Marksans Pharma Ltd.

May 26, 2025

BSE Limited
Corporate Relation Department
Phiroze Jeejeebhoi Towers,
Dalal Street,
Mumbai – 400001.
Scrip Code: 524404

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block-G,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
Symbol: MARKSANS

Subject: Transcript of investor(s)/analyst(s) meet – Q4FY2025 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 Q4FY2025 financial performance and strategy update held on May 20, 2025.

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

H PANIGRAHI
Digitally signed by H PANIGRAHI
Date: 2025.05.26 16:40:19 +05'30'

Harshavardhan Panigrahi
Company Secretary

Encl: As above

CIN : L24110MH1992PLC066364

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"Marksans Pharma Q4 FY '25 Earnings Conference Call"

May 20, 2025

MANAGEMENT:	**MR. MARK SALDANHA - FOUNDER, CHAIRMAN AND MANAGING DIRECTOR, MARKSANS PHARMA** **MR. JITENDRA SHARMA - CHIEF FINANCIAL OFFICER, MARKSANS PHARMA**
MODERATOR:	**DR. BINO PATHIPARAMPIL - ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the conference call to discuss Marksans Pharma Q4 FY '25 Earnings Con Call hosted by Elara Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing'*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Bino Pathiparampil from Elara Securities India Private Limited. Thank you, and over to you, sir.

Bino Pathiparampil: Thank you, Navya. A very good evening to all of you. This is Dr. Bino Pathiparampil. Welcoming all of you on behalf of Elara Securities to the Marksans Pharma Quarter 4 and Full Year FY '25 Earnings Conference Call.

We have today with us Mark Saldanha – Founder, Chairman and Managing Director; and Mr. Jitendra Sharma – Chief Financial Officer of Marksans Pharma.

Before I hand over the call to the Management, please note that certain statements made by the management may be forward-looking in today's call. These reflect management's best judgment and analysis. The actual results may differ materially from current expectations based on a number of factors that affect the business.

We will begin the call with opening comments from the management, and we will have a question-and-answer session following that. I hand over the call to Mark. Over to you, sir.

Mark Saldanha: Thank you, Bino. Welcome, everyone, and thank you for joining us for our Q4 FY '25 Earnings Conference Call. We sincerely appreciate your interest and continued support for the company.

I am pleased to report yet another year of robust performance, achieving an all-time high in both revenue and profit. Our operating revenue and PAT increased by approximately 21% year-on-year. We witnessed a positive growth momentum across all our regions with the U.S. market being a significant growth driver, experiencing a 35% increase in revenue year-on-year. Our OTC segment reached a record high revenue and crossed Rs. 2,000 crore mark, a testament to our focus and execution in expanding our OTC product pipeline.

During the year, favorable market conditions and growth driven by market share gains and new product launches in the U.S. fueled our success. However, the fourth quarter witnessed a slower cough and cold season. For the Rx products, price erosion was stable. In Q4, our U.K. and Australia and rest of the world markets achieved their highest quarterly revenue of the year. The freight cost in the quarter was stable. We witnessed high freight cost in the first 2 quarters. However, costs stabilized in the latter half of the year.

Our strategic initiatives are shaping up with continued focus on achieving a product pipeline. And during the year, we managed to commercialize 58 SKUs and have about 79 more products in the pipeline. In the U.K. region, we received approval for around 12 products, and we have already filed 18 additional products out there. Our capacity expansion initiatives is advancing, and we have anticipated the operating leverage benefits to materialize in the next financial year.

Looking forward, we are optimistic about the outlook. Our track record of consistent growth serves as a solid foundation, and we are confident that our strategic initiatives will continue to drive momentum. As a part of our commitment and enhancing shareholder value, I am pleased to announce that the Board has recommended a dividend of Rs. 0.8 per equity share, representing 80% of the face value per share.

With this, I would like to turn it over to Jitendra for an update on the financials.

Jitendra Sharma: Thank you, sir. In Quarter 4 of FY '25, our operating revenue stood at Rs. 708.5 crores, an increase of 26.5% year-on-year compared to Rs. 560 crores in the same quarter last year. Revenue from the U.S. and North America markets stood at Rs. 328.6 crores, an increase of 34.1% on a year-on-year basis, driven by new product launches and increased market share. U.K. and EU formulation business grew by 17.7% year-on-year to Rs. 274.1 crores. Australia and New Zealand market recorded revenue of Rs. 76.5 crores, up by 20.9% year-on-year. The rest of the world recorded revenue of Rs. 29.3 crores in Q4 of FY '25, an increase of 55% year-on-year.

Gross profit was at Rs. 383.2 crores, up 32.1% year-on-year. Gross margin expanded by 228 basis points from 51.8% to 54.1% in Q4 of FY '25. This was driven by better product mix and lower raw material prices. We recorded EBITDA of Rs. 125.8 crores in Quarter 4 of FY '25, an increase of 14.7% year-on-year. The EBITDA margin for the quarter stood at 17.8%, a decrease of 183 basis points from last year's same quarter. The decline in margin is due to an increase in employee expenses and an increase in R&D expenses in Q4 of FY '24.

Profit after tax was at Rs. 90.7 crores compared to Rs. 77.6 crores in Q4 of FY '24, an increase of 16.9% year-on-year. EPS for the quarter was Rs. 2.

Now talking about FY '25 financial performance. In FY '25, our operating revenue stood at Rs. 2,623 crores, an increase of 20.5% compared to Rs. 2,177 crores in the same period last year. The U.S. and North America market recorded revenue of Rs. 1,237 crores, up by 34.7% on a year-on-year basis and contributing 47% to our total revenue. U.K. and EU market grew by 9.2% year-on-year to Rs. 1,030 crores, contributing 39.3% to the revenue. Australia and New Zealand market recorded revenue of Rs. 253 crores, an increase of 15.5% on a year-on-year basis. The rest of world market recorded revenue of Rs. 104 crores. Contribution from these 2 markets stood at 9.6% and 4%, respectively.

The gross profit was at Rs. 1,479 crores, up 29.8% year-on-year. Gross margin increased by 407 basis points to 56.4% in FY '25. EBITDA for the period was at Rs. 529 crores, an increase of

15.3% year-on-year. EBITDA margin stood at 20.2% compared to 21.1% in FY '24. The decline is primarily due to an increase in employee expenses due to the headcount additions at the acquired facility in Goa, an increase in freight cost in the initial quarters of the year and also due to increase in the R&D expenses.

Profit after tax was at Rs. 383 crores compared to Rs. 315 crores in FY '24, a growth of 21.5%. EPS for FY '25 was Rs. 8.4 compared to Rs. 6.9 in FY '24. In FY '25, cash generated from operations came in at Rs. 207 crores. The CAPEX during the period was Rs. 173 crores, which is in line with our plan to scale up the acquired facility in Goa. We spent Rs. 57.9 crores in R&D in FY '25, which amounts to 2.2% of the consolidated revenue.

We continue to remain debt-free and the cash balance stood at Rs. 704 crores as of 31st March of 2025. Additionally, India Ratings and Research has upgraded the company's long-term debt to IND AA- from IND A+ with a stable outlook and affirmed short-term debt at IND A1+, enhancing our financial credibility.

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

Moderator: Thank you. We will now begin the question and answer session. We take the first question from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Thanks for the opportunity sir. My first question is on the Teva facility. In the last call, you had mentioned that utilization was up 20%. It will be helpful if you can explain what is the current utilization of the other utilization for Q4? And how do you see that trending in FY '26? A parallel question to that is there has been hiring for that facility in the last few quarters. Do you see the peak hiring is behind us? Or even in the next year, employee cost should inch up further on a quarterly basis?

Mark Saldanha: Yes. With regards to the hiring, obviously, we need to hire staff for the growth as and when the facility has to produce more. But that said and done, we are very close to the peak in terms of hiring. There may be a marginal hiring requirements, but that will be extremely small compared to the quantum of hiring that we have done in the last quarter by itself. With this hiring, we do believe our scale up would basically meet with at least 50% to 60% of our capacity growth that we have targeted historically. Today, not in the last quarter, not in the fourth quarter, but in the first quarter, we are trending around at Rs. 400 crores, which is pretty much half of what we had spoken of Rs. 800 crores coming out of the plant.

Ahmed Madha: Got it. And with this trend and other facilities at higher utilization in the next 2 years, is it fair to assume we reach close to Rs. 3,500 crores topline going by your commentary before?

Mark Saldanha: Yes. We still believe we are on par of hitting those objectives, yes.

Ahmed Madha: Got it. And in Q4, we had a very high R&D cost. Obviously, it's a part of the business, but could you give some guidance? What was the nature of the same? Was it because of the increased filings? And how do you see the R&D cost normalizing on a full year basis in future either in percentage of revenue or absolute terms, whichever way the company looks at it?

Mark Saldanha: I think from an R&D point of view, taking the whole year spending makes more sense than a quarter-wise spending because it just depends on when the filings happen, when the product bioequivalence cost comes into play and everything of that stuff. So it's difficult to equate quarter-on-quarter justification of balance. But the whole year, I think we will be range bound at what we are seeing. I think Jitendra will throw some a bit more color on that R&D spend.

Jitendra Sharma: So last year, like we have spent 2.21% of our revenue on R&D expenses. And in the Q4, like so if I compare with the Q3 R&D spend with Q4, so in Q3, our R&D spend was Rs. 11.71 crores. And in Q4, it increased to Rs. 23.47 crores. So there was an increase of almost Rs. 12 crores in the Q4. And we have done a lot of filings, both in U.S. and in U.K. during the Q4. Moving on, we do expect the R&D expenditure to remain between, say, 1.9% to 2% on a year-on-year basis.

Ahmed Madha: Got it. Just one more question before I join back in the queue. How do you see the impact of U.S. tariffs on your business? Obviously, everything is premature in nature, but some insights from your side qualitatively and your view will be very helpful. And also in that context, in anticipation of tariffs or otherwise, are we seeing any prebuying in quarter 1?

Mark Saldanha: No, not exactly. There's no prebuying in quarter 1. The U.S. tariff is a universal question, honestly, I don't think anyone has the right answer for that. We are optimistic that India's proposal of the trade balance or the zero tariff recommendations would fly. And even if there is a tariff implemented, it would probably be very nominal in nature. Our Indian delegates are there in the U.S. as we speak. But again, that's said and done, it's anyone's guess as to how the tariffs will outplay. My personal view is I don't see a major impact on the tariffs because U.S. is taking more of a softening stand over time, not taking a hard stand on how they started the tariff play. But then again, that's only my opinion. I do believe that if the tariffs are disproportion in any nature, it will be passed down to customers and clients. And accordingly, it will be then passed down to the consumer thereafter. So I think that clarity has come from all the retailers if the tariffs continue, then price increase would be unavoidable. So basically, the retailers have already spoken out and said that the prices would go up for consumers.

Ahmed Madha: Sure, this was helpful. I will join back in the queue. Thank you so much.

Moderator: Thank you. Next question is from the line of Gautam Gosar from Monarch AIF. Please go ahead.

Gautam Gosar: Thank you for the opportunity. Sir, my question is on the Teva facility. So sir, basically, I wanted to know how much volume did we do from the Teva facility last quarter in Q4?

Mark Saldanha: So the last quarter, Q4, we didn't do the volumes as expected. We were somewhere around 200 million units being generated. But this year, this first few months, we are trending around 350 million tablets. So our objective is to hit, to cross the 450 million, 500 million come close to 500 million in the first half and then look at 600 million and 700 million thereafter.

Gautam Gosar: Okay. Got it. So we have a capacity of around 8 billion units in that facility. So can you highlight the peak utilization levels where we can reach? And how much time will it take to ramp up this project?

Mark Saldanha: So we do expect to hit 50% of those volumes hopefully within the next 6 months. Ramping up to hit 8 billion units would probably be towards the latter half of the year or maybe early next year. But we do plan to at least utilize 50% of those volumes within the next 6 months.

Gautam Gosar: Okay. Understood. And sir, what is the capacity utilization for the ex-Teva business?

Mark Saldanha: I didn't get. Could you repeat that question again?

Gautam Gosar: Other facilities, except Teva, Goa and the Teva UK facility, what is the capacity utilization for the combined business?

Mark Saldanha: The other facilities are running at around 65%.

Gautam Gosar: So just a follow-up, sir, I think with the existing capacity ramping up further on the Teva facility as well, we will be majorly exhausted in the next 2 years on the current capacity. So do we have any plans to further add any capacity by debottlenecking or any plans do you have if you could highlight on that?

Mark Saldanha: Yes. I mean it's a good question. Looking at our growth plans, we would have to obviously add facilities maybe after 2 years. But definitely, we are always on the lookout because in pharma, you have got to invest today to see returns after 2 years.So technically, we are always on the lookout for facility expansion. I mean, any new facility that comes our way, we will definitely try to explore those possibilities. Today, we don't have anything on the hand or we don't have anything concrete to discuss on that. But we would have to explore new capacities maybe 2 years down the line.

Gautam Gosar: Okay. Got it. So we don't have any expansion plans in our existing capacity?

Mark Saldanha: In the existing facility, it is nominal CAPEX now. Yes, from 5 billion to 8 billion, we may need to expand a bit to balance everything. So, nominal CAPEX will continue for the next couple of years for us to debottleneck whatever we believe is needed to achieve optimum capacity in the plant. So that is very normal. It will be nominal in nature compared to the size of revenue being generated. So I think one should expect that there will be some CAPEX, but not to the tune of what we have done in the last financial year.

Gautam Gosar: Got it, sir. Sir, my last question is on our working capital days. So they have gone up significantly, which is leading to the low operating cash generation for us. So if you can allude some reasons for the same and what can be the sustainable working capital days for us?

Mark Saldanha: I'm sorry, You are not audible. I could not get that question. Could you repeat that?

Gautam Gosar: Sir, my question is on working capital. So the working capital days have gone up for us, which is leading to the low operating cash generation. So if you can allude some reasons for the same, what can be the sustainable working capital days for us?

Jitendra Sharma: Jitendra here. So see, our current working capital cycle is of 127 days. So there is a slight increase as compared to last year. And our inventory levels have gone up. So right now, we are in the process of building up inventory because a lot of new launches have taken place during last year, specifically in U.S. And we need to ensure that we should have at least like 3 to 4 months of inventory at any given point of time. So we are building it up right now. In terms of the optimum cycle, definitely, our revenues are increasing. So in absolute terms, we will see increase in inventory and receivable levels in absolute terms. But in terms of number of days, I think it should be very much at the level at which we are at present.

Gautam Gosar: So it will continue to remain around 125 days.

Jitendra Sharma: It will definitely be in this range, definitely, yes. If you see our overall levels, like our receivable levels are just under 75 days. Inventory by nature of business is service-oriented. So definitely, we don't see inventory levels coming down. So broadly, though we are trying to optimize, but it will remain within the range of 125 to 135 days.

Moderator: Thank you. We take the next question from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Mark, we had this target of Rs. 3,000 crores revenue in FY '26. Are we on track for that?

Mark Saldanha: Yes, very much, Bino, because we have done Rs. 2,600 crores. So we are very optimistic that we are very much on track for the Rs. 3,000 crores.

Bino Pathiparampil: Right. And that will entail about 17% growth in FY '26. It's still early, but if I just keep ahead into '27, '28 etc., do you think this 17% sort of growth rate is sustainable? Or do you think the size becoming bigger could gradually bring down the growth rates?

Mark Saldanha: No, I think that is very doable, Bino. We would like to improve over the 17%, obviously. And we are optimistic that the market dynamics will stabilize. The geopolitical issues will probably settle down. But I think on a conservative basis, 17% is definitely doable.

Bino Pathiparampil: Got it. And just pushing you a bit on the tariff front. Worst case if some tariff indeed come to apply, say, 10% or 15%, whatever it is, how would you be positioned competitively against your key competitor, which I guess is Perrigo? Will Perrigo have a lot of U.S.-based plans and will they be much better positioned in such a scenario?

Mark Saldanha: So obviously, tariffs coming into effect is going to affect U.S. production also because U.S. is very dependent on all raw material imports. There are no raw material manufacturers within U.S. So technically, all raw materials coming into the U.S., the tariffs will have an impact on that.

Cost will go up even whether you produce it in U.S. or any part of the world. If it is a nominal tariff, I think the impact is less. If it is an abnormal tariff, then one, that will be passed on to the consumers and to the retailers and the retailers will pass onwards. I don't believe it will go down that road. I am quite optimistic that tariffs will be very nominal or not existing moving forward. So I do believe that eventually, if tariffs are disproportionately high, then it will be passed on. That said, the US manufacturers are not insulated or isolated with tariffs,their cost will go up because raw material costs will go up. So overall, the difference may not be all that great that one would think that, well, if you are a U.S. manufacturer, your cost will be very low. No, that's not the case because your cost will go up because of the raw material imports. And that, I think, reality is keeping into the U.S. market by itself. So, tariff is never good news, but it is what it is. It's the nature of the beast today, and we just have to aim it or cross handle it when it comes our way.

Bino Pathiparampil: Got it. So this year, we have seen a compression in EBITDA margin because of all the extra costs related to your new facility etc. So as operating leverage sets in, do you see a decent improvement in EBITDA margin next year?

Mark Saldanha: So there are 2 things, Bino. One is if you are comparing our last quarter, our last quarter has always been lower historically, if you go through the last couple of years because...

Bino Pathiparampil: Interrupt you, we can talk from the full year perspective from '24 financial year 21%, it has come down to about 20%.

Mark Saldanha: Yes. So that is very nominal. I think basically, we will be at par, or we will be able to maintain the EBITDA, if not improve the EBITDA. So we are quite optimistic and bullish on those aspects on the EBITDA front of it. The last quarter, obviously, our last quarter is not the right way to evaluate anything because last quarter, the product mix changes by itself. We come off the cold season and we go into the pain season. There is a bit of a product mix change also, which has an impact on the gross contribution by itself. And yes, there is the timing in terms of the timing may not be right because we have added more people to enhance more capacity and volumes from our new plant. But I do believe we will maintain our EBITDA, our historic EBITDA that we have done but improve on that.

Bino Pathiparampil: Got it. And finally, one last to Jitendra. Could you put a number to the CAPEX expected in FY '26 or inclusive maintenance, debottlenecking etc., all put together?

Jitendra Sharma: So last year, of course, we did CAPEX of Rs. 173 crores. And I think this year also, the CAPEX we will continue to incur. It will be lower than last year, but I think we should be somewhere between, say, $8 million to $10 million overall.

Bino Pathiparampil: Thank you. I will join back the queue.

Moderator: Thank you. We take the next question from the line of Dhvij Patel from Finterest Capital. Please go ahead.

Dhvij Patel: Sir, my first question would be on the Teva facility. Just wanted to understand what kind of revenues have we seen from Teva facility in this financial year? I guess we have seen for 6 months, if I'm not wrong.

Mark Saldanha: Yes. So this year, I mean, like I mentioned, right now, we are trending at Rs. 40-odd crores, about Rs. 35 crores to Rs. 40-odd crores. So we are looking at somewhere around between Rs. 400-odd crores to Rs. 500-odd crores. This is the trend as on today.

Dhvij Patel: Rs. 400 crores to Rs. 500 crores is what we are seeing for this Financial Year?

Mark Saldanha: Yes. For this Financial Year, based on the current trend, obviously, it will improve. But if you look at, let's say, April and May, like May, for example, we are trending at between Rs. 400 crores to Rs. 500 crores.

Dhvij Patel: Got it. And sir, as far as I remember when we had a conversation, this facility was somewhere going to generate around Rs. 1,000-odd crores of revenues for us once it reaches a peak capacity. So is this plan delayed? Because we were anticipating around Rs. 500 crores for this Financial Year, the last one, which has just gone by?

Mark Saldanha: Yes, the last one, that approvals, site variations, everything took a bit longer than expected. Not so much of the CAPEX. The CAPEX, obviously, we have invested the CAPEX, as you can see, we have invested Rs. 175-odd crores of CAPEX. So from a capacity standpoint, we are good to hit those objectives of Rs. 500-odd crores. And we are trending towards, like I mentioned, between Rs. 400 crores to Rs. 500 crores. So I do believe we will be hitting on a trend basis minimum that objective will be achieved. Then when we talk of doubling it, that's where some more CAPEX and debottlenecking will go on. So hopefully, in the latter part of the year, we will be moving probably more towards Rs. 600 crores, Rs. 700-odd crores in terms of the trending part of it, not the actual revenue, but the trending part of it. Now it is a process by itself. It cannot be cut short and overnighted achieve those objectives because it is all about plant approvals. It's all about product approvals. There are some things which are not within our control, although CAPEX is within our control, but approvals and product switches are not within our control. So those things, you may have a quarter delay here and there. But we are pretty much on target where spending is concerned, where objectives are achieved. I do believe this plant will hit Rs. 1,000 crores eventually.

Dhvij Patel: Got your point. And just the question that I actually asked was how much revenue have we seen for this Financial YearFY '25 from the Teva facility?

Jitendra Sharma: We did around Rs. 325 crores.

Dhvij Patel: Okay. Got it. And sir, the final question would be on the new products, which will lead to higher margin product. Can you please elaborate what are we doing there now? What is the update on that?

Mark Saldanha: So we are launching products literally every quarter and every quarter, we are launching products. So we do believe we will see at least 50-odd products in different segments, in different therapeutic segments, whether it might be cold, whether it might be digestive, whether it might be pain and some in prescription also. So we do believe we'll be launching very close to about 70-odd products between now and, let's say, September.

Dhvij Patel: Got it. So your growth plan, the slide of FY '25 and beyond looks a bit conservative. I think we can change that someday in the near future.

Mark Saldanha: Yes, it is what it is. We would like to give a number that we believe is very much doable, even taking into consideration the geopolitical situations that exist all over surrounding us. We are still bullish and optimistic in expecting that we will hit our objectives.

Dhvij Patel: That is it from my side and all the best and thank you so much for taking my call. Thank you.

Moderator: Thank you. Next question is from the line of Mythili Balakrishnan from Alchemy Capital Management Private Limited. Please go ahead.

Mythili Balakrishnan: I just wanted to understand a little bit about any prebuy that you are seeing in the U.S. You mentioned that there is nothing much per se. But what about the quarter? Is some part of this growth because of customers stocking up?

Mark Saldanha: Sorry, I didn't get your question. Could you repeat it? It's not very audible.

Mythili Balakrishnan: Sure. I wanted to understand somewhat about this prebuy from the U.S. You mentioned that there is nothing much which has happened in April. But could you sort of indicate whether anything was happening during this particular March quarter in terms of customers wanting to stock up ahead of the tariffs?

Mark Saldanha: I don't think that is a scenario, not in pharmaceutical. See, when there is uncertainty, people will wait and watch.I don't think you could stock up beyond a certain level. Most of these retailers don't keep a lot of inventory by itself. So they are not equipped to stock up or hold inventory because they handle probably 10,000, 20,000 different items. So technically, there has been no stock up in April, in March. There has been some slowdown because of pricing situations and whether prices will change in the distribution channel. So if nothing else, there were talks of recession and everything. So a lot of uncertainty was revolving around the U.S. market, whether it is the bond yields, whether it's a recession and it all started off with the tariffs. So it was all very new in March. It started in Feb, but it was all very new in Feb and March. Literally, nobody knew what was going on. So everyone was waiting for a better tomorrow or a better outcome. And uncertainty is never good for business. So I think now in April, you saw things being paused, you saw some positive things coming out and some damage control being done by the administration. And then you obviously saw bilateral government discussions happening. Our Indian government is really working hard towards achieving a trade neutral proposal. So technically, I am optimistic that they will succeed. So we are hoping, obviously, for things to stabilize and only improve moving on.

Mythili Balakrishnan: Got it. But was April more normal? Or was April also a bit...?

Mark Saldanha: I think April was also a bit more like March per se, but things are getting better. The g end of April, you could see things getting better because the tariff pause came into effect in April

Mythili Balakrishnan: Also to understand on the tariff side, right? These are largely fixed price contracts where the contracts have been done for a period of 3, 4 years. So just wanted to get a sense from you of how will the tariff sort of get passed on to the customer? And will we be expected to bear a part of it? Or do you think sometimes there is no alternate, right, but to raise the price. But just wanted to get your sense on that.

Mark Saldanha: So eventually, obviously, our outlook because tariff is more like a force majeure, right It is not within your control. It is a government doing,So, the contracts do not cover anything of those natures. And I think the retailers do anticipate that if tariffs do come into play. So today, there is no tariff. And as a matter of fact, India has got a great advantage compared to the rest of the world, including for products being manufactured in U.S. Today, India enjoys the benefit of being more competitive because U.S. manufacturers are still having the brunt of bearing raw material tariffs, which are coming out from China, which most of the raw materials do come out of China. So India, while it is beneficial, if tomorrow tariffs do come into play, it will be passed on. If it is extremely negligible and insignificant, we may not bother burdening anything, probably try to get the cost of goods down to nullify it. But most likely, if it is 10% or anything above 10%, we will definitely work on passing it down. And we will still be competitive compared to the domestic manufacturing in the U.S. because they will also have the brunt of raw material tariffs.

Mythili Balakrishnan: Got it. But this would be a force majeure event in any case?

Mark Saldanha: Yes, this is a force majeure. The retailers have already made public, the other consumables, which are not exempted are undergoing, our tariffs are being implemented and retailers have already made public statements stating that prices are going to go up because the inventory is being depleted, the non-tariff stock inventory is being depleted and the new stock will come with tariffs. And for that, it is not possible for the retailer to absorb anything. So they are going to pass it down to the consumer.

Mythili Balakrishnan: Got it. Two questions on the U.S. growth. When we look at it, it is much higher than what the U.S. market seems to be growing at. We have grown like 34% on a year-on-year basis. So just wanted to get a sense of how are we sort of getting the share? Are there any specific new retailers we have added? Or just if you could sort of explain it a little bit. And also this growth that we have seen in terms of the rest of the world, is there any particular geography that you dive in?

Mark Saldanha: So, with regards to U.S., obviously, for size of the U.S. market, the base is extremely small. So when you see the percentage looks big because the base is small. And the market size is huge. So literally, the percentage gives you a different picture altogether, but we are taking market share both from the product as well as from new retail outlets that we are getting into and it is a mixed basket of everything, existing products, new products as well as new clients. But again, our base is extremely small. So we are optimistic of that growth and continued growth for the next couple of years where U.S. is concerned. Rest of the world, obviously, the market sizes are smaller. U.K. market size is extremely small, but we are doing fantastically well. We have a very aggressive growth plan for the U.K. market also. So we do plan to grow and those numbers will start unfolding in a couple of years. But you will see amazing growth coming from our U.K. subsidiary, too. For newer markets, obviously, we are targeting the European market, which for us is still a new market basically. And we are focusing more on those markets now than ever before. So we are hoping that we can get in there. And last but not the least, hopefully, someday, we'll get into the Indian market also.

Mythili Balakrishnan: That is all from my side. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Hi Mark, thanks for taking my question. Mark, on the U.S. business, based upon the current order book, what kind of revenue scale-up visibility you have for the next couple of years?

Mark Saldanha: So our order book stands at somewhere around 220 million. And it is growing, Nitin. But obviously, tariff has been a bit of a damper, right, because people are waiting and watching, like I mentioned earlier, uncertainty is never great for the growth part of it. But we are optimistic that we would basically look at a $300 million order book status within the next 2 years.

Nitin Agarwal: So when you say 300 million order book, what does it translate into, typically annualized revenue by when you start realizing those kind of revenue, for example, when you say you have a 220 million order book right now, what does that really mean from a revenue booking perspective?

Mark Saldanha: So I mean, obviously, that's a good question because an order book when you get a contract, it takes about 6 to 8 months to start executing that contract because of the artwork process and everything of that stuff, right? So technically, a substantial amount of this 200, I mean, nearly around, I would say somewhere around 30 million to 35 million, we will start shipments only in the month of September and then balance 20 million will probably happen in the month of Feb or March. So technically, it takes about good 6 to 8 months to start commercializing and shipments of these orders. And then you are not going to see from day 1, Rs. 30 million being done, right? It's a trending pattern.

Nitin Agarwal: Right. But in a typical situation, if you were to just look at, for example, this 220 million revenue, by what time would that translate to annualized revenues for you?

Mark Saldanha: So if you look at today, order book status, 220 million, we'll do next year.

Nitin Agarwal: In FY '26?

Mark Saldanha: Yes. But if my order book goes higher, then we'll obviously be much in a better position to cross that. Then whatever contracts I get towards the latter half of the year because all these contracts, retailers are always 1 year, they always talk of the next year. They don't no longer talk of this year. So if I am getting contracts of this year, it is not for this year commercialization because they are always 1 year ahead in terms of planning.

Nitin Agarwal: And in terms of the new order wins that you have been negotiating or talking to clients around, this is more on probably more products with existing clients or it's more of more clients with the current portfolio?

Mark Saldanha: There have been a few new clients, but basically, it is more products with existing clients and newer products that we are coming, which we are planning to launch also.

Nitin Agarwal: Okay. And for, our skew for the business I think we mentioned in the press release that Rs. 2,000-odd crores of our revenues of Rs. 2,600 crores is OTC. And so this skew towards OTC for the business will stay, continue as it is despite our filing some more ANDAs, which that we have been doing?

Mark Saldanha: It may grow, Nitin, honestly, because we are very strong in OTC. So like I have always said, it may grow, and you may see OTC having maybe 85%.

Nitin Agarwal: Got it. That's helpful. And secondly, Jitendra, for this year, I think we have had some amount of rather under leveraging of the Teva plant cost, I presume, which has led to this SG&A cost being a little overly higher than what has been in the past. In your assessment, by when do we start to leverage those costs start to become like more in line with the company average when we start leveraging the Teva plant better, it happens this year or it take another year?

Jitendra Sharma: No, it will happen this year. I think in the second half of this year, so our utilization levels definitely will increase. And we will see operating leverage benefits from this year itself, most likely, but from second half of this year onwards.

Nitin Agarwal: And once we start getting operating leverage benefits on this new facility, what kind of sustainable EBITDA margins can the business go back to?

Jitendra Sharma: See, I think definitely, we can do 21%, 22% EBITDA margin once this kind of operating leverage gets in.

Nitin Agarwal: Okay, thank you so much.

Moderator: Thank you. We will take the next question from the line of Viraj Mahadevia from MoneyGrow India. Please go ahead.

Viraj Mahadevia: Congratulations on stable results. Most of my questions have been answered. Quick 2 questions. One, you commented in your presentation that part of the EBITDA margin impact was on account of freight costs. How are you seeing freight costs currently in April and May period? And are you seeing it moderating and likely to be lower for the next couple of months?

Jitendra Sharma: Yes, it has moderated already. So definitely, last quarter was a relatively softer quarter in terms of the freight costs. But yes, the first 2 quarters of FY '25, like we did pay a very high amount of freight cost. So if I see like freight cost as a percentage to sales, so in FY '25, it was around 5% as compared to 4% in FY '24. So we ended up paying like more in FY '25 as a whole. But yes, now it has stabilized, and I think it will come back to 4% in FY '26.

Viraj Mahadevia: Understood. My next question is regarding a follow-on to Nitin's question, which is the $220 million of order book, Mark that you mentioned. So can we read that as $50 million or $60 million by FY '26 over and above the base of Rs. 2,600 crores that already be delivered. And then the incremental balance of 160 million spilling into FY '27 in addition to whatever else we win between now and then. Is that the right way to think about it?

Mark Saldanha: Yes. So the execution, like I mentioned, will start somewhere in September. Obviously, then we talk about trending because you will not within 5 months or 6 months, actually do the entire 50-odd million because that 50 million is for the full year.So it will translate into a proper revenue only next year, if you want to look at it from an absolute 12-month revenue point of view. And then today, what contracts we actually are talking about in this year, basically, they talk of next year, maybe some may happen. If you look at pain normally happens in April, digestive happens in in the latter part, Cold happens maybe in September of '26. So it just depends on the product portfolios and the contracts that you actually get. But it shows, obviously, the strength of the business model, the continuity and the growth part of it. So when we talk of hitting objectives of Rs. 3,000-odd crores, obviously, we talk about the U.S. growth, but we also have U.K. and other subsidiaries that are growing. But U.S. will continue to be our growth driver to hit those objectives. And then when we talk of beyond Rs. 3,000 crores, we anticipate these additional contracts to fuel us to that level.

Viraj Mahadevia: Understood. Last question is, can you comment a little bit about your cash balances and the intended use for making acquisitions? Have you made any progress there? Are there any advance conversation is going on?

Mark Saldanha: Yes. So the cash balance is what is stated out there. Obviously, we have increased our dividends to a level which is all-time high for us. But at the end of the day, we were in dialogue with some companies for M&A but those basically fizzled out in the last 10 days in Europe, and we continue to pursue European acquisitions I mean we have given mandates and each of those acquisitions are €30 million to €40 million potential. I mean if they do come our way, then we need that corpus with us to execute it and to fund that. And we also need CAPEX of around Rs. 100-odd crores for our plant. So taking into consideration all these transactions that we have on our plate, you are looking at a minimum Rs. 400-odd crores being kept aside only for that. And then the rest is all fueling our working capital and our aggressive growth strategies that are there to fuel, so we don't borrow. We basically are debt-free. So working capital will definitely go up based on this aggressive growth strategy that we have in place.

Viraj Mahadevia: Understood. Thank you. All the best.

Moderator: Thank you. Next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Sincere apologies because I could join only after 30 minutes of the call. So apologies if I'm repeating any question. But Trump, for example, a couple of days back seem to have a direct instructions to Walmart saying that they can't pass on or complain about increased cost, and they must absorb. Walmart is an important customer and clearly, this kind of items for them to bear the entire burden given Walmart's relatively low cost, low pricing model, how that is kind of possible. So I am confused while I understand the impracticality of the situation, what is going on, on one hand, the tariff being imposed and all the time vacillating situation on that, plus to expect that the party is concerned will bear the burden, clearly, unrealistic expectation, but that is what it is. It is on record, that is what is stated. So how do you read about all this? I mean it leaves me utterly confused as to what is going on.

Mark Saldanha: So the President will do what he believes he has to do to calm situations down or to show his strength are. I don't think it is possible to control cost if tariffs are in play, cost will go up. Some of the tariffs, Bharat, is literally double the cost of the product. So it depends on which country you are importing it, if the cost of a fruit is $1, the tariff itself is $1. So there's no way for retailers to absorb it. So the manufacturers or the suppliers are not going to absorb it. They are going to pass it down. And even for clothing and everything, they are going to pass it down. Now the question is for the retailers, they want to absorb it, it's their call. But it is most unlikely that anyone will absorb it, and they will pass it down to the customer one way or the other. They may not very bluntly mention, well, this is for tariff. They will slowly keep increasing their price and absorbing. I mean this is what has happened during COVID also, right. All the prices of finished product went up, but they didn't mention, well, it's COVID and that's why we are increasing prices. They slowly increased their prices. And ultimately, their prices are much higher than what it was historically because all cost has gone up due to COVID. So technically, I do see retailers increasing prices. There is no way they can absorb anything of that stuff. So the president may may want certain things, but it may not be possible to stop it and unless the tariffs are removed or is very nominal, then definitely, retailers may say 4%, 5% here and there, we can manage it. But otherwise, there is no way that retailers will be able to absorb it. And eventually, it will go down to the customer and the customer will bear the brunt. And if you go to a retailer, you are seeing the cost much higher than what it was even for essentials. So I don't think that's going to stop the retailer from doing what they have to do.

Bharat Shah: So essentially, Mark, what you are saying is there are 4 parties involved: Government of America, which is seeking to impose tariff retailer like Walmart, manufacturer and distributor like you and the poor helpless final buyer of the product. You are basically saying that if U.S. government doesn't relent, then no part of the burden will be borne by either the distributor or a retailer like Walmart or producer like Marksans. The poor helpless customer will be holding the baby in his hands entirely. Is that practically how do you think it will work out?

Mark Saldanha: It is a reality, but it is a reality that everyone is aware that the end burden will be the customer itself. And that realization is not happening with the current administration because they believe their objective is to get production out here in the U.S. and get everything made in the U.S. But it is a fact that if tariffs do continue, see, I mean, to be fair, they have exempted a lot of tariffs or they paused a lot of tariffs because it was having a direct impact on the cost of product. Even for computers, they paused tariffs from China. So because the computer cost is going up. Cars now costs are going up because all the spare parts are going up. So technically, the car manufacturers have already increased their prices. Typically, it is like 30%, 40% more expensive to buy a car today. So if car manufacturers or dealers are increasing prices, I don't see why Walmart and all will not increase prices when they come into play. Obviously, tariffs are relatively very new. It's started only in the month of Feb, towards March, you could say, technically. And then again, in April, it was paused and then again, it has come back to some extent or revisited some extent. So there's a bit of chaos and uncertainty happening out there. But at the end of the day, there is inventory in the system, which once it gets depleted, the retailers will have to bear the brunt. And I am seeing the clothing industry, whether it's from India or whatever, we have very clearly told the retailers that they cannot absorb it, and they are going to pass it down to the retailers. And guess what the retailers are going to do, the retailers are going to pass it on to the customer.

Bharat Shah: And just one last bit. How much of what we supply to America would you describe as essential that they can't do without? And how much of it is some more dispensable category where cost becomes an area of concern that people may dispense with the consumption itself altogether?

Mark Saldanha: So we don't supply any patented drugs or any products that you could term as lifesaving unless there's a COVID happening and people start taking pain, they need something for fever or pain or something like that stuff. So we don't have any patented items basically to fall in that category that people have to use it and don't have a choice. But that said and done, when I talk of essentials, I am talking more on the grocery part of it, right. Those people have to buy vegetables, poultry or wheat and everything of that stuff. So those costs are going up. So people will definitely need to spend on that first and then later on, on medicines. So technically, all said and done, and that's why there was the rumors or speculation or doubts whether U.S. will go into recession because of this issue. But I think the government will eventually back off from tariffs. The intent was good, but the execution was not very great. So the intent was to have arrangement, but the execution was harder and eventually, they will back off, I do believe. They know it's not sustainable.

Bharat Shah: Sure. No, I am aware your OTC business is the dominant one in America. It's somewhat reverse in U.K. But given the pill popping culture in America and excessive predisposition towards consuming medicines and drugs for any and everything and given lack of easy access to doctors for most of the things that people have, I think America has become what it has become a pill popping kind of a society recklessly, I would say, to the benefit of businesses of your kind. But within what you supply, given the habits and behavior of the society in America, you don't suspect that really speaking, to supply can just be dispensed with by the customers. In other words, the prices begin to bite and they say, okay, to help with it and not to buy some of the medicines, you see that as a possibility, assuming all these comes to pass?

Mark Saldanha: I hope not, number one. Number two is, obviously, if the country goes into recession, then it's new unchartered territories for all of us. But I don't foresee that happening.

Bharat Shah: Sure. And therefore, you believe the 25%-odd growth, which is what I had spoken to Jitendra last time and I had learned, I don't know what you said in this call, but 25%-odd growth for U.S., U.K. and other territories put together for next 3 to 4 years, those plans are intact and those seem to be on track, right?

Mark Saldanha: So the U.S., yes, I can talk for the U.S. For the company by itself, we are giving a year-on-year growth of anything above 17.5%, 18% year-on-year growth as a corporate. But the U.S. market, our base being very small, I do believe it is doable.

Bharat Shah: So 25% plus for U.S. and Marksans in entirety at about 18-odd percent, 3- to 4-year kind of a topline growth?

Mark Saldanha: Yes. For the next 3 years, I would like to restrict to 3 years. Yes, I mean we are optimistic. Obviously, we have not given a 3-year projection, but we are aiming for that.

Bharat Shah: Taking into account all the drama that is going on.

Mark Saldanha: Well, it just depends on how you define drama, right? And nobody wants a worst drama. I mean there are force majeures which are beyond your control. And if tomorrow war breaks out, it's pretty much saying that it's free fall for everyone. But we are still very optimistic based on the current situation.

Bharat Shah: Okay. Fantastic. All the best. You have a really interesting spectacle to deal with. So good luck to you.

Mark Saldanha: It's a nature of the beast. We overcome it.

Bharat Shah: Thank you and thank you, Jitendra.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to the management for closing comments.

Mark Saldanha: I would like to thank everyone for spending their valuable time and continuing their interest in our company. I wish you all the best and have a great day and be safe. Cheers.

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