cost material to now lowering of raw material pricing, which has upgraded a bit of a contributing factor to improve our gross margin right now.
- Ishita Jain:** Got it. And raw material prices are at similar levels even in quarter 3 or current quarter or is there a trend altering?
- Mark Saldanha:** No, I think it is flattening, but it has obviously improved from historic highs. There's no two ways about it. And so, like I said, it's a transition and when you have raw material because we

hold the inventory at a higher cost and then you have a mix of low-cost material coming into play, that's a bit of a transition that helped in the gross margin.

- Moderator:** Our next question is from the line of Aangi Sheth from Array Investments.
- Aangi Sheth:** Congratulations on the great numbers. I wanted to know if there's any stability with the freight prices.
- Mark Saldanha:** So, it has improved. We have seen some dramatic improvement in the last, you could say 30-odd days, probably in the last one month. So, we have seen it softening and it has improved from what we saw in the last quarter.
- Aangi Sheth:** Like could you give any ballpark figure because I think last quarter it was roughly around \$6,000.
- Mark Saldanha:** Yes, it was around \$6,000, \$6,500. Now we are seeing prices as low as \$3,700, \$3,600.
- Aangi Sheth:** All right. And do we expect it to go any lower since I think on average, it used to be around \$2,000 max, like roughly 3-4 months back?
- Mark Saldanha:** Well, we always hope for the best and we hope....
- Aangi Sheth:** And any update with any of the merger and acquisitions?
- Mark Saldanha:** No, presently nothing on table right now.
- Moderator:** Thank you. Our next question is from the line of Marusu Tharun, an Individual Investor. Please go ahead.
- MarusuTharun:** Sir, as we observe in the revenues from the US has increased a lot. Did we have any extra focus on the US over the UK?
- Mark Saldanha:** Well, the focus is on both geographies, but we expected - our order book status was strong in the US and that's what we are executing. And the UK basically - Q2 is always a softer quarter because it is summer out there. So, it's a very seasonal trend that normally happens. It normally picks up in the third quarter and fourth quarter onwards. So, we do expect UK to be there. But from a growth point of view, US will be the growth driver followed by UK, which is going to be a potential market for us.
- MarusuTharun:** And can you give me an outlook for FY25?
- Mark Saldanha:** This is the FY25. You're talking of the...
- MarusuTharun:** Q3, Q4.
- Mark Saldanha:** The Q3...
- Jitendra Sharma:** It will be a better quarter.

- Mark Saldanha:** We expect a stronger quarter than what we have done now because obviously, we do believe UK numbers will be a little better.
- Moderator:** Thank you. Our next question is from the line of Aditya Pal from MSA Capital Partners. Please go ahead.
- Aditya Pal:** Great set of numbers, congratulations to the team. Just wanted to ask again, what would be the status of investing in new capacities because Teva facility will cap out at INR800 crores odd.
- Mark Saldanha:** Sorry, did you say INR300 crores odd?
- Aditya Pal:** INR800 crores.
- Mark Saldanha:** Yes, so obviously, then we have to look at expansion in terms of either new facilities or new blocks or new capex. But we do believe that we will - we are looking at touching INR800 crores plus, you are right in that, and then we are working on our next step of projects in terms of capacity enhancement or greenfield or M&A.
- Aditya Pal:** Because we have INR650 crores odd net cash sitting on our balance sheet and for the last few quarters, we are not - I would say last few years, we are not getting any new targets as well, even though we are putting our best efforts. So, I was just thinking that if we could start investing in capacities in India, would that make sense?
- Mark Saldanha:** Believe me, we have tried. It's not as easy. You don't every day come across a Teva. So obviously some of the facilities available, the valuations are crazy. So, we try to shy away from those deals, and we always look for value-accretive M&As where we believe that - because we know that we need to invest a lot after acquiring, like we did for Teva.
- So, we try to get it at the price range that we wanted to. So, we are looking at it. You rightly said what's next beyond Teva and that is very well on our mind and our team is working on that.
- Aditya Pal:** Perfect. Another question was, so our gross margin expanded quite well this quarter, both quarter-on-quarter as well as year-on-year. If you were to attribute the increase, how much would have come from our efforts of getting our raw materials contract manufactured, and how much would be because of raw material softening?
- Mark Saldanha:** So basically, I would say 99.9% is raw material softening. I don't expect these numbers, the gross margin to sustain. This is just a transition of what you will see out there. But definitely, we should be around 53% to 55% gross margin level.
- Aditya Pal:** Perfect. If I can squeeze one more, I wanted to know more on the Europe & UK. Definitely it has become a very large segment for us, and we have become the top-five player and trying to become the top-three. And we are also launching new products in UK this year. If you can give some commentary on UK for the next two-odd quarters?

Mark Saldanha: Basically, I can give a much longer outlook than a quarter outlook because there's always a seasonality effect in UK. But I do believe in the next coming years, UK will grow and we have a business module to see for the next five years to ensure that UK achieves new milestones. It is a very important part of our business model. It is a very important geography in our company.

So, we do see that playing a very instrumental role moving forward. But again, the market size, we have to understand it's not like US, but we will be amongst the top. We're hoping that we should be among the top-three companies out there in UK within the next 2-3 years.

Moderator: Thank you. Our next question is from the line of Kashish Thakur.

Kashish Thakur: Sir, two questions from my end. Just wanted to understand the market scenario in Australia & New Zealand. So, like how long is the tender we get in the region, first, and second is like how big is the OTC market over there? What are the growth opportunities and what are we looking in or what are we planning to execute over there? That is first question.

Second question is towards the R&D spend. So, what will be our R&D spend for FY25 and FY26 going ahead and how should we bifurcate it in our regions? So, can you just help us out with this, it would be very helpful, sir?

Mark Saldanha: Yes. So Australian market is a very conservative market. In terms of the OTC portfolio, we can literally double our revenue from where we are over time. It's not going to happen overnight or in 1-2 years. We always like to believe that it will get us to \$100 million mark eventually, but we have to work through that. This year we are hoping to be close to AUD42 million and we are working towards that. Once we cross the first milestone of 50 million, our business strategy is there to see it grow.

In terms of R&D spend, we are spending slightly below 2% right now. And I would see it being stable at around 2%. And it is not for one geography, it is for all our geographies that we are catering to, mainly the US, Europe, UK and Australia. So, these are the geographies where most of our R&D spend is going on right now. In UK, we are definitely investing a lot in terms of R&D because we are looking at huge amount of filings and revenue potential with new product launches happening.

Moderator: Our next question is from the line of Deepesh Sancheti from Manya Finance. Please go ahead.

Deepesh Sancheti: My question was regarding the US market. After the change of government and with all the noise of Trump coming, how do you see the business? And do you see any potential risks or any particular changes which you need to do as a company to mitigate it?

Mark Saldanha: See, Deepesh, honestly, I don't have a crystal ball. If I had a crystal ball, I would have defined who the next President would be in the US. But nevertheless, it is difficult to know what stance the next government takes, and the next President takes.

And whatever policies and changes they do will have literally an advantage or an impact for everyone. I don't think even US companies or US factories will be insulated from tariffs or anything of that stuff. So, the impact we'll have will basically be passed on to the consumer, I guess.

But again, we can only speculate because like I said I don't have a crystal ball as to what they are planning next, but we all hope for the best and we will take calls, or we will strategize only once we have a bit of more understanding and clarity on that.

Moderator: Our next question is from the line of Runit Kapoor from Elara Capital.

Runit Kapoor: Yes. One question. So, can you just give a guidance on FY26? How is it looking as of now in terms of revenue and EBITDA? And what is your capex guidance also?

Mark Saldanha: So, I do believe, like I mentioned in my earlier opening statement and what I mentioned in couple of quarters back that our next milestone is to achieve INR3,000 crores within the next two years. And I think we are trending towards that. So, we should be very close to hitting that number next year. I think our EBITDA will be in the range of 22% odd. It's stable. We don't foresee any cuts where that is concerned from an EBITDA point of view.

Runit Kapoor: Okay. And the Teva manufacturing facility is right now at what capacity utilization?

Mark Saldanha: I could say about 40% to 45%. We are trending at very close to INR440 crores to INR450 crores odd. I use the word trending because we've just started hitting our new numbers. So, when you look at that, I think we will keep increasing quarter-on-quarter and hopefully by next year, we will be trending at INR800 crores odd.

Moderator: Our next question is from the line of Aditya Pal from MSA Capital Partners. Please go ahead.

Aditya Pal: I just had a few follow-up questions. One was, sir, the freight cost, if you can give me for Q1 and Q2, how much would be the absolute freight cost?

Jitendra Sharma: So, see, actually freight cost during Q2, there was a substantial increase. And like in terms of the absolute number, it was in the range of around say INR60 crores as compared to a cost of around INR40 crores odd in Q1.

Aditya Pal: Understood. And sir, if I were to also try to bifurcate expenses for Teva, how much would Teva cost you out of our total cost of INR248 crores overhead?

Jitendra Sharma: See, Teva plant has broken even last quarter itself and it is basically contributing to the profits. So overall, Teva plant is generating positive profits, and it is not a drag on EBITDA. So, I can comment that much right now.

Moderator: Our next question is from the line of Mythili Balakrishnan from Alchemy Capital Management Private Limited. Please go ahead.

- Mythili Balakrishnan:** I wanted to check with you a couple of points. One is on the US business side, has there been any change to the business model, or have you added customers, or have you won wallet share? So, could you just explain how this growth has come about for us?
- Mark Saldanha:** I would not say we've added a lot of customers. There might be the odd one here and there, but definitely we have expanded our product portfolios within the same customers. So that has given us growth, obviously when you instead of 3products, you start selling 5products or 6products. So that has definitely helped us to grow from that angle.
- From a business model, it's still been very much the same as it was in the first quarter. The only thing is, like I said, our order book status is strong and that's where we do believe the revenue generation will continue in the coming quarters and will grow.
- Mythili Balakrishnan:** Got it. And just to get a sense, some of the customers that we have are now reconsidering some of the number of stores that they have, they have reduced them, made other changes in terms of their business model of trying to split businesses, etcetera. Do you think any of that will have an impact in terms of our business?
- Mark Saldanha:** It may to some extent, but again while we talk about that being a bit of a drag in a certain way, our product mix, our product growth into those customers have increased or literally doubled. So that basically overshadows any ifs and buts that may arise.
- Mythili Balakrishnan:** Got it. And to get us - sorry.
- Mark Saldanha:** The consolidation from the retailers is a positive thing from their point of view because I think they will just get a bit stronger from a profitability and a viability point of view.
- Mythili Balakrishnan:** Got it. And when we compete in the marketplace, is it the price that we are able to compete on because we have a very low cost of manufacturing or are there other aspects - we are sort of much better than competition, which enables us to grab this market share?
- Mark Saldanha:** I think it's a mix of everything. You can't rule out price. We have economies of scale. But at the same time, it is service, it is product basket, product portfolio that actually also helps in the entire gamut of things. But it is at the end of the day being reliable and being able to service the requirements.
- Mythili Balakrishnan:** Got it. And just to get a sense, in terms of the length of these contracts, what is the typical length for any one of these contracts with the customers?
- Mark Saldanha:** It ranges from 2 to 4 years.
- Mythili Balakrishnan:** 2 to 4 years. And the product basket is something that we can increase within that? Or it's...
- Mark Saldanha:** Yes, I mean, again depends on opportunities that come across. And every time a contract opens up, then you have an opportunity to either increase or lose. So, it depends on that.

- Mythili Balakrishnan:** Got it. And lastly, my question is a bit of a bookkeeping one. The inventory seems to have gone up in terms of the inventory days. So just wanted to get a sense of like any particular reason why that is happening for quite some time now?
- Mark Saldanha:** These are basically new launches, new launches into accounts, new product launches happening in. So, we normally have to build up 4 to 5 months of stock before they start taking product. And quite a substantial amount of our contracts started off only in the month of October, so we had stock buildup before they literally turn the button on.
- Mythili Balakrishnan:** Got it. So that means that this inventory which is lying with us currently is now getting translated into sales?
- Mark Saldanha:** It is getting translated into sales until the new launches come or different retailers coming to play, then we have to reinvent the cycle. So, this year, we are still far away from hitting our order book status because the product launch is happening from now till March 2025, every month, every 2 months. So, we have to ensure those products are launched that we have inventory to ensure that the launch happens on day one.
- Mythili Balakrishnan:** Got it. So, what I'm reading from this is that it will stay elevated till March at least.
- Mark Saldanha:** Yes, it will stay till March, till we hit the optimum order and trend towards the order book that we plan for the year.
- Mythili Balakrishnan:** Got it. Anything on the Rx business that you're seeing in terms of growth or any launches, etc., that you are excited about?
- Mark Saldanha:** We have a couple of products that we are talking about, UK has quite a few Rx items being launched, and we have a huge pipeline coming in maybe in 2025 that we see, new product launches happening out there. They all are high-end Rx items and they're niche products. So, we expect a bit of an improvement in topline and bottom line happening out there. And U.S. obviously the pricing pressure in Rx is as challenging as it always gets.
- Moderator:** Thank you. Our next question is from the line of Kashish Thakur. Please go ahead, sir.
- Kashish Thakur:** Sir, just one question. Thank you for the follow up. Sir, we are doing very well in the three geographies in which we are present. So, any plan that we want to diversify, and we want to enter in other geographies as well, either in the domestic market or other. If not now, then maybe when can we plan to do that? Can you just guide us with the same?
- Mark Saldanha:** Yes. So right now, obviously, Europe is our focus region that we are looking at expanding. So that becomes a priority for us to look at M&As and we've been looking at it for the last year, slightly over a year on that front. So, Europe is an interesting market that we'd like to get into.
- With regards to the domestic market, we're always open to M&As but nothing concrete and the complexity of any domestic contract or transaction happening in terms of valuations and sentiments attached to it is always a challenging factor. But we have nothing on our plate right

now where domestic is concerned. But we would love to. We always explore any M&A based on its merit.

Kashish Thakur: Thank you, sir. Sir, as we just spoke about, we are looking for opportunities in the domestic market. So, do we have any planned figure in our mind that we want to explore the opportunity which is within a specific figure, be it a small or a big acquisition?

Mark Saldanha: I mean domestic market is more branded than generic. And whichever company - if a company comes across to us, we will obviously try to evaluate the brand strength and the continuity of that brand and the growth of the brand. So, it is a bit more different than most of the markets that we are into because globally, we are into generic market and out here, it's a bit of a branded market.

But like I said, so far, we've not had anything that came across, we've not even seen any potential targets which have come across. If they do, then we will have to evaluate it at that time, based on different parameters that we historically look at M&As.

Moderator: Thank you. Our next question is from the line of AkashThawrani, an individual investor. Please go ahead, sir.

AkashThawrani: Good evening. You mentioned that INR3,000 crores as a revenue number possibly in the next coming years, which now seems well within sight. So maybe, what's next, like what would your long-term vision for the company be, maybe like for a 7 to 10year horizon or are there any internal milestones that you currently have and where do you see the business grow? Just if you could throw some light on that, about your vision, that would be helpful. Thank you.

Mark Saldanha: So, Akash, my vision is big, but it's not - I don't want to sound crazy in terms of giving a number right now because here we have quarterly calls. So, you're probably the only investor who is asking us for a 5 to 7year outlook status. So yes, we do have plans. We do have a 5-year plan actually in place.

We do see visibility of where the company will go, and it will evolve. It will evolve to a new company altogether. I mean a different company altogether, let's put it this way. Like we were 2 years back, and if you look at us 4 years back where we were. So, we have grown and I do believe once we grow with size, then the next milestone will be relatively shorter to achieve.

Moderator: Thank you. Our next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Yes, hi, team. Thanks for the opportunity. Sorry, I joined in late. Mark, could you just call out what is the run rate of the U.S. business today and what is the order book visibility? Last, I recollect it was closer to about \$170 million to \$180 million. So, has that improved and what are we doing today?

Mark Saldanha: So basically, our order book stands at \$200 million now. There is an improvement. And like I had mentioned the last time that - it's grown. So, we obviously keep trying to increase sales,

right? So we don't stop at \$170 million or \$180 million, we keep building our order book status. So, our quarter number is trending at around \$40 million odd right now.

Aejas Lakhani: Got it. And you're expecting the acceleration to take place through the next year? From \$40 million to \$50 million...

Mark Saldanha: The first half of the year, obviously, most of the contracts started off only in September, October, a substantial amount. So, we literally lost the first half of the year. And if you see, that's where the growth will continue. We launched products, some in July, some in August, some in September, a decent amount in October and then we have something in Jan, Feb, March. So, we need a full cycle of 12 months to complete.

Aejas Lakhani: Got it. And all of these incrementally will be coming from the Teva facility, right?

Moderator: Yes, sir. Please go ahead, sir.

Aejas Lakhani: Yes. So, thanks. Mark, I just want to check. So basically the \$40 million will start to trend to move towards \$50 million by the next year and the incremental capacities will be coming from the Teva facility?

Mark Saldanha: Yes, basically, it's also coming from our U.S. plant also therefore, I think we are growing from all the plants.

Aejas Lakhani: Got it. And could you just explain the sequential increase in other expenses? I understood that incrementally INR20 crores came from the freight cost increase, but what explains the balance?

Jitendra Sharma: See, it is basically expenses coming out from Teva facility as well in terms of the manufacturing expenses and other expenses.

Aejas Lakhani: Got it. And we would be in the process of scaling up that facility. So, what would we be operating at today?

Jitendra Sharma: We are operating at 40% to 45% right now. But again, like in terms of the overheads, we believe that we are almost fully committed in terms of our fixed overheads for Teva facility right now and now incremental revenue will not have proportionate increase in our other expenses. So, I think definitely we see some operating leverage benefit getting in coming quarters.

Moderator: Thank you. Our next question is from the line of Kashish Thakur. Please go ahead, sir.

Kashish Thakur: Thank you for the follow-up. Sir, just one more follow-up question on Australia & New Zealand market, so just like what kind of major category sales would we see over there? Is it cough & cold, vitamins, like what kind of category has higher sales? I know like Q4 will be higher for cough & cold, Q1 sorry, as it is maybe a reverse of what U.S. is, seasonally. But apart from that, how are the other segments segregated?

Mark Saldanha: So, where we are, we handle pain, we handle cough & cold, allergy and we handle digestive. So these are the three categories we are following globally. So, we are more OTC-oriented out there in Australian market and sometimes it's just a very conservative market, so it takes a bit longer to grow in terms of what we want to achieve out there.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for the closing comments.

Mark Saldanha: I'd like to thank all of you for spending your precious time on an evening out here. Thank you. Be safe and take care.

Moderator: Thank you. On behalf of Marksans Pharma Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: This document has been edited to improve readability

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