



MENTES CAPITAL MULTIBAGGER REPORT



Executive Summary:-

Name of the Company: Marksans Pharma Limited

Market Cap.: ₹ 3,583.42 Cr.

Current Price: ₹ 87.55

Book Value: ₹ 5.96

Stock P/E: 31.05

Dividend Yield: 0.13%

Face Value: ₹ 1.00

Listed on BSE and NSE

52 Week High/Low: ₹ 115.00 / ₹ 47.30

Beta : 1.69

Recommendation: Buy

Price Target: 375

Time Frame: 2 years

Strength: Manufacturing and Contract

Manufacturing of well accepted products.

Rebound in Fundamentals sustained for 2 yrs

Weakness: Choppy Financial performance.

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Company Profile:



Marksans Pharma, headquartered at Mumbai (India) is a global pharmaceutical company. They are actively engaged in R&D and offer CRAMS to global pharmaceutical companies.

Their focus areas lie in the OTC & prescription drugs that have wide-ranging applications across fields like Oncology, Gastroenterology, Antidiabetic, Antibiotics, Cardiovascular, Pain Management, Gynaecology, among others.

They have established world-class manufacturing facilities by leveraging state-of-the-art technology, incorporating best practices and adhering to stringent regulatory compliances. Our plants are approved by prestigious US FDA, UK MHRA, Australian TGA and other foreign health authorities.

Their R&D capabilities include dossier development, chemical synthesis, process optimization, formulation development, analytical development and conducting stability studies. We have a team of over 50 experienced scientists specializing in formulation development and analytical development.

They possess end-to-end capabilities – from Lab scale development to Pilot scale up and from commercializing the product for large scale manufacturing to marketing globally.

The company has achieved global recognition within a very short span of time and has major global expansion plans for the near future.

Sectoral Overview:

The Indian Pharmaceutical market (IPM) is highly fragmented with about 24,000 players (330 in the organised sector). The top 10 companies make up for more than a 3rd of the market. The market is dominated majorly by branded generics which constitutes of nearly 70% to 80% of market.

The IPM is valued at Rs 750 bn for the year ending March 2014. The growth in 2014 was subdued at 6% YoY vs 12% in 2013. The growth was impacted as the drug price control order (DPCO) issued notice to bring 348 drugs under price control. Despite this, the Indian pharma market remains one of the fastest growing pharma markets in the world. Currently the IPM is 3rd largest in terms of volume and thirteen largest in terms of value.

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Besides the domestic market, Indian pharma companies also have a large chunk of their revenues coming from exports. While some are focusing on the generics market in the US, Europe and semi-regulated markets, others are focusing on custom manufacturing for innovator companies. Biopharmaceuticals is also increasingly becoming an area of interest given the complexity in manufacture and limited competition.

Introduction of GDUFA (Generic drug User Fee Act) in the US during July 2012 too had a negative impact on pharma companies. As per this Act, the generic companies are required to pay user fees to USFDA, for application of drugs and manufacturing facilities. This fee will be utilized by USFDA to engage additional resources in order to speed up the approval process. While the drug filling fees was applicable since some time, from Oct 2014 even plant inspection fees has come into effect.

Indian pharma companies have increased their R&D expenses. The companies are spending more to establish niche product portfolios for the future.

Consolidation has increasingly become an important feature of IPM. The recent deals viz; Sun pharma acquiring Ranbaxy, Wyeth and Pfizer merger, Strides selling its injectables arm and so on are the classic cases

Management Profile:

They have a strong Board of Director Profile.

MR. BRIAN GULLIVER

MD - Bell's Healthcare (subsidiary)

MR. DAVID MOHAMMED

MD - Nova Pharmaceuticals Australasia Pty Ltd. (subsidiary)

History of the Firm:

Since incorporation in 2001, Marksans Pharma has undergone various phases of transformation, consolidation, mergers and acquisitions. From its initial identity of being a wholly owned subsidiary of Glenmark Pharmaceuticals Ltd., the organization has grown from strength-to-strength to make a mark in the global pharmaceutical space.

2009 Marksans Pharma established itself as a global player

2008 Acquired Bells, Sons & Co. (Druggists) Ltd.

Acquired Relonchem Limited

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- 2005 Acquired Nova Pharmaceuticals Australasia Pty Ltd.
- 2003 Spun-off into a separate entity - Glenmark Laboratories Ltd.
Changed its name to "Marksans Pharma Ltd"
- 2001 Marksans was incorporated as a wholly owned subsidiary of Glenmark Pharmaceuticals Ltd

The above time line shows the ability of the company to digest acquisitions and integrate it into their operations.

International Operations:

With presence in US, Europe, Australia and Canada the company is also trying to tap Russia and Emerging Markets.

Marksans has initiated dossier filling in the Russian and CIS markets. they are also registering their own dossiers, developing products going Off Patent and applying for registration of drugs that are shortly going Off Patent in the global markets.

Product portfolio comprises of more than 500 products, which are registered in these countries. In addition, they have a strong pipeline of products under registration.

Through contract manufacturing and active product registrations, Marksans is expanding its business across the rest of the European markets. They are focused towards formulation development and have a strong back up in terms of R&D and aggressive marketing plans.

They have a USFDA, MHRA and WHO approved Plant in Verna , Goa. They have another manufacturing facility in Southport UK

Subsidiaries with strong product portfolio:

Bell, Sons & Co. (Druggists) Ltd.

Nova Pharmaceuticals Australasia Pty Ltd.

Relonchem Limited

Time-Cap Labs, Inc

Key Strengths

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Strong R&D Capabilities with over 50 scientists working on Formulation Development, Analytical development and Conducting Stability Studies.

Developing a range of formulation and products as per customer specifications and for positively impacting health and well-being.

Their strength is ability to formulate and market drugs in the shortest possible lead time.

All products undergo a rigorous quality check and analysis by highly trained staff.

Corporate Governance is aimed to managing Stakeholder aspiration and minimising conflict that may arise.

Global Mission of the Company:

1. To become a preferred manufacturing partner for large MNC pharmaceutical companies
2. Establishing a strong presence in the US generic pharmaceutical market through organic and inorganic channels
3. Focusing on building Intellectual Property assets especially in niche dosage forms
4. Out-licensing Intellectual Property to drive growth/ scalability To build and launch generic products in niche segments
5. To build OTC presence in regulated markets.

Key Products

Ibuprofen 200mg (Brown & white)	Ibuprofen 200mg soft gel Capsules
Ibuprofen Rx 400, 600 & 800mg Tablets	Metformin HCl 500, 850 & 1000mg Tablets
Metformin HCl ER Tablets	Metformin HCl ER Tablets
Naproxen Tablets USP 500mg	Naproxen Tablets USP 375mg
Naproxen Tablets USP 250mg	Dutasteride 0.50mcg Soft gel Capsules
Gabapentin 100, 300 & 400mg Capsules	Paricalcitol 1, 2 & 4mcg Soft gel Capsules

Key Products in Europe

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Metformin 500, 850mg tablets	Paracetamol 500, 1000mg tablets/ caplets
Ibuprofen 200, 400mg tablets/ Soft Gel caps	Tramadol 50mg capsRanitidine 75, 150, 300mg tabs
Temazepam Soft Gel Caps	Chlordiazepoxide tabs
Alprazolam 0.25, 0.5mg tabs	Acebutalol 200, 400mg tabs
Lisinopril 2.5, 5, 10, 20mg tabs	Sildenafil 25, 50, 100mg tabs

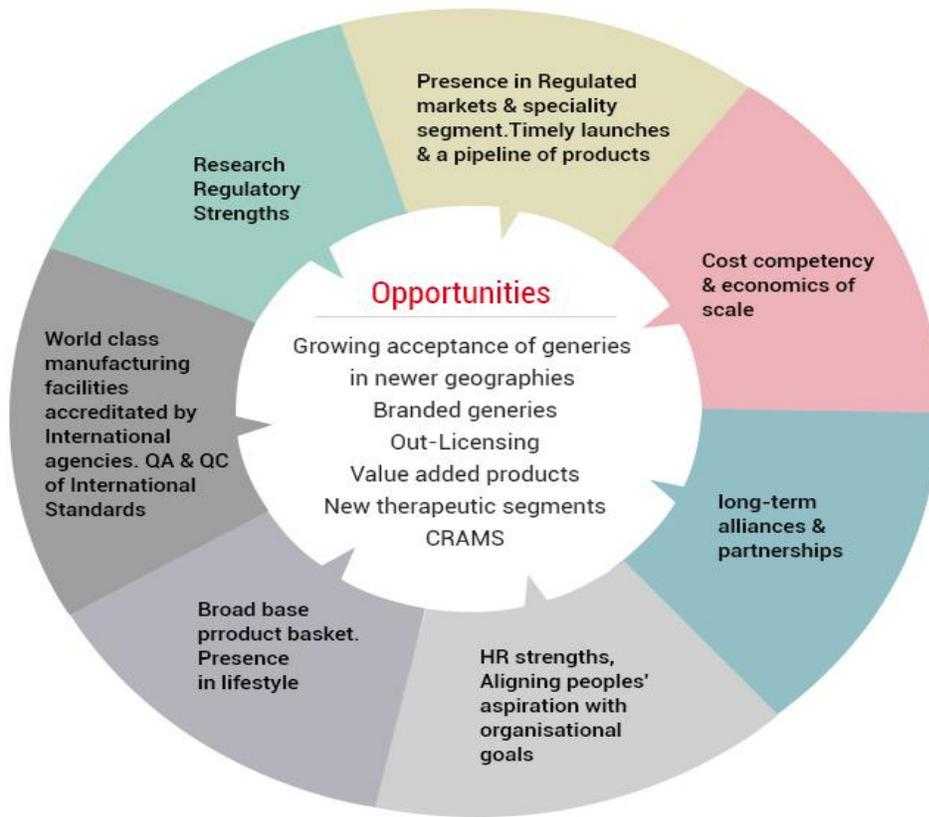
CRMS - Contract research and manufacturing services, here the company has unique value propositions as follows

- Marksans Pharma has alliances with the top MNC generic companies for contract manufacturing of 30 generic products for the European markets
- They have long-term (7-10 years) licensing agreements with several companies for development and supply of products
- Global presence
- Low cost manufacturing base
- World class manufacturing capacities/ plant, huge capacities
- Approvals from Global Health Authorities like US FDA, UK MHRA, Australia TGA
- Strong R&D and dossier development capabilities
- More than 125 plus product IP – for regulated markets
- More than 500 plus product IP's – in semi-regulated markets
- Only company in India having USFDA/ TGA/ MHRA approval for softgel products
- Among the very few companies in India offering CRAMS for US/ global markets into formulation development and manufacturing.

Strategy

The company plans to enhance its product portfolio with the addition of 12-13 products every year

Offering CRAMS for existing and emerging markets is envisaged as one of the major driver and revenue earner for the company



Financial Analysis

Market Cap.: ₹ 3,583.42 Cr.

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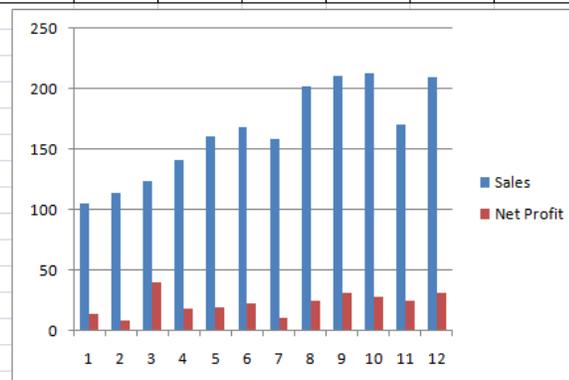
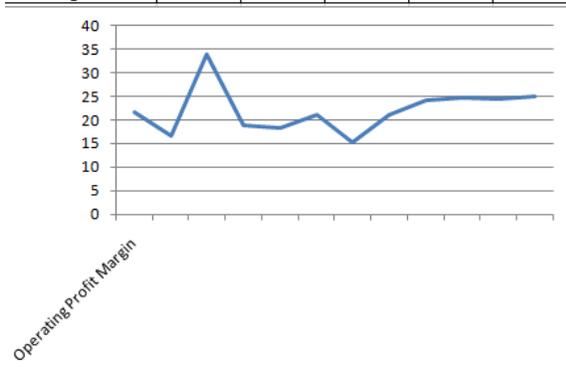
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Consolidated Quarter Result (in Rs. Crores) / View Standalone

	12-Sep	12-Dec	13-Mar	13-Jun	13-Sep	13-Dec	14-Mar	14-Jun	14-Sep	14-Dec	15-Mar	15-Jun	
Sales	105.53	114.35	123.9	141.03	161.35	168.75	158.86	202.4	210.48	213.29	170.52	210.16	
Expenses	86.18	95.49	81.73	117.3	131.72	133.26	135.32	159.62	159.58	160.85	131.92	160.05	
Operating Profit	23	19.1	41.96	26.46	29.66	35.51	24.28	42.8	50.96	52.46	41.85	52.41	
OPM	21.79	16.7	33.87	18.76	18.38	21.04	15.28	21.15	24.21	24.6	24.54	24.94	4.92
Depreciation	4.99	6.8	1.34	3.21	3.18	5.71	3.6	4.04	3.96	3.97	4.16	4.52	
Interest	3.41	3.6	3.99	3.26	3.99	2.84	3.71	3.54	4.79	6.34	1.38	2.98	
Profit before tax	14.02	8.21	35.44	19.61	21.97	26.45	16.66	34.77	41.71	41.44	35.4	44.04	
Tax	0	0	-5.28	0.83	1.96	3.97	6.03	9.3	10.55	13.72	10.35	12.57	
Net Profit	14.02	8.21	40.72	18.78	20.01	22.48	10.63	25.47	31.16	27.72	25.05	31.47	
PBT Margin	13.29%	7.18%	28.60%	13.90%	13.62%	15.67%	10.49%	17.18%	19.82%	19.43%	20.76%	20.96%	5.66%



We see a steady rise in revenues from our analysis of past Quarter's performance, barring 1 or 2 quarters. Standard Deviation of Operating Income Margin is 4.92% and the Standard Deviation of Net Income Margin is 5.6%. In the past 4 quarters the firm has had almost 20% Net Income Margin.

In the annexure to this report we have the sectoral analysis

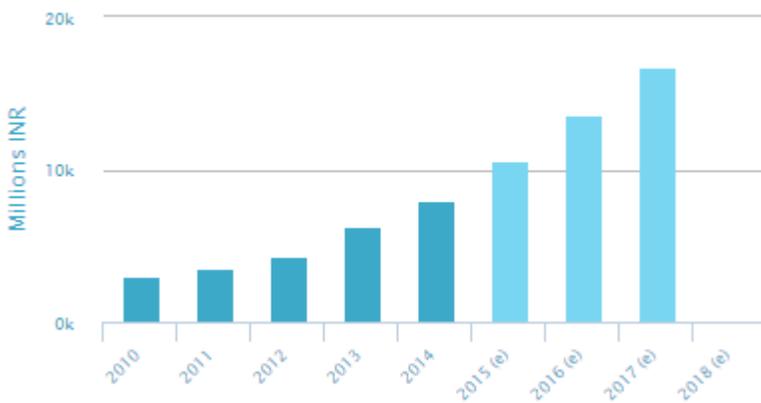
Valuation

	EV/EBITDA Last	EV/EBITDA(e) 2015	EV/EBITDA NTM
Marksans Pharma Limited	19.51	14.55	12.88
International Peers	15.05	11.94	11.36
Pharmaceuticals	8.94	10.75	10.32
BSE SENSEX	N/A	N/A	N/A
India	7.51	9.74	9.17

International Peers

Company Name	Ctry	Maket Cap. last (m\$)	Beta 1-Year	Year-To-Date Price Change (in local currency)
Marksans Pharma Limited	IND	560	1.69	43.6%
<i>International Peers Median</i>			0.86	-19.5%
GlaxoSmithKline plc	GBR	99 792	1.03	-3.3%
Faes Farma, S.A.	ESP	694	0.65	45.2%
China Medical System Ho...	CYM	2 650	0.86	-35.6%
Hua Han Bio-Pharmacuti...	CYM	970	0.85	-56.0%
Aspen Pharmacare Holdin...	ZAF	11 286	0.98	-19.5%

Net Sales Chart



Growth, Profitability, Risk and Valuation Analysis.



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MARKSANS PH. (BSE)				NIFTY (NSE)			
93.85 ▲ 3.50 (3.87%)				93.80 ▲ 3.35 (3.70%)			
BSE : Aug 28, 12:17				NSE : Aug 28, 12:17			
Open	92.80	Vol	476855	Open	92.50	Vol	2010960
High	94.30	52 Week	115.00	High	94.40	52 Week	115.00
Low	92.25	52 Week	48.30	Low	92.05	52 Week	48.20
Prev. Close	90.35			Prev. Close	90.45		
	Bid	Offer			Bid	Offer	
Price	93.70	93.85		Price	93.80	93.85	
Quantity	375.00	1220.00		Quantity	996	30	

The stock has outperformed NIFTY consistently over the past year. With the improved fundamentals we see the same trend continuing. The stock has fallen from its recent highs and thus in the medium term it will make an attempt to break the top that was made. This itself represents 22.5% potential returns.



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