

# Mankind Pharma

BSE SENSEX 80,040 S&P CNX 24,406



Bloomberg	MANKIND IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	859.1 / 10.3
52-Week Range (INR)	2490 / 1681
1, 6, 12 Rel. Per (%)	-2/-9/-12
12M Avg Val (INR M)	1545

## Financials & Valuations (INR b)

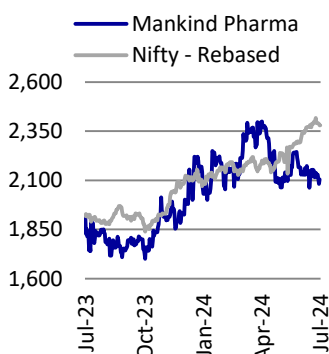
Y/E March	FY24	FY25E	FY26E
Sales	103.3	114.3	127.8
EBITDA	25.4	29.3	33.6
Adjusted PAT	19.1	21.7	25.0
EBIT Margin (%)	24.5	25.6	26.3
Cons. Adj EPS (INR)	47.8	54.1	62.4
EPS Gr. (%)	38.5	13.3	15.4
BV/Sh. (INR)	233.7	275.1	322.9
<b>Ratios</b>			
Net D-E	-0.4	-0.5	-0.6
RoE (%)	22.8	21.3	20.9
RoCE (%)	22.8	21.2	20.8
Payout (%)	20.0	20.0	20.0
<b>Valuation</b>			
P/E (x)	44.9	39.6	34.3
EV/EBITDA (x)	33.8	29.0	24.6
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	2.7	4.7	4.6
EV/Sales (x)	8.3	7.4	6.5

## 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

## Stock's performance (one-year)



**CMP: INR2,144 TP: INR2,650 (+24%) Buy**

## Unlocking new vertical through BSV acquisition

### Aim to be EPS-accretive from second year after deal closure

- Mankind Pharma has agreed to acquire Bharat Serum Vaccines (BSV) for EV of INR136b, implying EV/EBITDA of 28x/22-23x on FY24/FY25 basis.
- This acquisition not only expands Mankind's niche portfolio, but also provides a specialty R&D tech platform, in-house complex manufacturing capabilities and strong institutional reach.
- Considering access to a high-entry barrier business, a healthy mix of domestic-international segments and potential for sustainable EBITDA growth (27% EBITDA YoY growth in FY25), we believe the deal valuation is fair.
- We await clarity on the deal structure in terms of debt/equity fund raise to fund the deal from the concall scheduled for 26th Jul'24 at 5pm. Having said this, considering current cash of INR42b from internal accruals, we assume debt/equity of INR60b/INR32b to complete the transaction. Free cash generated from the base business would subsequently lower debt for Mankind. Maintain BUY.

### BSV – well placed to deliver high EBITDA growth in medium term

- BSV has posted sales CAGR of 21% over FY21-24 to INR17b. Adjusting for acquisition/exit-related costs, EBITDA margin was 28.4% for FY24.
- Management comment about 22-23x FY25 EBITDA implies potential to garner INR6b EBITDA in FY25 from INR4.8b in FY24.
- The top 10 brands form 60% of domestic sales (54% of total sales). International sales witnessed a 25% CAGR over FY21-24.

### Multiple moats in BSV business

- 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 deliver system, and immunoglobulins.
- BSV has a **wide coverage** of doctors as well as institutional reach.
- It has **presence in international markets** with marketing/regulatory teams.
- BSV also has **complex manufacturing capabilities** at Ambernath/Germany.
- Mankind gains access to an **exhaustive fertility drugs** portfolio.

### Pro forma financials based on our assumptions

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. The robust growth in business and the repayment of debt from cash flow generated in the base business can enable earnings accrual from FY27 onward. FY25 would have one quarter of business after the deal closure.

#### Pro forma Financials

Particulars	FY25	FY26	FY27	Assumptions
Sales (INRm)	4,308	20,676	24,811	❖ 20% CAGR over FY25-27
EBITDA (INRm)	1,206	6,099	7,369	❖ 170bp margin expansion
EBITDA margin (%)	28.0	29.5	29.7	❖
Interest outgo	1,200	4,000	2,100	❖ 8% interest outgo
Dep/Amortization	852	3,408	3,408	❖ 5% dep/amortization
PBT	-846	-1,308	1,861	

Tushar Manudhane - Research Analyst (Tushar.Manudhane@MotilalOswal.com)

Akash Manish Dobhada - Research Analyst (Akash.Dobhada@MotilalOswal.com)

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

## Complex product/synergies to drive growth

### Complex and high-entry barrier product portfolio

- Over the years, BSV has developed a niche portfolio while establishing a strong presence across women healthcare.
- With its strong R&D capabilities, BSV is the **sole innovator** of recombinant **Anti-D** in the world. This drug is used to treat Rhesus disease, which is a condition where antibodies in a pregnant woman's blood destroy her baby's blood cells.
- Further, BSV has a strong presence across women health care, particularly in IVP segment (In vitro fertilization), which has a huge room for improvement due to low penetration in India and emerging markets. BSV also has coverage across Pregnancy & Post-Pregnancy.
- Additionally, BSV has a presence in the animal bites category, including drugs like Snake Venom Antiserum and Equine Rabies IgG.
- To develop these complex biologic drugs/complex delivery systems, it requires 5-10 years of R&D and complex manufacturing process, which makes it a high-entry barrier space.

### Differentiated portfolio/strong reach driving growth in India market

- BSV was the first Indian company to launch Anti thymocyte Ig, r-FSH, High Pure HMG and r-HCG products in India.
- Thymogam (anti-thymocyte globulin) helps to prevent the immune system from attacking transplanted organs.
- Further, BSV has a field force of 1.2k and GP/CP coverage of 28k in India market. Also, it has strong gynae coverage of 28k.
- Additionally, BSV has solid institutional reach, which would add value for growth.

### Expanding reach globally with scalable portfolio

- BSV has a presence in more than 70 countries, including key emerging markets and developing countries with 260+ sales teams across 15 markets.
- BSV has a strong presence across ASEAN, MENA, LATAM and RCIS with two home markets in Philippines and Malaysia.
- BSV generates 46% of revenue from international markets. Over FY21-24, BSV registered a 25% CAGR in CC terms to USD77m, led by Complex & Specialty portfolio in Critical Care and fast-growing Fertility segment.
- BSV is expanding its reach in international markets by entering attractive EMs with higher regulatory barriers, scaling portfolio with add-on filings and increasing focus on fertility.

### Niche manufacturing capabilities

- BSV has two manufacturing facilities at Ambernath and Germany with strong manufacturing capabilities in injectable and API space.
- At its Ambernath facility, BSV has five dedicated injectable lines and two API lines. It manufactures human & equine biological, thrombolytic and urinary hormone products at its manufacturing plant.
- At its Germany facility, BSV manufactures six products in partnership with innovator companies. Further, BSV has adjacent land available for expansion.
- BSV has received a land parcel at Genome valley to further expand its manufacturing capacities.

**Strong synergies to drive growth over medium term**

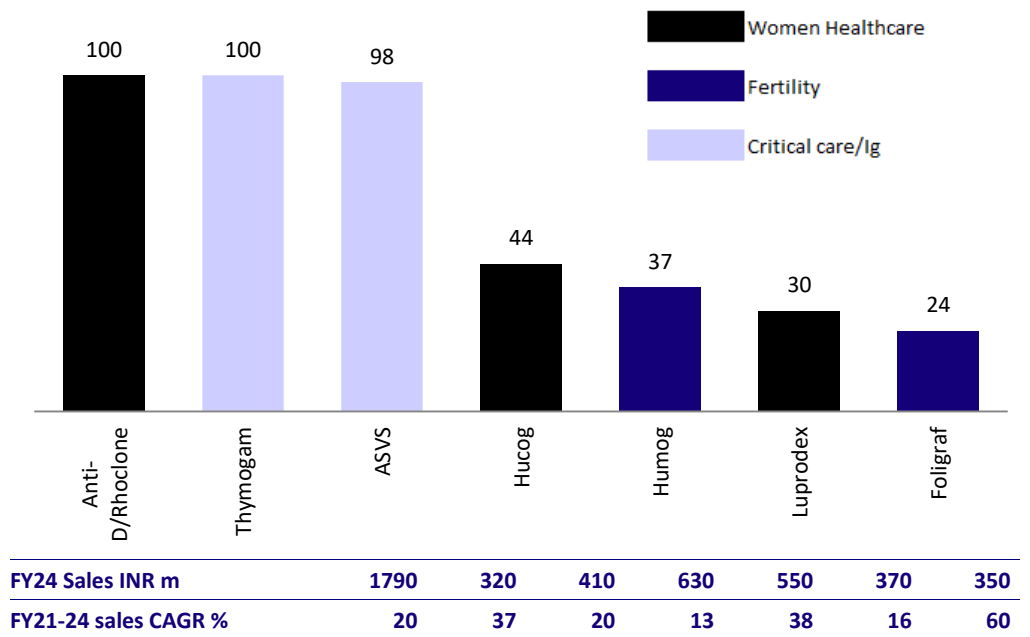
- With this acquisition, the product mix of Mankind would expand to recombinant and fertility, unlocking a new therapeutic segment.
- Further, the strong reach of Mankind would boost sales of the portfolio.
- Additionally, improved MR productivity and in house-manufacturing would improve the profitability.

**Exhibit 1: BSV has presence across all the women healthcare segments**

Global Infertility Drugs Market (USDb)	2027 estimated sales	CAGR % over 2022-2027
Fertility overall	9.9	9.8
FSH	3.5	9.7
HMG	2.2	12.9
Leuprorelin	1.5	8.4
HCG	0.4	5.9

Source: MOFSL, Company

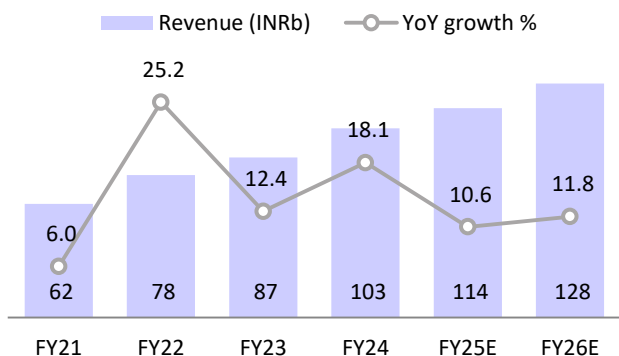
**Exhibit 2: All the BSV brands with higher market domestic market and lower competition**



Source: MOFSL, Company

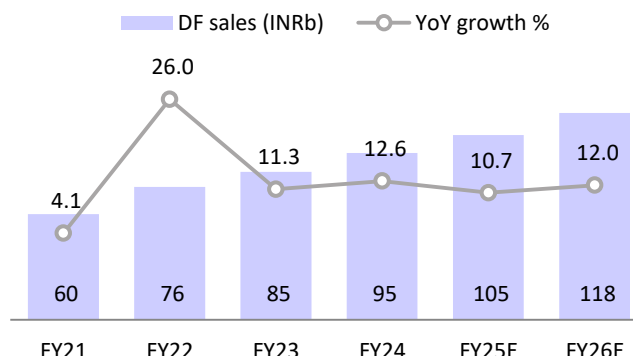
## Story in charts

**Exhibit 3: Expect 11% revenue CAGR over FY24-26**



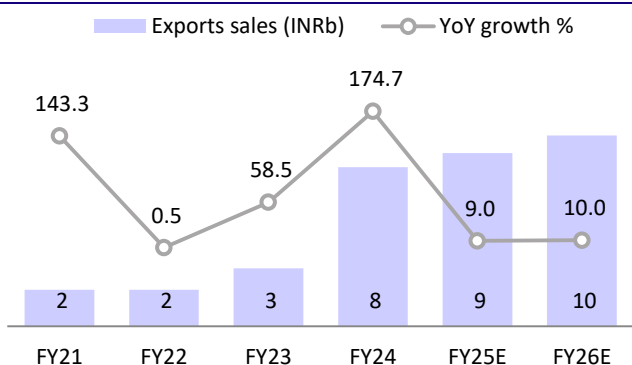
Source: Company, MOFSL

**Exhibit 4: Expect 11.3% CAGR in DF sales over FY24-26**

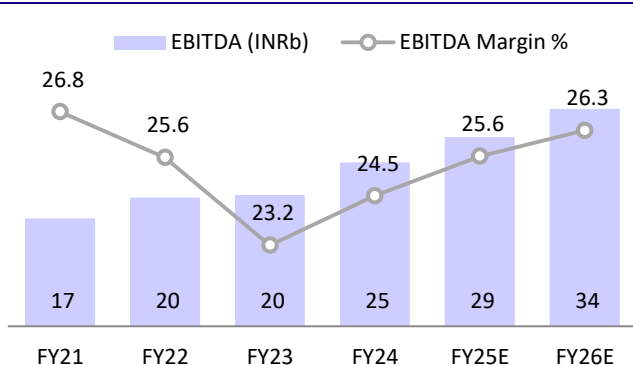


Source: Company, MOFSL

**Exhibit 5: Expect export sales CAGR of 9.5% over FY24-26**

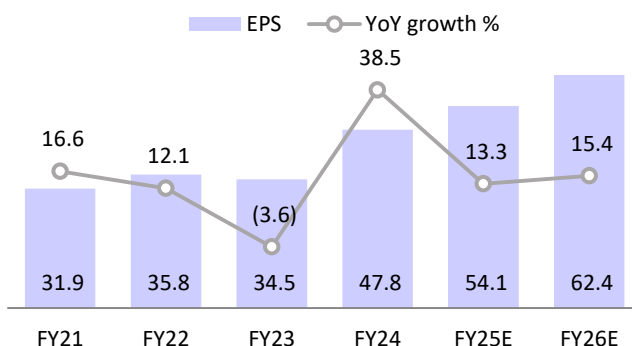


**Exhibit 6: EBITDA margin to improve to ~26% by FY26**

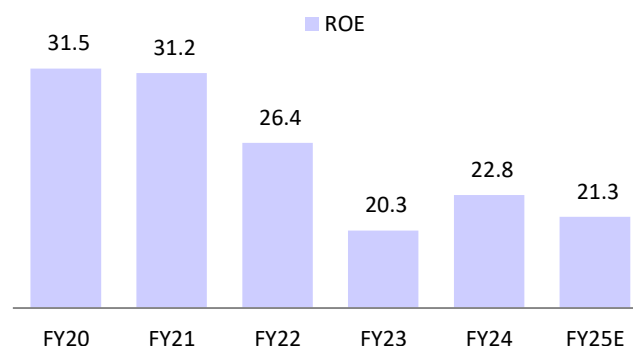


Source: Company, MOFSL

**Exhibit 7: Expect EPS CAGR of 14% over FY24-26**



**Exhibit 8: 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
<b>Total Income from Operations</b>	<b>58,652</b>	<b>62,144</b>	<b>77,816</b>	<b>87,490</b>	<b>1,03,348</b>	<b>1,14,303</b>	<b>1,27,808</b>
Change (%)		6.0	25.2	12.4	18.1	10.6	11.8
<b>Gross Profit</b>	<b>39,872</b>	<b>44,338</b>	<b>53,598</b>	<b>58,354</b>	<b>71,251</b>	<b>79,441</b>	<b>87,165</b>
<b>EBITDA</b>	<b>15,274</b>	<b>16,658</b>	<b>19,894</b>	<b>20,289</b>	<b>25,351</b>	<b>29,262</b>	<b>33,613</b>
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
<b>EBIT</b>	<b>14,283</b>	<b>15,468</b>	<b>18,227</b>	<b>17,030</b>	<b>21,368</b>	<b>24,959</b>	<b>29,186</b>
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
<b>PBT bef. EO Exp.</b>	<b>15,168</b>	<b>16,976</b>	<b>19,602</b>	<b>17,871</b>	<b>23,842</b>	<b>27,604</b>	<b>32,246</b>
EO Items	-906	-177	0	1,275	0	0	0
<b>PBT after EO Exp.</b>	<b>14,262</b>	<b>16,799</b>	<b>19,602</b>	<b>16,597</b>	<b>23,842</b>	<b>27,604</b>	<b>32,246</b>
Total Tax	3,816	3,986	5,216	3,616	4,576	5,797	7,094
Tax Rate (%)	26.8	23.7	26.6	21.8	19.2	21.0	22.0
Minority Interest	142	159	50	162	137	137	137
<b>Reported PAT</b>	<b>10,304</b>	<b>12,654</b>	<b>14,335</b>	<b>12,819</b>	<b>19,129</b>	<b>21,671</b>	<b>25,015</b>
<b>Adjusted PAT</b>	<b>10,968</b>	<b>12,789</b>	<b>14,335</b>	<b>13,816</b>	<b>19,129</b>	<b>21,671</b>	<b>25,015</b>
Change (%)		16.6	12.1	-3.6	38.5	13.3	15.4
Margin (%)	18.7	20.6	18.4	15.8	18.5	19.0	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	1,09,809	1,28,945
<b>Net Worth</b>	<b>34,853</b>	<b>47,220</b>	<b>61,552</b>	<b>74,352</b>	<b>93,631</b>	<b>1,10,209</b>	<b>1,29,346</b>
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
<b>Capital Employed</b>	<b>38,433</b>	<b>51,471</b>	<b>73,038</b>	<b>79,892</b>	<b>99,855</b>	<b>1,16,939</b>	<b>1,36,632</b>
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
<b>Net Fixed Assets</b>	<b>15,736</b>	<b>16,385</b>	<b>35,623</b>	<b>42,253</b>	<b>45,199</b>	<b>42,897</b>	<b>39,969</b>
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
<b>Total Investments</b>	<b>8,350</b>	<b>15,175</b>	<b>11,149</b>	<b>14,619</b>	<b>26,027</b>	<b>26,027</b>	<b>26,027</b>
Other Non-Current Assets	1,222	1,748	1,770	1,759	1,483	1,640	1,833
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>21,572</b>	<b>26,005</b>	<b>35,324</b>	<b>32,491</b>	<b>43,101</b>	<b>66,235</b>	<b>91,715</b>
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	35,585	57,093
Loans and Advances	3,071	3,856	9,780	7,210	7,104	2,153	2,407
<b>Curr. Liability &amp; Prov.</b>	<b>11,820</b>	<b>11,765</b>	<b>18,046</b>	<b>16,931</b>	<b>18,973</b>	<b>22,878</b>	<b>25,931</b>
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
<b>Net Current Assets</b>	<b>9,752</b>	<b>14,239</b>	<b>17,277</b>	<b>15,560</b>	<b>24,128</b>	<b>43,357</b>	<b>65,784</b>
<b>Appl. of Funds</b>	<b>38,433</b>	<b>51,470</b>	<b>73,038</b>	<b>79,892</b>	<b>99,855</b>	<b>1,16,939</b>	<b>1,36,632</b>

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>27.4</b>	<b>31.9</b>	<b>35.8</b>	<b>34.5</b>	<b>47.8</b>	<b>54.1</b>	<b>62.4</b>
Cash EPS	29.9	34.9	39.9	42.6	57.7	64.8	73.5
BV/Share	87.0	117.9	153.7	185.6	233.7	275.1	322.9
DPS	0.0	0.0	0.0	0.0	9.6	10.8	12.5
Payout (%)	0.0	0.0	0.0	0.0	20.0	20.0	20.0
<b>Valuation (x)</b>							
P/E	78.3	67.2	59.9	62.2	44.9	39.6	34.3
Cash P/E	71.8	61.4	53.7	50.3	37.2	33.1	29.2
P/BV	24.6	18.2	14.0	11.6	9.2	7.8	6.6
EV/Sales	14.6	13.8	11.0	9.9	8.3	7.4	6.5
EV/EBITDA	56.2	51.4	42.9	42.6	33.8	29.0	24.6
Dividend Yield (%)	NA	NA	NA	NA	0.4	0.5	0.6
FCF per share	21.3	20.6	-35.5	25.7	45.9	79.4	77.1
<b>Return Ratios (%)</b>							
RoE	31.5	31.2	26.4	20.3	22.8	21.3	20.9
RoCE	31.2	30.6	24.7	19.6	22.8	21.2	20.8
RoIC	0.5	48.9	35.0	25.1	24.8	29.2	36.6
<b>Working Capital Ratios</b>							
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
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	-0.3	-0.4	-0.1	-0.2	-0.4	-0.5	-0.6

### Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>(INR m)</b>							
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
<b>CF from Operations</b>	<b>10,826</b>	<b>12,820</b>	<b>10,877</b>	<b>18,852</b>	<b>23,714</b>	<b>30,850</b>	<b>29,025</b>
Others	-129	-1,448	-1,679	-719	-2,190	2,950	3,350
<b>CF from Operating incl EO</b>	<b>10,697</b>	<b>11,372</b>	<b>9,198</b>	<b>18,133</b>	<b>21,524</b>	<b>33,800</b>	<b>32,375</b>
(Inc)/Dec in FA/IA	-2,167	-3,116	-23,424	-7,830	-3,147	-2,000	-1,500
<b>Free Cash Flow</b>	<b>8,530</b>	<b>8,257</b>	<b>-14,226</b>	<b>10,303</b>	<b>18,377</b>	<b>31,800</b>	<b>30,875</b>
(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
<b>CF from Investments</b>	<b>-4,392</b>	<b>-12,222</b>	<b>-13,691</b>	<b>-10,541</b>	<b>-20,147</b>	<b>-4,950</b>	<b>-4,850</b>
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	-4,941	-5,726
<b>CF from Fin. Activity</b>	<b>-5,307</b>	<b>-78</b>	<b>6,046</b>	<b>-7,119</b>	<b>6,740</b>	<b>-5,246</b>	<b>-6,016</b>
<b>Inc/Dec of Cash</b>	<b>998</b>	<b>-928</b>	<b>1,553</b>	<b>472</b>	<b>8,118</b>	<b>23,605</b>	<b>21,509</b>
Opening Balance	1,163	2,197	1,273	4,059	4,532	11,980	35,585
<b>Closing Balance</b>	<b>2,161</b>	<b>1,270</b>	<b>2,826</b>	<b>4,532</b>	<b>12,650</b>	<b>35,585</b>	<b>57,093</b>
<b>Total Cash &amp; Cash Eq</b>	<b>4,199</b>	<b>7,007</b>	<b>4,059</b>	<b>4,532</b>	<b>11,980</b>	<b>35,585</b>	<b>57,093</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing



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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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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