

Marksans Pharma Ltd.

February 13, 2025 | CMP: INR 252 | Target Price: INR 310

BUY

Excepted Share Price Return: 22.8% | Dividend Yield: 0.24% | Expected Total Return: 23.0%

Change in Estimates	✓
Target Price Change	✓
Recommendation	✗

Company Info

BB Code	MRKS IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	358/126
Mkt Cap (Bn)	INR 113.7 / \$ 1.4
Shares o/s (Mn)	453.1
3M Avg. Daily Volume	18,73,317

Change in Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	30.0	31.5	-4.6	36.0	37.2	-3.2
EBITDA	6.6	7.2	-8.8	8.1	8.6	-5.3
EBITDAM %	21.8	22.8	-100.0	22.6	23.1	-50.0
PAT	4.8	5.3	-8.7	6.1	6.4	-4.9
EPS	10.7	11.7	-8.7	13.4	14.1	-4.9

Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	6.8	6.7	1.7
EBITDA	1.4	NA	NA
EBITDAM %	20.3	NA	NA
PAT	1.1	1.0	2.8

Key Financials

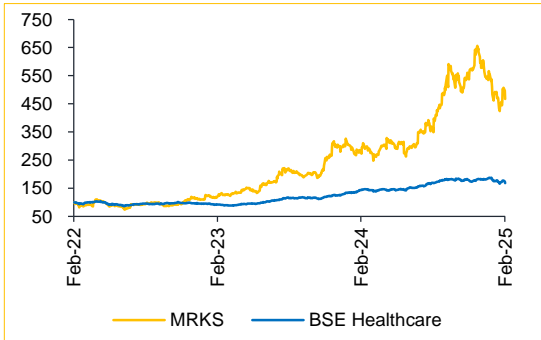
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	18.5	21.8	26.2	30.0	36.0
YoY (%)		17.6	20.3	14.7	19.7
EBITDA	3.4	4.6	5.5	6.6	8.1
EBITDAM %	18.3	21.1	21.1	21.8	22.6
Adj PAT	2.7	3.1	4.0	4.8	6.1
EPS	5.9	6.9	8.8	10.7	13.4
ROE %	15.3	15.2	16.4	16.8	17.7
ROCE %	14.9	15.0	16.2	16.7	17.6
PE(x)	42.9	36.4	28.7	23.7	18.8
EV/EBITDA	32.7	24.1	20.1	16.6	13.4
BVPS	38.5	45.6	53.6	63.4	75.7
FCF	2.9	4.4	2.9	4.4	3.2

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	43.87	43.87	43.87
Fils	21.95	21.31	18.59
DlIs	4.30	4.10	3.75
Public	29.88	30.70	33.77

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	67.7	82.1	16.6
MRKS	364.7	285.5	70.4



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All-time high and in-line quarterly Revenue, EBITDA, and PAT; EBITDA margin impacted due to investment in the TEVA facility

- Revenue came at INR 6.8 Bn (vs. CEBPL est. of INR 7.1 Bn), up 16.3% YoY and up 6.2% QoQ.
- EBITDA came at INR 1.4 Bn (vs. CEBPL est. of INR 1.6 Bn), up 4.3% YoY and up 2.2% QoQ. EBITDA margin came at 20.3% (vs. CEBPL est. of 22.5%), contracted by 235bps YoY and 79bps QoQ.
- PAT came at INR 1.1 Bn (vs. CEBPL est. of INR 1.1 Bn), up 26.6% YoY and up 7.4% QoQ, with a PAT margin of 15.4% (vs 14.2% in Q3FY24).

Growth supported via acquisition and ramping-up of TEVA facility

MRKS aims to drive growth through strategic acquisitions, particularly in the European market (38% of revenue), as well as other growth markets. The company plans to expand its market presence by acquiring front-end marketing and distribution companies. We expect the growth to be achievable due to a strong balance sheet of around INR 6,500 Mn. of cash. Continuous focus on R&D and capacity expansion by acquiring TEVA facility will support the launch of new products in the pipeline. The facility is currently generating INR 4,500 Mn. of revenue which is expected to achieve INR 6,000 Mn. by FY26. We expect that the TEVA facility will help supplement the growth, by new product launches and enhancing supply management.

Doubling revenue in the US and North America market; from 9 Bn. to 18 Bn. by FY27

During the quarter, US outpaced the company's overall growth, more than doubling the company's revenue growth, supported by introduction of new products and increased market share. We expect that the doubling of US revenue will be supported by leveraging product launches, supply chain efficiency, and leveraging its low-cost manufacturing base in India to supply the US market. In FY24, US contributed 42% of the total revenue which is expected to be around 50% by FY27. The company target of achieving revenue of INR 30,000mn by FY26, with major growth coming from US market.

View and Valuation: We anticipate the company's growth will be driven by expanding the OTC business (high-margin compared to prescription), aiming to double revenue in the US market, healthy product pipeline (76 products), backward integration to improve margins, growth via acquisitions, and expansion of TEVA facility. We maintain our BUY rating with a revised target price of INR 310 valuing on 23x of FY27E EPS (earlier 30x, revised due to US uncertainties), reflecting a CAGR of 18.2%/21%/24.7% for revenue/EBITDA/PAT over FY24-27.

Particulars (INR Mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	6,818	5,861	16.3	6,419	6.2
Cost of Goods Sold	2,983	2,728	9.4	2,584	15.5
Gross Profit	3,835	3,133	22.4	3,835	(0.0)
Gross Margin (%)	56.2	53.5	279 bps	59.7	(350)bps
Employee & Other Expenses	2,447	1,803	35.8	2,478	(1.3)
EBITDA	1,387	1,330	4.3	1,357	2.2
EBITDA Margin (%)	20.3	22.7	(235)bps	21.1	(79)bps
Depreciation	207	220	(6.0)	195	6.0
EBIT	1,180	1,110	6.3	1,162	1.6
Interest	27	32	(15.6)	26	1.3
PBT	1,432	1,127	27.1	1,246	14.9
Tax	382	297	28.6	268	42.3
PAT	1,050	830	26.6	978	7.4
PAT Margin (%)	15	14	125 bps	15	17 bps
EPS	2.3	1.8	26.6	2.2	7.4

Management Call - Highlights

US Business

- In 9MFY25, revenue reached INR 908cr, up 34.9% YoY, contributing 47.4% of total revenue.
- The business outpaced overall company growth, driven by new product launches and higher market share.
- Marksans manufactures in both India and the US, leveraging low-cost Indian production for exports while maintaining US operations.
- New product launches will drive future growth, alongside enhanced supply chain efficiency.

Europe Business

- In 9MFY25, revenue contributed INR 758cr, up 6.4% YoY, accounting for 39.5% of total revenue.
- Warm winter conditions affected seasonal demand in the UK market, leading to slower growth.
- Marksans is actively looking at acquisitions in Europe to strengthen marketing and distribution capabilities.
- 34 Products Filed in the UK – The company expects growth acceleration as new product approvals drive market expansion.
- Management aims to double UK revenue in 5-7 years and establish a stronger presence in continental Europe.
- The company plans to acquire front-end marketing and distribution firms to strengthen European operations.

TEVA Facility

- The Teva facility generates INR 4,500 million in revenue, with a target of INR 6,000 million by FY26.
- The first phase of expansion is completed, with a focus on scaling to INR 50 crore/month before reaching INR 80 crore/month.
- Current utilization is only ~20%, leaving ample room for growth and efficiency gains.
- 80% of planned workforce hiring is complete, and further CapEx investments will be incremental.
- This facility will support new product launches and improve supply chain management, further supplementing growth.

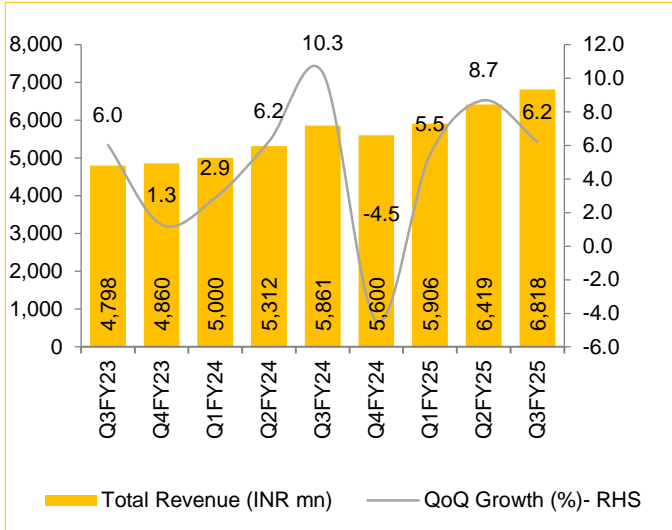
Other

- Freight cost for the quarter was INR 400mn, which impacted the margins.
- Cash balance- INR 6,700mn
- Strong Balance Sheet with INR 6,500mn Cash Reserves – Provides the financial flexibility for acquisitions and expansion.
- Marksans is on track to reach this milestone, with internal discussions already moving toward INR 4,000 crore targets.
- Marksans expects to consider further capacity expansion by mid-FY26 to support growth beyond INR 4,000 crores.

- Marksans sees Europe as the next major revenue driver, complementing US growth.

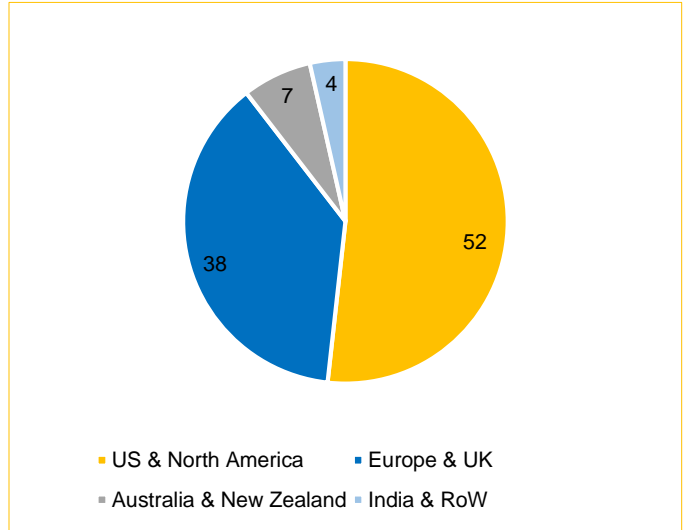
- The company is in discussions with two potential acquisition targets

Revenue growth led by North America region



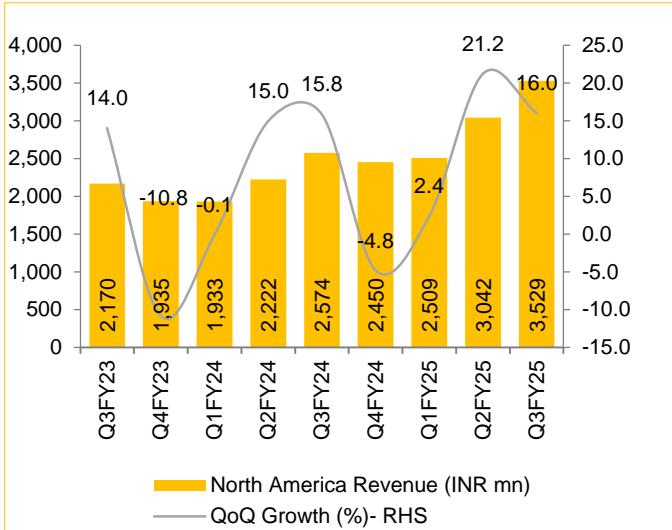
Source: Company, CEBPL

Revenue split for Q3FY25 (INR 6.8 bn)



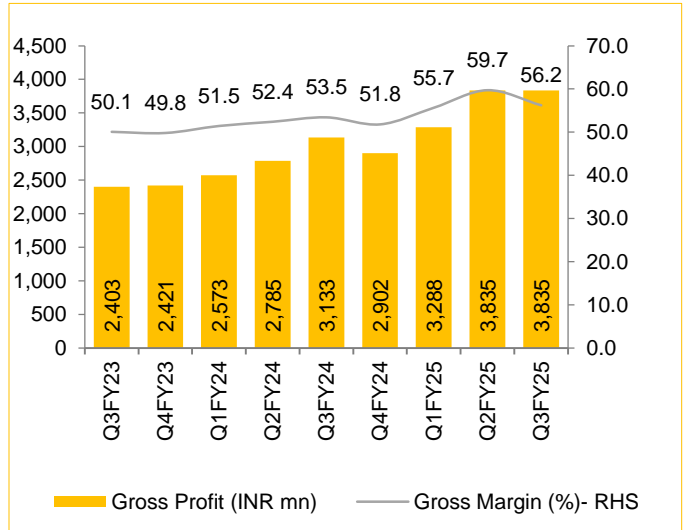
Source: Company, CEBPL

Increased revenue from new products and increase in market share



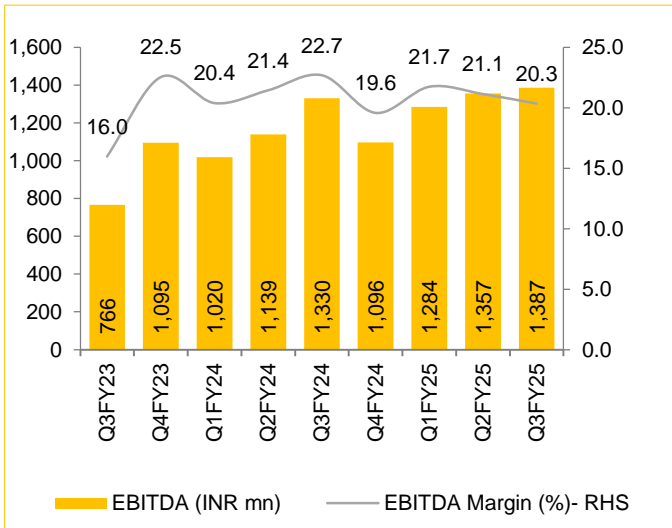
Source: Company, CEBPL

Improvement in product mix drove 279bps YoY expansion



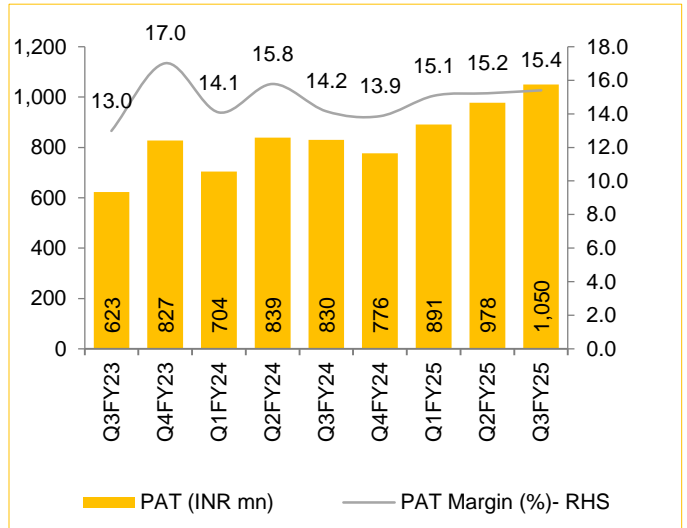
Source: Company, CEBPL

Investment in TEVA facility impacted EBITDA Margin



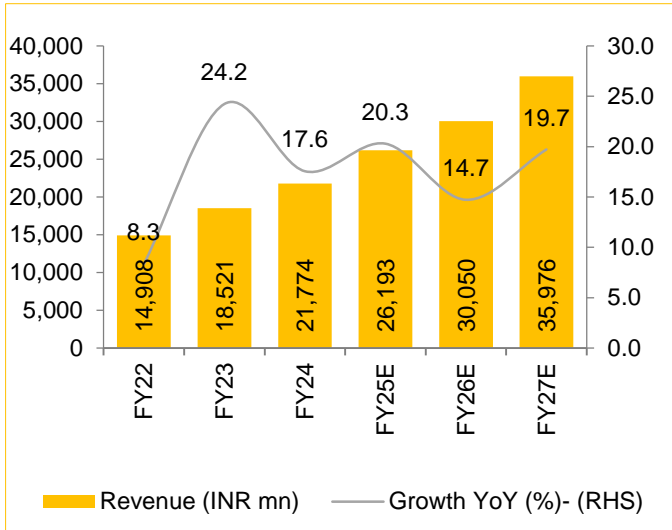
Source: Company, CEBPL

All-time high quarterly PAT



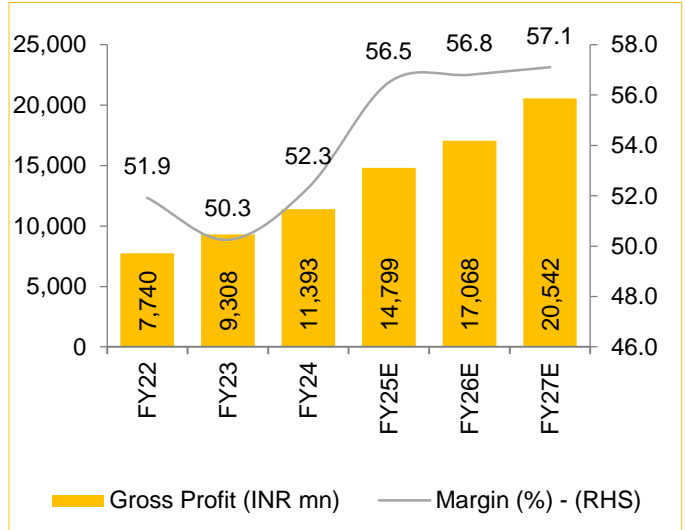
Source: Company, CEBPL

Strong revenue growth driven by new launches



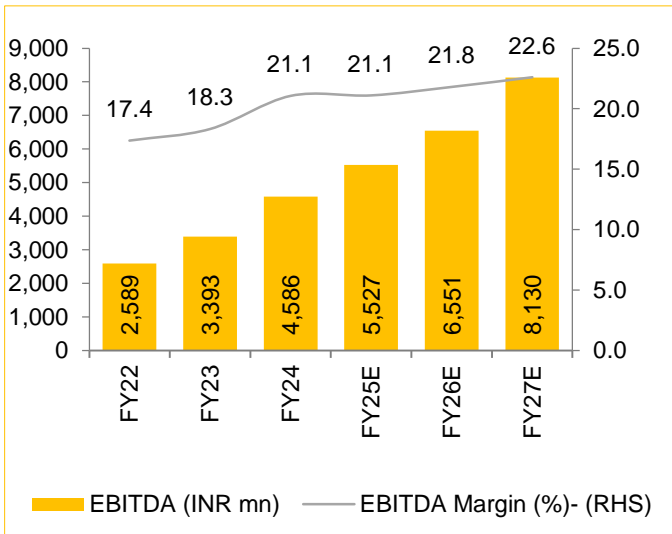
Source: Company, CEBPL

Gradual gross margin expansion



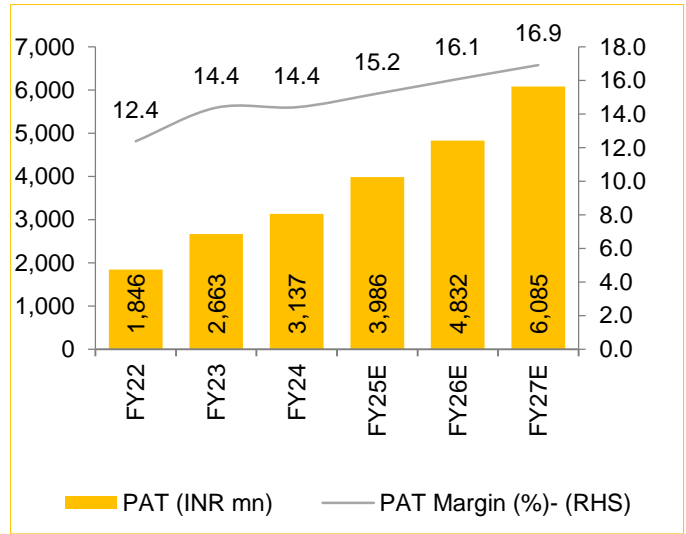
Source: Company, CEBPL

EBITDA margin to remain at around 21-22%



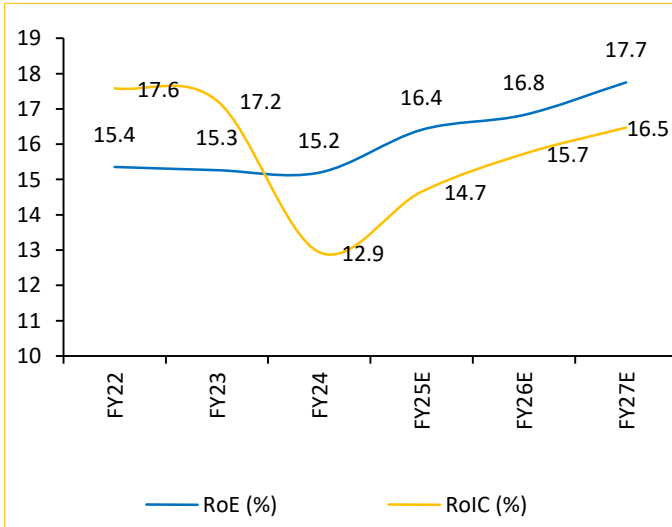
Source: Company, CEBPL

PAT to grow at a CAGR of 25% over FY24-27



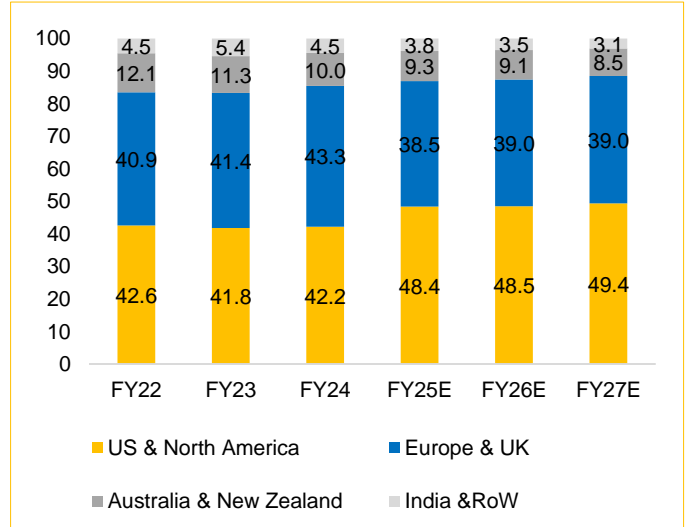
Source: Company, CEBPL

ROE and ROIC Trends



Source: Company, CEBPL

US & UK to continue holding the majority of the market



Source: Company, CEBPL

Income Statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	18,521	21,774	26,193	30,050	35,976
Gross Profit	9,308	11,393	14,799	17,068	20,542
EBITDA	3,393	4,586	5,527	6,551	8,130
Depreciation	519	743	833	852	927
EBIT	3,468	4,347	5,427	6,541	8,211
Other Income	593	504	733	841	1,007
Interest Expense	91	112	112	98	97
PBT	3,377	4,235	5,314	6,442	8,113
Reported PAT	2,663	3,137	3,986	4,832	6,085
EPS	5.9	6.9	8.8	10.7	13.4

Source: Company, CEBPL

Balance Sheet (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	17,452	20,651	24,298	28,719	34,286
	416	291	291	291	291
Borrowings	2,306	2,683	3,014	3,458	4,140
Trade Payables	843	2,052	2,032	2,012	1,992
Other Non-current Liabilities	688	925	664	599	552
Other Current Liabilities	199	209	209	209	209
Total Net Worth & Liabilities	21,904	26,809	30,506	35,286	41,469
Net Block	3,796	6,757	7,174	7,374	7,526
Capital WIP	72	54	54	54	54
Goodwill & Intangible Assets	1,067	1,002	1,002	1,002	1,002
Investments	5	270	270	270	270
Trade Receivables	4,168	4,532	6,100	6,998	8,378
Cash & Cash Equivalents	7,150	6,736	6,505	8,278	8,634
Other Non-current Assets	215	371	600	681	806
Other Current Assets	5,430	7,087	8,801	10,629	14,799
Total Assets	21,904	26,809	30,506	35,286	41,469

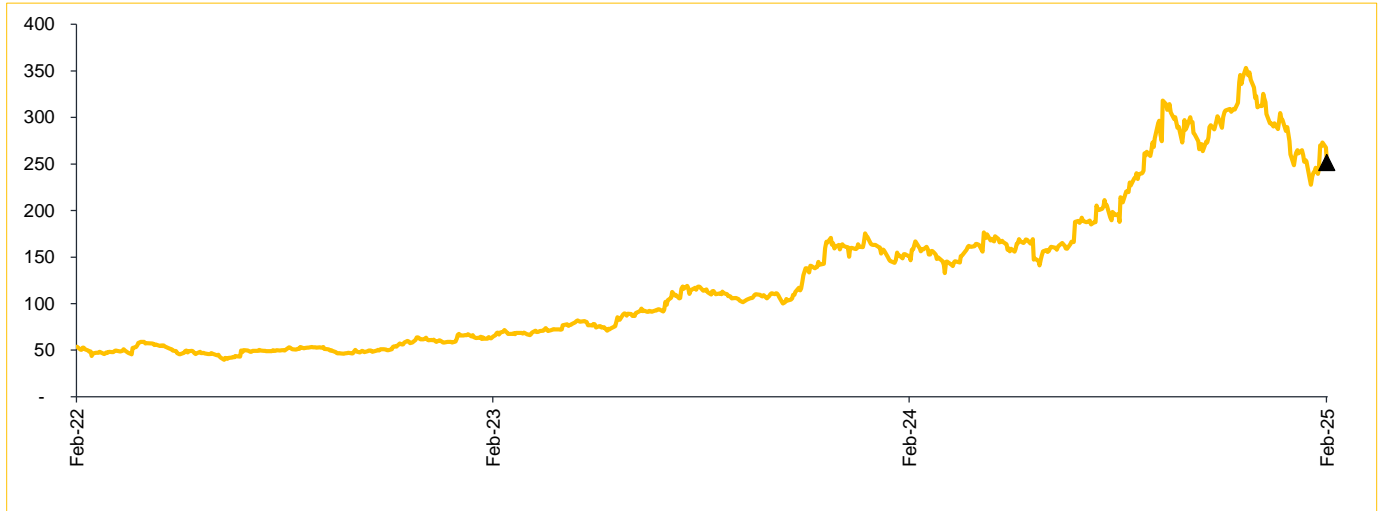
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash Flows From Operations	2,374	2,304	1,611	3,383	2,100
Cash Flows From Investing	(2,592)	(1,497)	(1,250)	(1,052)	(1,079)
Cash Flows From Financing	1,978	(688)	(501)	(559)	(665)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenues	24.2	17.6	20.3	14.7	19.7
EBITDA	31.1	35.1	20.5	18.5	24.1
PAT	44.3	17.8	27.1	21.2	25.9
Margins					
EBITDA Margin	18.3	21.1	21.1	21.8	22.6
PAT Margin	14.4	14.4	15.2	16.1	16.9
Profitability					
Return on Equity (ROE)	15.3	15.2	16.4	16.8	17.7
Return on Invested Capital (ROIC)	17.2	12.9	14.7	15.7	16.5
Return on Capital Employed (ROCE)	14.9	15.0	16.2	16.7	17.6
Financial Leverage					
Pre-tax OCF/EBITDA (x)	0.9	0.7	0.5	0.8	0.5
OCF / Net profit (x)	0.9	0.7	0.4	0.7	0.3
EV/EBITDA (x)	32.7	24.1	20.1	16.6	13.4
Turnover Ratios (Days)					
Inventory Days	192	217	220	220	220
Receivable Days	82	76	85	85	85
Creditor Days	45	45	42	42	42
Working Capital Days	229	248	263	263	263
Financial Stability Ratios					
Net debt to Equity (x)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
Net debt to EBITDA (x)	(1.0)	(0.8)	(0.6)	(0.8)	(0.7)
Interest Coverage(x)	38.0	38.8	48.3	66.4	84.3
Valuation Metrics					
Fully Diluted Shares (mn)	453	453	453	453	453
Price (INR)	252	252	252	252	252
PE(x)	42.9	36.4	28.7	23.7	18.8
EV (INR Mn)	1,10,924	1,10,590	1,10,821	1,09,048	1,08,692
EV/EBITDA (x)	32.7	24.1	20.1	16.6	13.4
Book Value (INR/share)	38.5	45.6	53.6	63.4	75.7
Price to BV (x)	6.6	5.5	4.7	4.0	3.3
EV/OCF (x)	35.8	32.6	37.7	21.8	26.3

Source: Company, CEBPL

Historical Share Price Chart: Marksans Pharma Ltd



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HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

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