

Mankind Pharma

Steady Q4; chronic-focused growth strategy intact

Mankind Pharma (Mankind) reported 42% YoY EBITDA growth, led by 19% YoY sales growth (India formulation up 11% YoY and exports grew 230% YoY) and gross margin expansion (+262 bps YoY). India growth was largely led by 15% YoY growth in the chronic segment (outperformance in CVS, anti-diabetics, and CNS) and recovery in gynaecology. Export grew 230% YoY on US one-off opportunity. In FY25, Mankind expects – (1) Steady growth in India (volume to outperform IPM by 1.3-1.4x, 3.5-4% new launches and 4-5% price-led growth), (2) mid-teen growth in consumer healthcare, (3) export business to see mid-teen growth, (4) gross margin to sustain at ~69+%, and (5) EBITDA margin guidance raised to 25-26% (from earlier 24-26%). The company is looking for India-focused M&As (enabling resolution to raise INR 75 bn through QIP, increase the investment limit to INR 105 bn, and increase limits for borrowing to INR 125 bn). Factoring in Q4 and FY24 performance, we have marginally tweaked our EPS estimates for FY25/26E. We retain the TP at INR 2,360 (36x FY26E), given steady growth visibility in India formulation (acute recovery and strong scale-up in chronic segment), growth momentum in exports, and margin expansion of 50-100 bps for each FY25 and FY26. **Maintain ADD.**

Sales growth led by India formulation and exports: Sales came at INR 24.41 bn (+19% YoY) as India formulations (83%) were up 11% YoY at INR 20.18 bn, led by strong growth in the chronic segment (+15% YoY), recovery in gynaecology segment (+12% YoY), and market share gains (4.5% vs 4.4% in Q4FY23); consumer healthcare (6%) was flat YoY at INR 1.56 bn (+5% QoQ) due to impact from optimization of channel inventory and exports (11%) grew 230% YoY on one-off opportunities in the US.

EBITDA led by higher sales and gross margin: GM was up 262 bps YoY at 69.8% (+154 QoQ) on lower input costs and price hikes. Higher staff (+17% YoY) and other expenses (+14%) led to EBITDA of INR 5.91 bn (+42% YoY) and margin expanded 392 bps YoY to 24.2% (+95 bps QoQ). Higher other income (+94% YoY), depreciation (+24%), interest cost (+82%) and lower tax rate (~16.6% vs ~22.2% in Q4FY23) led to a reported PAT of INR 4.71 bn (+65% YoY and +4% QoQ).

Key highlight from the con call: Mankind expects steady growth in India formulation business in FY25 – the key drivers would be strong growth in the chronic segment, steady growth in acute, volume recovery (expects to outperform IPM growth by 1.3-1.4x), new launches (to contribute ~3-4% to growth; few product launches like Nobeglar, Symbicort in-licensed from AstraZeneca, and few other launches), and 4-5% price growth. It has carved out an OTC business to sharpen focus and maximize potential with a dedicated team to scale up the OTC portfolio. Mankind expects exports to see mid-teen growth in FY25 and planning for 5-7 new launches in the US market. It expects gross margin to sustain at ~69+% and raised EBITDA margin guidance to 25-26% in FY25 (from 24-26% earlier), largely driven by growth in India business and better mix (increase in chronic share). The company is looking for India-focused M&As and will be ready for any opportunities as it has (1) taken enabling resolution to raise INR 75 bn through QIP, (2) increase the investment/ lending/ guarantee limits to INR 105 bn, and (3) increase limits for borrowing to INR 125 bn. Looking for M&A in India with a focus on portfolio gaps and EBITDA accretive businesses/ brands. Not looking for any M&A outside of India. Panacea saw growth of ~25% YoY in FY24 – strong performance in leading brands and transplant division.

Financial Summary

(INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	24,411	20,527	19	26,070	(6)	78	87	103	116	131
EBITDA	5,911	4,167	42	6,065	(3)	20	19	25	29	34
APAT	4,712	2,854	65	4,538	4	14	14	19	22	26
EPS (INR)	11.8	7.1	65	11.3	4	35.8	34.2	47.8	55.2	65.6
P/E (x)						58.5	61.1	43.8	37.9	31.9
EV/EBITDA (x)						42.0	43.5	31.9	27.1	22.6
RoCE (%)						33	22	27	26	26

Source: Company, HSIE Research

ADD

CMP (as on 16 May 2024) INR 2,092

Target Price INR 2,360

NIFTY 22,404

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2360	INR 2360
	FY25E	FY26E
EPS %	0.1	0.0

KEY STOCK DATA

Bloomberg code	MANKIND IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	838/10,045
6m avg traded value (INR mn)	1,967
52 Week high / low	INR 2,490/1,241

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.5)	11.7	54.0
Relative (%)	(7.2)	0.0	35.0

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	76.5	74.88
FIs & Local MFs	9.79	11.14
FPIs	6.74	9.87
Public & Others	6.97	4.11
Pledged Shares	-	-

Source : BSE

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Other highlights from the Q4FY24 results

- It outperformed IPM by ~2x in secondary sales (IQVIA). Key therapies: +2.1% YoY growth in anti-infectives (-2.2% IPM), +20.8% in cardiac (+11.1% IPM), +17.9% in anti-diabetic (+6.9% IPM), +11.4% in CNS (+8% IPM). Other therapies performance – Gynaecology was up 12.3% YoY (+5.2% IPM), respiratory was down 8.4% YoY (vs -2.9% IPM), and VMN grew 6.4% (+6.6 IPM).
- Gross margin expansion was led by the price increase (benefited by ~140 bps), favourable mix contributed 60 bps, and Covid-led write-off in Q4FY23 which was absent in Q4FY24 and led to 60 bps benefits.
- R&D was at INR 2.23 bn implies 2% of sales in FY24.
- EBITDA margin expansion ~280 bps YoY to 24.5% was largely driven by growth in the domestic formulation business, better mix (increase in chronic share), and improvement in export profitability. Exports margin at par with the company average EBITDA margin. Consumer healthcare business margin is lower than the company average and expects to improve in the near term.
- Dydrogesterone plant utilization reached 60%, exploring different export markets and registration will take 1-2 years.
- Modern trade growth was at 50% YoY and going ahead, modern retail growth to be in line with the market growth.
- The company indicated that 20-25% of products will continue to be manufactured at third-party facilities.
- Looking to invest in growth and expects to add 700-900 MRs in FY25 (as of Mar'24, MR count was at 12,500 and 3,500 field force managers).
- Net cash was at INR 32.6 bn (vs INR 13.7 bn in Mar'23).
- CFO was at INR 21.52 bn (vs INR 18.1 bn in FY23).
- Working capital days were at 41 (vs 50 days in FY23).
- Return ratios – (1) RoE was at 29% in FY24 vs. 23% in FY23 and (2) RoCE was at 34% in FY24 vs. 25% in FY23.
- Clarification from Mankind on news flow related to stake acquisition in Bharat Serum: The Company has clarified that the contents of the new article (related to stake acquisition in Bharat Serum) are speculative and there are no events which warrant a disclosure. As part of the growth initiatives of the company, it continues to explore opportunities for inorganic growth from time to time.

Exhibit 1: India formulation growth was steady, robust growth in export and consumer healthcare was muted

(INR mn)	% of sales Q4FY24	Q4FY23	Q3FY24	Q4FY24	YoY chg	QoQ chg	FY23	FY24	YoY chg
India	89%	19,720	24,000	21,740	10%	-9%	84,530	95,220	13%
--India formulations	83%	18,200	22,510	20,180	11%	-10%	77,610	88,160	14%
--Consumer healthcare	6%	1,520	1,490	1,560	3%	5%	6,920	7,060	2%
Export	11%	810	2,070	2,670	230%	29%	2,960	8,130	175%
Total sales	100%	20,530	26,070	24,410	19%	-6%	87,490	1,03,350	18%

Source: Company, HSIE Research.

Exhibit 2: EBITDA growth led by higher sales and gross margin partly offset by higher costs

(INR mn)	Reported					Reported		
	Q4FY23	Q3FY24	Q4FY24	YoY chg	QoQ chg	FY23	FY24	YoY chg
Revenues	20,527	26,070	24,411	19%	-6%	87,494	1,03,348	18%
Total material cost	6,737	8,276	7,373	9%	-11%	29,136	32,097	10%
Gross profit	13,790	17,794	17,038	24%	-4%	58,358	71,251	22%
Staff Cost	4,959	5,684	5,815	17%	2%	19,185	22,747	19%
Other Expenses	4,664	6,045	5,312	14%	-12%	20167	23153	15%
Total Expenditure	16,360	20,005	18,500	13%	-8%	68,488	77,997	14%
EBITDA	4,167	6,065	5,911	42%	-3%	19,006	25,351	33%
Other income	475	701	921	94%	31%	1,286	2,809	118%
Depreciation & Amortization	845	1,097	1,047	24%	-5%	3,259	3,983	22%
EBIT	3,797	5,669	5,785	52%	2%	17,033	24,177	42%
Interest	52	92	94	82%	2%	445	335	-25%
Share of net profit from associate and JV	28	46	24	-13%	-48%	124	152	22%
PBT	3,773	5,623	5,716	51%	2%	16,712	23,994	44%
Tax	836	1,025	950	14%	-7%	3616	4576	27%
PAT before Minority interest	2,937	4,598	4,766	62%	4%	13,097	19,418	48%
Minority interest	83	61	54	-35%	-12%	278	289	4%
Reported PAT	2,854	4,538	4,712	65%	4%	12,819	19,129	49%
Reported EPS (INR/ sh)	7.1	11.3	11.8	65%	4%	32.0	47.8	49%
Exceptional item	-	-	-	NA	NA	-	-	NA
Adjusted PAT (one-offs)	2,854	4,538	4,712	65%	4%	12,819	19,129	49%
Adj EPS (INR/ sh)	7.1	11.3	11.8	65%	4%	32.0	47.8	49%
Costs as a % of sales								
Gross margin (%)	67.2%	68.3%	69.8%	262 bps	154 bps	66.7%	68.9%	224 bps
EBITDA margin (%)	20.3%	23.3%	24.2%	392 bps	95 bps	21.7%	24.5%	281 bps
EBIT margin (%)	18.5%	21.7%	23.7%	520 bps	195 bps	19.5%	23.4%	393 bps
Material cost	32.8%	31.7%	30.2%	-262 bps	-154 bps	33.3%	31.1%	-224 bps
Staff Cost	24.2%	21.8%	23.8%	-34 bps	202 bps	21.9%	22.0%	8 bps
Other Expenses	22.7%	23.2%	21.8%	-96 bps	-143 bps	23.0%	22.4%	-65 bps
Income tax rate (%)	22.2%	18.2%	16.6%	-554 bps	-161 bps	21.6%	19.1%	-256 bps

Source: Company, HSIE Research.

Exhibit 3: Mankind snapshot

Key Therapeutic Segments	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Value Growth YoY in IPM (%)	7.3	19.3	24.2	9.8	11.3	12.6	12.5	11.1	17.7	10.6	8.5
Market Share by Value in IPM (%)	3.3	3.5	3.8	3.8	3.9	4.0	4.1	4.3	4.3	4.4	4.4
Market Ranking by Value in IPM (x)	7	5	4	4	4	4	4	4	4	4	4
Covered Market Share in total IPM (%)	64.6	64.1	64.8	63.5	60.2	61.6	62.4	62.2	65.4	68.1	68.8
Market Share in Covered Market (%)	5.1	5.5	5.8	5.9	6.6	6.5	6.5	6.9	6.6	6.5	6.4
Covered Market Rank (x)	3	2	2	2	2	2	2	2	2	2	2
Volume Share in IPM (%)	3.9	4.3	4.7	4.4	4.8	5.1	5.2	5.7	5.5	5.7	5.8
Market Ranking by Volume in IPM (x)	6	6	5	5	5	3	3	3	3	3	3
Chronic Share in total portfolio (%)	19.6	20.4	25.3	26.7	27.9	31.9	32.2	34.1	32.9	33.9	35.5
Chronic Growth YoY (%)	14.6	23.8	53.9	16.0	16.4	28.6	13.5	17.6	13.6	14.1	13.5
Metro & Class 1 Share (%)	NA	51.6	50.3	50.7	49.9	49.2	48.1	51.8	52.9	53.2	53.0

Source: Company, HSIE Research, as per IQVIA MAT Mar'24 data.

Exhibit 4: Strong growth in CVS and anti-diabetic; steady in anti-infective

Mankind therapy YoY %	% of FY24 sales	FY20	FY21	FY22	FY23	FY24
Anti-Infectives	15%	13%	-8%	31%	13%	10%
Cardiac	14%	20%	22%	13%	17%	18%
Gastro Intestinal	10%	12%	8%	13%	10%	7%
Respiratory	9%	11%	28%	12%	9%	14%
Vitamins/Minerals/Nutrients	9%	22%	-9%	59%	8%	-2%
Anti-Diabetic	8%	8%	23%	9%	-1%	5%
Gynaec.	8%	15%	45%	21%	27%	7%
Derma	6%	6%	13%	2%	-9%	2%
Urology	6%	22%	6%	12%	35%	9%
Pain / Analgesics	5%	9%	-2%	16%	3%	2%
Mankind total	100%	13%	11%	18%	11%	8%

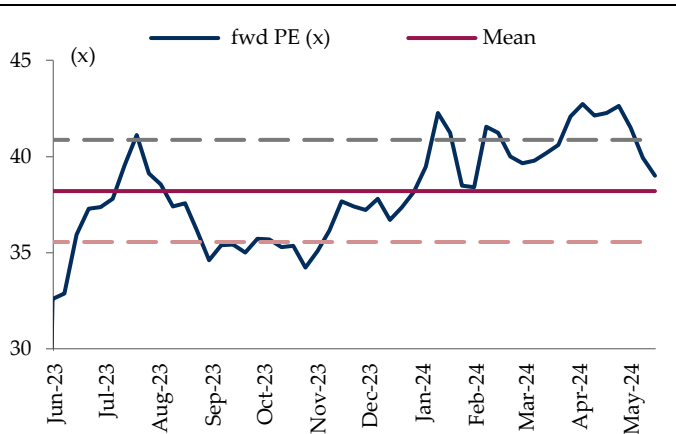
Source: IQVIA, HSIE Research

Exhibit 5: Steady growth in the leading brands

MKND brands YoY	Therapy	% of FY24 sales	FY24 sales (INR bn)	FY20	FY21	FY22	FY23	FY24
Manforce	Urology	5%	4.9	23%	4%	14%	49%	14%
Moxikind-Cv	Anti-Infectives	4%	3.8	12%	-10%	25%	28%	10%
Unwanted-Kit	Gynaec.	3%	2.5	11%	26%	9%	24%	13%
Amlokind-At	Cardiac	3%	2.4	27%	17%	6%	11%	24%
Prega News	Others	2%	2.2	22%	29%	13%	38%	9%
Dydroboon	Gynaec.	2%	2.1	NA	580%	73%	42%	0%
Gudcef	Anti-Infectives	2%	2.0	23%	-9%	44%	19%	10%
Candiforce	Derma	2%	2.0	18%	13%	-13%	9%	9%
Glimestar-M	Anti Diabetic	2%	1.9	16%	26%	5%	11%	14%
Nurokind-Gold	Vitamins/Minerals/Nutrients	2%	1.6	14%	22%	14%	10%	13%
Top 10 brands		26%	25.4	20%	18%	15%	26%	12%
11-25 brands		18%	17.6	18%	7%	20%	15%	11%
26-50 brands		14%	13.8	14%	10%	21%	11%	1%
Above 50 brands		41%	39.0	7%	10%	17%	1%	8%
Mankind total		100%	95.7	13%	11%	18%	11%	8%

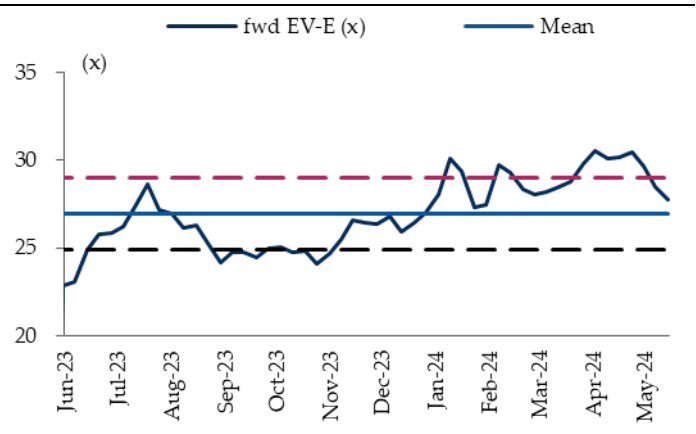
Source: IQVIA, HSIE Research

Exhibit 6: PE chart



Source: Bloomberg, HSIE Research

Exhibit 7: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	58,652	62,144	77,816	87,494	1,03,348	1,15,833	1,30,892
Other operating income	0	0	0	0	0	0	0
Total operating income	58,652	62,144	77,816	87,494	1,03,348	1,15,833	1,30,892
Cost of goods sold	-18,781	-17,806	-24,217	-29,136	-32,097	-35,329	-39,922
Gross profit	39,872	44,338	53,598	58,358	71,251	80,504	90,970
Gross margin (%)	68	71	69	67	69	70	70
Total operating expenses	-24,598	-27,680	-33,705	-39,352	-45,900	-51,198	-56,807
EBITDA	15,274	16,658	19,894	19,006	25,351	29,306	34,163
EBITDA margin (%)	26	27	26	22	25	25	26
Depreciation	-991	-1,190	-1,666	-3,259	-3,983	-4,288	-4,438
EBIT	14,283	15,468	18,227	15,747	21,368	25,017	29,725
Net interest	-220	-201	-586	-445	-335	-323	-306
Other income	1,104	1,709	1,960	1,286	2,809	3,331	3,787
Profit before tax	14,262	16,799	19,602	16,588	23,841	28,025	33,206
Total taxation	-3,816	-3,986	-5,216	-3,616	-4,576	-5,781	-6,848
Tax rate (%)	27	24	27	22	19	21	21
Profit after tax	10,446	12,814	14,385	12,973	19,266	22,244	26,357
Minorities	-257	-276	-195	-278	-289	-292	-295
Profit/ Loss associate co(s)	115	117	144	124	152	175	201
Adjusted net profit	10,970	12,790	14,335	13,720	19,129	22,127	26,264
Adj. PAT margin (%)	19	21	18	16	19	19	20
Net non-recurring items	-665	-135	0	-901	0	0	0
Reported net profit	10,304	12,654	14,335	12,819	19,129	22,127	26,264

Balance sheet (INR mn)

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Paid-up capital	401	401	401	401	401	401	401
Reserves & surplus	34,453	46,819	61,152	73,952	93,230	1,13,145	1,36,782
Net worth	36,716	48,629	63,163	76,233	95,758	1,15,964	1,39,896
Borrowing	1,309	2,407	8,731	1,704	2,072	1,877	1,683
Other non-current liabilities	926	330	909	1,491	1,584	1,602	1,621
Total liabilities	50,733	63,726	91,477	97,154	1,19,633	1,40,815	1,66,089
Gross fixed assets	19,659	21,362	42,198	51,989	58,918	63,132	67,385
Less: Depreciation	-3,923	-4,977	-6,575	-9,736	-13,718	-18,007	-22,445
Net fixed assets	15,736	16,385	35,623	42,253	45,199	45,125	44,940
Add: Capital WIP	3,170	3,720	7,015	5,501	2,818	3,500	3,500
Total fixed assets	18,906	20,105	42,638	47,754	48,017	48,625	48,440
Total Investment	8,350	15,175	11,149	13,518	25,732	26,861	28,047
Inventory	8,991	11,835	17,602	14,985	15,535	17,780	19,876
Debtors	5,311	3,306	3,882	5,764	8,483	10,155	11,475
Cash & bank	4,199	7,007	4,059	4,532	11,980	24,934	44,251
Loans & advances	703	512	381	1,678	455	952	1,076
Current liabilities	11,783	12,361	18,675	17,727	20,219	21,371	22,889
Total current assets	22,249	27,196	36,295	34,359	44,059	63,342	87,437
Net current assets	10,466	14,836	17,620	16,632	23,840	41,971	64,547
Other non-current assets	1,229	1,251	1,396	1,523	1,824	1,986	2,165
Total assets	50,733	63,726	91,477	97,154	1,19,633	1,40,815	1,66,089

Source: Company, HSIE Research

Cash flow (INR mn)

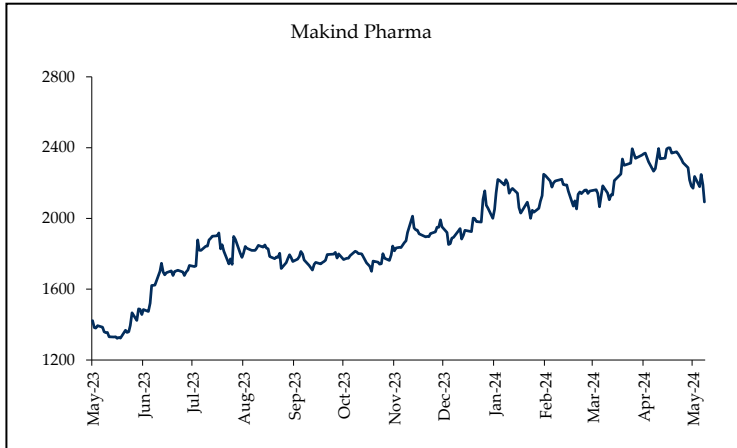
March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	14,262	16,799	19,602	16,588	23,841	28,025	33,206
Depreciation & Amortisation	-991	-1,190	-1,666	-3,259	-3,983	-4,288	-4,438
Chg in working capital	-1,452	-946	-5,861	1,667	204	-5,172	-3,255
CF from operations	10,697	11,372	9,198	18,133	21,524	21,684	27,846
Capital expenditure	-2,280	-3,123	-23,455	-8,321	-3,892	-4,000	-4,000
CF from investing	-4,392	-12,222	-13,691	-10,541	-20,817	-4,000	-4,000
Equity raised/ (repaid)	0	0	0	0	0	0	0
Debt raised/ (repaid)	-1,445	1,090	6,219	-6,982	307	-200	-200
Dividend paid	-3,643	0	0	0	0	0	0
CF from financing	-5,307	-78	6,046	-7,397	53	-523	-506
Net chg in cash	998	-928	1,553	194	760	17,161	23,340

Key ratios

March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPERATIONAL							
FDEPS (INR)	27.4	31.9	35.8	34.2	47.8	55.2	65.6
CEPS (INR)	28.2	34.6	39.9	40.1	57.7	65.9	76.6
DPS (INR)	9.1	0.0	0.0	0.0	0.0	5.5	6.6
Dividend payout ratio (%)	35.4	0.0	0.0	0.0	0.0	10.0	10.0
GROWTH							
Net sales (%)	-	6.0	25.2	12.4	18.1	12.1	13.0
EBITDA (%)	-	9.1	19.4	(4.5)	33.4	15.6	16.6
Adj net profit (%)	-	16.6	12.1	(4.3)	39.4	15.7	18.7
FDEPS (%)	-	16.6	12.1	(4.3)	39.4	15.7	18.7
PERFORMANCE							
RoE (%)	31.5	31.2	26.4	20.2	22.8	21.4	21.0
RoCE (%)	39.5	38.0	32.5	22.4	27.0	25.9	25.5
EFFICIENCY							
Asset turnover (x)	3.0	3.0	2.4	1.9	1.9	1.9	2.0
Sales/ total assets (x)	-	1.1	1.0	0.9	1.0	0.9	0.9
Working capital/ sales (x)	-	0.1	0.1	0.1	0.1	0.1	0.1
Receivable days	33	19	18	24	30	32	32
Inventory days	76	95	111	80	73	75	75
Payable days	63	54	68	54	52	51	51
FINANCIAL STABILITY							
Total debt/ equity (x)	-	0.1	0.2	0.0	0.0	0.0	0.0
Net debt/ equity (x)	-	(0.4)	(0.1)	(0.2)	(0.4)	(0.4)	(0.5)
Current ratio (x)	1.9	2.2	1.9	1.9	2.2	3.0	3.8
Interest cover (x)	65.0	76.8	31.1	35.4	63.7	77.3	97.0
VALUATION							
PE (x)	76.4	65.5	58.5	61.1	43.8	37.9	31.9
EV/ EBITDA (x)	54.4	49.3	42.0	43.5	31.9	27.1	22.6
EV/ Net sales (x)	14.2	13.2	10.7	9.4	7.8	6.9	5.9
PB (x)	24.0	17.7	13.6	11.3	9.0	7.4	6.1
Dividend yield (%)	0.4	0.0	0.0	0.0	0.0	0.3	0.3
Free cash flow yield (%)	1.0	1.0	(1.7)	1.2	2.1	2.1	2.8

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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