

Marksans Pharma

13 August 2026

Operator: Ladies and gentlemen, good day and welcome to Marksans Pharma Ltd. Q1 FY27 earnings conference call, hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the 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. Nitin Agarwal. Thank you, and over to you, sir.

Nitin Agarwal – DAM Capital Advisors Limited: A warm welcome to Marksans Pharma Ltd.'s Q1 FY27 post-results earnings call, hosted by DAM Capital Advisors Limited. On the call today, we have representing Marksans Pharma Ltd., Mr. Mark Saldanha, Founder, Chairman and Managing Director, and Mr. Jitendra Sharma, Chief Financial Officer. I will hand over the call to Mark to make the opening comments, and then we will open the floor for questions. Please go ahead, sir.

Mark Saldanha – Founder, Chairman & Managing Director: Thank you, Nitin. Good afternoon, everyone, and thank you for joining us for our Q1 FY27 earnings conference call. We sincerely appreciate your interest in and continued support for the company.

Q1 FY27 has been a very strong start to the year for Marksans Pharma Ltd. We delivered 841 crores of revenue, up 35.6% year-on-year, with our highest-ever quarterly EBITDA of 213 crores and highest-ever quarterly PAT of 159 crores, alongside our cash balance crossing 1,000 crores for the first time.

We have been investing in our products, manufacturing capabilities, customer relationships, and international presence for several years now, and we are increasingly seeing these investments translate into growth, profitability, and cash generation.

Europe has been a strategic highlight of the quarter. The UK and Europe delivered the highest-ever quarterly revenue of 356 crores, growing 74.7% year-on-year. Over the last several months in Europe, we have moved from our primary existing channels to building our own front-end presence across key regulated markets.

During the quarter, we completed the acquisition of Clinic BV in the Netherlands, which contributed approximately 44 crores of revenue in Q1. Even excluding this contribution, the region grew strongly by 53.1% year-on-year. We then completed the acquisition of ABC Now GmbH, Germany, with consolidation commencing from Q2.

Alongside these acquisitions, we have established Marksans Pharma Europe in Ireland and Marksans Pharma GmbH in Germany. Europe is becoming an important new growth market for Marksans Pharma Ltd., and we remain focused on progressively scaling our presence across the region.

Talking about our other key regions, in North America we delivered 377 crores of revenue, growing 15.1% year-on-year. This quarter saw softer demand through the summer months, in line with the normal seasonal pattern. Price erosion in the RX portfolio remained in single digits, and in the coming quarters we expect momentum to strengthen. We have also established our presence in Canada, with product filings underway.

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In Australia and New Zealand, we delivered 88 crores of revenue, up 53.7% year-on-year. This was in line with our normal seasonal pattern, following a particularly strong fourth quarter during the Southern Hemisphere winter. The underlying business remains healthy, and we expect momentum to build as we move through the year.

The improvement in the company's profitability is equally encouraging. The benefits of the operating platform we have been building over the last several years are increasingly visible in our profitability.

Our focus for the rest of FY27 is clear: carry this momentum forward, scale across geographies, accelerate new product launches, build out the European market, and continue improving the profitability and cash-generating ability of the business.

We remain disciplined in how we allocate capital and selective about our inorganic opportunities. We remain confident about creating a business that is scalable, resilient, and positioned to deliver sustainable long-term value for all our stakeholders.

With this, I hand it over to Jitendra, who will take you through the financial performance in detail.

Jitendra Sharma – CFO: Thank you, sir. Good afternoon, everyone. Let me take you through the financial performance for Q1 FY27.

Operating revenue for Q1 FY27 stood at Rs. 840.8 crores, up 35.6% year-on-year from Rs. 620 crores in Q1 FY26. North America remained our largest market, contributing Rs. 377 crores, up 15.1% year-on-year and accounting for approximately 45% of consolidated revenue.

The UK and Europe delivered Rs. 356 crores, representing 74.7% year-on-year growth and approximately 42% of consolidated revenue. This was the highest-ever quarterly revenue for the region. Europe also began contributing meaningfully during the quarter following the acquisition and consolidation of Clinic, while the underlying UK business continued to show strong momentum.

Australia and New Zealand delivered Rs. 88 crores, up 53.7% year-on-year. The sequential moderation was in line with the normal seasonal pattern, following a particularly strong fourth quarter. The underlying business remains healthy, and we expect momentum to build as we move through the year. Rest of the world contributed Rs. 20 crores during the quarter.

Gross profit stood at Rs. 497.3 crores, up 38.9% year-on-year from Rs. 358.2 crores, while gross margin improved to 59.1% from 57.8%, an expansion of 138 basis points. Sequentially, gross profit increased from Rs. 465 crores, with gross margin expanding by 478 basis points. The improvement was supported by favorable product mix, lower-cost materials held in inventory, and favorable foreign exchange.

EBITDA stood at Rs. 213 crores, compared with Rs. 100.1 crores in Q1 FY26, representing 112.8% year-on-year growth. EBITDA margin expanded to 25.3% from 16.1%, an improvement of 919 basis points. Sequentially, EBITDA increased from Rs. 195.4 crores, while EBITDA margin expanded by 251 basis points. The improvement reflects the benefit of higher gross margin together with operating leverage.

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Profit after tax stood at Rs. 159.4 crores, compared with Rs. 58.2 crores in Q1 FY26, representing a 173.9% year-on-year increase. PAT margin improved to 18.4% from 9.3%. Sequentially, PAT increased from Rs. 149 crores in Q4 FY26, with PAT margin improving from 17.4% to 18.4%.

Moving to cash generation, we generated Rs. 185 crores of cash from operations during the quarter. After net capex of Rs. 33 crores, free cash flow stood at Rs. 152 crores. Our working capital cycle improved to approximately 132 days, compared with approximately 159 days in Q1 FY26 and 138 days in Q4 FY26.

R&D spend for the quarter was Rs. 23.2 crores, or 2.8% of consolidated revenue, compared with Rs. 12.1 crores and 2% in Q1 FY26. We ended the quarter with a cash balance of Rs. 1,058 crores, compared with Rs. 711 crores at the end of Q1 FY26, while net cash stood at Rs. 1,031 crores. This was achieved despite the payment toward the Clinic acquisition during the quarter.

With that, we would like to open the floor for questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Operator: The next question is from the line of Ahmed Madha from Unify Capital. Please go ahead.

Ahmed Madha – Unify Capital: Thank you for the opportunity, and congratulations on a great performance. My first question was regarding the Clinic acquisition. The disclosures suggested that the transaction was done on June 1 and completed on June 17. Can you give some sense of how the revenue recognition has been accounted for, and for the full year, how do you see both the acquisitions as well as your organic efforts in the European business developing in FY27?

Management: Ahmed, the effective date for the transaction was April 1, 2026, so we have consolidated the first-quarter numbers in our June-quarter consolidated financials. We expect Clinic to generate around 150–175 crores in revenue overall for the year.

Ahmed Madha – Unify Capital: Sure, understood. For the European geography as a whole, with the 2 acquisitions and your organic efforts, how much higher will the overall business be over and above the Clinic number you have guided for?

Management: We obviously expect to grow from what Clinic has historically done, and they had generated slightly below 10 million euros. We expect this year to be around 14–15 million euros, which is nearly 40% higher. We do expect Europe to be somewhere around 180 crores — approximately 180 crores.

Ahmed Madha – Unify Capital: Sure, understood. On the gross-margin front, this was probably the highest gross margin reported, perhaps outside the COVID period. How should one think about it in terms of product mix? You had flagged the low-cost inventory in your presentation. Some of the high-cost inventory may be procured at the current moment with higher solvent costs. How should one think about the gross margins and pricing if you are able to improve them, and so on?

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Management: It is obviously a very fluid situation, and you are right. We were holding good inventory, which we are depleting over time. We still have some inventory, but there are obviously other parameters within the war situation that are having an impact, such as freight and some higher-cost raw materials coming in.

We believe that when this war ends, costs will go back to their normal levels relatively quickly. So far, we are leveraging the inventory that we have. In terms of sustainability of that 25-odd-percent gross margin, I think we should be around a 55-56% gross margin per se.

Ahmed Madha – Unify Capital: Sure. Another thing is that working capital has come down meaningfully. There would have been some inventory unwinding, I assume. Is that the case, or is there any other factor?

Management: No, that is the case. That is the case.

Ahmed Madha – Unify Capital: Sure. Lastly, on the US business, can you give some sense of how the order book looks? For the rest of the season, how do you see the growth acceleration developing?

Management: We do see that the order book is still strong, so that is not a problem. However, we see contributions in this financial year coming from all the geographies. Even in the first quarter, if you look at it, it is not only the US that is performing. It is Europe and Australia as well. Every subsidiary is performing.

This year, you will see growth happening from all geographies, which will contribute. We do anticipate that we are still very much on our target of reaching 4,000 crores within the next 2 years. I think we still stand by that target. We expect contributions to come from all our subsidiaries, unlike last year, when the UK was underperforming and the US was accelerating.

Ahmed Madha – Unify Capital: Sure. Just one last question on cash allocation. We now have more than 1,000 crores of cash, and the situation is very different from a few years ago. The balance sheet has changed completely. The ticket size of whatever acquisitions we have made is relatively small. How should one think about further cash allocation for the current year? Should we be making any meaningful large acquisition? I am thinking in terms of the absolute size of the cash we have.

Management: We are exploring those possibilities. Europe has just begun for us. We have done relatively smaller target deals, but we do plan to expand within Europe as a geography. We are actively looking at other acquisitions. Nothing is concrete and there is nothing on paper yet, but we believe the resources and money sitting on our balance sheet will fuel our growth in terms of both the organic and inorganic strategies that we plan to pursue.

Ahmed Madha – Unify Capital: Sure. Thank you so much, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Meet Pua from Integrity Ventures and Partnerships. Please go ahead.

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Meet Pua – Integrity Ventures and Partnerships: Hi. Am I audible?

Management: Yes, you are.

Meet Pua – Integrity Ventures and Partnerships: Hi, sir. Congratulations on a great set of numbers, first of all. I have a couple of questions. We have clocked around 25% on the bottom line in Q1. We have also guided for FY27 revenue growth of 15–20% and a 20–21% EBITDA margin. Is there any plan to revise these on the upside, or how should we look at it?

Management: No, I think we will stick with that plan because of the volatility that you see and the geopolitical scenarios prevailing and surrounding the US and pretty much all countries. With the continuation of this geopolitical uncertainty, I think we stand by what we projected historically or earlier.

Meet Pua – Integrity Ventures and Partnerships: The next question is about this quarter. Our UK and Europe segment grew by around 74% year-on-year and 15% quarter-on-quarter. How sustainable a growth rate can we assume in these 2 markets?

Management: I think we will be able to sustain it.

Meet Pua – Integrity Ventures and Partnerships: You are able to sustain it at around 75% year-on-year and 15% quarter-on-quarter?

Management: Yes.

Meet Pua – Integrity Ventures and Partnerships: There was one more question. I wanted to know the timeline for the Ireland and Germany entities to start generating meaningful revenue. Is there any specific timeline?

Management: In Germany, we expect some revenue to be generated soon, perhaps in early Q3. We expect better revenue to be generated from Germany. Ireland may take some time because of product registrations. It involves more than the formation of a company: we need a wholesale license, a distribution license, and product licenses.

All the registrations are happening, but we are hopeful of seeing some revenue next year, in the next financial year, not this year. Germany will see revenue this year, in the next quarter. The Netherlands is already performing. I think the UK and Europe by themselves will show decent growth.

Meet Pua – Integrity Ventures and Partnerships: What about our rest-of-the-world segment? We also have 1 subsidiary in the Middle East. How are we looking to grow the rest-of-the-world regions?

Management: We have the Middle East, and we have the rest of the world, which means other markets besides the Western markets. Obviously, the other markets besides the Western markets are struggling somewhat because of the war situations, because vessels are unable to pass, and transportation is becoming one of the biggest hurdles in those regions.

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Technically, these are challenging times for those markets. To our good fortune, they do not contribute a lot.

Meet Pua – Integrity Ventures and Partnerships: Thank you so much for your answers, sir. I wish you all the best.

Management: Thank you. Thank you.

Operator: Thank you. The next question is from the line of Mihir Damanyia from Fident AMC. Please go ahead.

Mihir Damanyia – Fident AMC: Hi. My first question alludes to a slide in your presentation which says that you want to become a top global consumer healthcare company by 2030. What will it take for you to reach there? Where are you heading?

Management: Sorry, Mihir, I did not understand you very clearly. Could you repeat that?

Mihir Damanyia – Fident AMC: On slide 38 of the presentation, the growth roadmap and strategic vision for FY30, you alluded to wanting to become a top global consumer healthcare company by 2030. What are the things you need to do that you are not currently doing to reach there? What will it take for you to reach that goal?

Management: We are working in that direction. This is all about creating brands. When you talk about consumer health, we are looking at OTC and brands, so we are looking at expanding our portfolio in that regard.

A lot of work will go into that. We will also have to invest resources accordingly. Nevertheless, I think we are confident of moving in that direction.

Mihir Damanyia – Fident AMC: My second question is more on the regulatory side. You have 3 USFDA plants globally. When do you expect the next USFDA inspection to take place? Considering that a huge chunk of your revenues and a significant portion of your top line comes from the US and your existing 3 locations, when do you expect the next USFDA inspection to take place?

Management: There are no definite timelines as such because they can come at any moment. One of our plants was audited recently, less than 12 months ago, but they can come at any time based on our filings and the number of filings that we are undertaking. They can visit at any time, so it is difficult to put a timeline on that.

Mihir Damanyia – Fident AMC: Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Dipesh Sancheti from Maanya Finance. Please go ahead.

Dipesh Sancheti – Maanya Finance: Hello. Am I audible?

Management: Yes, you are.

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Dipesh Sancheti – Maanya Finance: Congratulations, first of all, on a great set of numbers. They were completely unexpected and excellent. I wanted to understand something. In your earnings call last year, you mentioned that Q1 is generally a weak quarter. Does that mean that we have stronger quarters coming in Q2 and Q3?

Management: From a revenue standpoint, the answer is yes. From an EBITDA point of view, we will hit the expected margins that we have presented. Revenue in Q2 will definitely be better than in Q1, and Q3 will probably be the strongest.

Dipesh Sancheti – Maanya Finance: I also wanted to understand something regarding your European acquisitions—

Management: No, no. I am waiting for you.

Dipesh Sancheti – Maanya Finance: We have done 2 acquisitions in Germany, 1 in the Netherlands, and 1 in Ireland. Do you think that to cover the entire European market, we will need more acquisitions, or will these be enough for the start?

Management: We have done only 2 acquisitions. One is in the Netherlands and one is in Germany. I think these give us a good launching pad into these countries. If you look at our history, we have always grown on what we have acquired, and we have grown very well on what we acquired.

To answer your question, yes, we would need more acquisitions, and that is where we have a decent corpus with us to close any inorganic strategies that come our way. Obviously, we need to make sure that it is worth the valuation. We do plan to expand into countries within Europe. That said, M&As are unpredictable and timelines are not fixed.

Dipesh Sancheti – Maanya Finance: What is your US strategy, especially after Mr. Trump mentioned that there would be a 200% duty after 2 years? What is your long-term US strategy? Are we going to ramp up our production in the US? How are we going about this?

Management: That is always a possibility. There are different possibilities, but I think we have to cross that bridge when we arrive at it.

I would not put much weight on what he says because it may change within 2 or 3 days. We will wait and watch. Two years is a long period of time for anyone to preempt a change happening right now, especially given the way the US is shaping up.

A lot of things may change, and it again depends on elections and the political scenarios prevailing in that country. We have to see how things unfold, but the possibility of ramping up is always there for us, and we always keep that as an option.

Dipesh Sancheti – Maanya Finance: What is your US strategy? I wanted to understand whether, since we are having so many acquisitions in Europe, this is a long-term strategy such that if there is any problem in the US, we also have the European market. Is that what is on our mind, or is this simply general acquisition-led growth?

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Management: We have always focused on and mentioned in our previous calls that we would like to expand our geographies. Historically, we focus on a market, consolidate it, and grow the market. Once growth is happening and the market is on autopilot mode, we then look at expanding our footprint into other geographies.

This year, we had earmarked Europe in particular. Coincidentally, the geopolitical scenarios are different and are happening in parallel. However, we had earmarked this year for expanding our footprint into different geographies, and Europe was identified as a market with potential. That is where we went into Europe.

The US is still our important market. It still gives us decent revenues, and it is still a potential market for growth.

Dipesh Sancheti – Maanya Finance: All the very best, and congratulations again on an excellent set of numbers.

Management: Thank you.

Operator: Thank you. The next question is from the line of Vishal Manchanda from Systematix Group. Please go ahead.

Vishal Manchanda – Systematix Group: Good evening, everyone, and thank you for the opportunity. With respect to gross margins, I think you have posted the highest-ever gross margins this quarter. Is there scope to push this higher?

Management: Everyone would love that, and we always try to be innovative and approach situations differently. However, I do not think that would be realistic. As you mentioned, a 55–56% range is more comfortable, considering the geopolitical scenarios involving the war, crude, transportation, and everything else that is going on.

Vishal Manchanda – Systematix Group: Would you be able to share what percentage of your sales was manufactured in India? Is it very different from the other quarters or the previous year?

Management: We have about 65–70% coming from India, with 70% being on the higher side.

Vishal Manchanda – Systematix Group: The backward-integration plans are on the shelf, correct? They are not active, and you are not actively pursuing them, correct?

Management: We are not pursuing them actively, but we have developed some IPs related to DMFs and are exploring the CRAMS business model. However, we are not pursuing it actively because of what is happening around us.

Vishal Manchanda – Systematix Group: Could you give an outlook on which geography you think is likely to perform better for you in the near term?

Management: Unlike last year, this time all our markets and all the geographies in which we operate will perform fairly well. Each of our subsidiaries will contribute to helping us achieve the objectives and goals that we have set out.

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Vishal Manchanda – Systematix Group: Are there any new geographies that you are looking to add?

Management: Europe is a continent by itself. It is a large continent and a cluster of different countries. We have just started there. That does not mean that we have conquered anything or created anything substantial there.

We have a long way to go in Europe, and we plan to expand that effort in the coming months and over whatever period it takes us to establish ourselves and become a prominent player in Europe, as we have done in the US and other markets.

Vishal Manchanda – Systematix Group: Are you planning anything along the lines of the recent acquisition by Zydus Wellness of Clinique, which is more of an e-commerce platform for OTC drugs? Would you consider anything along those lines?

Management: No. No. No.

Vishal Manchanda – Systematix Group: Got it. Thank you.

Operator: Thank you. The next question is from the line of Abhi Jain from AJ Capital. Please go ahead.

Abhi Jain – AJ Capital: Good evening. I hope I am audible.

Management: Yes, you are.

Abhi Jain – AJ Capital: My first question is on capital allocation. I am on slide 28, and I think the ROE and ROCE have obviously fallen over the last few years. We have close to 1,050–1,060 crores of cash, and most of it, as I see in the annual report, is sitting in FDs and current accounts, which are probably earning us 4–5% post-tax, against an operating ROCE of 20%.

I want to understand whether management is looking at better utilization of that cash reserve. Obviously, you need cash for acquisitions and organic growth, but can management plan better usage of the cash reserve that is not an imminent need? For example, index investing is something that can be explored, which gives us a yield of 9–10% with relatively low risk. This would help improve the drag on ROCE that has been occurring for quite some time. I wanted to understand your thoughts on that.

Management: We do not take that risk. We make sure that the money is safe. Our main aim is to use those funds to drive inorganic strategies, which will grow the company and its revenue generation.

For those acquisitions, we try to be conservative to make sure that we get a return on our investments relatively quickly and that the returns are lucrative. You have seen our Netherlands deal, and you will probably see, perhaps in the next 6 months, how our Germany deal has performed compared with what we invested.

We look for returns to come from those investments at a faster pace rather than putting the money into instruments that may or may not have risk and may have certain risk factors. We are averse to taking risks in that regard because those factors are beyond our control.

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Abhi Jain – AJ Capital: My second question is on the broad and general sustainable EBITDA margin. This quarter was very good in terms of EBITDA, whereas previous quarters were low.

Management: Sorry, you are not audible. Could you repeat that again?

Abhi Jain – AJ Capital: I was talking about gross margins, the 55–56% range. Your other expenses are approximately 33–34% of sales. I think that would give us an EBITDA of about 21–22% for this year. Is that understanding correct, or do you see the EBITDA percentage rationalizing?

Management: For this year, I think 21–22% is achievable.

Abhi Jain – AJ Capital: By the end of the year, 21–22% is achievable?

Management: Yes, by the end of the year, 21–22% is achievable.

Abhi Jain – AJ Capital: I hope that eventually you can start utilizing some part of that cash reserve toward a better-yielding product that is much safer, such as index investing or something similar. You can look at it in the future, or at least start with some portion, just to improve yields.

Companies across the world are doing it. Mr. Warren Buffett has been doing it for decades. I am pretty sure that the risks are manageable on a smaller scale. That is all. Thank you.

Management: All right. Thank you.

Operator: Before we take the next question, we would like to remind participants that you may press star and one to ask a question. The next question is from the line of Anand Maur from Ohm Advisors. Please go ahead.

Anand Maur – Ohm Advisors: Thank you for the opportunity. How much of the growth is organic in the UK and Europe? Also, what exactly is the 44 crores from Clinic that we have received?

Management: No, that is revenue. The 44 crores from Clinic is revenue. We have not received anything; it is the revenue. The growth from the UK is entirely organic. We have not undertaken any inorganic activity in the UK per se. Excluding the Clinic number, our Supriya UK business recorded growth of over 40% year-on-year during the quarter.

Anand Maur – Ohm Advisors: Noted. What does Clinic do, and similarly, can you brief us on what Supriya Now does?

Management: They are in the generic space, much like all our subsidiaries. Clinic is more RX-focused, while Supriya Now has both an RX and an OTC portfolio. However, they are more or less in the generic space, like all our subsidiaries.

Anand Maur – Ohm Advisors: Just a couple more questions. How do you see the European region shaping up over the next 3–5 years? Are you looking at more acquisitions?

Management: Europe is a large region consisting of many countries. Right now, we are present in only 2 countries: Germany and the Netherlands. We do plan to expand our presence across Europe, and most of that expansion will come through acquisitions or inorganic strategies.

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Over the next 3–5 years, or more or less within 5 years, we are hoping that the geography can generate approximately 1,000 crores.

Anand Maur – Ohm Advisors: Lastly, if I may, how is Goa Unit 2 progressing, and what is our capacity there?

Management: Goa Unit 2 is progressing. The {? Tepa ?} facility is progressing. We had projected revenue generation of approximately 80 crores from that plant. We are currently at more than 50 crores, so I think we are at approximately 60–65% there.

Anand Maur – Ohm Advisors: Thank you so much, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Aghesh Lakani from Unify AMC. Please go ahead.

Aghesh Lakani – Unify AMC: Congratulations on a very strong set of numbers. I want to understand the manufacturing side as well. You mentioned that you may run out of manufacturing capacity. Can you provide any incremental color in terms of assets that you are looking at, either greenfield or brownfield?

Management: We are looking at a couple of targets. It is too early to mention whether they will proceed as planned, but we have 1–2 years to work toward achieving those objectives.

If we have to achieve our 3–5-year plan, we are aware that we may need additional manufacturing capabilities, probably another unit in India. We are working in that direction, but nothing is concrete as of now because it is easier said than done. We need to make sure that we get it at the price we want, and that may take some time. It is a bit more interesting and challenging.

Aghesh Lakani – Unify AMC: Understood, Mark. There has been a certain benefit from having 2 units relatively close to each other in Goa. Do you have any specific location in mind, or are you open to going to a different state? I want to understand more about your flexibility regarding the geography of the facility.

Mark Saldanha – Founder, Chairman & Managing Director: There is no specific location. We do not mind expanding into another state. Goa was strategic, and we were lucky and fortunate that it unfolded the way it did.

That said, if there is something in a different state, we will obviously evaluate it on its merits and take a call at that time. As long as our objectives are achieved, we are comfortable exploring different states.

Aghesh Lakani – Unify AMC: Thank you. All the best.

Mark Saldanha – Founder, Chairman & Managing Director: Thank you.

Operator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital Advisors Limited. Please go ahead.

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Nitin Agarwal – DAM Capital Advisors Limited: Hi, Mark. I wanted to ask about your R&D efforts. Could you shed some light on how the R&D efforts have progressed over the last few quarters and what the major objectives of the R&D program are going forward?

Mark Saldanha – Founder, Chairman & Managing Director: Nitin, that is a good question. We are focusing on, and have placed a lot of emphasis on, R&D, product development, and different delivery dosage forms, which are a little more expensive in terms of getting them right.

A lot of work is happening in the background to differentiate our product basket. We have always been doing that, but as we grow bigger, we have better resources to invest in that area, and that is where you have seen some of the increase.

As and when new geographies come into play, new product portfolios also come into play, and our product basket is increasing in every geography. There is a lot of work being done in certain countries on our products, and we have taken the objective over the next 2–3 years of literally doubling our portfolio in every country in which we operate.

We are working hard toward achieving that, and that is what is driving our R&D costs right now.

Nitin Agarwal – DAM Capital Advisors Limited: In the US, I think approximately 70–75% of our business is OTC, if I am correct. The UK is a smaller part of Europe, and presumably the way we look to expand in Europe is through prescription products. Is it fair to assume that a lot of the European growth will again be driven by prescription products, or what kind of OTC percentage do you see playing out in Europe and the UK going forward?

Mark Saldanha – Founder, Chairman & Managing Director: The UK is equally distributed. We have approximately 50%, perhaps a 50–50 split, or maybe 45–55%, with 55% in RX and 45% in OTC. It is quite equally distributed.

In Europe, the mix will tilt more toward RX, perhaps 90%, 80%, or 85% RX and 15% OTC. That is the mix because Europe is primarily more of a prescription market than the other geographies in which we operate.

Nitin Agarwal – DAM Capital Advisors Limited: In the US, on the OTC side, have you seen any changes in market dynamics in terms of competitive intensity, the number of players coming in, new players entering, or players dropping out? Have there been any changes in the market over the last few quarters?

Mark Saldanha – Founder, Chairman & Managing Director: We do not see anything significant. Obviously, we see struggles because of the war and the geopolitical scenarios, especially around that country. We see fuel prices going up, and consumers struggling with the affordability of filling their gas tanks.

In terms of market dynamics, however, we do not see much change, particularly regarding competition and whether players are entering or exiting. We do see some of the big players struggling somewhat, but that is always good news for us.

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Nitin Agarwal – DAM Capital Advisors Limited: Lastly, on the US, how do you see our US geography shaping up, both from a qualitative and a quantitative perspective, over the next 3–5 years?

Mark Saldanha – Founder, Chairman & Managing Director: Our immediate outlook is that we no longer talk about 200 million. We are now working toward 300 million, and then we will probably look at 400 million over a horizon of perhaps 5 years. Our immediate objective is first to reach our next benchmark of 300 million in the US.

Nitin Agarwal – DAM Capital Advisors Limited: Will the composition of the business continue to be driven by OTC in the US?

Mark Saldanha – Founder, Chairman & Managing Director: It is OTC-driven, but RX is also seeing somewhat better traction. Historically, we were probably 90%, or perhaps 95%, OTC and 5% RX. That may change to 85–15%. However, OTC will still be our strength there.

Nitin Agarwal – DAM Capital Advisors Limited: Lastly, with the scale that you have achieved, you are probably working with most of the relevant OTC customers in the US. How are the scale you already have and your older relationships with some of these customers helping you build that business now?

Mark Saldanha – Founder, Chairman & Managing Director: They are helping us. As and when opportunities arise, we are the preferred choice of partners that these customers consider, and our product portfolio with each of those customers is increasing.

If we are supplying 10 items and there is potential to increase that by another 10 items for those customers, that is where the growth is generated. As I said, we are ensuring that US growth is also driven and that equal importance is given to strategic product portfolios where we believe there is a gap and where we can increase our market share relatively quickly.

However, this has to go through the entire ANDA approval process and everything that entails.

Nitin Agarwal – DAM Capital Advisors Limited: Thank you so much.

Mark Saldanha – Founder, Chairman & Managing Director: Thank you.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question. The next question is from the line of Jugal Shah, an individual investor. Please go ahead.

Jugal Shah – Individual Investor: Hi, Mark. Thank you for taking my question. I want to go back to the question about the use of cash. We have 1,000 crores of cash, while the top line is 3,000 crores, so that number sounds very conservative. I wanted to know whether there could be any larger acquisitions or inorganic growth over the next year, or whether smaller acquisitions will continue while we generate more cash flow as we move forward.

Mark Saldanha – Founder, Chairman & Managing Director: Anything is possible. If we are sitting on a corpus, it can be used for a decent-sized transaction, and we can explore different strategies in certain markets.

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Marksans Pharma

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If we acquire something in India, we would have to pay a higher valuation. I am not saying that we have anything in mind, but if an opportunity arises, we may have to pay a higher valuation. Suddenly, 200, 300, or 400 crores could go into that acquisition, and you might ask what happened to all the money and where it went.

That money would fuel our growth strategy. As I mentioned in my previous calls, this is the year in which we would be pursuing our inorganic strategy. Over the last couple of years, we have been focusing on, pushing, and integrating our organic strategy and ensuring that it takes shape.

This year, we are working toward the next leap, the next strategy, or the next growth strategy that we have in place for the company. This will evolve the company to an entirely different level.

Jugal Shah – Individual Investor: That is good to know, Mark. To add to that, I think we have reached a level where our platform is in place, and I am sure we are very confident in the management team. However, 15–20% growth seems very conservative for where we are right now. I hope we can try to achieve better growth. Growth of 20–25% should be the new normal, given where we are at this moment.

I am just being a little greedy, but we have a great management team, and you have been doing a great job for the company. I am hoping that we can be more aspirational.

Mark Saldanha – Founder, Chairman & Managing Director: I am sure. In my last call, we spoke about doubling our revenue. How many companies do you know that talk about doubling their revenue? We have achieved 3,000 crores, and we are now providing visibility of doubling our revenue within the next 5 years.

That itself is significant. We still have to work toward it, and we are quite optimistic that we will achieve it.

Jugal Shah – Individual Investor: Thank you, Mark.

Mark Saldanha – Founder, Chairman & Managing Director: Thank you.

Operator: As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Mark Saldanha – Founder, Chairman & Managing Director: Thank you, everyone, for taking the time and spending your valuable time on this call. Have a great evening, and be safe. Thank you.

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

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