

Mankind Pharma

Estimate change



TP change



Rating change



Bloomberg	MANKIND IN
Equity Shares (m)	413
M.Cap.(INRb)/(USDb)	1044.4 / 12.2
52-Week Range (INR)	3055 / 1901
1, 6, 12 Rel. Per (%)	-5/-7/11
12M Avg Val (INR M)	1529

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	122.1	146.2	164.3
EBITDA	30.4	38.6	44.7
Adj. PAT	20.3	20.0	27.1
EBIT Margin (%)	24.9	26.4	27.2
Cons. Adj. EPS (INR)	49.2	48.5	65.7
EPS Gr. (%)	6.0	-1.3	35.4
BV/Sh. (INR)	347.4	384.7	435.2

Ratios

Net D:E	0.4	0.2	0.0
RoE (%)	17.1	13.3	16.0
RoCE (%)	14.7	11.0	14.0
Payout (%)	20.7	20.0	20.0

Valuations

P/E (x)	51.5	52.2	38.5
EV/EBITDA (x)	34.0	29.1	24.5
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	2.8	6.0	5.6
EV/Sales (x)	8.5	7.7	6.7

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	72.7	72.7	74.9
DII	11.5	11.1	11.1
FII	12.9	13.3	9.9
Others	2.9	2.9	4.1

FII Includes depository receipts

CMP: INR2,531

TP: INR2,910 (+15%)

Buy

Higher marketing/promotional costs drive a miss

Work-in-progress to enhance productivity/integrate BSV

- Mankind Pharma (Mankind) delivered in-line revenue in 4QFY25; however, EBITDA/PAT came in 14%/12% below our estimates. Higher-than-expected spending on marketing and promotional activities affected the company's 4Q performance.
- In the domestic formulation (DF) market, Mankind has been consistently focusing on increasing the chronic share in its portfolio and outperforming the industry. The company outperformed the industry in chronic therapies by 230bp YoY in 4Q.
- Mankind undertook a review of its BSV portfolio review after acquisition. It also tried to implement measures to integrate with Mankind offerings. This process affected the BSV business to some extent. Having said this, it is now well positioned to take the portfolio on a superior growth path.
- We cut our earnings estimates by 12%/9% for FY26/FY27, factoring in a) slower growth in acute therapies at the industry level, b) higher financial leverage, and c) increased product development/marketing spend. We value Mankind at 44x 12M forward earnings to arrive at a price target of INR2,910.
- FY25/FY26 are transformative years for Mankind. It undertook course correction measures in its MR team of 16,500 people to considerably improve productivity. With strong focus on differentiated offerings, it acquired BSV, which provided Mankind access to a specialty complex portfolio and strong R&D capability/manufacturing capacity in domestic as well as export markets.
- FY26 would be the year of integrating BSV. Further, higher financial leverage taken to acquire BSV would weigh on earnings growth in FY26. Having said this, we expect Mankind to deliver 35% YoY earnings growth in FY27 with improved sales/profitability of overall business and reduction in interest cost. Maintain BUY.

Segmental mix benefit offset to some extent by higher opex YoY

- Sales grew 26.1% YoY to INR30.7b for the quarter (vs est INR30.6b).
- DF revenue (83% of sales) grew 17% YoY to INR25.4b for the quarter. Prescription business (Rx; 93% of DF sales) grew 17.2% YoY to INR23.6b, aided by 7% YoY organic growth and addition of BSV domestic business.
- Consumer business (7% of domestic sales) grew 14.1% YoY to INR1.7b.
- Exports (17% of sales) grew 100.4% YoY to INR5.3b, aided by new launches and BSV addition. The organic YoY growth in exports was 25% for 4QFY25.
- Gross margin expanded by 180bp to 71.6 % due to change in product mix.
- EBITDA margin contracted 120bp YoY to 23% owing to higher other expenses (+350bp YoY as % of sales), offset by lower employee benefit expenses (-60bp YoY as % of sales) and higher gross margins.
- There was a one-time expense related to BSV to the tune of INR250m.

- Adj. for the same, EBITDA grew 20% YoY to INR7b (our estimates of INR8.1b).
- Sale of non-core assets (Mahananda spa) led to a capital gain of INR1.5b.
- Adjusting for the same, PAT declined 31% YoY to INR3.2b (our est: INR3.6b).
- For FY25, revenue/EBITDA/PAT grew 18%/19%/5% YoY to INR122b/INR30b/INR20b.

Highlights from the management commentary

- Mankind enhanced marketing spend during the quarter for select product launches, driving opex higher for the quarter.
- It guided for EBITDA margin to be 25-26% for FY26.
- Mankind guided for revenue growth 1.2x IPM growth from chronic therapies and acute therapies' revenue growth in line with IPM growth for FY26.
- The company expects YoY growth in exports to be in single digits in FY26.

Consolidated - Quarterly Earning Model

Y/E March	FY24				FY25				FY24	FY25E	Est	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Gross Sales	25,786	27,081	26,070	24,411	28,934	30,765	31,988	30,794	1,03,348	1,22,074	30,688	0.3
YoY Change (%)	18.3	11.6	24.7	18.9	12.2	13.6	22.7	26.1	18.1	18.1	25.7	
Total Expenditure	19,238	20,254	20,004	18,500	21,697	22,265	23,828	23,712	77,996	91,645	22,490	
EBITDA	6,548	6,827	6,065	5,911	7,238	8,500	8,160	7,082	25,351	30,429	8,198	-13.6
YoY growth %	34.5	9.9	29.7	30.7	10.5	24.5	34.5	19.8	24.9	20.0	38.7	
Margins (%)	25.4	25.2	23.3	24.2	25.0	27.6	25.5	23.0	24.5	24.9	26.7	
Depreciation	874	965	1,097	1,047	1,077	1,056	1,872	2,309	3,983	6,212	2,156	
Interest	63	86	92	94	109	71	2,209	1,905	335	4,294	1,796	
Other Income	586	600	701	921	1,006	1,094	770	1,013	2,809	5,368	351	
PBT before EO expense	6,197	6,375	5,577	5,692	7,057	8,468	4,849	3,881	23,842	25,291	4,596	-15.6
Extra-Ord expense	0	0	0	0	420	0	0	-1,250	0	-830	0	
PBT	6,197	6,375	5,577	5,692	6,637	8,468	4,849	5,131	23,842	26,121	4,596	
Tax	1,303	1,298	1,025	950	1,246	1,904	1,105	864	4,576	5,097	873	
Rate (%)	21.0	20.4	18.4	16.7	18.8	22.5	22.8	16.8	19.2	19.5	19.0	
Minority Interest & P/L of Asso. Cos.	25.9	66.8	14.5	29.5	26.7	28.4	8.5	15.6	136.6	79.2	73.0	
Reported PAT	4,869	5,010	4,538	4,712	5,365	6,535	3,736	4,251	19,129	20,944	3,650	16.5
Adj PAT	4,869	5,010	4,538	4,712	5,706	6,535	3,736	3,212	19,129	20,283	3,650	-12.0
YoY Change (%)	53.9	12.8	47.3	50.5	17.2	30.4	-17.7	-31.8	38.4	6.0	-22.5	
Margins (%)	18.9	18.5	17.4	19.3	19.7	21.2	11.7	10.4	18.5	16.6	11.9	
EPS	12.2	12.5	11.3	11.8	14.2	16.3	9.3	8.0	47.8	49.2	9.1	

Sum of 4 quarters would not match annual number due to sale of non-core assets in 4QFY25



Management call highlights

- The course correction in BSV portfolio post acquisition affected FY25 performance. It remains confident of 18-20% YoY growth in FY26.
- There will be additional one-time regulatory costs related to BSV in FY26.
- Mankind guided for R&D spend of 3% of sales in FY26.
- The company would be maintaining its MR strength over the near term and continue to focus on improving the productivity to drive better growth as well as profitability.
- The regulatory impact on 'Unwanted 72' affected the growth in acute portfolio to some extent in FY25.
- Mankind's efforts to better growth of consumer health segment have fructified in FY25, with 15% YoY growth (vs. modest 2% YoY growth in FY24). With new product launches and enhanced marketing efforts, Mankind intends to sustain the revived growth in this segment.

- Mankind has targeted EBITDA:Net debt ratio of 1:1 by the end of FY26 vs. 1.8x (FY25).
- The ETR for FY26 is expected to be 21-22%.

Segment-focused initiatives to enhance growth visibility

DF: Aims to outperform industry on consistent basis

- Mankind delivered 13% YoY growth in DF segment to INR106b in FY25. Secondary sales grew 7.5% YoY vs. 8% growth in IPM. Adjusting for the regulatory impact on one product in acute therapy, the YoY growth for Mankind was 8.5%.
- Specifically, the chronic therapies of Mankind grew 1.3x IPM growth in the similar period.
- The cardiovascular therapy posted a 16% CAGR vs. IPM CAGR of 10% and anti-diabetes therapy recorded a CAGR of 12% YoY vs. IPM CAGR of 7% over FY21-25. Specifically, for FY25, cardiovascular therapy grew 15% YoY vs. IPM growth of 10% and anti-diabetes therapy grew 9.4% YoY vs. 7.1% at IPM level.
- Mankind reported YoY growth of 0.5%/4%/2.8% in price/volume/new launches for FY25.
- It has also implemented measures to re-calibrate the efforts of MRs to boost productivity.
- In addition, BSV integration is progressing well, with Mankind scaling up its women's health specialty portfolio. It is also utilizing BSV's technology platform to build recombinants and biologics.
- Overall, we expect Mankind to post a 14% sales CAGR in DF, reaching INR128b over FY25-27.

Consumer Healthcare: renewed strategy driving better growth outlook

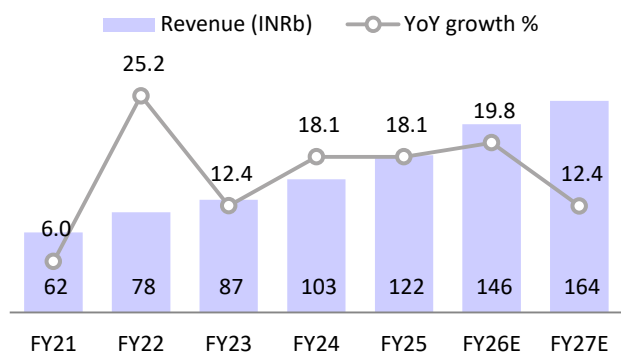
- After weakness in FY24, Mankind delivered 15% YoY growth in revenue to INR8b in consumer health segment in FY25.
- Specifically, products like Manforce Condom, Gas-o-fast and health OK grew 17%/29%/23% YoY in FY25. It also witnessed strong traction in Epic ThinX, Nimulid and Ovanews in FY25.
- With new offerings and extensive marketing efforts, we expect Consumer health segment to garner 14% sales CAGR to reach INR10.6b over FY25-27.

Maintain BUY

- We cut our earnings estimates by 12%/9% for FY26/FY27, factoring in a) slower growth in acute therapies at industry level, b) higher financial leverage, and c) increased product development/marketing spending. We value Mankind at 44x 12M forward earnings to arrive at a price target of INR2,910.
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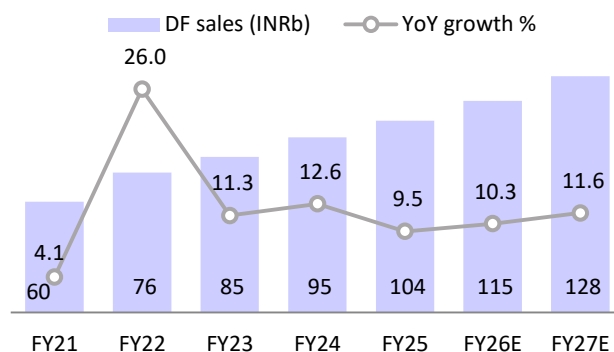
Story in charts

Exhibit 1: Expect 16% sales CAGR over FY25-27



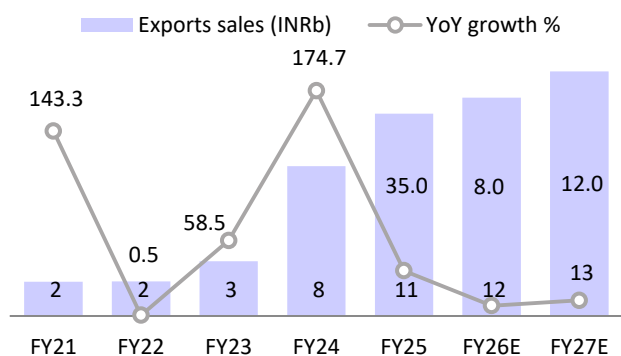
Source: Company, MOFSL

Exhibit 2: Expect 11% CAGR in DF (Ex-BSV) sales over FY25-27



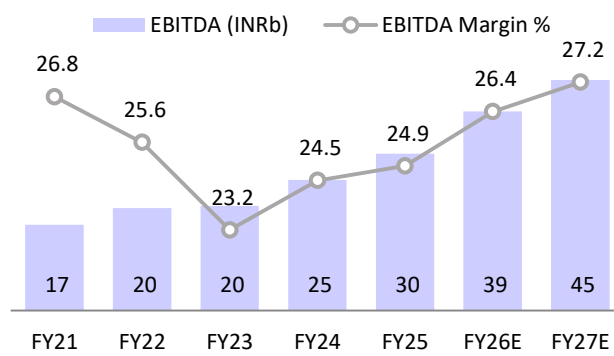
Source: Company, MOFSL

Exhibit 3: Expect export (ex-BSV) sales CAGR of 10% over FY25-27



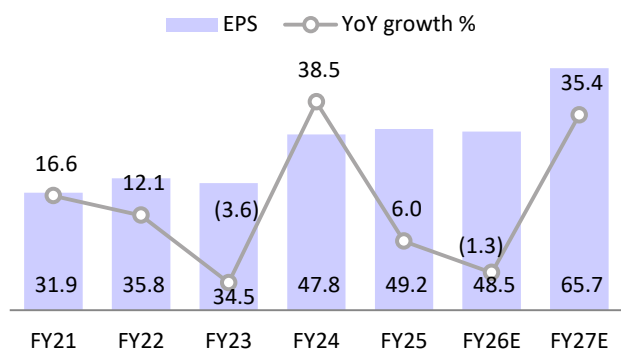
Source: Company, MOFSL

Exhibit 4: EBITDA margin to expand to ~27% by FY27



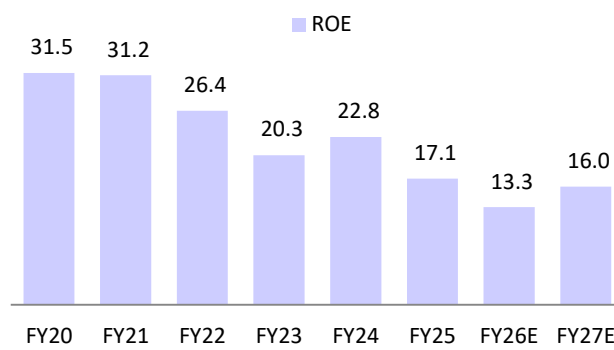
Source: Company, MOFSL

Exhibit 5: Expect EPS CAGR of 16% over FY25-27



Source: Company, MOFSL

Exhibit 6: BSV acquisition impacting return ratios over the medium term



Source: Company, MOFSL

Financials and Valuations

Mankind Pharma - Income Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	62,144	77,816	87,490	1,03,348	1,22,073	1,46,192	1,64,327
Change (%)	6.0	25.2	12.4	18.1	18.1	19.8	12.4
Total Expenditure	45,486	57,922	67,201	77,997	91,645	1,07,598	1,19,630
% of Sales	73.2	74.4	76.8	75.5	75.1	73.6	72.8
Gross Profit	44,338	53,598	58,354	71,251	87,183	1,03,650	1,16,015
EBITDA	16,658	19,894	20,289	25,351	30,428	38,595	44,697
Margin (%)	26.8	25.6	23.2	24.5	24.9	26.4	27.2
Depreciation	1,190	1,666	3,259	3,983	6,212	8,758	8,110
EBIT	15,468	18,227	17,030	21,368	24,216	29,837	36,587
Int. and Finance Charges	201	586	445	335	4,294	5,786	3,586
Other Income	1,709	1,960	1,286	2,809	5,368	1,400	1,700
PBT bef. EO Exp.	16,976	19,602	17,871	23,842	25,290	25,451	34,700
EO Items	-177	0	1,275	0	-830	0	0
PBT after EO Exp.	16,799	19,602	16,597	23,842	26,120	25,451	34,700
Total Tax	3,986	5,216	3,616	4,576	5,097	5,345	7,495
Tax Rate (%)	23.7	26.6	21.8	19.2	19.5	21.0	21.6
Minority Interest	159	50	162	137	79	79	79
Reported PAT	12,654	14,335	12,819	19,129	20,943	20,027	27,126
Adjusted PAT	12,789	14,335	13,816	19,129	20,282	20,027	27,126
Change (%)	16.6	12.1	-3.6	38.5	6.0	-1.3	35.4
Margin (%)	20.6	18.4	15.8	18.5	16.6	13.7	16.5

Balance sheet

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	401	401	401	401	413	413	413
Other equity	46,819	61,152	73,952	93,230	1,42,911	1,58,311	1,79,142
Net Worth	47,220	61,552	74,352	93,631	1,43,324	1,58,724	1,79,554
Minority Interest	1,409	1,611	1,881	2,127	2,358	2,279	2,200
Total Loans	2,345	8,680	1,626	1,960	84,830	59,830	29,830
Deferred Tax Liabilities	-360	163	475	87	17,046	17,046	17,046
Other Non-Current Liabilities	856	1,031	1,557	2,050	2,512	3,009	3,382
Capital Employed	51,471	73,038	79,892	99,855	2,50,071	2,40,888	2,32,012
Gross Block	21,395	42,261	52,149	59,078	1,45,210	1,46,710	1,48,210
Less: Accum. Deprn.	5,011	6,638	9,897	13,879	20,091	28,849	36,959
Net Fixed Assets	16,385	35,623	42,253	45,199	1,25,119	1,17,861	1,11,251
Goodwill on Consolidation	204	204	200	200	64,926	64,926	64,926
Capital WIP	3,720	7,015	5,501	2,818	8,257	8,257	8,257
Total Investments	15,175	11,149	14,619	26,027	22,423	22,423	22,423
Other Non-Current Assets	1,748	1,770	1,759	1,483	2,818	3,374	3,793
Curr. Assets, Loans&Adv.	26,005	35,324	32,491	43,101	52,974	56,963	58,813
Inventory	11,835	17,602	14,985	15,535	20,937	26,034	29,264
Account Receivables	3,306	3,882	5,764	8,483	15,383	17,223	18,459
Cash and Bank Balance	7,007	4,059	4,532	11,980	5,545	10,062	6,994
Loans and Advances	3,856	9,780	7,210	7,104	11,109	3,645	4,097
Curr. Liability & Prov.	11,765	18,046	16,931	18,973	26,446	32,917	37,450
Account Payables	6,670	10,764	10,082	11,030	11,334	14,820	17,108
Other Current Liabilities	2,754	4,638	2,999	2,819	6,922	8,290	9,318
Provisions	2,342	2,645	3,849	5,124	8,189	9,807	11,024
Net Current Assets	14,239	17,277	15,560	24,128	26,529	24,047	21,363
Appl. of Funds	51,470	73,038	79,892	99,855	2,50,071	2,40,888	2,32,012

Financials and Valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	31.9	35.8	34.5	47.8	49.2	48.5	65.7
Cash EPS	34.9	39.9	42.6	57.7	64.2	69.8	85.4
BV/Share	117.9	153.7	185.6	233.7	347.4	384.7	435.2
DPS	0.0	0.0	0.0	9.6	10.2	9.7	13.1
Payout (%)	0.0	0.0	0.0	20.0	20.7	20.0	20.0
Valuation (x)							
P/E	79.3	70.8	73.4	53.0	51.5	52.2	38.5
Cash P/E	72.6	63.4	59.4	43.9	39.4	36.3	29.7
P/BV	21.5	16.5	13.6	10.8	7.3	6.6	5.8
EV/Sales	16.3	13.0	11.7	9.8	8.5	7.7	6.7
EV/EBITDA	60.7	50.8	50.2	39.9	34.0	29.1	24.5
Dividend Yield (%)	NA	NA	NA	0.4	0.4	0.4	0.5
FCF per share	20.6	-35.5	25.7	45.9	47.6	100.6	93.7
Return Ratios (%)							
RoE	31.2	26.4	20.3	22.8	17.1	13.3	16.0
RoCE	30.6	24.7	19.6	22.8	14.7	11.0	14.0
RoIC	48.9	35.0	25.1	24.8	11.8	9.9	12.4
Working Capital Ratios							
Asset Turnover (x)	1.2	1.1	1.1	1.0	0.5	0.6	0.7
Inventory (Days)	61	69	68	54	55	59	61
Debtor (Days)	19	18	24	30	46	43	41
Creditor (Days)	39	50	42	39	34	37	38
Leverage Ratio (x)							
Net Debt/Equity	-0.4	-0.1	-0.2	-0.4	0.4	0.2	0.0

Cash Flow statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
(INRm)							
OP/(Loss) before Tax	16,916	19,746	16,712	23,994	25,248	25,451	34,700
Depreciation	1,190	1,666	3,259	3,983	6,212	8,758	8,110
Interest & Finance Charges	201	321	445	330	4,040	5,786	3,586
Direct Taxes Paid	-4,541	-4,995	-3,231	-4,795	-5,668	-5,345	-7,495
(Inc)/Dec in WC	-946	-5,861	1,667	204	-1,464	6,938	-429
CF from Operations	12,820	10,877	18,852	23,714	28,368	41,589	38,472
Others	-1,448	-1,679	-719	-2,190	-4,234	1,400	1,700
CF from Operating incl EO	11,372	9,198	18,133	21,524	24,134	42,989	40,172
(Inc)/Dec in FA/IA	-3,116	-23,424	-7,830	-3,147	-4,488	-1,500	-1,500
Free Cash Flow	8,257	-14,226	10,303	18,377	19,646	41,489	38,672
(Pur)/Sale of Investments	-6,183	4,921	-1,892	-17,388	-5,471	0	0
Others	-2,924	4,811	-819	388	-1,16,277	-1,400	-1,700
CF from Investments	-12,222	-13,691	-10,541	-20,147	-1,26,236	-2,900	-3,200
Increase in equity capital					29,632	0	0
Inc/(Dec) in Debt	1,105	6,242	-6,978	315	73,782	-25,000	-30,000
Interest Paid	-171	-178	-419	-262	-981	-5,786	-3,586
Dividend paid					0	-4,706	-6,375
CF from Fin. Activity	-78	6,046	-7,119	6,740	95,668	-35,572	-40,040
Inc/Dec of Cash	-928	1,553	472	8,118	-6,435	4,517	-3,068
Opening Balance	2,197	1,273	4,059	4,532	11,980	5,545	10,062
Closing Balance	1,270	2,826	4,532	12,650	5,545	10,062	6,994
Total Cash & Cash Eq	7,007	4,059	4,532	11,980	5,545	10,062	6,994

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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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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