



Marksans Pharma Ltd.

Date: February 20, 2024

BSE Limited

Corporate Relation Department
PhirozeJeejeeboi Towers,
Dalal Street,
Mumbai – 400001.
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Bandra (East), Mumbai – 400051.
Symbol: MARKSANS

Subject: Transcript of investor(s)/analyst(s) meet – Q3FY2024 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 Q3FY2024 financial performance and strategy update held on February 14, 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
Q3 and 9M FY’24 Earnings Conference Call”

February 14, 2024



MANAGEMENT: **MR. MARK SALDANHA – FOUNDER AND MANAGING
DIRECTOR – MARKSANS PHARMA LIMITED
MR. JITENDRA SHARMA – CHIEF FINANCIAL OFFICER
– MARKSANS PHARMA LIMITED**

MODERATOR: **MR. BINO PATHIPARAMPIL – ELARA SECURITIES
PRIVATE LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Marksans Pharma 3Q FY24 Conference Call hosted by Elara Securities 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 touch-tone phone. Please note that this conference has been recorded. I now hand the conference over to Mr. Bino Pathiparampil from Elara Securities Private Limited. Thank you and over to you, sir.

Bino Pathiparampil: Hi, thank you, Aditya. Very good afternoon to all of you. This is Dr. Binoy Patiparampil from Elara Securities. I welcome you all to the quarter three FY24 earnings conference call of Marksans Pharma. Today we have with us on the call Mark Saldanha, Founder and Managing Director, and Jitendra Sharma, Chief Financial Officer. I hand over the call to the management for opening remarks.

After that, we'll have a Q&A session. Over to you, Mark and Jitendra.

Mark Saldanha: Thank you, Dr. Binoy. Welcome, everyone, and thank you for joining us in our Q3 and nine-month FY24 Earnings Conference Call. We appreciate your continuous interest and support for the company.

I'm delighted to announce yet another robust quarter, reflecting our dedication to consistently deliver superior performance and create value for all our stakeholders. Our revenue expanded by 22% year-on-year, primarily driven by the market share expansion and new product launches. We saw consistent improvement in margin profile, with an EBITDA margin of 22.7% in Q3, led by operating leverage, consistent cost optimization initiatives, and a reduction in raw material costs. Our net operating cash flow for nine months stood at INR169 crores, driven by an improved EBITDA margin and better collection.

Moving on to operational environment, during the quarter we saw improved volume growth across all our key markets, especially from the U.S. A moderate price erosion of our RX products or absorbs, a reduction in a few key raw materials prices continued compared to the last year, thereby improving our gross margin. However, we experienced a surge in freight expenses due to recent sea route disruptions.

We are taking initiatives to ensure that our supply chain remains intact and on track. Talking about our strategic initiatives, the infrastructure expansion from a newly acquired Teva plant is in progress and going at a good pace. We basically had broken this into two phases.

Phase 1 was to try to achieve over 3.6 billion units per annum and we believe by next month, March, we will be trending towards that objective. Obviously, Phase 2, we anticipate towards the middle or end of next financial year, where we will be targeting over 6 billion tablets per annum. We expect the scale capacity from Teva new facility to cater to the incremental opportunities we see in different geographies.



Building on our momentum and in continuation to our last conference call discussion, we have initiated the filing of our first DMF and we plan to file a second DMF within this quarter, which is a step towards backward integration. As we continue to strengthen our pipeline, looking ahead, our priorities remain focused on driving sustainable growth, maintaining balance sheet discipline and pursuing strategic opportunities that align with our long-term vision.

With this, I would like to turn it over to Jitendra, who will update you on the financial and then we can start our Q&A.

Jitendra Sharma:

Thank you, sir. For Q3 of FY24, our operating revenue was at INR586 crores, an increase of 22% compared to INR479 crores in the same quarter last year. The US and North America was at INR257 crores, representing an 18% increase year on year. UK and EU formulation markets grew by 34% year on year to INR251 crores. On account of new launches and incremental market share, Australia and New Zealand formulation market recorded revenue of INR48.6 crores and the rest of the world recorded sales of INR29.1 crores in Q3 of FY24.

Gross profit was at INR313 crores, up 30.4% year on year. Gross margin increased by 336 basis points from 50.1% to 53.5% in Q3 of FY24. EBITDA for the quarter was at INR133 crores, an increase of 73.6% year on year and an increase of 16.8% on quarter on quarter basis. EBITDA margin for the quarter was at INR22.7%. Improvements in margin is majorly led by reduction in raw material prices compared to last year, operating leverage and cost optimisation initiatives.

Profit after tax was at INR83 crores, an increase of 33.2% year on year and decrease of 1.1% on a quarter on quarter basis. The decrease in quarter on quarter path is primarily due to decrease in other income which is led by the provision of end-to-end loss in foreign exchange. The EPS for the quarter was at INR1.84. Talking about 9-month financial performance, for the 9-month of FY24, our operating revenue was at INR1,617 crores, an increase of 18.4% compared with INR1,366 crores in the same period last year.

The US and North America was at INR673 crores, representing 15.8% increase year on year basis. UK and EU formulation market grew by 26.5% year on year to INR710 crores. Australia and New Zealand formulation market recorded revenue of INR155 crores, an increase of 6.4%. The rest of the world recorded sales of INR78.5 crores in the 9-month of FY24. The gross profit for the period was INR849 crores, up 23.3% year on year.

Gross margin increased by 209 basis points, from 50.4% to 52.5% in 9-month of FY24. EBITDA for the period was at INR348.9 crores, an increase of 51.9% year on year. EBITDA margins stood at 21.6%. Profit after tax was at INR237.3 crores, compared to INR182.6 crores in 9-month of FY23, a growth of 29.9%. Growth is attributed to improved EBITDA. However, there is an increase in tax rate in UK from 19% last year to 25% in the current year. EPS for the 9-month was at INR5.2. In 9-month of FY24, the net cash from operation is at INR169 crores and the free cash flow is at INR8.4 crores.



The capex incurred during the period was INR160.6 crores. The investment is in line with our plan for scaling up acquired manufacturing units from Teva Pharma in Goa, which will derive our future growth. We spent INR29.4 crores in R&D, which amounts to 1.8% of the sales. We continue to remain debt-free and had a total of INR688 crores of cash as of 31st December of 2023.

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

Moderator: Thank you very much. Our first question is from the line of Viraj from MoneyGrow India. Please go ahead.

Viraj: Hi Mark, this is Indra. Congratulations. Fantastic outcome for the quarter. I had a question regarding the SBA facility status of the Goa plant based on the last observation and also whether all investments for the Teva plant are now complete?

Mark Saldanha: So, obviously, based on our last observation, we already have an EIR status. We received the EIR report on that, so that audit was closed. And with regards to the capex for Teva, we have not completed the full capex yet and it will spill over to next financial year, the capex.

Viraj: My second question is, it looks like you will do INR2200-odd crores of top line for FY24. Can you guide us towards what is likely to be the targeted top line for FY25 given full ramp-up of Teva plant?

Mark Saldanha: So, I would like to give a slightly longer outlook than just 12 months, but obviously our first target was to cross INR2000 crores, which you rightly said we are trending way above that target of INR2000 crores. We have set out a target to come very close to, our next target is INR3000 crores within the next two years. So, we are working towards trying to achieve that objective.

Viraj: All the very best.

Mark Saldanha: Thank you very much.

Moderator: Thank you. Our next question is from the line of Akshay from Green Portfolio. Please go ahead. Hello Akshay sir? The line from Akshay sir has been disconnected. Our next question is from the line of Harshit Sharma from MNP Investments. Please go ahead.

Harshit Sharma: Hi, thanks for taking my questions. Congratulations on a good set of results for the quarter, sir. My question is, what is the likely utilization of net cash and how much is expected to be spent for R&D and capex in the coming years?

Mark Saldanha: So, I think our R&D will probably touch two and probably cross slightly over two. In capex, obviously, like I mentioned, we have to complete the capex of what we spoke of INR200-odd crores for the Teva plant. And we have not yet infused that part of the capex to complete our projects. But we have achieved our first objective and by March, like I said, we should be able to achieve nearly -- very close to 300 million tablets, which is, with the run rate of that is nearly 3.6 billion tablets per annum.



So, that was our first target that we had set out when we acquired the plant and we started infusing the capex for that plant. So, we still have a fair amount of capex to be done in our Teva plant to get it to the second phase. With regards to your first question... Basically, the utilization of cash. So, see definitely, we are looking at expanding our presence geographically. We are looking at spreading our business in EU. So, we have earmarked some amount for that and definitely, the capex will continue in the next year also.

So, as far as Teva manufacturing facility is concerned, we do plan to have some capex in our US and UK facilities also. So, broadly, the amount will be utilized in growth-related avenues in coming years.

Harshit Sharma: Sure. That's helpful. My other question is on the top line with respect to the US region. Just wanted to understand the drivers for the double-digit increase in sales from the US region, so, if you could just help us with that? Thank you.

Mark Saldanha: Yes. Sorry. You wanted to know about the US sales?

Harshit Sharma: So, I just wanted to understand the drivers behind the double-digit increase seen from the US region in terms of sales. So, yes.

Mark Saldanha: Well, it's obviously some new product launches. It is getting bigger market share, penetrating into the market getting some new clients on board. So, our product portfolio, besides expanding our product portfolio, we are also getting traction onto our core strength of products, which historically are maturing and growing and getting bigger market share in some retailers.

So, that's our growth driver in the US. I mean, our US market is huge. This is just the tip of the iceberg. So, I think double-digits on a low base is the least we could do.

Harshit Sharma: Thank you, sir. I'll get back in the queue for more questions.

Moderator: Thank you. Our next question is from the line of Tarang Agrawal from Old Bridge Asset Management. Please go ahead.

Tarang Agrawal: Hi. Good evening, guys. Congrats on an extremely strong set of numbers. Just a couple of questions. One, the gross margin levels that we're seeing in Q3, in your view, are they sustainable or there are some one-off advantages that you have right now? Second, if I look at the nine months that have gone by, Europe, on a constant currency basis, has done exceedingly well.

So, is there anything specific that's working in your favour in UK or it's just a function of market dynamics?

Mark Saldanha: Well, in UK, basically, it's about portfolio product mix and new product launches, which are driving growth out there. It's a matured market for us. So, obviously, with new product launches, it's relatively easier for us to get market share and market penetration into various accounts. In the gross numbers, I do believe sustainability is a huge possibility. I do believe there is a one-off, so I do believe we should be able to maintain that gross margin part of it.



- Tarang Agrawal:** Okay. And sorry to bring it up again, but, I mean, what is the capex number that you're looking at? FY21 and fast forwarding to FY25?
- Jitendra Sharma:** Tarun, this is Jitendra here. We have invested INR160 crores already in the first nine months, and I think by the end of March, we should be crossing INR200 crores in terms of capex, and this includes the Teva acquisition costs also. We are doing a lot of capex in our other manufacturing facilities also. So, I think over a period of two years, current year and next year, our overall capex will be between INR250 to INR300 crores.
- Tarang Agrawal:** You mean FY24 and FY25 together, correct?
- Jitendra Sharma:** Yes.
- Tarang Agrawal:** Okay. Thank you.
- Jitendra Sharma:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.
- Nitin Agarwal:** Hi, thanks for taking the question. Going back to the earlier question around what has really worked for us in Europe this year. Is it largely new product launches or just increased market shares? I mean, we have almost like a 30% CAGR growth, a 30% Y-o-Y growth in Europe, in the UK this year. And how do you see we growing from this base in the UK going forward?
- Mark Saldanha:** So, I see a growth being quite robust, Nitin. It will continue being robust in UK for the next couple of years. Again, sheer strength of our product pipeline and product launches that have been planned. We've been filing them for quite some time. So, we've been investing on all the filings, everything of that stuff. So, obviously products, product launches are happening on a quarter-to-quarter basis and we are able to penetrate.
- But it's also the product mix which is basically also giving that growth in terms of that specific market. And products that were not able to penetrate into certain accounts, we've actually broken into those accounts. So, it's a bit of that over time you mature to the level where the service defines your capabilities and you get better traction into certain accounts with a larger product portfolio than historically what you are holding.
- So, it's a combination of both which is seeing us gain that market share as well as the revenue generation and the percentage of growth. I do believe in the coming years also we should be able to grow at a very healthy pace, double digits in the UK because of, again, sheer strength of product pipeline.
- Nitin Agarwal:** And, Mark, on the product pipeline aspect, I mean, the products that we are launching now, if you can qualitatively give us a sense on, I mean, what is the qualitatively, I mean, are these more profitable products, more complex products, any nature, difference in the nature of products that you're looking to file or launch in the coming years versus what you've done in the past?



Mark Saldanha: Yes, I mean, these products are little niche products, high value products, great bottom lines. They are not, they will not be driving the top line, but as a basket collectively, the top line will basically, will grow. We are planning only 34 new filings in the next two years in UK itself, and these are all products where you would see amazing bottom lines being generated.

So, you will see, while the cycle, the life cycle of every product is limited, while you may see a price erosion on A product, you will see gains on a B product or on a new product that has just got approved based on, and we have to foresee that, and hence we have gone into molecules which can basically -- is more focused on bottom line than top line.

But as a basket, I do believe the top line will grow because of the sheer number of products approvals that we're expecting next year and the year after that.

Nitin Agarwal: And Mark, if you can just remind us, what is the OTC versus prescription split in UK and in the US right now?

Mark Saldanha: So, in UK, our split is around 60-40. So, 60 is OTC and 40 is Rx, and our US is about 75-25.

Nitin Agarwal: And in the US, I mean, earlier we were very strong in pain and cold and cough. Are there any segments where we're looking to incrementally add meaningfully to our portfolio on the OTC side in the US?

Mark Saldanha: So, simply, it is on to these, it is basically digestives that we are focusing a lot on. So, pain, we are quite exhausted, we are exhaustively covering the pain, so we are launching a few products in the pain too, but our product portfolio expansion is actually more on digestive and cough and cold and allergies. So, these are the three segments we are still focusing on.

And finally, obviously, we are working on the prescription front, which is on a slightly different trajectory, but overall, as you can see, the ratio, we are more tilted towards OTC versus prescription.

Nitin Agarwal: And in this OTC market, three therapies that you're targeting on a going forward basis, I mean, how much more space do you have to cover in terms of reaching your target addressable market?

Mark Saldanha: I think we've gone a long way for that. So, the market size is huge, and I think we are just at the top of the iceberg for us. And so, we are working towards taking a larger market share, and we are getting there. We are very confident we are getting there.

Nitin Agarwal: And if I can take one last one, Mark, on the OTC side in the US, I mean, if you can give us some sense on if there have been any meaningful changes in the competitive dynamics in that market? I mean, some of the pricing pressure, which you've seen in the prescription side, has eased out. I mean, how has the dynamics, the competitive dynamics, been on the OTC side of the business in the US in particular?

Mark Saldanha: It's quite a matured product pipeline, so technically, it does not go through that volatility that you see in the RX front, where obviously, RX is highly volatile based on demand and supply



situation. The OTC is more contract driven for a longer gestation and longer period of time. So, we don't experience that.

That said and done, we are not immune to it, but we don't experience that type of volatility in the OTC at least.

Nitin Agarwal: And in terms of competitive dynamics, have you seen...

Mark Saldanha: No, we have not seen any changes out there.

Nitin Agarwal: Okay. Thank you so much.

Moderator: Thank you. Our next question is from the line of Ridhi Agarwal from ACM Capital. Please go ahead.

Ridhi Agarwal: Congratulations on a great set of numbers, sir. So, I wanted to understand, how is the price erosion for Q3 and how is the current market scenario shaping?

Mark Saldanha: So, price erosion, like I mentioned in our starting discussion, we have seen some price erosion in the RX front of it and that's sheer, like I said, the dynamics and the nature of the beast where demand and supply situation arises. So, we have seen the RX having price erosion. But overall, there has been a bit of stability on the overall basket.

So, the dynamics is still very healthy and obviously, we are expecting US to be our growth driver in the coming couple of years.

Ridhi Agarwal: Okay. I also wanted to understand, what could be the incremental revenue potential from the acquired Teva Pharma unit in FY25 and FY26 primarily?

Mark Saldanha: So, FY25 will be obviously much larger because FY24, three-fourths of a year, I mean, pretty much a year has nearly come to an end and we are still to hit our objectives. So, I think we would see a decent amount of revenue coming in FY25. I think we are looking at very close to 600 or close of revenue, additional revenue coming in from the facility.

Ridhi Agarwal: Okay. Thank you, sir. I'll join back in the queue.

Mark Saldanha: Thank you.

Moderator: Thank you. Our next question is from the line of Dr. Bino from Elara Securities Private Limited. Please go ahead, sir.

Dr. Bino: Hi. Thanks for taking my question. A couple of them, Mark, Australia growth was a little muted this quarter. What's happened there?

Mark Saldanha: Yes, it is muted and it's just the timing of approvals and market dynamics out there. So, we do plan to be on track in the next financial year. But this year has been a bit subdued where, again, it's just been it's just coming out of COVID and you have a distribution channel which is

pretty much flooded. So, it's just something of that stuff that the season, in comparison to the historic seasons, were not as conducive.

So, that's where they're pretty much flat or subdued, as you would say. But I believe they'll be back in growth. It is a very small market. So, growing is relatively always going to be, in single digits where the Australian market is concerned.

Dr. Bino: Okay. And coming to EBITDA margins, we have seen a huge expansion, which a lot of that, I believe, has come from operating leverage as well. Now that the Teva plant is also started and other plants also have ramped up, is the operating leverage kind of reaching its maximum or do we have further room to expand margins out of pure operating leverage?

Mark Saldanha: Operating leverage, obviously, like you said, the Teva is not even started to break even per se onto that. So, once we start in next financial year with the revenue, there's a very visible revenue generation will happen from the Teva plant and I think operating leverage will get better. Again, I do believe as and when the plant reaches an X amount of production or output, you will see that operating leverage kicking in much better than what we've seen historically.

But for the rest of the plants that we have, I think we are seeing a good amount of operating leverage kicking out there.

Dr. Bino: Understood. And finally, Jitendra, we have seen a step up in depreciation, depreciation-amortization charges over the last two quarters. Is it primarily because of the Teva plant and is this the new base or do you think it will further go up?

Jitendra Sharma: Yes, it will be a new base now. So, we have started depreciating Teva plant also. So, that has resulted in incremental depreciation charge. We have also taken one new, like, warehouse on lease in US. So, there also some additional depreciation charge is coming. So, I think this INR22 crores will become a kind of benchmark for coming quarters also. These amounts will remain.

Dr. Bino: All right. Thank you. Thank you very much.

Moderator: Thank you. Our next question is from the line of Manoj Mathew from Business. Please go ahead.

Manoj Mathew: Hello. Mark, congratulations. Jitendra, congratulations. The freight rates have gone up. Understood. But this is also the time when rates are negotiated for your customers for the next year. I mean, your end customers. Am I right? Question number one. Question number two, I think as per your previous comments. You said that the fourth quarter of this year will be the best, will give the maximum results of this year in the Teva plant.

So, we can expect a better turnover in the fourth quarter. And can you also correct me if I heard that you have taken a new store, I mean, cold store space in US, just added a new cold store space in US recently. Is that correct?



- Mark Saldanha:** Yes, that's correct.
- Manoj Mathew:** Okay. So, the first question, can you answer the first question? That means the freight rates have gone up, but this is also a season of negotiating new contracts with your end customers, January to April.
- Mark Saldanha:** Yes. So, basically, contracts, obviously, no one predicts, no one predicted this freight to go up overnight. And some of these contracts that are being negotiated, they don't happen on a calendar year in the month of Jan. Some of them have concluded in December, November, some are happening in Feb. And the impact is not yet seen, because this freight disruption is happening, it's quite, fluid, to put it in a right way. So, people anticipate that this will go off, people anticipate that it will come down.
- So, nobody is giving a lot of weightage to it. And obviously, we are not seeing the freight prices going up to historic highs that we saw, maybe a year back. So, it has gone up, it has probably doubled than what it had come down, it had come down way below historic lows. So, it has gone up from that angle. But we do anticipate that it will get better, it's not probably going to get worse.
- Even Maersk's— even Maersk Line, CEO, was on the news, on CNN, and he himself said that the prices are not going to go up. And he'll be surprised that if we can maintain those prices, and it may even start tapering down. So, again, once a bit of normalcy comes in, and even if it does not come in, I think this new routing that has just started, if it is successful, it will be slightly higher, but it will not be -- we won't see those heights.
- Hopefully, we won't see those heights that were historic, what the industry witnessed.
- Manoj Mathew:** Okay. Mark, the next question is, from the Teva plant, can we expect thousand crores turnover for FY25? Approx?
- Mark Saldanha:** You are saying thousand crores turnover?
- Manoj Mathew:** Yes, from the Teva plant alone?
- Mark Saldanha:** Yes, we'll probably see it in INR26,000-INR27,000 crores. But we would, like I said, we are aiming for INR600-odd crores next year, in next financial year. So, we have two phases that we are, like I mentioned, we are talking of, I think in March we'll be hitting an all-time high, but that's not a great achievement compared to what historically Teva was doing.
- But in terms of numbers, it shows that we are moving in the forward direction, and we are getting closer to objectives. So, for us to hit a thousand crores, obviously we need to be doing six plus billion tablets, maybe six or seven billion tablets per annum. We are still a year, year and a half away from that.
- Manoj Mathew:** Okay. Mark, another question to you is, are we still suppliers of Teva? Are we going to continue supply to Teva in FY25? Or do we end it with FY24?



- Mark Saldanha:** I think we won't be continuing moving forward in FY25. But again, our contract basically expires, I think, in April of '24.
- Manoj Mathew:** Okay.
- Mark Saldanha:** So, some of -- Right now we have not shown any plans, although they are looking for an extension, but we are not inclined to accept that extension because we have our own objectives to achieve.
- Manoj Mathew:** Okay. Okay. And you said you're going in for capex in your other plants also. So, will that capex enhance more productivity, or is it a renewal of capex to maintain the machines?
- Mark Saldanha:** Well, we always put capex, one is to maintain CGMP, the plant status. But we also put capex for authorization to get better output out. To meet our growing demands in each of the countries, we need to invest money to, like I said, to automate and to basically get a bit more efficient performance from the line to hit objectives out there.
- So, this capex into every plant is going to be an ongoing basis. But today, our maximum capex has been drawn towards Teva to hit 600 million plus.
- Manoj Mathew:** So, you have added a new cold store in the US recently?
- Mark Saldanha:** Yes, I mean a warehouse, basically.
- Manoj Mathew:** A warehouse. Okay. Okay. Thank you. Thank you, Mark. And congratulations again.
- Mark Saldanha:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Hiral from Kalpvruksh Capital. Please go ahead.
- Hiral:** Hi, I'm Jitendra. Congratulations for the great set of numbers and the consistency which I'm seeing for the last two years, which we are maintaining quarter-on-quarter basis. I have a couple of questions. Some of them I've already answered earlier. Just for a couple of clarity, on the Red Sea costing perspective, as you mentioned that it has, in some of the contract it has already been covered. But just to understand the impact on the margin perspective, will it be a kind of 50 or 100 basis point impact on the margin or even less than that?
- Mark Saldanha:** It will be very less than that. It's very less than that. And it's not covered in any contracts because this is something which is war related or something which is beyond everyone's control. So, I mean, it is there today. It may not be there tomorrow. But we don't anticipate that impact like what we historically saw maybe a year back or two years back. We don't anticipate that.
- Hiral:** Great. And on the PAT margin, where we got some impact due to Forex, I think that was one-off the kind for that specific quarter or it can spill over to one or two more quarters?



- Jitendra Sharma:** No, that is one-off only. It won't -- over to --yes, it is difficult to comment. It is foreign exchange at the end of the day. It may keep fluctuating, but we don't think it will be. This is one of kind of number. Great.
- Hiral:** Thank you. That clarifies and all the best for the future quarters and great result ahead. All the best.
- Jitendra Sharma:** Thank you.
- Hiral:** Just one thing as an investor I would like to mention that if possible, we would like to attend the plant visit for the Goa plant when it's ready.
- Jitendra Sharma:** Okay, we'll do. Sure.
- Hiral:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Akshay from Green Portfolio. Please go ahead.
- Akshay:** Good evening. My question was related to new product launches and whether they were in the pain management segment or any other segments?
- Mark Saldanha:** They are in all the segments. Some of them are mainly in digestive, mainly in cold, very few in pain, some in prescription, anti-depressant categories. So it's a wide portfolio. It's a large portfolio.
- Akshay:** Okay, thank you.
- Moderator:** Thank you. Our next question is from the line of Viraj from Moneygrow India. Please go ahead.
- Viraj:** Hi Mark, Viraj here again. You had mentioned about a year ago regarding free cash flow allocation, saying one-third you had a board policy, one-third to be allocated between dividends and buybacks. I mean, assuming you haven't done a buyback or you may not do a buyback, can we at least see a higher dividend this year?
- Mark Saldanha:** Again, we have to take a call whether there may be a buyback or a dividend or it's going to be split into this. But like I said, 25% of our free cash flow will be divided into dividends. It may be fully dividend, it may be [three-phase] dividend, 25% buyback or maybe 100% dividend. Or we have to just take a call on that.
- Viraj:** Okay. And any update on your new acquisition and where you are on that?
- Mark Saldanha:** Well, it's still in progress and we are still in dialogue, but nothing concrete. So we would not want to mention anything much today because we still are far away from 10 to payback.
- Moderator:** Thank you. Our next question is from the net of Shanmugam, an Individual Investor. Please go ahead.



- Shanmugam:** Thanks for the opportunity. I have a couple of questions. First, if I touch upon our EBITDA I can't understand some of the earlier questions. Is it possible to split that 2% improvement from raw material and operating levels? Yes. I will repeat my question, sir. It's regarding EBITDA, EBITDA question. Yes. There is an improvement, good improvement from 21% to 23%. Can you split that into how much comes from raw material reduction and how much from operating leverage?
- Jitendra Sharma:** The substantial part of it has come from the raw material side of it. So I can say almost two-third is coming from the raw material side of it and the balance is coming from the operating leverage.
- Shanmugam:** Great. So I hope that raw material reduction is going to have an impact positively. Considering the strike loss increment. Am I right, sir? I hope that raw material reduction will continue in the coming quarters?
- Mark Saldanha:** We all hope so. And we always continue for better pricing. We are always seeking for better pricing and it is looking much more stable. And there may be a possibility, but it's too early to say that.
- Shanmugam:** Thank you, sir. And finally, if you look at the consistency for the past two, three years, the final quarter will be a challenging one. The revenue will be flat, more or less. So, not considering SEWA plan, do we see growth in this final quarter in this year, sir?
- Mark Saldanha:** Yes, we are growing. So I think the numbers speak for themselves. So we are growing and we'll continue to grow. So we can look at it from a long-term outlook more than on a daily basis.
- Shanmugam:** Okay. So did SEWA plan have been commenced or it will commence in this quarter?
- Mark Saldanha:** No, no. It has commenced, but the volume growth has yet to translate. And we'll probably see March being the first month where we'll come close to hitting our first phase of objectives. And then obviously we have to keep pushing towards reaching our main objectives.
- Shanmugam:** So since it's a new plant, do we see any impact on EBITDA, sir?
- Mark Saldanha:** These have all been factored in a performance presently, so I don't see that much of a difference.
- Shanmugam:** Thank you, sir. Last, if I touch upon that one question on other income, I understand that there is an entry regarding the forex, a general entry. Do we see any reversal in going forward? It's one time, it's permanent.
- Jitendra Sharma:** See, we believe this should be a one-time kind of situation here.
- Shanmugam:** One time? Is it going to be a reversal, sir, or is it a permanent entry?

- Jitendra Sharma:** Yes, it depends on the foreign exchange levels, which will be there now as on 31st March. So difficult to comment, but I don't see any incremental mark-to-market. Let's see what happens as on 31st March. So it will get revalued again as on 31st March. We will continue at that time only, but then in Q3, the MTM laws should be a one-off kind of thing.
- Shanmugam:** What is it, Q3?
- Jitendra Sharma:** We don't see that kind of volatility in foreign exchange. See, the GBP, basically it has come from the GBP side, wherein between September to December, GBP fluctuated between INR101 to INR106. Now it has become a bit stabilized between INR104 and INR105. So we don't see any more volatility here, but anyway, it will depend on the levels which are there at 31st March.
- Moderator:** Thank you. Our next question is from the line of Anant, an Individual Investor. Please go ahead.
- Anant:** Yes. Good afternoon, Mark. Congratulations on a good set of numbers. This question has been answered probably, but I want a slightly different perspective on this. My understanding on the Teva facility was a total of INR200 crores will be spent on this. This includes the upfront payment, the acquisition cost and the upgradation to basically double the capacity from \$8 billion to \$15 billion, \$16 billion. Now, out of this INR200 crores, INR160 has been spent. So am I right in saying that we need to spend an additional Rs. 40 crores to reach that capacity of double?
- Mark Saldanha:** No. So I'll just like to clarify that one. So INR160 crores has been spent for globally, for all our plants. It's not spent on Teva plant. So I think our Teva acquisition plant, for the Teva, we must have spent around INR85 crores to INR90 crores.
- Anant:** Right.
- Mark Saldanha:** So we still have some amount of capex to be spent out there. Number one. Number two, I don't think I've ever mentioned 15 billion targets because that's not possible for us. Overall. Overall. Okay. But from a single plant, from Teva plant, it's not going to happen 16 billion.
- It's what we are targeting from the Teva plant. And today, like I mentioned in the opening statement, that we should be trending at, from March we should be trending on a first phase to trending at 3.6 billion. And hopefully next financial year, we will get closer to the 8 billion target.
- Anant:** Thanks for the clarification, Mark. Just to follow up on this, the product coming out of the Teva facility, will this command a similar level of premium and margins compared to our existing facility? Are these approved for sale in US or no?
- Mark Saldanha:** Yes, it will. Because it's again, we supply all to regulated markets. So it will have the same premium that. But it's important to understand that you will see a better, it's not about, obviously, rooming numbers is very critical because with numbers you have operating



leverage kicking in. So basically, we are working hard towards trying to do, trying to hit those objectives as fast as possible.

Anant: Right. No, thanks. Appreciate that clarification. And one last question. Can you give some color regarding our overall margins on our business in US compared to the UK?

Mark Saldanha: UK is a much more matured market in terms of, we've been in the UK market since 2008. So the operating leverage, the amount of product portfolio is huge. The operating leverage is already there.

Market penetration is there. For us, US market is relatively very new. We've been there, I mean, actively from 2017, although we acquired the company towards mid and late of 2015. But we've actively been promoting our products only from 2017. So it's been, it's not even five years. So we've got a long way to go.

And as and when our revenue keeps rising, the operating leverage will kick in and profitability will be much better and visible during the coming years. As you can see, this year is better than the previous year. And next year will be better than this year.

Moderator: Thank you. Our next question is from the line of Nirali Shah from Ashika Stock Broking. Please go ahead.

Nirali Shah: Hi, thank you for the opportunity. Majority of my questions have been answered. But just a quick question on, we were venturing into complex molecules like adult dual action.

So if you can give some color on that, how are we progressing on that? Or do we expect a meaningful contribution or maybe some color on the margins? So what kind of expectations can we have from these complex molecules?

Mark Saldanha: So dual action is only one of the many molecules that we filed in. We are still expecting many more approvals to come in on similar grounds, which are more complex in terms of extended release or bi-layered or MOPS technology type of molecules. So we do see those getting cumulatively.

It will be much better when all the products come in. From a dual action, we have not seen any price erosion per se. But we are working towards getting contracts on growing these molecules. So it's too early. We've just been not even a year with this molecule in the market right now.

Nirali Shah: Understood. And just one bookkeeping question. Last year, we had an effective tax rate of around 21%. And this year, I guess we're looking at around 27% or 26%. So going forward, do we expect it to be in the same range, 25%, 26%?

Jitendra Sharma: Yes, it will remain at 25% because the tax rates in UK has gone up from 19% to 25%. So now, I think going forward, our effective tax rate should be in the range of 24%, 25%.

Nirali Shah: Understood. Thank you.

- Jitendra Sharma:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Rohan from Prad Capital. Please go ahead.
- Rohan:** Yes, so thanks for the opportunity and congrats on a good set of numbers. So my question is on Teva. You said that next year, we are targeting around INR600 crores of revenue.
- Is that incrementing revenue on our base or is that, you know, that you are supplying from some other sources and you would give that to the Teva facility?
- Mark Saldanha:** Yes, so Rohan, this will be mainly incremental. It may not be fully incremental, but mainly incremental growth that will come in from there because obviously, it will cater to a larger product basket and various geographies. So I would assume it will be mainly incremental growth coming from there.
- Rohan:** In terms of utilizing that facility, our facility would come up say March, April, but a lot of your contracts are signed, you know, end of the year for the next year. So, you know, can you expect, you know, the ramp up immediately as the facility is operational or we'll have to wait for some time and sign contracts and really see the utilization in say calendar year '25?
- Mark Saldanha:** Again, a very good question, but we will basically, see we can't take contracts without having that capacity in hand. So when we are taking contracts, right now we are taking contracts worth, you can see a visibility of 3.6 billion units coming in. When we scale it up to 8 billion, I mean, 600 billion or 8 billion, tending towards 8 billion units, we have to obviously expand and get contracts in place, support that.
- But there will be some spillover in terms of optimization and that's why we are not saying that we will do INR1,000 crores, INR800 crores or INR1,000 crores next year. We do believe in the following year we will be hitting those objectives.
- Rohan:** Got it. So the contracts you've already signed, you've assumed this capacity to come up and based on that you've signed contracts. So you already have that visibility. Is that understanding correct?
- Mark Saldanha:** Yes, that's understandable. That's accurate and basically we only take contracts what we can deliver. We don't...
- Rohan:** Got it, sir. Thank you and all the best.
- Mark Saldanha:** Thank you very much.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to management for the closing comments.
- Mark Saldanha:** I'd like to thank all of you all for participating in this call. Have a great evening and be safe. Thank you very much. Thank you.



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