Choice Institutional Equities

Marksans Pharma: Growth Initiatives Gain Traction

November 05, 2026 | CMP: INR 314 | Target Price: INR 385

Expected Share Price Return: 21.7% I Dividend Yield: 0.3% I Potential Upside: 22.0%

BUY

Sector View: Positive

Q2FY27 Result Update

Change in Estimates	✓
Change in Target Price	✗
Change in Recommendation	✗

Company Info	
BB Code	MRKS IN EQUITY
Face Value (INR)	1.0
52-week High/Low (INR)	351 / 156
Mkt Cap (Bn)	INR 142.5 / USD 1.5
Shares o/s (Mn)	453.2
3M Avg. Daily Volume	32,93,774

Change in CIE Estimates

	FY27E			FY28E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	36.3	34.9	3.9	41.6	41.0	1.5
EBITDA	7.8	7.5	3.9	9.6	9.4	1.5
EBITDAM %	21.5	21.5	-	23.0	23.0	0 bps
PAT	5.6	5.5	2.1	7.0	7.0	(0.5)
EPS (INR)	12.4	12.1	2.1	15.4	15.4	(0.5)

Actual vs CIE Estimates

INR Bn	Q2FY27A	CIE Estimate	Dev.%
Revenue	9.4	8.9	5.8
EBITDA	2.1	2.2	(0.8)
EBITDAM %	22.8	24.3	(150) bps
PAT	1.4	1.6	(10.6)

Key Financials

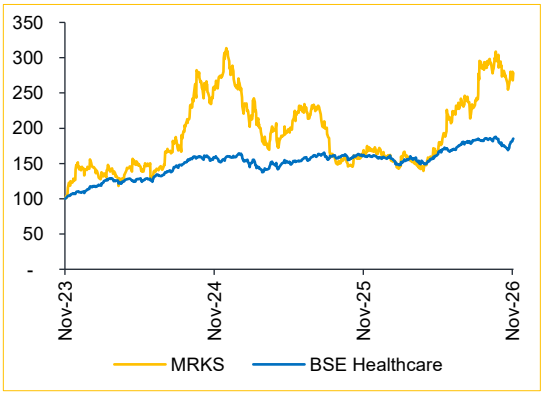
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	26.2	29.5	36.3	41.6	47.8
YoY (%)	20.5	12.5	22.9	14.8	14.8
EBITDA	5.3	6.0	7.8	9.6	11.0
EBITDAM %	20.2	20.4	21.5	23.0	23.0
Adj PAT	3.8	4.2	5.6	7.0	8.1
EPS (INR)	8.4	9.2	12.4	15.4	17.8
ROE %	15.4	13.8	15.8	16.6	16.3
ROCE %	20.5	19.0	21.3	22.3	21.9
PE (x)	37.3	34.0	25.4	20.4	17.6
EV/EBITDA (x)	26.0	22.7	17.1	13.4	11.2

Shareholding Pattern (%)

	Sep 2026	Jun 2026	Mar 2026
Promoters	43.87	43.87	43.87
FIIs	19.06	17.47	16.76
DIIs	5.54	6.19	6.57
Public	31.53	32.46	32.78

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	85.2	17.1	14.7
MRKS	178.4	7.8	67.9



Growth Initiatives Translate into Stronger Earnings Momentum

We continue to maintain our positive view on MRKS as its ***growth initiatives increasingly translate into financial performance***. The company remains ***on track to achieve its target of INR 40 Bn in revenue by FY28E***, supported by continued momentum in the US, robust expansion across Europe and transition towards a branded Rx model in Australia. ***EBITDA margin*** is anticipated to remain ***in the 21.5–23% range*** in near-term, supported by improving utilisation at Teva and a favourable product mix.

We forecast Revenue/EBITDA/PAT to expand at a CAGR of 17.5%/22.3%/24.5% over FY26–29E and maintain our target price at **INR 385**, with a **'BUY'** rating. The valuation remains supported by a **PEG of 0.9x**.

Healthy YoY Growth across Metrics

- Revenue grew 30.5% YoY / 11.8% QoQ to INR 9,402 Mn, (vs. CIE estimate of INR 8,890 Mn).
- EBITDA grew 48.3% YoY / 0.6% QoQ to INR 2,143 Mn; margin expanded 274 bps YoY but contracted 254 bps QoQ to 22.8% (vs. CIE estimate of 24.3%).
- PAT increased 43.9% YoY but declined 10.1% QoQ to INR 1,413 Mn (vs. CIE estimate of INR 1,581 Mn).

Geographic Expansion and Scale-up to Support INR 40 Bn FY28E Vision

MRKS continues to deliver a healthy growth, with the ***management reiterating its revenue target of ~INR 4,000 Cr by FY28E***. We project a revenue CAGR of 17.5% in FY26–29E, driven by the following factors:

- **North America and the US**: Growth is anticipated to be driven by deeper SKU penetration among existing customers, supported by a ***strong order book*** of ~USD 300 Mn over the next three years and sustained traction in OTC products. The company has also incorporated a new entity in Canada, with product filings under way.
- **Europe and the UK:** Unlike the US, where growth is driven primarily by deeper customer penetration and new product launches, ***Europe offers opportunities through geographic expansion and acquisitions***. We believe the Netherlands acquisition provides an immediate revenue base, contributing ~10% of Europe revenue. Germany and Ireland are projected to emerge as additional growth contributors.
- **Australia and New Zealand:** The business is transitioning from an OTC-focused portfolio towards branded Rx through the Nova Pharma acquisition. This shift is expected to support stronger and more sustainable growth.

Particulars (INR Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Revenue	9,402	7,204	30.5	8,408	11.8
Cost of Goods Sold	3,901	3,086	26.4	3,435	13.6
Gross Margin (%)	58.5	57.2	135 bps	59.2	(64) bps
Operating Expenses	3,358	2,673	48.4	2,843	32.6
EBITDA	2,143	1,445	48.3	2,130	0.6
EBITDA Margin (%)	22.8	20.1	274 bps	25.3	(254) bps
Depreciation	321	269	19.3	249	29.1
Interest	68	58	17.4	70	(2.5)
PBT	1,935	1,333	45.1	2,066	(6.3)
Tax	500	342	46.2	472	6.0
PAT	1,413	983	43.9	1,572	(10.1)
EPS (INR)	3.1	2.2	43.9	3.5	(10.1)

Geographical Mix (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
US & North America	3,772	3,276	15.1	4,062	(7.1)
Europe & UK	3,560	2,038	74.7	3,077	15.7
Australia & New Zealand	876	570	53.7	1,234	(29.0)
RoW	200	316	(36.7)	189	5.8

Source: MRKS, Choice Institutional Equities

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Management Call – Highlights

The company continues to target INR 40 Bn revenue within two years, supported by organic growth, new product launches and selective M&A.

Growth is expected to become increasingly diversified across the US, UK/Europe, Australia and other subsidiaries, reducing dependence on any single market.

US and North America Business

- North America remains the company's largest market and a key growth driver, supported by an established customer base and a healthy order book.
- The management remains positive on the US market despite macroeconomic uncertainty and geopolitical challenges. Prescription product price erosion remains in single digit.
- The company continues to expand its US portfolio through regular ANDA filings, with another 5–6 filings planned by March 2027.
- ***The management targets building the US order book to USD 300 Mn over the next 2–3 years, reflecting confidence in the medium-term growth opportunity.***

UK and Europe Business

- The UK business has recovered from the subdued FY26 performance, supported by new launches, portfolio expansion and improved market positioning.
- The management sees ***scope for sustained UK growth***, backed by a healthy pipeline across filings, registrations and approvals. Multiple approvals are targeted each quarter.
- ***The company is strengthening its Europe commercial infrastructure through Clinic in the Netherlands and ABCnow GmbH in Germany.***
- The acquisitions provide a platform to introduce existing and new products across these markets. Further inorganic opportunities in Europe remain under evaluation.
- The management targets Europe revenue of ~INR 10,000 Mn over the next five years, with the region positioned as an important growth driver.

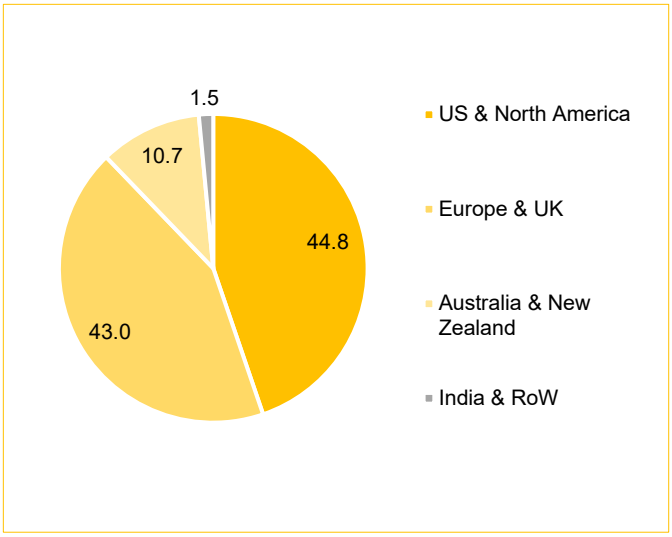
Australia and New Zealand Business

- ***Growth in Australia and New Zealand is being driven by the branded prescription strategy under Nova Pharma.***
- Nova serves as the company's front-end platform for marketing products in Australia, with the Australian business routed through the subsidiary.
- The management highlighted a strong traction in the Rx division, with growth materially above the previous-year level.
- The company remains focussed on expanding its branded prescription portfolio and deepening market penetration.
- The management targets scaling up of the Australian business to USD 100 Mn over the next three years.

Outlook

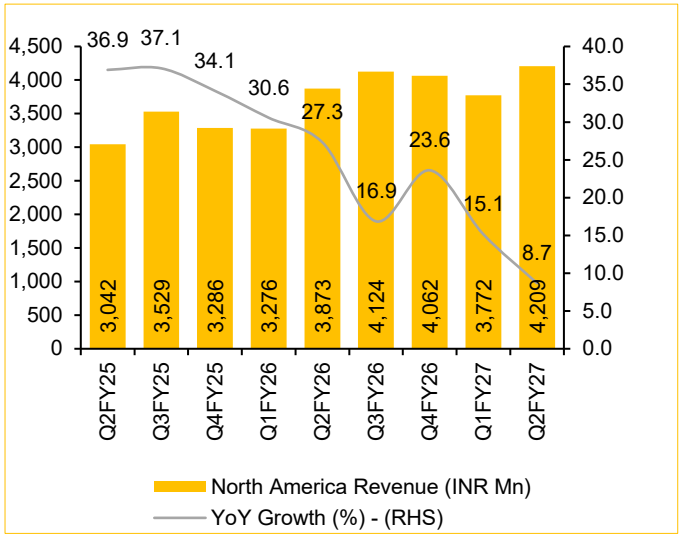
- The management ***targets revenue of ~INR 40,000 Mn next year***, followed by longer-term milestones of INR 50,000 Mn and INR 60,000 Mn.
- The company is evaluating an additional manufacturing block or the acquisition of another facility to support its next growth phase.
- Focus remains on niche and complex molecules, first-to-market opportunities and regular filings across key markets.

Q2FY27 Segment Revenue Split (INR 9.4 Bn)



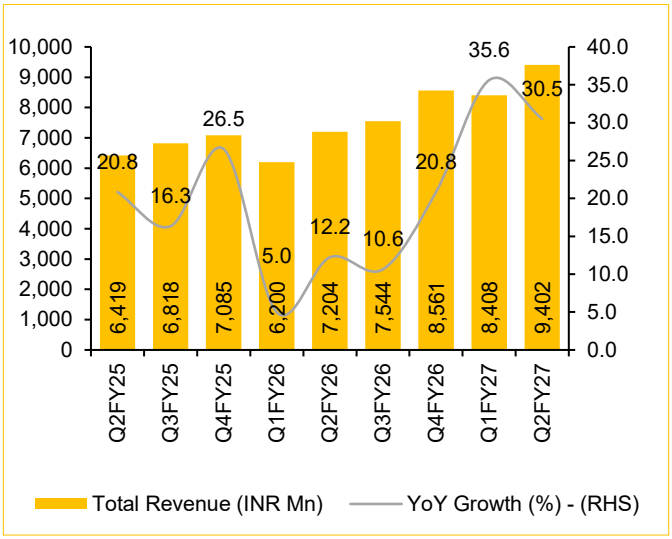
Source: MRKS, Choice Institutional Equities

North America Maintains Growth Momentum



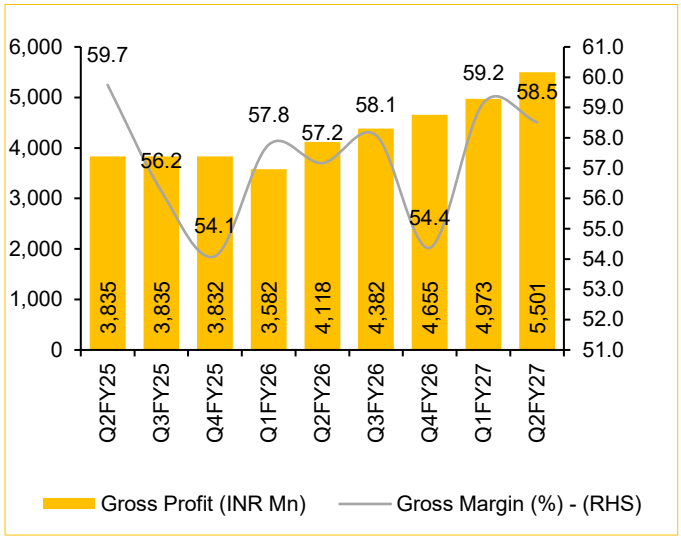
Source: MRKS, Choice Institutional Equities

Revenue sees Strong Growth



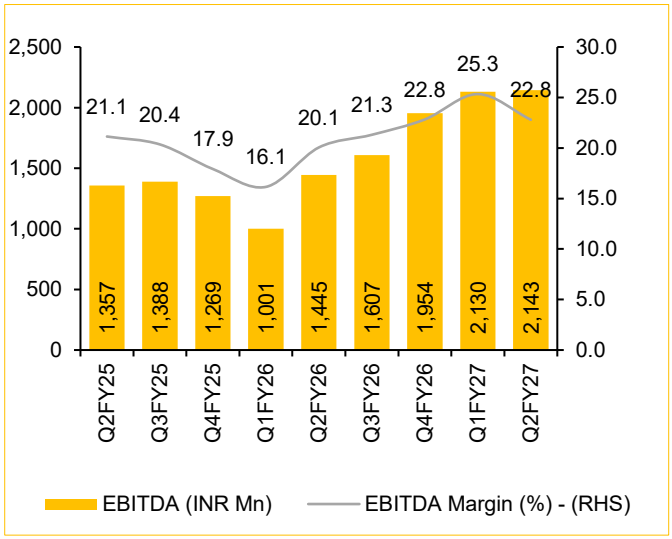
Source: MRKS, Choice Institutional Equities

Gross Margin Rebounds with Better Mix



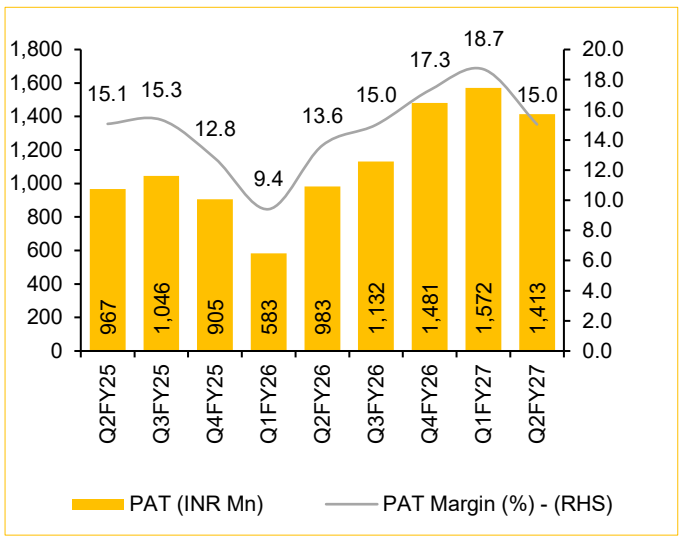
Source: MRKS, Choice Institutional Equities

EBITDA sees Robust YoY Growth



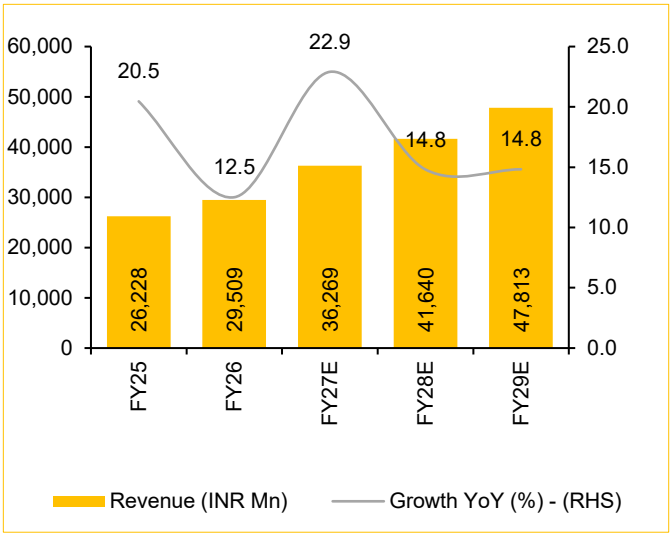
Source: MRKS, Choice Institutional Equities

PAT below Estimate



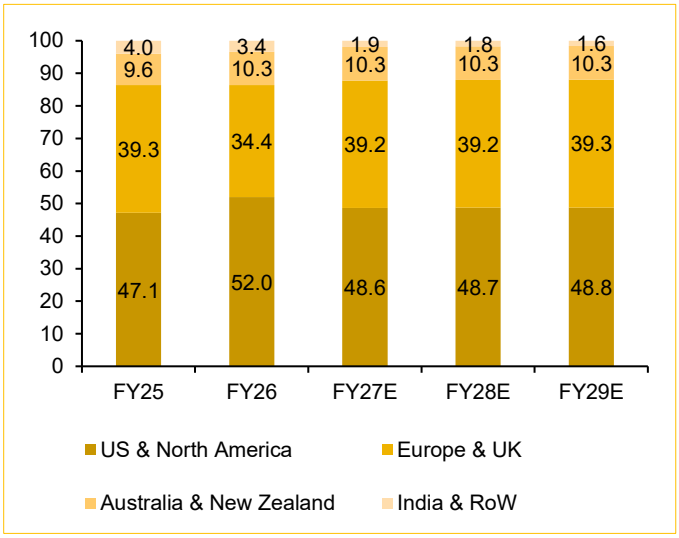
Source: MRKS, Choice Institutional Equities

Revenue Forecast to Expand at 17.5% CAGR over FY26–29E



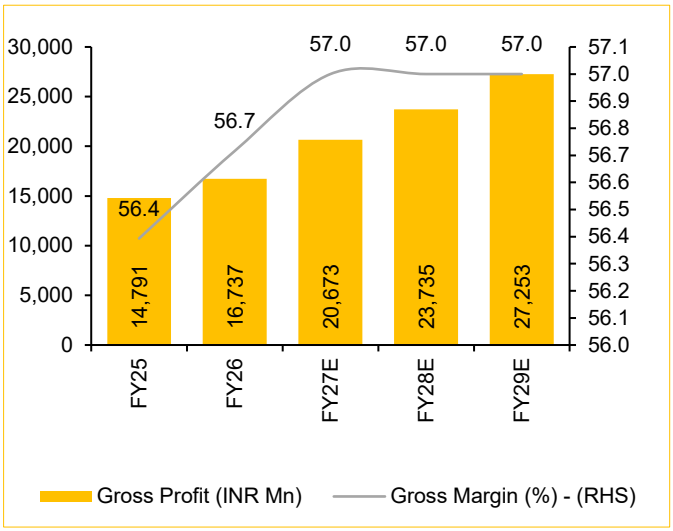
Source: MRKS, Choice Institutional Equities

US and EU Remain Key Revenue Contributors



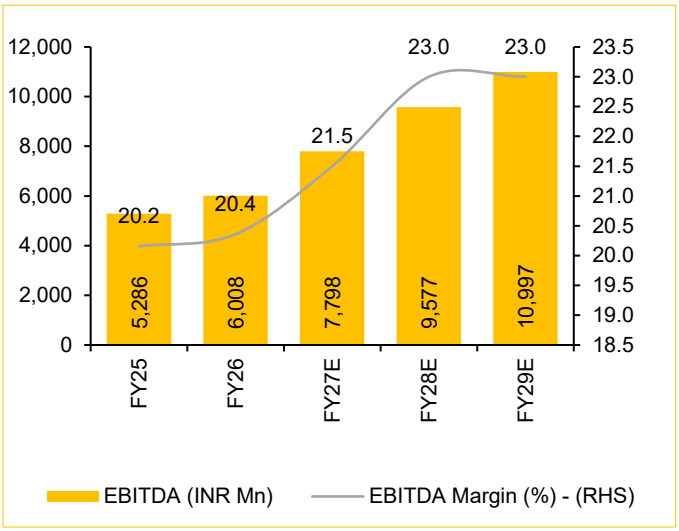
Source: MRKS, Choice Institutional Equities

Gross Margin Likely to Remain in Similar Range



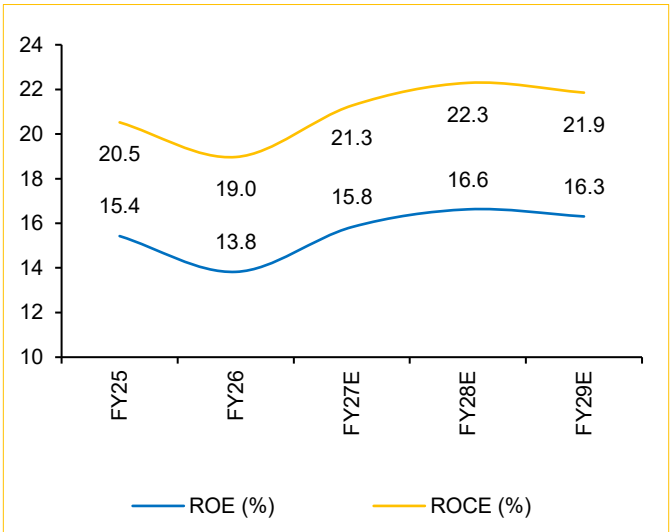
Source: MRKS, Choice Institutional Equities

EBITDA Margin Poised to Expand with Better Mix and Leverage



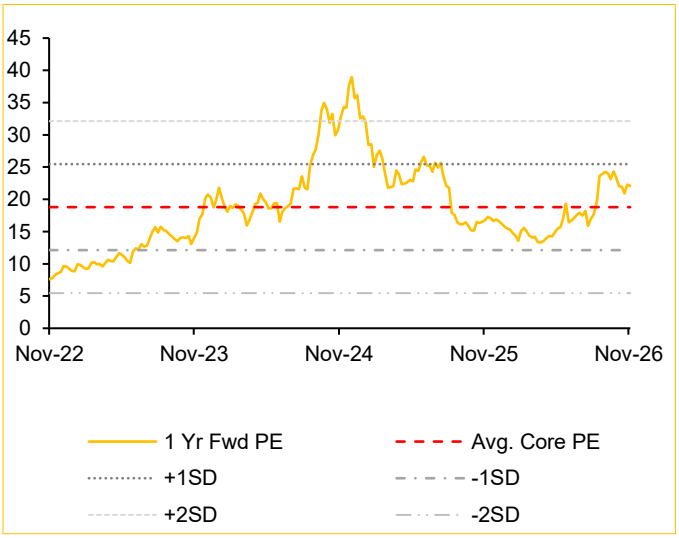
Source: MRKS, Choice Institutional Equities

ROE and ROCE trend



Source: MRKS, Choice Institutional Equities

1-year Forward PE Band



Source: MRKS, Choice Institutional Equities

Income Statement (INR Mn)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	26,228	29,509	36,269	41,640	47,813
Gross Profit	14,791	16,737	20,673	23,735	27,253
EBITDA	5,286	6,008	7,798	9,577	10,997
Depreciation	834	986	1,053	1,148	1,243
EBIT	5,156	5,847	7,652	9,471	10,950
Other Income	704	825	907	1,041	1,195
Interest Expense	117	241	185	185	185
PBT	5,040	5,606	7,467	9,286	10,765
Reported PAT	3,806	4,179	5,600	6,964	8,074
EPS (INR)	8.4	9.2	12.4	15.4	17.8

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	20.5	12.5	22.9	14.8	14.8
Gross Profit	29.8	13.2	23.5	14.8	14.8
EBITDA	20.2	20.4	21.5	23.0	23.0
PAT	21.3	9.8	34.0	24.4	15.9
Margins (%)					
Gross Profit Margin	56.4	56.7	57.0	57.0	57.0
EBITDA Margin	20.2	20.4	21.5	23.0	23.0
PBT Margin	19.2	19.0	20.6	22.3	22.5
Tax Rate	24.1	25.1	25.0	25.0	25.0
PAT Margin	14.5	14.2	15.4	16.7	16.9
Profitability (%)					
ROE	15.4	13.8	15.8	16.6	16.3
ROIC	19.9	18.4	22.0	25.0	26.6
ROCE	20.5	19.0	21.3	22.3	21.9
Financial Leverage (x)					
OCF/EBITDA	0.6	1.0	0.8	0.9	0.9
OCF/Net Profit	0.5	1.1	0.8	0.9	0.9
Debt to Equity	0.0	0.0	0.0	0.0	0.0
Interest Coverage	44.2	24.2	41.4	51.3	59.3
Working Capital					
Inventory Days	270	278	260	260	260
Debtor Days	75	80	80	80	80
Payable Days	98	96	95	95	95
Cash Conversion Cycle	247	261	245	245	245
Valuation Metrics					
No of Shares (Mn)	453.2	453.2	453.2	453.2	453.2
EPS (INR)	8.4	9.2	12.4	15.4	17.8
BVPS (INR)	54.4	66.7	78.1	92.4	109.3
Market Cap (INR Bn)	142.1	142.1	142.1	142.1	142.1
PE (x)	37.3	34.0	25.4	20.4	17.6
P/BV (x)	5.8	4.7	4.0	3.4	2.9
EV/EBITDA (x)	26.0	22.7	17.1	13.4	11.2
EV/Sales (x)	5.2	4.6	3.7	3.1	2.6

Source: MRKS, Choice Institutional Equities

Balance Sheet (INR Mn)

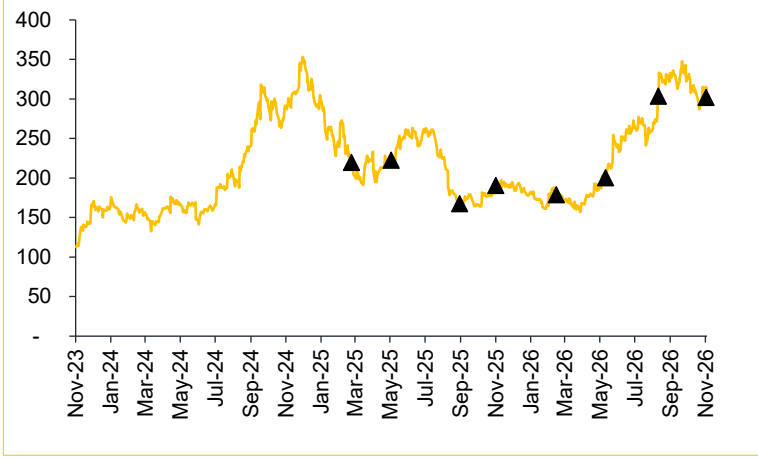
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	24,669	30,232	35,379	41,890	49,511
Borrowings	231	296	296	296	296
Trade Payables	3,057	3,369	4,059	4,660	5,351
Other Non-current Liabilities	2,729	2,811	2,811	2,811	2,811
Other Current Liabilities	1,486	1,606	1,606	1,606	1,606
Minority Interest	225	295	295	295	295
Total Net Worth & Liabilities	**32,396**	**38,609**	**44,446**	**51,559**	**59,870**
Net Block	5,795	6,250	6,198	6,050	5,807
Capital WIP	90	148	148	148	148
Goodwill & Intangible Assets	956	1,182	1,182	1,182	1,182
Investments	7	0	0	0	0
Trade Receivables	5,400	6,446	7,949	9,127	10,480
Cash & Cash Equivalents	7,042	9,897	12,896	17,334	22,644
Other Non-current Assets	3,515	3,801	3,801	3,801	3,801
Other Current Assets	9,591	10,885	12,272	13,917	15,808
Total Assets	**32,396**	**38,609**	**44,446**	**51,559**	**59,870**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	2,067	4,581	4,638	6,076	6,948
Cash Flows from Investing	(490)	(2,483)	(1,000)	(1,000)	(1,000)
Cash Flows from Financing	(651)	(709)	(638)	(638)	(638)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden (%)	75.5	74.6	75.0	75.0	75.0
Interest Burden (%)	97.7	95.9	97.6	98.0	98.3
EBIT Margin (%)	19.7	19.8	21.1	22.7	22.9
Asset Turnover (x)	0.8	0.8	0.8	0.8	0.8
Equity Multiplier (x)	1.3	1.3	1.3	1.2	1.2
ROE (%)	**15.4**	**13.8**	**15.8**	**16.6**	**16.3**

Source: MRKS, Choice Institutional Equities

Historical Price Chart: MRKS



Date	Rating	Target Price
February 13, 2025	BUY	310
May 21, 2025	BUY	315
August 14, 2025	ADD	210
November 17, 2025	ADD	210
February 09, 2026	BUY	225
May 28, 2026	ADD	290
August 14, 2026	BUY	385
November 05, 2026	BUY	385

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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