

Mankind Pharma

BSE SENSEX 81,086 S&P CNX 24,823

CMP: INR2,362 TP: INR2,760 (+17%) Buy



Improvising the base; adding new avenues for growth

- Following our [Initiating Coverage](#) on Mankind Pharma (MANKIND), we have highlighted certain key aspects from the recently released annual report.
- MANKIND has a strategic roadmap for growth through expansion in high entry barrier innovative product launches in the chronic/consumer segment and other adjacencies, transitioning from sexual wellness to consumer wellness in the over-the-counter (OTC) space.
- During FY22-24, its strategic product launches have focused on chronic therapies such as diabetes, cardiac, gynecology, CNS, and respiratory.
- Further, it is implementing efforts to deepen its presence in Tier I/ metro cities by engaging with key opinion leaders and forging strategic partnerships with hospitals.
- In addition to premiumizing products and extensions, MANKIND is expanding in the consumer wellness segment via product launches such as Nimulid.
- Due to growth initiatives through both organic and inorganic means, the FCFE and return ratios have been impacted from FY20 to FY24. However, the CFO/ EBITDA ratio improved to ~89% during FY24. However, we anticipate an improvement in FCFE during FY24-FY26, with the increased benefits of initiatives implemented over FY22-FY24.
- Overall, we expect a 14% earnings CAGR over FY24-26, fueled by an 11% sales CAGR and a 180bp margin expansion. We value MANKIND at 42x 12m forward earnings to arrive at our TP of INR2,760. Reiterate BUY.

Stock Info

Bloomberg	MANKIND IN
Equity Shares (m)	401
M.Cap.(INRb)/(USD\$b)	946.5 / 11.3
52-Week Range (INR)	2490 / 1681
1, 6, 12 Rel. Per (%)	12/-/2/1
12M Avg Val (INR M)	1632
Free float (%)	25.1

Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	103.3	114.3	127.8
EBITDA	25.4	29.3	33.6
Adj. PAT	19.1	21.8	25.0
EBIT Margin (%)	24.5	25.6	26.3
Cons. Adj. EPS (INR)	47.8	54.5	62.4
EPS Gr. (%)	38.5	14.1	14.6
BV/Sh. (INR)	233.7	274.8	322.5

Ratios

Net D:E	-0.4	-0.5	-0.6
RoE (%)	22.8	21.4	20.9
RoCE (%)	22.8	21.4	20.9
Payout (%)	20.0	19.7	20.0

Valuations

P/E (x)	49.5	43.4	37.9
EV/EBITDA (x)	37.3	32.0	27.2
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	2.7	4.7	4.6
EV/Sales (x)	9.1	8.2	7.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.9	74.9	76.5
DII	9.9	11.1	4.6
FII	11.6	9.9	4.2
Others	3.6	4.1	14.7

FII Includes depository receipts

Enhancing the specialty portfolio; adding new growth levers

- Over the past few years, MANKIND has consistently implemented efforts to launch differentiated products and improve market diversification. It has utilized the inorganic/in-licensing routes as well, given its established presence in the domestic formulation (DF) market.
- Accordingly, products such as Daffy, Air Space, Ecitelo, Ovaflo-Q10, SGLTD-S, Sitaday, Pizowave, and Combihale have shown phenomenal traction post-launch. The unique nature of products and strong marketing efforts of MANKIND have propelled sales for these products and led to a strong traction in the base portfolio.
- MANKIND is gradually investing in building the a) NCE pipeline, b) biosimilar portfolio, c) pet-food portfolio, and d) Ayurveda portfolio, thereby adding newer growth levers over the long term.

Multiple initiatives to underpin sustained growth visibility

- MANKIND has improved its share of chronic therapies in the prescription (Rx) from 20.4% in FY15 to 35.5% in FY24.
- Adding specialized divisions, expanding presence in the new chronic therapies, and in-licensing/M&A opportunities resulted in higher traction from products in chronic therapies. Further, MANKIND continues to focus on improving its presence across Tier I and metro cities.
- On the consumer healthcare front, management expects double-digit growth led by new launches and SKUs, alternate channels, and premiumization of brands.
- For both Rx and consumer health, MANKIND has spent around INR20.7b in advertisement and sales promotion expenses over FY20-24 registered a 24% CAGR (5.3% of sales).

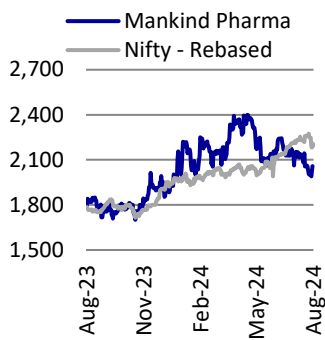
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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Stock Performance (1-year)



Adding another differentiated asset to the portfolio through BSV

- With the acquisition of BSV, MANKIND has gained wider access to the high entry barrier super specialty portfolio and alternate channel of distribution. This also provides a specialty R&D tech platform, in-house complex manufacturing capabilities and a strong institutional reach. It has gained access to the new geographies in EMs.
- BSV has a strong presence in women healthcare/infertility/critical care segments. Particularly, anti-D, Thymogam and ASVS have no peers. Other top products also do not have more than three competitors.
- The wider coverage of doctors and presence in international markets drive strong growth momentum in this business.

Scale up of acquired units/improved capacity utilization to drive better FCFE/ROE

- During FY20-23, the RoE declined 11% due to: a) the acquisition of two products from DRRD and the acquisition of Panacea Biotech, b) pending utilization improvements for the new capacity for dydrogesteron facility at Udaipur, and c) higher depreciation related to Udaipur facility.
- In FY24, RoE improved due to growth in EBIT margin supported by declining tax expenses.
- Over FY20-23, the CFO rose to INR18.1b from INR10.7b. Further, the CFO/EBITDA ratio improved to ~89% from 70% over the same period. However, FCFE generation declined to INR2.9b from INR6.9b over the same period due to aggressive investments in capex and acquisitions.
- After the acquisition of Panacea Biotech (PB) in CY22, MANKIND continues to scale up this business. PB recorded 20-25% YoY revenue growth in 1QFY25.
- The acquisition of BSV is expected to impact FCFE/return ratios in the near term.
- The company's superior execution track record and additional synergies from the acquired portfolio provide visibility for better FCFE/ROE in long term.

Reiterate BUY

- Overall, we expect a 14% earnings CAGR over FY24-26, fueled by an 11% sales CAGR and a 180bp margin expansion.
- Considering a) the expansion in product offerings in major therapies, b) the capitalization on leverage, c) a further improvement in the share of chronic therapies, d) the scale up of more brands to the INR500m-INR1b bracket, e) improvement in the MR productivity, and f) footprint expansion in metro/Tier-I cities, we assign a multiple of 42x on 12M forward earnings to arrive at our TP of INR2,760. **Reiterate BUY.**

Exhibit 1: Valuation snapshot

Company	Reco	MCap (USD B)	EPS (INR)			EPS Gr. YoY (%)		PE (x)		EV/EBITDA (x)		RoE (%)		
			FY24E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY24E	FY25E	FY26E
Ajanta Pharma	Buy	4.6	62.3	75.8	88.1	21.7	16.0	41.2	35.5	28.6	24.8	22.7	24.5	23.8
Alembic Pharma	Neutral	2.5	31.5	37.6	41.5	19.7	10.3	29.7	26.9	17.9	15.9	13.5	14.3	13.9
Alkem Lab	Neutral	8.3	159.7	178.1	202.9	11.6	13.9	32.4	28.4	27.7	24.1	19.7	19.1	18.8
Aurobindo Pharma	Neutral	10.5	56.0	66.3	73.8	18.3	11.3	23.1	20.8	12.0	11.0	11.6	12.3	12.2
Biocon	Neutral	5.1	1.8	5.0	10.4	180.0	106.1	70.6	34.3	16.0	12.4	1.1	3.0	5.9
Cipla	Buy	15.3	52.5	58.7	65.6	11.9	11.7	27.0	24.2	17.7	15.4	15.9	15.4	14.9
Divi's Lab.	Neutral	15.5	60.0	77.7	95.1	29.6	22.4	63.2	51.6	44.1	36.8	12.1	14.4	15.9
Dr Reddy's Labs	Neutral	14.0	317.1	353.8	389.0	11.6	9.9	19.7	17.9	11.9	9.9	20.7	19.1	17.7
Eris Lifescience	Neutral	2.0	29.2	30.4	42.0	4.0	38.0	40.7	29.5	15.4	13.4	16.8	15.2	18.2
Gland Pharma	Buy	3.8	47.6	56.1	67.8	17.8	20.9	33.9	28.0	19.4	16.2	9.4	10.1	10.9
Glenmark Pharma	Neutral	5.6	2.5	47.5	59.2	1812.8	24.6	35.3	28.3	18.6	15.4	0.8	15.8	16.8
Glaxosmit Pharma	Neutral	6.2	43.3	47.3	51.5	9.2	8.9	61.6	56.6	48.6	44.1	41.3	38.0	34.7
Granules India	Buy	2.0	17.4	24.0	31.9	38.5	32.5	28.5	21.5	16.4	13.3	13.9	16.6	18.6
Ipca Labs.	Neutral	4.2	20.8	33.5	44.4	61.3	32.6	41.8	31.6	22.1	18.5	8.7	12.7	15.0
Laurus Labs	Buy	2.8	3.0	7.2	12.9	139.9	78.2	62.1	34.9	23.1	17.5	4.0	9.1	14.7
Lupin	Neutral	11.4	41.5	59.2	69.9	42.4	18.2	35.6	30.1	20.9	17.6	14.1	17.3	17.4
Mankind Pharma	Buy	10.9	47.8	54.5	62.4	14.1	14.6	43.4	37.9	32.0	27.2	22.8	21.4	20.9
Piramal Pharma	Buy	3.0	0.4	2.5	5.1	497.1	103.1	74.6	36.7	19.3	14.6	0.8	4.1	7.9
Sun Pharma.Inds.	Buy	50.4	41.4	49.3	58.4	19.1	18.4	35.5	30.0	28.3	24.0	16.7	17.3	17.6
Torrent Pharma.	Neutral	13.5	47.1	63.4	82.0	34.6	29.3	53.0	41.0	28.5	23.8	24.4	28.5	30.5
Zydus LifeScience	Neutral	14.4	37.6	43.9	47.3	16.5	7.9	27.6	25.6	18.2	16.5	20.3	19.6	17.4

Source: MOFSL, Company

Enhancing the specialty portfolio; adding new growth levers

- Over FY22-24, the pace of launches has been robust and largely towards enhancing the chronic segment.
- In addition to in-house developed products, MANKIND has acquired/in-licensed certain products that are differentiated in nature, thereby aiding superior growth compared to the industry.
- MANKIND invested INR9.4b in R&D over FY20-24. It is foraying into developing NCE molecules. Currently, its T2DM has successfully completed the phase 1 clinical trials. Further, MANKIND will start the phase I clinical trial for the autoimmune molecule.
- Additionally, it is developing new capabilities, including mAbs, peptides, and proteins. It is foraying into biosimilars as well.
- Further, MANKIND is venturing into new businesses such as Pet Foods, Agritech, and Ayurveda. With strong brand equity and reach, MANKIND expects this business to drive growth over the long run.

New launches witness strong traction

- MANKIND has been strategically creating specialty divisions over FY20-24, with an aim to increase the chronic share. Subsequently, the company has enriched its product offerings in cardiovascular, diabetes, respiratory, and gynecology therapies. It has launched its own as well as acquired products to improve its brand franchise in these therapies.

Nobeglar recognized as the launch of the year in the anti-diabetic category

- MANKIND in-licensed Nobeglar from Biocon in 2023. Nobeglar has been recognized as the Launch of the Year in the anti-diabetic category due to the addition of ~100,000 prescriptions in FY24. Every month, MANKIND adds 2,500 new patients, which will propel growth at almost 30% in FY25.

Exhibit 2: Snapshot of MANKIND's product launches in FY24

Sr No	Launch year	Product	Therapy	FY24 sales INRm
1	FY24	Glizid	Anti-diabetic	313
2	FY24	Nimulid	Pain	133
3	FY24	Gliptagreat	Anti-diabetic	114
4	FY24	Nobeglar*	Anti-diabetic	75
5	FY24	Pacliall	Antineoplastics	57
6	FY24	Ferikind	Gynaec	35
7	FY24	Arnisac	Cardiac	27
8	FY24	Vitakind	VMN	18
9	FY24	Thyroneed	Hormones	5
10	FY24	Ovanews	Gynaec	4

*Note: Nobeglar is in-licensed Source: MOFSL, Company, IQVIA

- The company launched Nimulid in the prescription segment for pain management. With strong marketing efforts, alternate channels, and brand recall, the product garnered INR133m revenue. Further, the company has launched this brand in consumer segment.
- MANKIND in-licensed Symbicort from AstraZenca in order to market the product in India to strengthen its inhalation portfolio. Symbicort is the dual combination inhaler used for treatment of Asthma. In this drug, dry powder inhalation with turbocharge technology is used, which increases the efficacy of the product, resulting in 2-3 times higher deposition in the lungs. With in-licensing of this

drug, MANKIND has entered into the premium inhalation category. The product would be marketed through its existing field force, which would drive growth.

MANKIND outperforms the industry in several strategic launches

- Neptaz, in-licensed from Novartis, has an innovative formulation. It has strengthened MANKIND's cardiac portfolio. While patent expiry has led to significant price erosion at the industry level, it has improved the demand at the volume level. The strong recall value of Neptaz is expected to drive market share for MANKIND in this product category.
- In FY22, MANKIND bought the Daffy product from Dr. Reddys. Daffy is used as a moisturizing soap in the pediatric segment. Since the launch by MANKIND in FY22, Daffy has reported a 50% CAGR (vs. 16% CAGR in molecule), showcasing MANKIND's strong brand equity and reach in the consumer segment.

Exhibit 3: Air Space and Ecitelo registered significant growth since FY22

Sr No	Launch Year	Product	Therapy	Molecule	FY24 sales INRm	CAGR since launch by MANKIND %	Molecule CAGR %
1	FY22	Daffy	Derma	Emollients,Protectives	123	49.6	16
2	FY22	Neptaz*	Cardiac	Sacubitril + Valsartan	291	-16.4	13
3	FY23	Air Space	Respiratory	Inhaler Device	20	395.6	1
4	FY23	Ecitelo	Neuro	Escitalopram	21	121.2	8
5	FY23	Gliptagreat D	Anti-diabetic	Dapagliflozin + vildagli.	104	37.3	16
6	FY23	Nuforce-Gm	Derma	Beclo.+neo.+clotri. comb.	126	-1.8	5
7	FY23	Ovaflo-Q10	Gynaec	Prasterone	88	504.5	11
8	FY23	SGLTD-S	Anti-diabetic	Dapagliflozin + Sitagliip.	79	418.3	170
9	FY23	Sitaday	Anti-diabetic	Sitagliptin	48	153.2	18
10	FY23	Pizowave	Anti-infective	Piperacillin+Tazobactam	119	113.3	10
11	FY23	Combihale	Respiratory	Formoterol+Budesonide And Comb	202	40.3	26

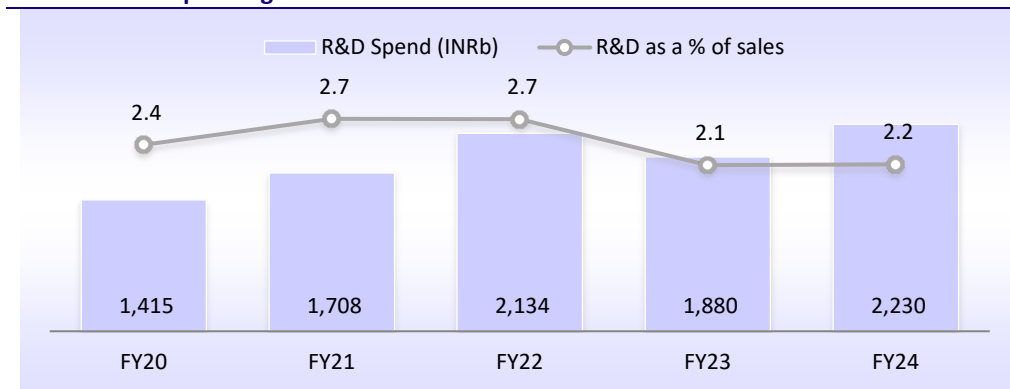
*Note: Neptaz is in-licensed Source: MOFSL, Company, IQVIA

- Air Space (used to enhance the efficacy of inhalation and provide optimal respiratory support) has registered a ~5x surge in FY24, led by superior execution. It has significantly outperformed the molecule growth.
- Further, the Ecitelo (used for treatment of depression and anxiety) has seen a 2.2x YoY jump in FY24. However, the molecule growth has been just 1%, displaying MANKIND's reach and execution.
- The anti-diabetic brands such as Gliptagreat D, SGLTD-S, and Sitaday significantly outperformed the molecule growth. Particularly, SGLTD-S, launched in FY23, surged 5x, while molecule has shown only 2.7x growth, signifying superior execution by the company.
- MANKIND launched Gliptagreat D in FY23, having a dual combination effect of Dapagliflozin and Vildagliptin, which increases urinary glucose excretion and reduces liver glucose secretion. Gliptagreat has only the Vildagliptin molecule, which reduces liver glucose secretion. MANKIND launched SKUs of Glizid and Gliptagreat in FY24, with a strong presence of the earlier brand. The company was able to ramp up Glizid and Gliptagreat at a rapid pace.
- Combihale, brought from Dr. Reddy's, has registered 40% YoY growth. MANKIND has outperformed molecule growth at the industry level by 14%.
- It is focusing on launching more products in India for scaling up the business further.

Initiated investments in NCE molecules as well

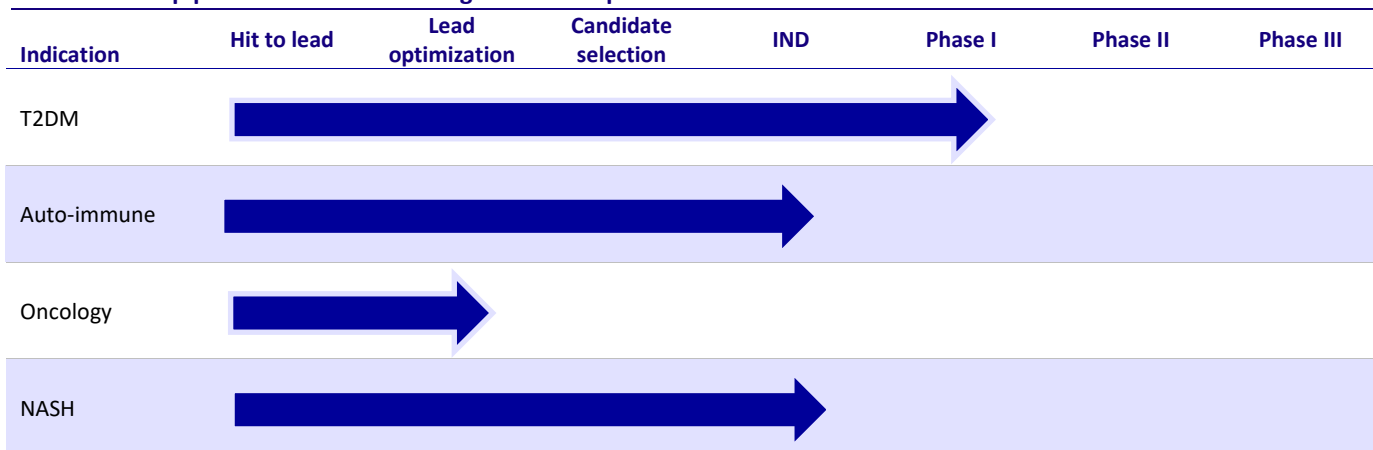
- MANKIND has invested ~INR9.4b in R&D over FY20-24 (~2.4% of sales) for drug development. Particularly, in FY24, the company has invested ~INR2.2b which is 2.2% of sales.
- It is developing NCE molecules in Oncology, Immuno-oncology, and NASH/NAFLD (Non-alcoholic steatohepatitis/Non-alcoholic fatty liver disease).

Exhibit 4: R&D spending as a % of sales at around 2.0-2.7% over FY20-24



Source: MOFSL, Company

- Currently, the Type 2 diabetes mellitus (T2DM) (MKP10241) has successfully completed the phase 1 clinical trials. The drug would be used to sustain glycemic control, with a focus on decreasing the insulin resistance and preserving the β -cell function.
- Further in Auto-immune, MANKIND is focusing on inflammatory diseases like Rheumatoid arthritis, Ulcerative colitis, Plaque Psoriasis and Alopecia for developing NCE molecules. In Oncology, the company is developing drugs in the melanoma and lung cancer space.
- Additionally, MANKIND is preparing to commence the Phase 1 clinical trials for JAK inhibitor for the molecule of autoimmune disorder.

Exhibit 5: NCE pipeline under various stages of development

Note: *IND= Investigational New Application Drug Source: MOFSL, Company

- Further, the company is exploring biosimilars and is undertaking drug developments in cancer, allergy, and metabolic diseases. MANKIND is investing in different platforms such as mAbs, peptides, proteins, and so on for biosimilar development.
- MANKIND is working on two biosimilars, which will soon enter into clinical trials, with a primary focus on commercialization in India and selective emerging markets.
- With the investment in NCE molecules and other niche capabilities, MANKIND is focusing on innovative drugs for long-term growth.

Venturing into new businesses

- To further diversify the business, MANKIND is venturing into new businesses in the Pet Food, Agritech, and Ayurveda space.
- In the Pet Food division, the company is selling an extensive array of foods, medicines, and supplements under the brand name Pet Star.
- MANKIND has commenced the Agritech business in 2022 focusing on niche organic products. Through its deep penetration in rural India, and leveraging brand position, MANKIND aims to grow the brand.
- With the acquisition of Upakarma, MANKIND entered into the Ayurveda business. It is leveraging its reach and introducing growth products such as Shilajit, Ashwagandha, and Kesar to drive the growth.

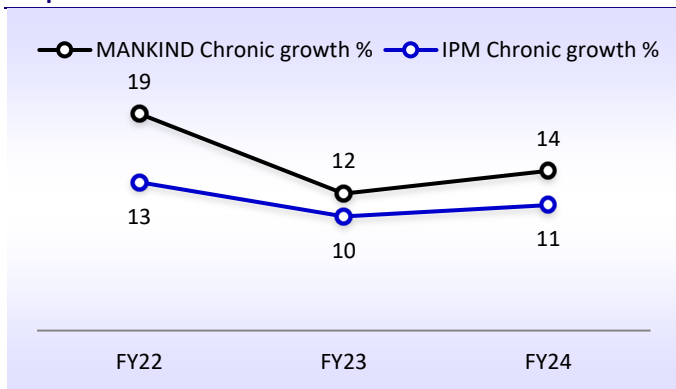
Multiple initiatives to aid sustained growth visibility

- MANKIND has improved its share of chronic therapies in the prescription segment to 35.5% in FY24 from 20.4% in FY15.
- Adding specialized divisions, expanding presence in new chronic therapies, and in-licensing/M&A opportunities led to higher traction from products in chronic therapies.
- Apart from portfolio optimization, MANKIND continues to focus on improving its presence across Tier I, and metro cities. About 53% of the revenue was generated from tier-1 and metro cities, with 490bp expansion in the share over FY20-24.
- MANKIND is focusing on deepening its presence in the Tier1 and metro cities by engaging Key Opinion Leaders (KOLs), increasing hospital tie-ups, investing in alternate channels, and launching specialty divisions.
- On the consumer healthcare front, MANKIND expects a double-digit growth led by new launches and SKUs, alternate channels, and premiumization of brands.

Focusing on chronic therapies to support sustainable growth momentum

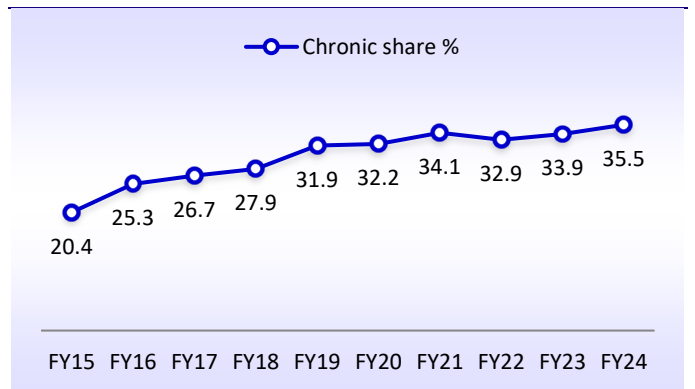
- While MANKIND already has a meaningful presence in acute therapy, it has implemented efforts to improve the chronic share. Over FY15-24, the chronic share increased to 35.5% from 20.4%.
- Further, MANKIND consistently outperformed IPM over FY22-24, led by strong brand equity, new launches, specialized divisions, and reach.

Exhibit 6: MANKIND’s chronic therapy consistently outperformed IPM



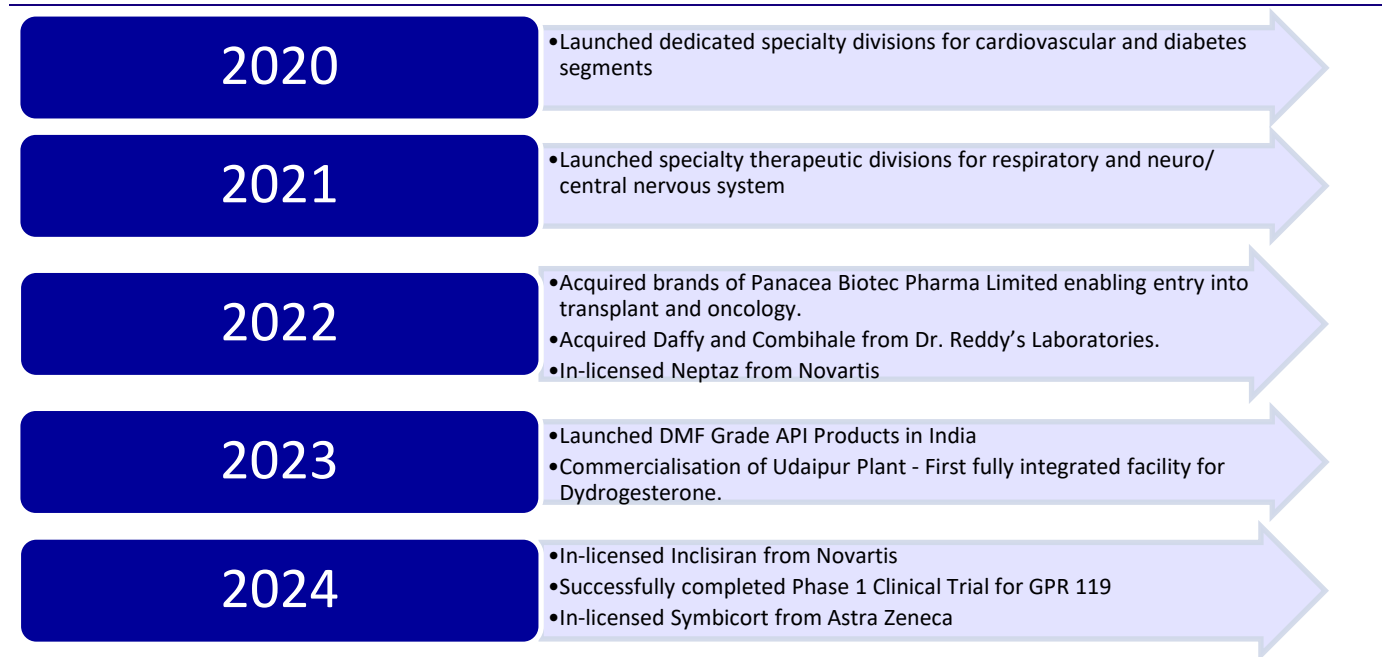
Source: MOFSL, Company

Exhibit 7: The chronic share increased to 35.5% in FY24



Source: MOFSL, Company

- MANKIND has started launching new divisions in the chronic segment since FY20. It has launched total ten plus divisions in chronic segment with four specialty division across Cardiac, Diabetes, Respiratory, and Neuro categories in metro and tier I cities. This has aided MANKIND to increase the chronic share.

Exhibit 8: In-licensing new chronic products/launching new chronic divisions over FY20-24

Source: MOFSL, Company

- The company is expanding its presence in existing and new chronic therapies, such as transplant, urology, nephrology, and oncology, and is also firming up its presence with a new differentiated launch, along with an in-licensing and M&A opportunity. Accordingly, we expect that the share of chronic would further increase going forward.

Cardiac/Anti-infective/Anti-diabetic driving the growth

- Anti-infective, which contributed ~15.3% of Rx sales, outperformed IPM over FY23-24, led by strong brand franchise, penetration, and strong growth in key brands.
- Cardiac therapy has consistently grown at double digits and has outperformed IPM over FY19-24 through the launch of specialized division, in-licensing brands, and superior execution.
- The gastrointestinal therapy underperformed IPM in FY19 and FY23. Interestingly, in FY24, the company registered an inline performance on the back of strong traction in Nurokind-LC and Vomikind.
- Over FY23-24, the anti-diabetic therapy outperformed IPM due to leveraging the specialized division launched 3-4 years ago, new launches, improved execution, and in-licensing deals.

Exhibit 9: Cardiac consistently outperforming IPM growth

Therapy	Rx Sales contribution %	Mankind growth %			IPM growth %		
		FY19	FY23	FY24	FY19	FY23	FY24
Anti-infective	15.3	0.3	13.2	10.5	6.6	6.2	4.7
Cardiac	13.9	16.9	16.6	18.4	12	8.7	10
Gastro-intestinal	10.5	3.8	9.7	7.1	7.9	12.3	7.2
Anti-diabetic	8.6	7.4	9.4	14.5	14.9	6.8	6
Respiratory	8.5	7.6	8.3	-2.5	11.4	7	2.7
VMN	8.4	6.7	-1.2	5.2	12	3.5	7.3
Gynae	7.6	7	27.1	6.9	12.9	15.7	6.3
Derma	5.8	10.2	-9.7	2.3	13.1	6.2	6.2

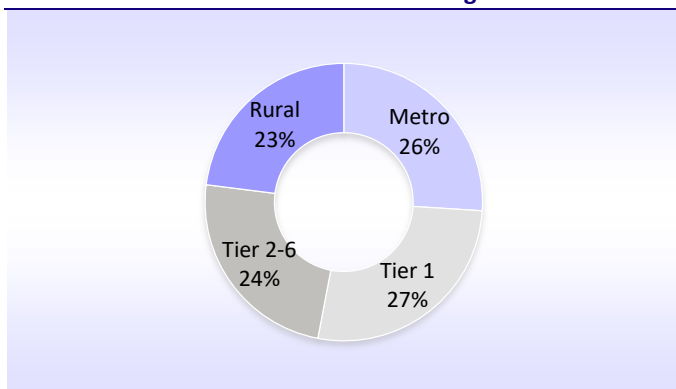
Source: MOFSL, Company

- The respiratory therapy underperformed IPM in FY24, led by a ban imposed by the government on its key product in Jun’23.
- Over FY23-24, the gynecology therapy outperformed IPM, fueled by new launches, line extensions, and enhanced marketing.
- The derma therapy has underperformed the IPM growth due to weak seasonality in the anti-fungal segment. Further, MANKIND underperformed IPM in the VMN segment.

Stable revenue share from metro and tier I cities since FY15

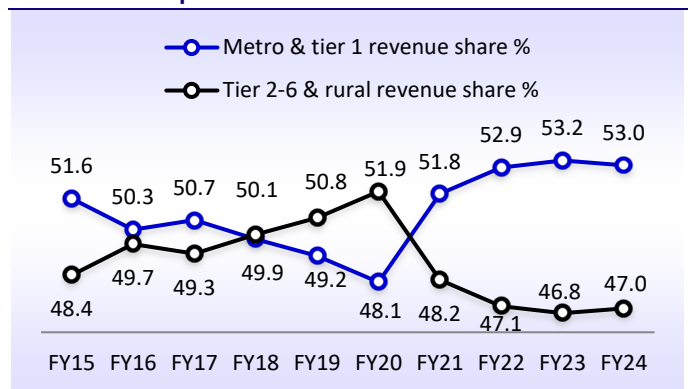
- MANKIND enjoyed the highest contribution of revenue from Tier I and metro cities (at 53%) in FY24.
- Over FY15-20, its revenue share from the metro and tier 1 cities had declined 350bp to 48.1%.
- However, during FY20-24, the revenue contribution from metro and tier 1 cities witnessed a sharp recovery of 490bp to reach 53%, led by increasing penetration by the launch of specialized divisions and rising partnerships/tie-ups.

Exhibit 10: Tier 1 cities contributed the highest to revenue



Source: MOFSL, Company

Exhibit 11: Metro & tier 1 cities’ revenue contribution increased 490bp over FY20-24



Source: MOFSL, Company

- MANKIND aims to further increase its penetration in Tier 1 and metro cities by engaging KOLs, increasing hospital tie-ups, expanding its presence in newer business channels, and supporting this expansion with the launch of single specialty divisions.

Marketing efforts to intensify in the consumer healthcare segment

- MANKIND delivered a moderate 2% YoY growth in FY24 in the consumer healthcare sector.
- However, its key brands, such as Manforce, Prega News, and Unwanted-72 registered a double-digit growth propelled by strong brand recall, reach, and marketing.

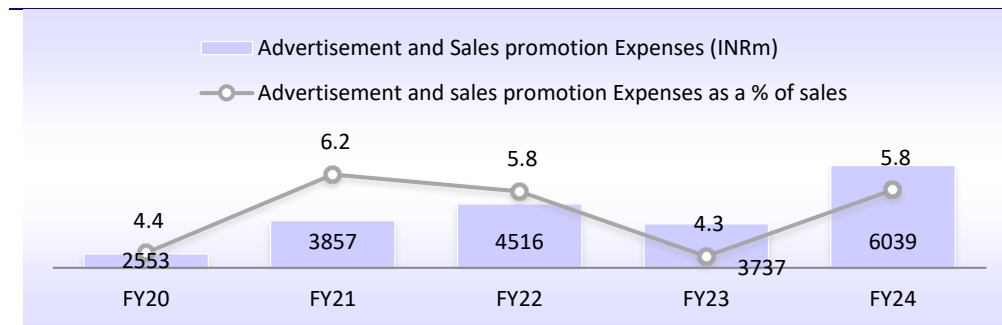
Exhibit 12: All the top brands in consumer healthcare delivered double-digit growth

Brands	FY24 Sales INR(b)	FY21-24 CAGR %	Market share %
Manforce	4.9	24.7	47.5
Prega news	2.2	19.3	83.9
Unwanted-72	1.2	12	60.3

Source: MOFSL, Company

- This implies the tail brands have reported a weak show in FY24.
- MANKIND invested ~INR20.7b in advertisement and sales promotion expenses over FY20-24 (5.3% of sales) spread across the Rx as well as consumer healthcare segment. The advertisement and sales promotion expenses registered a 24% CAGR over FY20-24 to INR6b.
- Particularly in FY24, the advertisement and sales promotion expenses doubled YoY to INR6b led by celebrity endorsements to strengthen market presence of the brands, product campaigns, and higher training activities.

Exhibit 13: MANKIND increased the advertisement and sales promotion expenses on absolute basis in FY24



Source: MOFSL, Company

- Further, it launched various new products and line extensions in the consumer healthcare segment. In FY24, the company launched line extensions in Prega News and Manforce and new launches like Nimulid and Ova News.
- MANKIND expects the consumer healthcare sector to grow in double digits, led by new leadership specialized in consumer healthcare business, new launches, automation and digitization, leveraging targeted marketing strategies, a focus on innovation, and concentrating on the premiumization of brands.

Expanding the DMF grade API product portfolio for the Indian market

- MANKIND has launched a division to sell the DMF grade API products at affordable prices in India.
- Currently it has launched 150 SKUs in India with conversion of the 1/3rd of the chronic portfolio in this segment.
- MANKIND is focusing on enhancing its presence in this segment by increasing the accessibility of high quality API at affordable prices.

Adding differentiated asset to portfolio through BSV

- With the acquisition of BSV, MANKIND has gained access to the high entry barrier super specialty portfolio and chronic portfolio.
- This acquisition not only expands Mankind's niche portfolio, but also provides a specialty R&D tech platform, in-house complex manufacturing capabilities and a strong institutional reach. Further, MANKIND will gain access to new geographies in EMs.
- BSV has presence in the 12 out of 15 molecules in the fertility space. Also, it has a complex drug Anti-D used as a precautionary measure for the normal birth of new born. Further, it is expanding its presence in the animal bite.
- As most of the incidents related to pregnancy as well as the snake bite occur in tier 2 and below towns and rural areas due to less awareness. MANKIND's penetration in these areas and awareness campaigns would further bolster the growth of this brands in India.

Multiple moats to help MANKIND bolster its position in Indian market

- With the acquisition of BSV, MANKIND to get access to the high entry barrier super specialty and chronic portfolio. This acquisition would help MANKIND bolster its place in the niche category in the Indian pharma market.
- BSV has a high-entry barrier specialty portfolio across India/EMs. It has not only shown commercial success but also has a product pipeline in segments like women's health, fertility and critical care.
- It has differentiated technology platforms like Recombinant tech, complex delivery system, and immunoglobulins.
- BSV has a wide coverage of doctors as well as institutional reach, which would help MANKIND to leverage it by expanding its presence.
- It has presence in international markets with marketing/regulatory teams. This would aid MANKIND to expand in newer geographies and expand its existing as well as new acquired portfolio in these markets.
- BSV also has complex manufacturing capabilities at Ambernath/Germany.

MANKIND well placed to reap benefits in women healthcare

- The acquisition of BSV would gain MANKIND access to the exhaustive fertility drugs portfolio.
- BSV has presence in the 12 out of 15 molecules in the fertility space with 3 under the development phase. This is the highest among all the peers present in the Gynae space.
- BSV has niche, complex and high-entry barrier products like ***Anti-D. This drug is used for the preventive measure for any deformities /Jaundice in new born baby during the pregnancy for women with Rh-negative blood group.***
- ***Further if no proper treatment is taken during the pregnancy for Rh-negative mother, this can cause fetal anemia and hemolytic disease to the newborn. Additionally, it can cause miscarriages as well as still births.***
- ***Anti-D drug is given to the women with the Rh-negative blood during her 28 to 40 weeks of pregnancy i.e. 3rd trimester. Also it is given to the mother with Rh-negative blood after the delivery of the Rh-positive baby within 72hours of giving birth.***

- In India, there are about 5-7% of the mothers who have Rh-negative blood group i.e. around 8-10 million mothers.
- With MANKIND's reach, execution and campaigns to create awareness across cities and towns, it would further bolster its growth in this product.
- Further, the drug is patented in India until 2028 and the production of the drug is vertically integrated through in-house cell lines, which are the added advantage for MANKIND on profitability front.

Solidifying its capabilities by expansion animal bites

- Along with the strong niche franchise in key therapies like women healthcare and critical care, MANKIND has gained access to new portfolio of animal bites.
- In India, ~3-4m snake bite cases occur in India and ~50k deaths happens due to snake bite each year as per the Ministry of Health and Family Welfare.
- Snake bite is a prominent problem in rural and peri-urban areas and high-burden states.
- MANKIND will leverage its reach in tier 2 and below towns and rural areas, which would drive growth in this segment.

Scale up of acquired units/improved capacity utilization to drive better FCFE/ROE

- During FY20-23, the RoE declined 11% due to: a) the acquisition of two products from DRRD and the acquisition of Panacea Biotech, b) pending utilization improvements for the new capacity, and c) higher depreciation.
- In FY24, RoE improved due to enhanced execution and declining tax expenses.
- Over FY20-23 the CFO rose to INR18.1b from INR10.7b. Further, the CFO/ EBITDA ratio improved to ~89% from 70% over the same period. However, FCFE generation declined to INR2.9b from INR6.9b over the same period due to aggressive investments in capex and acquisitions.
- As MANKIND continues to improvise on its acquired assets/capex, we expect FCFE to scale-up over FY24-26. This would further provide scope for any inorganic opportunity.

Reduced asset-turn/lower margins affect RoE over the past four years

- Over FY20-23, the RoE of MANKIND declined substantially by ~11% to 20.3%.
- Over FY20-22, RoE declined 510bp. This was due to: 1) a contraction in operating margin led by the increase in other expenses, b) increased depreciation by 40% YoY, c) a decline in asset turn due to aggressive capex and acquisition of Panacea Biotech as well as brands from Dr. Reddy's, thereby increasing the gross block by ~2x to INR42b. Further, higher tax rates also adversely impacted the RoE. However, this was offset by a lower interest burden.
- In FY23, the RoE further declined 600bp led by ~2x surge in depreciation to INR3.3b, lower asset turn due to further investment in capex, and acquisitions.

Exhibit 14: Dupont analysis indicated an RoE decline over FY20-23; higher margins in FY24 raised RoE as well

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
EBIT/Sales (%)	24.4	24.9	23.4	19.5	20.7	21.8	22.8
EBT/EBIT (%)	99.9	108.6	107.5	97.5	111.6	110.6	110.5
PBT/PAT (%)	76.9	76.1	73.1	83.2	80.2	78.5	77.6
Revenue/Asset (x)	1.5	1.4	1.2	1.1	1.1	1.1	1.0
Total Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1	1.1	1.1
RoE %	31.5	31.2	26.4	20.3	22.8	21.3	20.9

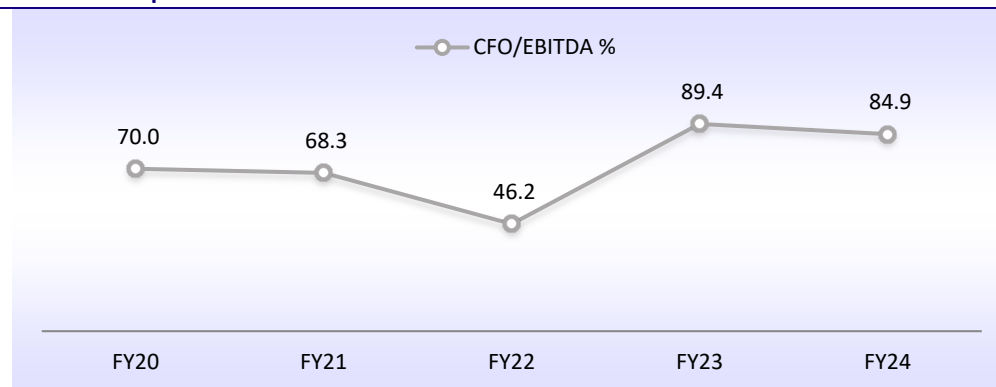
Source: MOFSL, Company

- However, in FY24 the RoE improved by 240bp YoY led by improved operating leverage, lower raw material cost and tax benefit from manufacturing at Sikkim plant.
- Over FY24-26 the RoE to decline by 190bps led higher tax rate and decline in asset turn offset by steady improve in margin.

Expect healthy FCFE generation over FY24-26

- Over FY20-23 MANKIND the CFO has shown significant growth from INR10.7b to INR18.1b. Also the conversion of EBITDA into CFO has increased 70% to 89.4%.
- Particularly, in FY22 the EBITDA to CFO conversion declined to 46.2% led by increase in working capital due to Covid-related issue. Further FCFE turned negative INR8.2b due to acquisition of Panacea and Brands from DRRD and repayment of debt

- Over FY22-24, CFO as well as FCFE has shown meaningful improvement to INR21.5b/18.4b.

Exhibit 15: Improved EBITDA to CFO conversion over FY20-24

Source: MOFSL, Company

- Going forward over FY25-26 we expect that MANKIND would generate significant FCFE of INR62b led by strong generation from CFO and rationalization of CAPEX

Exhibit 16: FCFE to improve over FY24-26 reaching INR30b

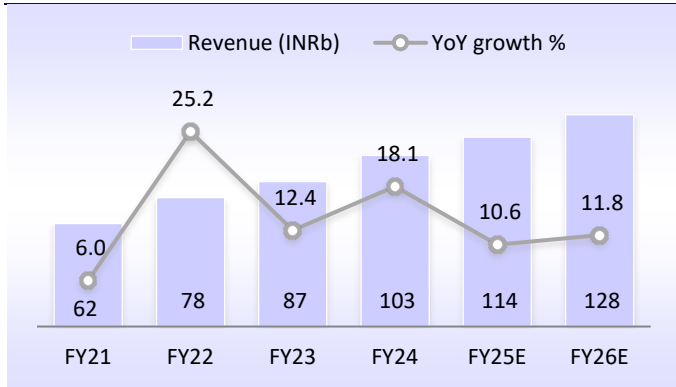
INR Million	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	14,377	16,916	19,746	16,712	23,994	27,604	32,246
Depreciation	991	1,190	1,666	3,259	3,983	4,302	4,428
Interest & Finance Charges	220	201	321	445	330	305	290
Direct Taxes Paid	-3,309	-4,541	-4,995	-3,231	-4,795	-5,797	-7,094
(Inc)/Dec in WC	-1,452	-946	-5,861	1,667	204	4,436	-844
Others	-129	-1,448	-1,679	-719	-2,190	2,950	3,350
CF from Operating	10,697	11,372	9,198	18,133	21,524	33,800	32,375
(Inc)/Dec in FA/IA	-2,167	-3,116	-23,424	-7,830	-3,147	-2,000	-1,500
Free Cash Flow	8,530	8,257	-14,226	10,303	18,377	31,800	30,875
Inc/(Dec) in Debt	-1,434	1,105	6,242	-6,978	315	0	0
Interest Paid	-220	-171	-178	-419	-262	-305	-290
FCFE	6,876	9,190	-8,161	2,906	18,431	31,495	30,585

Source: MOFSL, Company

- FCFE for FY25/FY26 is subject to change once the acquisition of BSV is completed. It is expected to be completed in the next 3-4 months.
- The said transaction is done at EV of INR136b. Given a surplus cash of INR42b and a limit of 2x EBITDA for debt, we assume Mankind will raise debt of INR60b and equity of INR32b in the near term to complete the transaction.

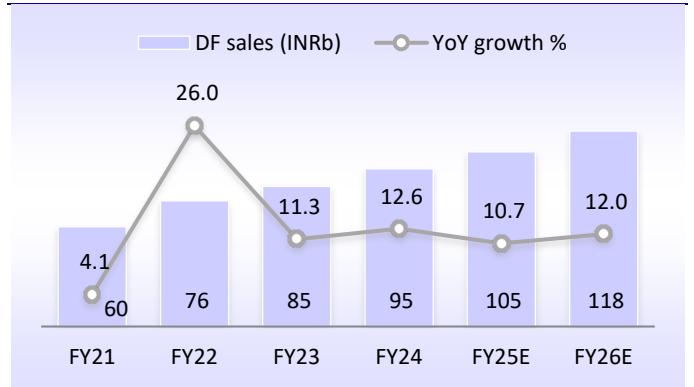
Story in charts

Exhibit 17: Expect 11% revenue CAGR over FY24-26



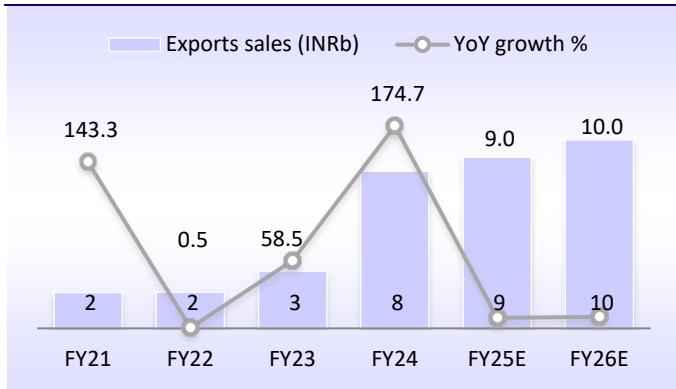
Source: Company, MOFSL

Exhibit 18: Expect 11.3% CAGR in DF sales over FY24-26



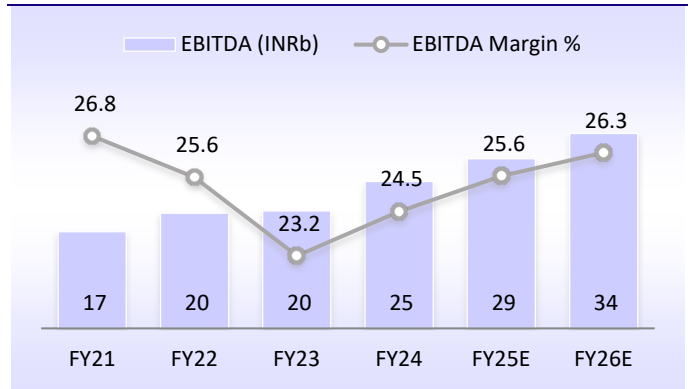
Source: Company, MOFSL

Exhibit 19: Expect Exports sales CAGR of 9.5% over FY24-26



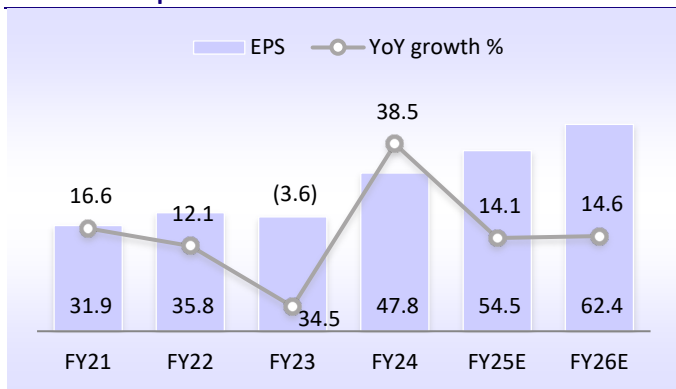
Source: Company, MOFSL

Exhibit 20: EBITDA margin to improve to ~26% by FY26



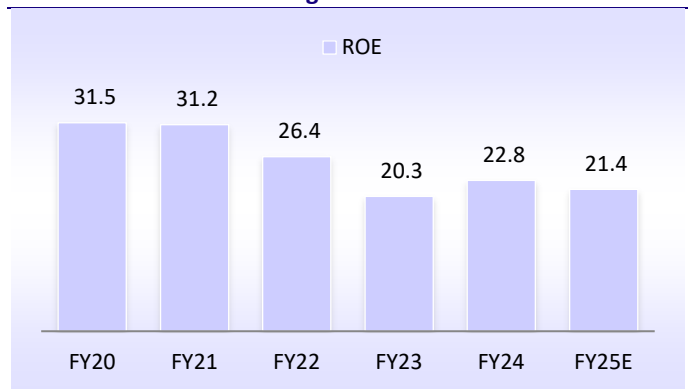
Source: Company, MOFSL

Exhibit 21: Expect EPS CAGR of 14% over FY24-26



Source: Company, MOFSL

Exhibit 22: RoE on declining mode since FY20



Source: Company, MOFSL

Financials and valuations

Mankind Pharma - Income Statement							(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	58,652	62,144	77,816	87,490	1,03,348	1,14,303	1,27,808
Change (%)		6.0	25.2	12.4	18.1	10.6	11.8
Total Expenditure	43,378	45,486	57,922	67,201	77,997	85,042	94,194
% of Sales	74.0	73.2	74.4	76.8	75.5	74.4	73.7
Gross Profit	39,872	44,338	53,598	58,354	71,251	79,441	87,165
EBITDA	15,274	16,658	19,894	20,289	25,351	29,262	33,613
Margin (%)	26.0	26.8	25.6	23.2	24.5	25.6	26.3
Depreciation	991	1,190	1,666	3,259	3,983	4,302	4,428
EBIT	14,283	15,468	18,227	17,030	21,368	24,959	29,186
Int. and Finance Charges	220	201	586	445	335	305	290
Other Income	1,104	1,709	1,960	1,286	2,809	2,950	3,350
PBT bef. EO Exp.	15,168	16,976	19,602	17,871	23,842	27,604	32,246
EO Items	-906	-177	0	1,275	0	420	0
PBT after EO Exp.	14,262	16,799	19,602	16,597	23,842	27,184	32,246
Total Tax	3,816	3,986	5,216	3,616	4,576	5,563	7,094
Tax Rate (%)	26.8	23.7	26.6	21.8	19.2	20.5	22.0
Minority Interest	142	159	50	162	137	137	137
Reported PAT	10,304	12,654	14,335	12,819	19,129	21,486	25,015
Adjusted PAT	10,968	12,789	14,335	13,816	19,129	21,827	25,015
Change (%)		16.6	12.1	-3.6	38.5	14.1	14.6
Margin (%)	18.7	20.6	18.4	15.8	18.5	19.1	19.6

Mankind Pharma - Balance Sheet							(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	401	401	401	401	401	401	401
Other equity	34,453	46,819	61,152	73,952	93,230	1,09,666	1,28,803
Net Worth	34,853	47,220	61,552	74,352	93,631	1,10,067	1,29,204
Minority Interest	1,863	1,409	1,611	1,881	2,127	2,416	2,704
Total Loans	1,269	2,345	8,680	1,626	1,960	1,960	1,960
Deferred Tax Liabilities	-398	-360	163	475	87	87	87
Other Non-Current Liabilities	846	856	1,031	1,557	2,050	2,267	2,535
Capital Employed	38,433	51,471	73,038	79,892	99,855	1,16,797	1,36,490
Gross Block	19,674	21,395	42,261	52,149	59,078	61,078	62,578
Less: Accum. Deprn.	3,938	5,011	6,638	9,897	13,879	18,181	22,609
Net Fixed Assets	15,736	16,385	35,623	42,253	45,199	42,897	39,969
Goodwill on Consolidation	204	204	204	200	200	200	200
Capital WIP	3,170	3,720	7,015	5,501	2,818	2,818	2,818
Total Investments	8,350	15,175	11,149	14,619	26,027	26,027	26,027
Other Non-Current Assets	1,222	1,748	1,770	1,759	1,483	1,640	1,833
Curr. Assets, Loans&Adv.	21,572	26,005	35,324	32,491	43,101	66,093	91,573
Inventory	8,991	11,835	17,602	14,985	15,535	20,355	22,760
Account Receivables	5,311	3,306	3,882	5,764	8,483	8,142	9,454
Cash and Bank Balance	4,199	7,007	4,059	4,532	11,980	35,443	56,951
Loans and Advances	3,071	3,856	9,780	7,210	7,104	2,153	2,407
Curr. Liability & Prov.	11,820	11,765	18,046	16,931	18,973	22,878	25,931
Account Payables	7,451	6,670	10,764	10,082	11,030	14,092	16,107
Other Current Liabilities	2,212	2,754	4,638	2,999	2,819	3,118	3,486
Provisions	2,157	2,342	2,645	3,849	5,124	5,667	6,337
Net Current Assets	9,752	14,239	17,277	15,560	24,128	43,215	65,642
Appl. of Funds	38,433	51,470	73,038	79,892	99,855	1,16,797	1,36,490

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	27.4	31.9	35.8	34.5	47.8	54.5	62.4
Cash EPS	29.9	34.9	39.9	42.6	57.7	65.2	73.5
BV/Share	87.0	117.9	153.7	185.6	233.7	274.8	322.5
DPS	0.0	0.0	0.0	0.0	9.6	10.7	12.5
Payout (%)	0.0	0.0	0.0	0.0	20.0	19.7	20.0
Valuation (x)							
P/E	86.4	74.1	66.1	68.6	49.5	43.4	37.9
Cash P/E	79.3	67.8	59.2	55.5	41.0	36.3	32.2
P/BV	27.2	20.1	15.4	12.7	10.1	8.6	7.3
EV/Sales	16.2	15.2	12.1	10.9	9.1	8.2	7.2
EV/EBITDA	62.1	56.7	47.4	46.9	37.3	32.0	27.2
Dividend Yield (%)	NA	NA	NA	NA	0.4	0.5	0.5
FCF per share	21.3	20.6	-35.5	25.7	45.9	79.4	77.1
Return Ratios (%)							
RoE	31.5	31.2	26.4	20.3	22.8	21.4	20.9
RoCE	31.2	30.6	24.7	19.6	22.8	21.4	20.9
RoIC	0.5	48.9	35.0	25.1	24.8	29.5	36.6
Working Capital Ratios							
Asset Turnover (x)	1.5	1.2	1.1	1.1	1.0	1.0	0.9
Inventory (Days)	28	61	69	68	54	57	62
Debtor (Days)	33	19	18	24	30	26	27
Creditor (Days)	46	39	50	42	39	45	46
Leverage Ratio (x)							
Net Debt/Equity	-0.3	-0.4	-0.1	-0.2	-0.4	-0.5	-0.6

Mankind Pharma - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	14,377	16,916	19,746	16,712	23,994	27,604	32,246
Depreciation	991	1,190	1,666	3,259	3,983	4,302	4,428
Interest & Finance Charges	220	201	321	445	330	305	290
Direct Taxes Paid	-3,309	-4,541	-4,995	-3,231	-4,795	-5,709	-7,094
(Inc)/Dec in WC	-1,452	-946	-5,861	1,667	204	4,436	-844
CF from Operations	10,826	12,820	10,877	18,852	23,714	30,939	29,025
Others	-129	-1,448	-1,679	-719	-2,190	2,862	3,350
CF from Operating incl EO	10,697	11,372	9,198	18,133	21,524	33,801	32,375
(Inc)/Dec in FA/IA	-2,167	-3,116	-23,424	-7,830	-3,147	-2,000	-1,500
Free Cash Flow	8,530	8,257	-14,226	10,303	18,377	31,801	30,875
(Pur)/Sale of Investments	-867	-6,183	4,921	-1,892	-17,388	0	0
Others	-1,357	-2,924	4,811	-819	388	-2,950	-3,350
CF from Investments	-4,392	-12,222	-13,691	-10,541	-20,147	-4,950	-4,850
Inc/(Dec) in Debt	-1,434	1,105	6,242	-6,978	315	0	0
Interest Paid	-220	-171	-178	-419	-262	-305	-290
Others	-3,653	-1,012	-18	278	6,687	-5,083	-5,726
CF from Fin. Activity	-5,307	-78	6,046	-7,119	6,740	-5,388	-6,016
Inc/Dec of Cash	998	-928	1,553	472	8,118	23,463	21,509
Opening Balance	1,163	2,197	1,273	4,059	4,532	11,980	35,443
Closing Balance	2,161	1,270	2,826	4,532	12,650	35,443	56,951
Total Cash & Cash Eq	4,199	7,007	4,059	4,532	11,980	35,443	56,951

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Explanation of Investment Rating	
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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