Marksans Pharma Ltd.

ISIN :INE750C01026 | NSE :MARKSANS

Price: 233
Recommendation: Buy
Industry: Pharmaceuticals
Sector: Healthcare
Report Date: 03-Apr-2025

Marksans Pharma has demonstrated strong performance in Q3 FY25, achieving record quarterly PAT and 12 consecutive quarters of double-digit revenue growth. Revenue rose 16.3% year-on-year, with the U.S. market growing 37%. The company focuses on strategic growth pillars, including new product launches and facility expansion, aiming for INR 3,000 crores by FY26. Marksans remains debt-free, leveraging its low-cost manufacturing base in India to expand in the U.S. and U.K. markets.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1100 Cr	Operating Profit(Year)	187 Cr	Operating Profit Margin	17.0 %
Previous Year	655 Cr	Operating Profit(Quarter)	59.9 Cr	EBITDA Margin	18.36 %
Current Quarter	312 Cr	PAT (Year)	134 Cr	Net Profit Margin	15.7 %
Previous Quarter	309 Cr	PAT (Quarter)	55.5 Cr	EPS	4.05
Revenue (QYoY)	241 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	57.4	Sales Growth	40.8 %	Sales Growth	0.97 %
PEG Ratio	2.29	PAT Growth	30.1 %	Sales Growth QYoY	29.46 %
EV/EBITDA	39.1	EPS Growth	37.29 %	PAT Growth	-12.18 %
P/B	8.18	Dividend Yield	0.26	PAT Growth QYoY	119.37 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	11.5 %	Promoter	43.9 %	Debt/Equity	0.01
RoA	9.35 %	FII	22.0 %	Debt	9.41 Cr
RoCE	14.7 %	DII	4.30 %	Market Cap	10534 Cr
RoIC	14.6 %	Public	29.9 %	Enterprise value	10238 Cr
		No of Shares	45.3 Cr	Cash Equivalents	305 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

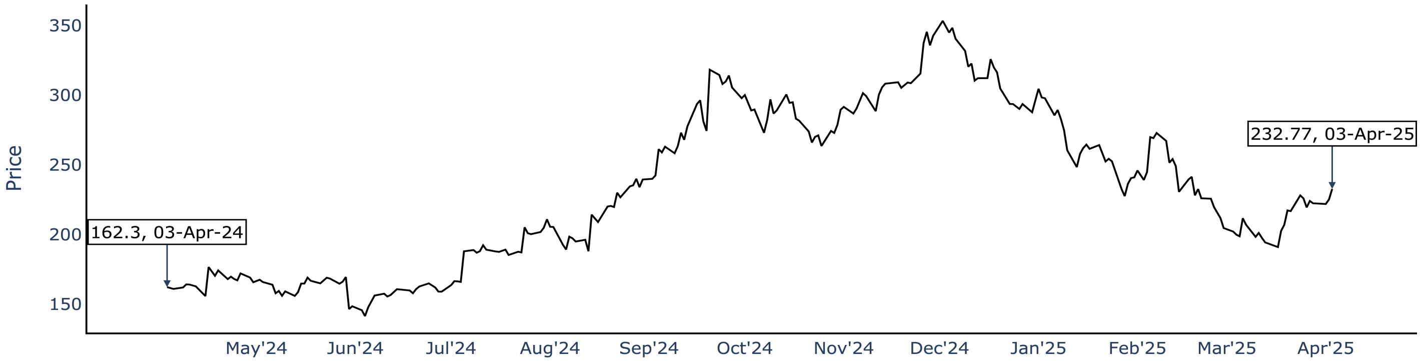
Marksans Pharma reported a robust performance in Q3 FY25, achieving an all-time high quarterly PAT, driven by 12 consecutive quarters of double-digit revenue growth. The company's revenue increased by 16.3% year-on-year, with the U.S. market showing a remarkable 37% growth, more than double the overall company growth rate. The U.K. and Europe also showed improvement, while Australia and New Zealand faced seasonal softness, and the Rest of the World was impacted by geopolitical issues. The company achieved a gross margin expansion due to a better product mix and lower raw material prices, despite increased freight costs and investments in a newly acquired facility. The EBITDA margin stood at 20.4%, with a PAT of INR 105 crores, marking a 26.6% increase year-on-year.

The company is focused on strategic pillars for growth, including new product launches and ramping up its new facility to achieve a revenue milestone of INR 3,000 crores by FY26. Marksans is also targeting the U.K. market for significant growth, with plans to double revenue in the next 5 to 7 years. The Teva plant is expected to contribute significantly, with a phased approach to increasing capacity and optimizing operations. The company is exploring opportunities in Europe, with dialogues underway for potential M&A; activities to expand its geographical footprint. Marksans remains debt-free, with a strong cash balance to support future growth initiatives.

Looking ahead, Marksans aims to surpass the INR 3,000 crores revenue mark, with a longer-term target of INR 4,000 crores. The company plans to leverage its low-cost manufacturing base in India while expanding its presence in the U.S. and U.K. markets. The management is optimistic about the future, with a robust product pipeline and strategic investments in capacity expansion. However, they acknowledge potential challenges such as geopolitical uncertainties and competition in the OTC segment. The company is prepared to adapt its strategy to maintain its competitive edge and achieve its growth objectives.

In terms of future growth, Marksans is well-positioned to capitalize on its strategic initiatives and market opportunities. The company's focus on expanding its product portfolio and enhancing operational efficiency is expected to drive revenue growth and improve margins. While the current performance is strong, the management recognizes the need for continuous innovation and strategic investments to sustain growth. The company's proactive approach to managing costs and optimizing its supply chain will be crucial in navigating potential headwinds and achieving its ambitious revenue targets.

MARKSANS Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Ajanta Pharma	32743.19	36.47	23.23%	-3.41%	3.71%	7.58%	10.88%
Gland Pharma	25734.96	36.54	9.26%	-1.55%	-10.43%	25.17%	6.69%
ERIS Lifescience	18500.62	56.17	16.28%	-1.85%	49.59%	-8.69%	-17.57%
Sai Life	15877.07	191.76	8.89%	11.18%	14.64%	29.73%	35.95%
Caplin Point Lab	15663.65	30.42	24.23%	2.04%	13.19%	6.24%	18.57%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a 16.3% increase YoY, driven by a 37% rise in the U.S. market. This indicates effective market expansion and product demand, particularly in the U.S., despite challenges in other regions. The strategic focus on new product launches supports this upward trend.
Profit & Loss	Operating profit and PAT reflect robust financial health, with a 26.6% YoY increase in PAT. This suggests efficient cost management and revenue generation. The consistent profit growth underscores the company's ability to maintain profitability amidst market fluctuations.
Profitability Matrix	The company maintains healthy profitability with an operating profit margin of 17% and a net profit margin of 15.7%. These figures highlight strong operational efficiency and cost control, contributing to sustained financial performance.
Valuation Matrix	The valuation metrics, including a trailing P/E of 57.4 and PEG ratio of 2.29, suggest the company is valued optimistically by the market. This reflects investor confidence in future growth prospects, supported by strategic initiatives and market expansion.
Growth (YoY)	Year-on-year growth metrics are positive, with sales growth at 40.8% and EPS growth at 37.29%. This indicates strong operational performance and market expansion, reinforcing the company's growth trajectory and strategic execution.
Growth (QoQ)	Quarter-on-quarter growth shows modest sales growth of 0.97%, with a significant PAT decline of 12.18%. This suggests potential short-term challenges, possibly due to seasonal factors or market conditions, requiring strategic adjustments.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 11.5% and RoCE of 14.7%. These figures indicate efficient use of capital to generate returns, supporting long-term growth and shareholder value.
Holdings	Promoter holding at 43.9% reflects strong insider confidence, while FII at 22% indicates significant foreign investment interest. The diverse holding structure supports stability and potential for strategic partnerships or investments.
Leverage	With a debt/equity ratio of 0.01, the company is virtually debt-free, enhancing financial flexibility. This low leverage supports strategic investments and growth initiatives without the burden of significant debt obligations.

Analyst viewpoint: Marksans Pharma exhibits a compelling growth trajectory, underscored by consistent QoQ sales growth of 0.97% and a remarkable QoY increase of 16.3%, driven significantly by a 37% expansion in the U.S. market. The pharmaceutical sector's robust performance is evident in its strategic initiatives, with the company aiming to achieve INR 3,000 crores by FY26 through diverse product launches and facility expansions. Marksans' valuation metrics, including a PEG ratio of 2.29 and a P/E of 57.4, reflect strong market confidence, further bolstered by their debt-free status that enhances financial agility for future endeavors.

Despite robust growth, Marksans faces potential challenges such as geopolitical uncertainties and competitive pressures in the OTC segment, which requires adaptive strategies to maintain its edge. Nonetheless, with an ambitious plan to double its revenue in significant markets over the next few years and a current standing of a 26.6% year-on-year increase in PAT, Marksans remains a highly promising investment. This is supported by effective capital allocation strategies demonstrated by a RoE of 11.5% and a substantial operating profit margin of 17%, establishing the company as a sound contender in the pharmaceutical landscape.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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