

Mankind Pharma

Strong Q2: steady India growth; BSV integration key

EBITDA (+25% YoY) was led by 14% YoY sales growth (India formulation up 10% YoY, consumer healthcare +20%, and exports grew 57% YoY), higher gross margin (+202 bps YoY), and steady costs (staff/ SG&A was up 13/ 12% YoY). In FY25, Mankind expects (1) double-digit revenue growth, (2) steady India formulation growth (to beat IPM growth) and consumer healthcare (double-digit growth), (3) exports to sustain growth momentum led by growth visibility in the US and RoW market, (4) GM to improve YoY, (5) EBITDA margin at 25-26%, and (6) Bharat Serum (BSV) integration on track – it expects 15% growth in FY25 and FY26 and 15-20% growth FY27 onwards with consistent improvement in the margin. While the BSV acquisition (of ~INR 136.3 bn) will be EBITDA margin accretive, the debt-funded acquisition will dilute the near-term EPS (accretive from FY27). Mankind's (ex-BSV) growth visibility in India (acute recovery and scale-up in chronic segment), exports growth momentum, and margin expansion for each FY25/26/27 stay. Factoring in Q2 and BSV business, we have cut EPS by 7% for FY25/26E (increased debt at ~INR 100 bn) and revised TP to INR 2,900 (40x Q3FY27E vs. 35x Q1FY27E). ADD stays.

- Q2 highlight—India growth was steady:** Sales were at ~INR 30.7 bn (+14% YoY) as India formulations (83%) were up 10% YoY at INR 25.6 bn, led by strong growth in chronic (+12% YoY) and volume growth (1.3% YoY vs 0.4% for IPM), which was offset by regulatory headwinds in certain key products in the acute segment; consumer healthcare (8%) was +20% YoY at INR 2.3 bn (+13% QoQ) and exports (9%) grew 57% YoY on traction in recent launches.
- EBITDA growth on cost controls:** GM was up 202 bps YoY at 71.6%. Steady costs staff (+13% YoY) and SG&A (+12%; M&A related/non-recurring costs) led to EBITDA of INR 8.5 bn (+25% YoY) and the margin was at 27.6% (+242 bps YoY). Higher other income (+82% YoY), depreciation (+9%), and interest cost (-18%) led to a reported PAT of INR 6.5 bn (+30% YoY).
- Key takeaways from the con call:** It expects to maintain growth momentum in the India business on the back of scale-up in specialty and super specialty business and increasing market coverage. Dydrogesterone growth was strong at 20+% in Q2. Panacea is growing at ~25% with a 30%+ EBITDA margin. In Q2FY25, the company had a regulatory impact (inclusion in NLEM) on two key products: Codistar (respiratory; it expects to normalise from Q3) and Unwanted 72 (gynaec; it expects to sustain volume share). Tier 1/ metro was at 9.8% (vs 8.8% IPM; 1.1-1.2x vs IPM in H1) and Tier 2-6 was at 7.2% (vs 6.9% IPM; 1.1x vs IPM in H1). **BSV acquisition:** The company achieved transaction closure in Oct'24. It targets to liquidate the entire INR 100 bn debt over the next 3 years through a combination of equity infusion (possible QIP up to INR 30 bn), divestment of non-core assets (hospitality), and internal accruals. It retains a net debt/EBITDA target of <2x in FY26. BSV's gross/ EBITDA margin was slightly higher than Mankind's. BSV NLEM exposure is ~40%.

Quarterly financial summary

(INR mn)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	30,765	27,081	14	28,934	6	87,494	1,03,348	1,26,632	1,56,976	1,77,750
EBITDA	8,500	6,826	25	6,818	25	19,006	25,351	32,418	42,384	49,415
APAT	6,535	5,010	30	5,365	22	13,720	19,129	20,248	23,842	30,778
EPS (INR)	16.3	12.5	30	13.4	22	34.2	47.8	50.5	59.5	76.8
P/E (x)						79.2	56.8	53.7	45.6	35.3
EV/EBITDA (x)						56.6	41.7	36.3	27.3	22.9
RoCE (%)						22	27	19	17	20

Source: Company, HSIE Research

ADD

CMP (as on 5 Nov 2024)	INR 2,714
Target Price	INR 2,900
NIFTY	24,213

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2320	INR 2900
EPS %	FY25E (7.4)	FY26E (6.9)

KEY STOCK DATA

Bloomberg code	MANKIND IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	1,087/12,929
6m avg traded value (INR mn)	1,663
52 Week high / low	INR 2,839/1,733

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	36.4	17.3	52.9
Relative (%)	35.5	9.7	29.4

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	74.87	74.87
FIs & Local MFs	9.95	9.9
FPIs	11.58	12.37
Public & Others	3.6	2.86
Pledged Shares	-	-

Source: BSE

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