



TM

Mankind Pharma

12 June 2023

INITIATING COVERAGE

Sector: Pharmaceuticals Rating: HOLD

CMP: Rs 1,482 Target Price: Rs 1,425

Stock Info

| | |
|----------------|----------------------|
| Sensex/Nifty | 62,625/18,563 |
| Bloomberg | MANKIND IN |
| Equity shares | 401mn |
| 52-wk High/Low | 1,520 / 1,241 |
| Face value | Rs 1 |
| M-Cap | Rs 594bn / USD 7.2bn |

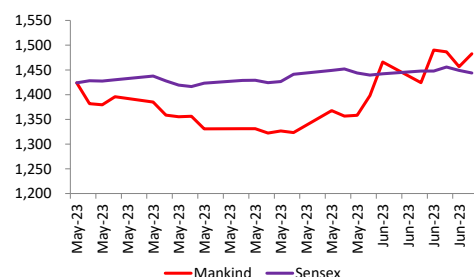
Financial Snapshot (Rs mn)

| Y/E March | FY23 | FY24E | FY25E |
|------------------|--------|--------|----------|
| Revenue | 87,494 | 99,357 | 1,12,877 |
| Gross profit | 58,358 | 68,060 | 77,321 |
| Gross Margin (%) | 66.7% | 68.5% | 68.5% |
| EBITDA | 19,006 | 24,522 | 29,120 |
| Margin (%) | 21.7% | 24.7% | 25.8% |
| PAT | 12,819 | 16,550 | 21,148 |
| EPS | 32.0 | 41.3 | 52.8 |
| DPS (Rs) | - | - | - |
| ROCE (%) | 21.0 | 23.9 | 23.8 |
| P/E (x) | 46.3 | 35.9 | 28.1 |
| EV/EBITDA (x) | 31.1 | 23.4 | 19.0 |

Shareholding pattern (%)

| | Mar-21 | Mar-22 | Mar-23 |
|----------|--------|--------|--------|
| Promoter | 79.05 | 79.05 | 76.50 |
| –Pledged | - | - | - |
| FII | 20.95 | 20.95 | 16.15 |
| DII | - | - | 2.64 |
| Others | - | - | 4.71 |

Stock Performance



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Growth can accelerate with minimal downside risks

We initiate coverage on Mankind (MANKIND) with a HOLD rating and a target price of Rs. 1,425, based on 27x FY25E EPS. We estimate 14%, 24% and 28% CAGR in MANKIND's sales, EBITDA and net earnings, respectively, over FY23–25E. MANKIND is the youngest India-focused company (~97% of revenue) to figure among the Top 5 IPM names, which reflects its strong execution skills in the domestic market. The company has positioned itself as an affordable brand alternative in most therapeutic areas in which it has built presence. Nearly 47% of its domestic sales comes from Tier 2-4 cities, compared with 37% for the Indian Pharmaceutical Market (IPM). The Tier 2-4 markets are expanding faster than Metro and Tier 1 cities. Nearly 80% of doctors in India prescribe the MANKIND brand. In addition to a strong branded prescription base, the company has one of the strongest OTC portfolio (8% of its domestic revenue) among peers. Dominant OTC brands in the MANKIND portfolio include Prega News, Manforce and Gas-O-Fast.

Secular domestic growth should support low double-digit topline growth

Over FY20-FY23, MANKIND's growth at 13.5% has outpaced that of the IPM and most of its listed peers (~11%). We expect this high growth to sustain, led by factors such as market growth, growing contribution of chronic therapies, in-licensing deals for brands in high-growth areas, and focus on new launches in high-growth segments like SGLT2 inhibitors, treatment of heart failure, anti-epileptics, anti-depressants and anxiolytics, inhalers, critical care anti-infectives and anti-vascular endothelial growth factor (anti-VEGF) biological therapies for the treatment of wet age-related macular degeneration (AMD) and male and female infertility care.

New growth avenues – Inorganic initiatives and export formulations to supplement

MANKIND has multiple growth avenues to tap into, as it currently is a pure brand formulations play; with mere 3-4% of its revenue from export formulations. We see large head room for the company to build scale in its operations. Moreover, the company is selectively pursuing inorganic initiatives to add growth to its domestic branded formulations business. These inorganic initiatives (acquisitions, licensing / co-marketing deals) are intended to help it scale up presence in the chronic/ complex/ fast-growing categories. The company is also investing ~Rs 3,000mn in expanding capacities to manufacture complex products like dydrogesterone. The plant should start commercial production in 3Q/4QFY24, and perhaps have the largest dydrogesterone manufacturing capacity in India. The dydrogesterone market size in India is ~Rs 6,100mn.

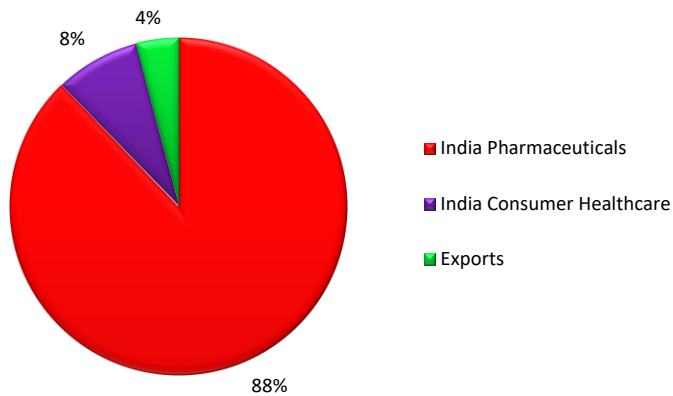
Better capacity utilisation and brand leverage could aid margins

Many of MANKIND's manufacturing capacities operate at suboptimal levels, but we expect this to improve, as its branded formulations business is expected to clock double-digit growth over FY23-FY25. We estimate 400bps improvement in its EBITDA margin during this period.

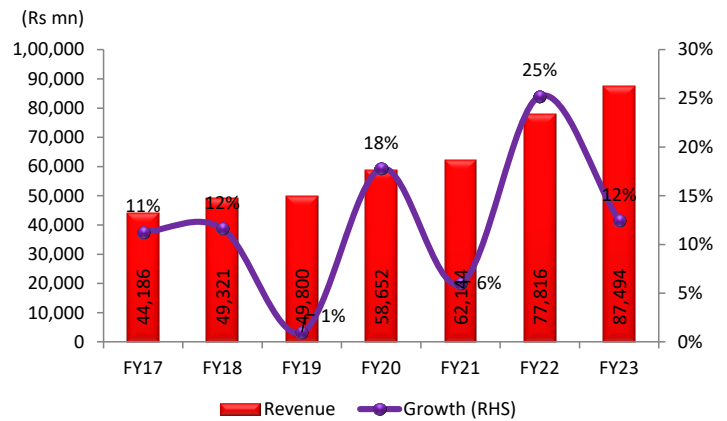
Valuations

We have assigned a P/E of 27x to MANKIND's FY25E earnings to arrive at a target price of Rs. 1,425; we initiate coverage with a HOLD rating as the stock is expensive already and presents limited upside. Over FY23-FY25E, we estimate CAGR of 28% in earnings and 14% in revenue. Peer group names with India-focused branded formulations businesses too trade at an average P/E of 27x.

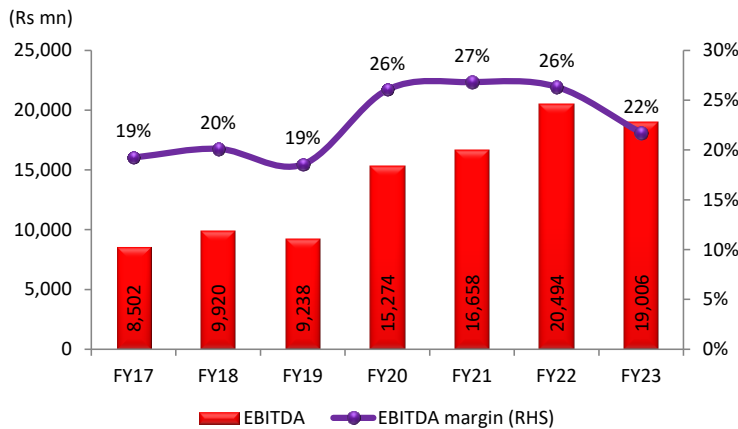
Story in charts

Exhibit 1: Revenue split (%) FY23


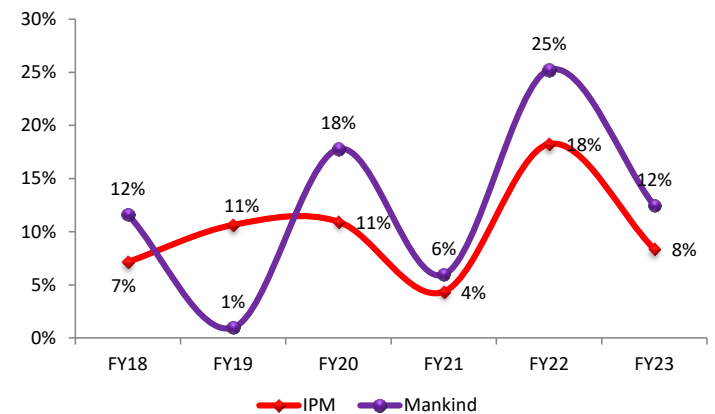
Source: Company, Systematix Institutional Research

Exhibit 2: Revenue CAGR of 12% over FY17-23


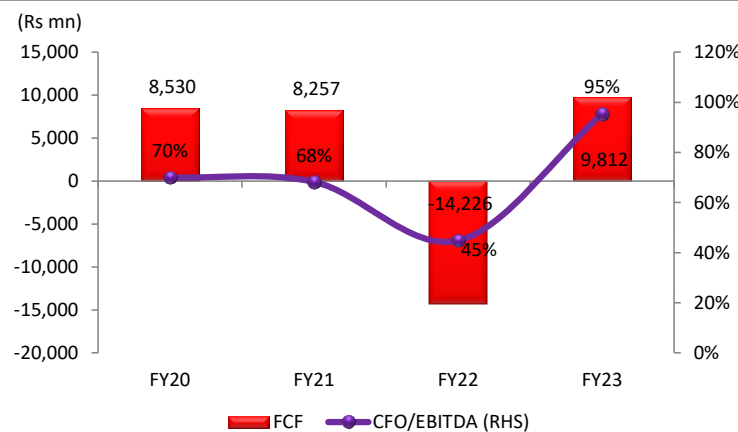
Source: Company, Systematix Institutional Research

Exhibit 3: EBITDA margin expanded 248bps over FY17-23


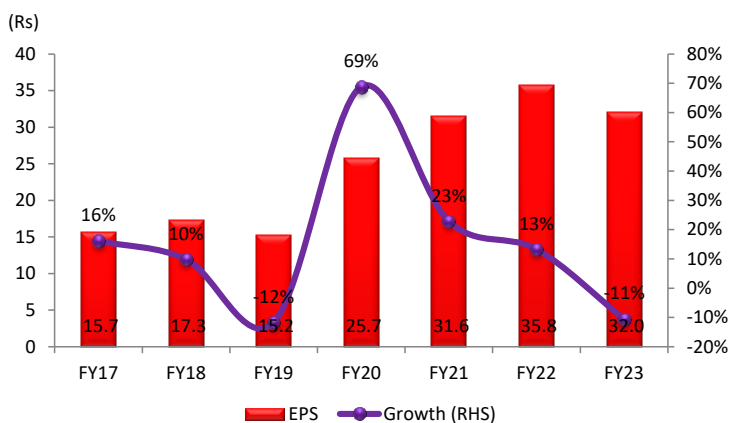
Source: Company, Systematix Institutional Research

Exhibit 4: MANKIND has consistently outpaced IPM growth


Source: Company, Systematix Institutional Research

Exhibit 5: Robust cash flow generation capabilities


Source: Company, Systematix Institutional Research

Exhibit 6: EPS CAGR of 13% over FY17-23


Source: Company, Systematix Institutional Research

Exhibit 7: Revenue breakup

| Revenue (Rs mn) | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | % of sales (FY23) |
|---------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-------------------|
| India Pharmaceuticals | 53,587 | 55,453 | 70,060 | 77,610 | 87,699 | 99,100 | 88.7% |
| India Consumer Healthcare | 4,301 | 4,833 | 5,890 | 6,920 | 7,958 | 9,152 | 7.9% |
| Exports | 764 | 1,859 | 1,870 | 2,960 | 3,700 | 4,625 | 3.4% |
| Total | 58,652 | 62,144 | 77,820 | 87,490 | 99,357 | 1,12,877 | |

Source: Company, Systematix Institutional Research

Executive Summary

Concentration in Indian market provides a sustainable growth lever

MANKIND derives ~97% of its sales from the Indian market, of which, ~8% is through its consumer brands. The company has front-end presence in India with a field force of ~15,000 people. A branded presence ensures secular growth and pricing premium, seen from its margin (~22% in FY23) and return profile (26% RoCE).

Among the largest deployed field force and prescriber base in India

MANKIND is the 4th largest company in IPM in terms of revenue. It is the youngest and one of the fastest growing companies among the top 5 largest pharma companies in India. MANKIND holds 4.4% market share in IPM, with a No. 1 position in prescriptions (1 in every 6 prescriptions is a MANKIND product) and No. 3 in volume terms. MANKIND's growth story so far has been largely organic, and only recently it acquired Panacea Biotech's domestic formulations brands.

Fastest growing Top 10 player with an expanding portfolio of large brands

MANKIND is ranked as the fastest growing company in IPM within the Top 10. The company ranks 3rd highest in terms of number of brands having annual sales of >Rs 1bn as of FY22. MANKIND's portfolio of Rs 1,000mn+ brands includes 20 brands, which have grown from 13 in FY20.

A leader in IPM by prescription share

In FY23, MANKIND was the most prescribed pharmaceutical company in IPM. It has the highest share of prescriptions at ~15.5% in IPM compared with an average share of ~8% for the 10 largest pharma companies in IPM by domestic sales. Having a leadership position in prescription share creates a circular network effect, whereby doctors prescribe partly based on what they believe pharmacists stock, and pharmacists in turn favor brands they believe doctors would prescribe or those that patients would prefer.

Superior volume growth versus peers

MANKIND's growth has been primarily driven by volumes, wherein the company enjoyed the 2nd largest volume share among the 10 largest pharma companies in IPM by domestic sales in FY22. Between FY20 and FY22, MANKIND's market share in volume terms in IPM increased from ~5.2% to ~5.7%. During this period, the company generated the 2nd highest average annual contribution from volume growth of ~9.2% among the 10 largest pharma companies in IPM by domestic sales, compared to an average annual contribution of ~2.9% from volume growth in IPM.

Lower-than-market pricing ensures minimal risk to base earnings from NLEM

MANKIND is known for its low price point, as it sells affordable drugs for most patients. An affordable price point ensures higher adoption and also significantly derisks the company's earnings from any adverse Drug Price Control Order (DPCO) action that could result in one or few of its large products from coming under National List of Essential Medicines (NLEM). DPCO inclusion mandates revision of selling price to the new notified ceiling price, which is the average price of the marketed brands with (>1% market share). Since the pricing of MANKIND's brands is such that it is usually 20-30% lower than that of the top brands, the price revision action does not translate into material reduction and in some cases, no reduction at all.

Can MANKIND continue to outpace IPM?

Volume growth across its portfolio led to MANKIND consistently outpacing IPM in 6 out of last 7 years to post 12.9% CAGR vs. 10.7% for IPM (FY15-FY22). MANKIND also grew faster than IPM in 9 of 10 therapy areas it is present in (FY20-FY22). During COVID (FY21-FY22), MANKIND added around 3,000 MRs in its field force. We believe MANKIND will likely continue to post strong growth in its India formulations business, as it is looking to integrate the additional field force with the Panacea acquisition. We estimate its India formulations business to expand at ~13% to outpace IPM growth by ~200bps over FY23-FY25E.

Selectively picking innovative medicines for development

MANKIND believes it should develop medicines which are affordable or perhaps introduce new innovative medicines to fill the demand-supply gap. The company has successfully developed a complex molecule, dydrogesterone, and is chasing to capture a chunk of the Rs 6.1bn market in India. In FY22, MANKIND generated ~Rs 1.5bn (~25% market share in India) worth of sales from dydrogesterone. Similarly, the company has filed one investigational new drug application (INDA) for a novel G protein-coupled receptor target at treating Type 2 diabetes and obesity and GPR119, a new chemical entity (NCE) anti-diabetic molecule, which is in phase I clinical trials.

Focus on premiumisation and chronic therapies

MANKIND's chronic segment contributes 34% to its revenue, and the company has set up chronic/specialty divisions, aimed at ramping up the share of chronic therapies in its overall portfolio. MANKIND will likely be relying on switching from Rx to OTC, and the premiumisation of certain categories like condoms (premium condom brand – *Epic*). Acquisitions and licensing deals have been done recently to build a chronic presence. The Panacea Biotech branded portfolio acquisition, a licensing deal for heart failure drug with Novartis and a co-marketing deal with Biocon for its insulin glargine, provide MANKIND the necessary access to chronic segments.

Strong presence in non-metro cities

MANKIND's dominant presence in non-metro cities (74% revenue contribution) provides the company with several growth levers, given the need for affordable healthcare in rural areas. MANKIND prices most of its products at 15-20% discount to the average market price. The company sells its products to over 11,000 stockists and is engaged with 75 C&F agents.

Has one of the best OTC presence in India

MANKIND's consumer healthcare business includes well-known brands like Manforce (~30% market share), Prega News (~80% market share) and Unwanted-72 (~60% market share).

Exhibit 8: Metro vs non-metro cities' revenue contribution (FY22)

| Regions | IPM | Mankind |
|--------------------------------------|-----|---------|
| Non-metro cities | 68% | 74% |
| Metro cities | 32% | 26% |
| | | |
| Class II-IV cities and rural markets | 37% | 47% |
| Metro and Class I cities | 63% | 53% |

Source: Company, Systematix Institutional Research

Exhibit 9: Diversified regional presence in India; grown faster than IPM (FY22)

| Regions | Mankind's regional sales contribution | Growth (FY20-FY22) | |
|---------|---------------------------------------|--------------------|-----|
| | | Mankind | IPM |
| North | 35% | 19% | 11% |
| South | 23% | 11% | 11% |
| East | 19% | 23% | 12% |
| West | 23% | 13% | 10% |

Source: Company, Systematix Institutional Research

Around 80% of doctors in India prescribe MANKIND's products

MANKIND's large field force of 15,000+ MRs is potentially the largest in IPM, which we believe should drive the company's growth, going forward. A strong physician connect, and its ability to consistently roll out new products would ensure its physician connect is best leveraged. The strong physician connect is an outcome of the breadth of its portfolio, which covers 64% of the market. Our interactions with doctors reveal that MANKIND has a strong branding in the market, and is among the best in marketing and promotion.

Large market share gains over the last decade

The company improved its domestic sales ranking in IPM from 8 in FY12 to 4 in FY23, with its domestic market share within IPM having increased from ~3.3% to ~4.4% during this period.

Diversified portfolio ensures lower risk and scalability potential

MANKIND has a fairly therapeutically diversified portfolio in IPM, with chronic contributing 34% of revenue. MANKIND is looking to expand the share of chronic therapy in its overall portfolio, both organically and inorganically. The company believes that its acquisitions should complement its current portfolio, especially on the chronic side. MANKIND is bullish on the chronic space, as management believes there are many undiagnosed patients in India that need chronic treatment.

Exhibit 10: Diversified regional presence in India; has grown faster than IPM (FY22)

| Therapy Area | India sales (Rs mn) | As a % of total India sales | Market Share | Market ranking in covered markets |
|------------------|---------------------|-----------------------------|--------------|-----------------------------------|
| Anti-infectives | 12,224 | 15% | 5.6% | 4 |
| Cardiovascular | 9,948 | 12% | 4.5% | 4 |
| Gastrointestinal | 9,015 | 11% | 4.8% | 4 |
| VMN | 7,912 | 10% | 5.2% | 1 |
| Respiratory | 7,822 | 10% | 4.8% | 3 |
| Anti-diabetic | 6,765 | 8% | 4.0% | 3 |
| Dermatology | 6,121 | 7% | 4.7% | 2 |
| Gynaecology | 5,489 | 7% | 6.2% | 2 |
| Pain/analgesics | 4,453 | 5% | 3.2% | 6 |
| Neuro/CNS | 2,417 | 3% | 2.3% | 5 |

Source: Company, Systematix Institutional Research

Capability to develop innovative medicines

MANKIND is investing in innovation and preparing for a larger scale up

MANKIND has filed one INDIA for a novel G protein-coupled receptor target meant to treat Type 2 diabetics and obesity, and GPR119, an NCE anti-diabetic molecule, which is in phase I clinical trials.

Capability to develop complex molecules and successfully execute around them

MANKIND is the first company other than the sole incumbent – Abbott (BOOT, Not Rated) – to have launched and developed dydrogesterone API, a complex gynecology drug meant to treat difficult pregnancies. Abbott had a monopoly in this market, until MANKIND entered this space. In FY22, MANKIND recorded dydrogesterone sales of ~Rs 1,500mn (~25% market share in India). MANKIND's dydrogesterone brand, Dydroboon, grew at 246% over FY20-FY22. The company is planning to invest Rs 3,000mn to expand its backward integration scope in dydrogesterone as post expansion, it will manufacture the KSM, API and formulation. With the additional unit, the company would become one of the largest manufacturers of dydrogesterone in the world. The dydrogesterone market in India is pegged at Rs 6,100mn.

One of the strongest OTC brand franchises

MANKIND has successfully built a number of consumer healthcare brands in the condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin and mineral supplements and anti-acne preparations categories, among others. MANKIND's niche around affordability has enabled it to scale up to the Top 3 rank in multiple products. MANKIND is planning to expand its consumer healthcare franchise by shifting from Rx to OTC and through premiumisation of products.

MANKIND is a leader in the following consumer categories

- 1) Male condom category:** The Manforce brand posted domestic sales of Rs 4,511mn (~30.2% market share) in FY22, having expanded at ~4% CAGR from Rs 4,168mn in FY20. The company outpaced industry growth (declined by ~0.2%) in the male condom category during this period.
- 2) Pregnancy detection kit category:** Prega News brand registered domestic sales of Rs 1,529mn (~80.1% market share) in FY22, having grown at ~23% a CAGR from Rs 1,017mn in FY20; the company outpaced industry growth (~17%) in the pregnancy detection kit category during this period.
- 3) Emergency contraceptives category:** Unwanted-72 brand recorded domestic sales of Rs 904mn (market share of ~59.2%) in FY22.

Strong brands reflected by their size and market leadership

MANKIND has the 3rd highest number of brands with annual sales of >Rs 1bn in FY22. Domestic sales in 18 brands of its 20 highest selling brands in FY22 ranked among the three highest selling brands in their respective molecule groups. 18 of MANKIND's brands are among the 300 highest selling brands in IPM.

Exhibit 11: Brand sales and ranking (FY22)

| Brand | Mankind sales (Rs mn) | Mankind ranking | Mankind market share |
|------------------------------------|--------------------------|-----------------|-------------------------|
| Anti-infectives | | | |
| Moxikind-CV | 2,801 | 3 | 10.2% |
| Gudcef | 1,587 | 2 | 13.4% |
| Gudcef-CV | 947 | 1 | 15.6% |
| Mahacef | 756 | 7 | 2.8% |
| Cefakind | 1,050 | 2 | 12.3% |
| Zady | 778 | 4 | 4.7% |
| Zenflox | 519 | 4 | 14.4% |
| Cardiovascular | | | |
| Amlokind | 489 | 4 | 10.9% |
| Amlokind-AT | 1,810 | 1 | 29.0% |
| Telmikind | 1,015 | 2 | 10.2% |
| Telmikind-H | 1,033 | 2 | 14.0% |
| Telmikind-AM | 882 | 2 | 11.0% |
| Gastrointestinal | | | |
| Nurokind-LC | 1,190 | 1 | 51.6% |
| Vomikind | 897 | 3 | 20.2% |
| Rabekind-DSR | 443 | 8 | 4.0% |
| Pantakind-DSR | 423 | 6 | 3.0% |
| Zenflox-OZ | 405 | 1 | 19.2% |
| Vitamins/minerals/nutrients | | | |
| Nurokind Gold | 1,316 | 1 | 14.8% |
| Nurokind Plus-RF | 1,191 | 1 | 10.4% |
| Health OK | 859 | 5 | 3.4% |
| Nurokind | 582 | 6 | 2.3% |
| Argipreg | 546 | 1 | 18.9% |
| Respiratory | | | |
| Codistar | 1,405 | 2 | 23.1% |
| Asthakind | 569 | 11 | 2.0% |
| Asthakind-DX | 1,109 | 8 | 4.0% |
| Asthakind-LS | 400 | 5 | 4.9% |
| Monticope | 1,033 | 3 | 7.5% |

| | | | |
|------------------------|-------|---|-------|
| Anti-diabetic | | | |
| Glimestar-M | 1,557 | 6 | 5.3% |
| Glimestar-PM | 741 | 1 | 10.7% |
| Dynaglipt-M | 635 | 2 | 9.7% |
| Glizid-M | 604 | 2 | 13.0% |
| Dynaglipt | 420 | 1 | 11.0% |
| Voglistar GM | 413 | 6 | 4.0% |
| | | | |
| Dermatology | | | |
| Candiforce | 1,682 | 1 | 19.1% |
| AcneStar | 561 | 1 | 10.5% |
| Terbinaforce | 451 | 1 | 22.5% |
| | | | |
| Gynaecology | | | |
| Unwanted Kit | 1,803 | 1 | 44.2% |
| Dydroboon | 1,496 | 2 | 24.6% |
| Unwanted-72 | 904 | 1 | 31.1% |
| | | | |
| Pain/analgesics | | | |
| Caldikind Plus | 669 | 3 | 8.5% |
| Dolokind Plus | 286 | 3 | 5.8% |
| Dolokind Aqua | 245 | 5 | 4.6% |
| | | | |
| Neuro/CNS | | | |
| Placida | 524 | 1 | 66.6% |
| Clonafit | 284 | 4 | 12.4% |
| Clonafit Plus | 261 | 5 | 5.9% |

Source: Company, Systematix Institutional Research

Company background

MANKIND was founded in 1991 by Ramesh Juneja and Rajeev Juneja. The company develops, manufactures and markets a diverse range of pharmaceutical formulations and consumer healthcare products. MANKIND's India business constituted ~97% of FY23 revenue. It has among the largest distribution network of medical representatives (MRs) in the Indian pharmaceutical market (IPM), with over 80% of doctors in India prescribing its formulations. MANKIND has been consistently generating among the highest share of drug prescriptions in IPM since last five years, with the company garnering the 2nd highest market share in its covered markets in FY22. Under its Consumer Healthcare business, MANKIND controls large consumer brands like Manforce (30% market share), Pregarone (80% market share), Unwanted-72 (59% market share). This business constitutes 8-10% of its overall revenue share, with pharmaceuticals generating the remaining 90%. Of the 100 prescriptions dispensed in IPM, 15 are from MANKIND, which in value terms represent 4.4% market share in India; 34% of the company's sales are from chronic products. MANKIND has a field force of around 15,000 people. Typically, the company products are priced 15-20% lower than the market average. MANKIND's NLEM portfolio is 13% of revenue, and has 3-4 drugs in the innovation pipeline. The company has a reach of 4 lakh doctors, with affordability as the company's forte. It is currently working on DMF grade APIs and wants to introduce US quality drugs at India prices.

MANKIND has 23 manufacturing facilities across India, with 2,181 manufacturing personnel as of FY22. The facilities have a total installed capacity of 40.77 billion units across tablets, capsules, syrups, vials, ampoules, blow fill seal, soft and hard gels, eye drops, creams, contraceptives and other over-the-counter (OTC) products. The company also focusses on launching differentiated products in India. It is the 2nd pharmaceutical company to have launched a complex synthetic hormonal API, dydrogesterone, in India. On July 29, 2022, MANKIND had filed one investigational new drug application (INDA) for a novel G protein-coupled receptor target to treat Type 2 diabetes and obesity, GPR119, a new chemical entity (NCE) anti-diabetic molecule, which is in phase I clinical trials.

Exhibit 12: MANKIND - History

| Calendar year | Events and milestones |
|---------------|--|
| 2004 | Entered the chronic pharmaceutical segment with the launch of 'Amlokind' tablets and 'Glimestar' tablets, among others |
| 2005 | Set up first its manufacturing facility at Paonta Sahib, Himachal Pradesh |
| | Entered the ophthalmic pharmaceutical segment by launching 'Lubistar Eye Drops' and 'Tobastar Eye Drops' among others |
| 2007 | Entered the consumer healthcare segment with the launch of 'Manforce' brand |
| | Entered the animal healthcare segment with launch of 'Bandykind' and 'Ceftiforce', among others |
| | Raised Rs 720mn from Monet Limited |
| 2009 | Set up a manufacturing facility at Unit II, Paonta Sahib, Himachal Pradesh |
| 2010 | Launched 'Preganews' brand in the consumer healthcare segment |
| 2012 | Setup first R&D centre at IMT Manesar, Haryana |
| 2014 | Acquired Shree Jee Laboratory Private Limited (along with its API manufacturing site situated at Behror, Rajasthan) |
| | Set up manufacturing facility at Unit III, Paonta Sahib, Himachal Pradesh |
| 2015 | Incorporated a subsidiary, Lifestar Pharma LLC in the US |
| | Incorporated a subsidiary, Mankind Pharma Pte. Limited in Singapore |
| 2017 | Set up a manufacturing facility in Sikkim |
| 2018 | Manufacturing facility at Paonta Sahib, Himachal Pradesh was inspected by the USFDA for the first time |
| 2019 | Entered the female infertility segment through the launch of 'Dydroboon' tablets |
| 2020 | Incorporated a subsidiary, Lifestar Pharmaceuticals Private Limited in Nepal |
| | Launched a dedicated specialty therapeutic division for cardiovascular diseases drugs segment with the launch of 'Cilaheart' and 'Statpure' tablets |
| | Launched a dedicated specialty therapeutic division for the diabetes pharmaceuticals segment by launching 'Zukanorm' tablets |
| 2021 | Incorporated a subsidiary, Mankind Pharma FZ-LLC in Dubai, UAE |
| | Launched a specialty division for therapeutic respiratory pharmaceuticals with the launch of 'Mlife' tablets |
| | Entered the specialty therapeutic neuro/central nervous system pharmaceuticals segment with the launch of 'Trugaba-NT' tablets and 'Prebris-MNT' tablets |
| 2022 | Acquired pharmaceutical formulations brands in India and Nepal from Panacea Biotec Pharma Limited and Panacea Biotec Limited |
| | Entered the transplant segment with the launch of 'Pangraf Capsules' and 'Mycept' tablets, among others |
| | Entered the oncology segment with the launch of 'Paclical' injection, among others |
| | Acquired brands 'Daffy' and 'Combihale' from Dr. Reddy's Laboratories |

Source: Company, Systematix Institutional Research

Exhibit 13: Key management details

| Sr. No. | Employee Name | Designation & Nature of Duties | Qualification | Age (Yrs) | Year of Joining | Remuneration (2022, Rs mn) | Employment |
|---------|------------------------------|--------------------------------|---|-----------|-----------------|----------------------------|---|
| 1 | Ramesh Juneja | Chairman | No formal education qualification | 67 | 1991 | 260 | - |
| 2 | Rajeev Juneja | Vice Chairman | No formal education qualification | 57 | 1992 | 288 | - |
| 3 | Sheetal Arora | CEO and Wholetime Director | B.Com, Srikrishnadevaraya University, Anantapur | 46 | 2007 | 155 | - |
| 4 | Satish Kumar Sharma | Wholetime Director | B.Pharm, Gulbarga University, Karnataka | 49 | 2016 | 7.3 | T.C. Health Care Private Limited (Past) |
| 5 | Leonard Lee Kim | Non-Executive Director | Bachelor's degree in electrical engineering, Stanford University | 56 | 2016 | - | Capital Group Private Markets (Present) – Nominee of Cairnhill CIPEF Limited and Cairnhill CGPE Limited |
| 6 | Surendra Lunia | Independent Director | B.Com, m St. Xavier's College, Calcutta; CA; CS | 59 | 2015 | 2.2 | Digivision Ventures Private Limited (Present) |
| 7 | Tilokchand Punamchand Ostwal | Independent Director | CA | 67 | 2020 | 2.4 | T.P. Ostwal & Associates LLP; DTS & Associates LLP and Ostwal Desai and Kothari (Present) |
| 8 | Bharat Anand | Independent Director | BA, Arts (economics), University of Delhi and a bachelor's degree in law (honours) from Jesus College, Cambridge University | 46 | 2018 | 1.8 | Khaitan & Co (Present) |
| 9 | Vivek Kalra | Independent Director | B.Tech (electrical engineering), IIT, Bombay; MBA, Leland Stanford Junior University | 58 | 2022 | - | Singular Capital (Present) |
| 10 | Vijaya Sampath | Independent Director | Bachelor's degree in English literature, University of Madras, Chennai; Bachelor's degree in law, University of Mysore, Karnataka; CS | 69 | 2022 | - | Lakshmi Kumaran & Sridharan Attorneys (Past) |

Source: Company, Systematix Institutional Research

Exhibit 14: Manufacturing Sites

| Sr. No. | Manufacturing Site | Dosage Form | Approvals/Inspections |
|---------|--|--|---|
| 1 | Unit 1 – Paonta Sahib, Himachal Pradesh | Injectables (Ampoules/vials) | Himachal Pradesh GMP, SMDC Ukraine, FMHACA Ethiopia, MHP Yemen, ZMRA Zambia, WHO GMP, NDA Uganda, TMDA Tanzania, NMHPRA Afghanistan |
| 2 | Unit 2 – Paonta Sahib, Himachal Pradesh | Oral Solids, Liquid Dosages (Tablets/capsules/liquids/strips) | Himachal Pradesh GMP, SMDC Ukraine, MHP Yemen, ZMRA Zambia, WHO GMP, NDA Uganda, TMDA Tanzania, MCA Zimbabwe, NPRA Malaysia |
| 3 | Unit 3 – Paonta Sahib, Himachal Pradesh | Oral Solids, Injectables (Tablets/capsules/vials/blow fill seals/eye and ear drops) | Himachal Pradesh GMP, NHRA Bahrain, US FDA, NMHPRA |
| 4 | Mankind Pharma Ltd., Sikkim | Oral Solids (Tablets/capsules) | Sikkim GMP, WHO GMP |
| 5 | Shree Jee Laboratory Pvt Ltd., Behror, Rajasthan | API | Rajasthan GMP, US FDA, WHO GMP |
| 6 | JPR Labs Pvt Ltd., Visakhapatnam, Andhra Pradesh | API | Andhra Pradesh GMP, WHO GMP |
| 7 | Copmed Pharma Pvt Ltd. – Unit 1, Paonta Sahib, Himachal Pradesh | Oral Solids, Liquid Dosages (Liquid/bolus/dry powder) | Himachal Pradesh GMP |
| 8 | Copmed Pharma Pvt Ltd. – Unit 2, Paonta Sahib, Himachal Pradesh | Oral solid dosage, dry syrups (tablets/syrups) | Himachal Pradesh GMP |
| 9 | Copmed Pharma Pvt Ltd. – Unit 3, Paonta Sahib, Himachal Pradesh | Oral solid dosage (powder sachets/tables/granules/bottles) | Himachal Pradesh GMP |
| 10 | North East Pharma Pack, South Sikkim | Packing Material – Foils and cartons | |
| 11 | Medipack Innovations Pvt Ltd., Paonta Sahib, Himachal Pradesh | Packing materials manufacturing facility for foils and laminates | TUV CGMP 21, CFR Part 111 |
| 12 | Packtime Innovations Pvt Ltd., Pune, Maharashtra | Packing materials manufacturing facility for foils and laminates | TUV CGMP 21, CFR Part 111 |
| 13 | Relax Pharma Pvt Ltd – Unit 1, Paonta Sahib, Himachal Pradesh | Oral solid dosage, liquid syrups, injectables, powders | Himachal Pradesh GMP |
| 14 | Relax Pharma Pvt Ltd. – Unit 2, Paonta Sahib, Himachal Pradesh | Oral solids, Dry powder (Tablets/dry syrups/drops/suspension) | Himachal Pradesh GMP |
| 15 | Vetbesta Labs, Paonta Sahib, Himachal Pradesh | Animal feed and supplements (powders/liquid bottles/bolus) | - |
| 16 | Mediforce Healthcare Pvt Ltd. – Unit 1, Paonta Sahib, Himachal Pradesh | Oral solid dosage(tablets/capsules) | Himachal Pradesh GMP |
| 17 | Mediforce Healthcare Pvt Ltd. – Unit 2, Paonta Sahib, Himachal Pradesh | Pregnancy detection kits | Himachal Pradesh GMP |
| 18 | Pharma Force Lab – Unit 1, Paonta Sahib, Himachal Pradesh | External preparation fordusting powders | Himachal Pradesh GMP |
| 19 | Pharma Force Lab – Unit 2, Paonta Sahib, Himachal Pradesh | Oral solid dosage, liquids and external preparation(Syrups/sachets/pouches/tubes/tablets) | Himachal Pradesh GMP |
| 20 | Pharma Force Lab – Unit 3, Paonta Sahib, Himachal Pradesh | Oral solid dosage, dry syrup and external preparation (Dry syrups/sachets/oral Powders/tubes/tablets/capsules) | Himachal Pradesh GMP |
| 21 | Penta Latex LLP – Unit 1, Haridwar, Uttarakhand | OTC – Condoms | Uttarakhand GMP, WHO GMP |
| 22 | Penta Latex LLP – Unit 2, Haridwar, Uttarakhand | Over the counter product manufacturing facility for condoms and face masks | WHO GMP |
| 23 | Mankind Specialities, Paonta Sahib, Himachal Pradesh | Over the counter facility for creams, lotions, deodorant, handrubs and gels | Himachal Pradesh GMP |

Source: Company, Systematix Institutional Research

Exhibit 15: Industry comparison – India business revenue

| Company (Rs mn) | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | 3-year CAGR | 5-year CAGR |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| SUNP | 77,491 | 80,293 | 73,483 | 97,102 | 1,03,432 | 1,27,593 | 1,36,031 | 11.9% | 11.1% |
| CIPLA | 55,190 | 58,670 | 62,720 | 67,410 | 77,360 | 98,270 | 98,680 | 13.5% | 11.0% |
| MANKIND | | | | 57,888 | 60,285 | 75,950 | 84,530 | 13.5% | NA |
| ALKEM | 42,866 | 45,972 | 49,642 | 56,062 | 58,209 | 75,266 | 80,011 | 12.6% | 11.7% |
| LPC | 38,157 | 40,455 | 46,382 | 51,386 | 52,712 | 60,041 | 60,760 | 5.7% | 8.5% |
| BOOT | 29,235 | 32,954 | 36,097 | 40,150 | 42,232 | 49,133 | 53,487 | 10.0% | 10.2% |
| TRP | 19,760 | 23,500 | 32,340 | 35,170 | 37,390 | 42,860 | 49,840 | 12.3% | 16.2% |
| ZYDUSLIF | 32,441 | 33,325 | 35,338 | 37,279 | 40,429 | 48,125 | 49,111 | 9.6% | 8.1% |
| DRRD | 23,131 | 23,322 | 26,179 | 28,946 | 33,419 | 41,957 | 48,947 | 19.1% | 16.0% |
| GNP | 23,038 | 23,851 | 27,770 | 32,022 | 35,365 | 40,855 | 40,298 | 8.0% | 11.1% |
| GLXO | 30,000 | 28,956 | 31,281 | 32,244 | 29,256 | 32,780 | 32,517 | 0.3% | 2.3% |
| IPCA | 13,791 | 14,254 | 16,468 | 19,126 | 19,817 | 25,083 | 27,607 | 13.0% | 14.1% |
| PFIZ | 20,419 | 19,802 | 20,815 | 21,517 | 22,386 | 26,110 | 24,248 | 4.1% | 4.1% |
| SANL* | 17,285 | 18,354 | 19,515 | 22,103 | 22,416 | 25,722 | 23,546 | 2.1% | 5.1% |
| ALPM | 12,550 | 12,740 | 13,820 | 14,250 | 14,970 | 19,260 | 20,630 | 13.1% | 10.1% |
| ERIS | 7,495 | 8,556 | 9,822 | 10,741 | 12,119 | 13,470 | 16,851 | 16.2% | 14.5% |
| JBCP | 4,777 | 5,437 | 6,225 | 7,357 | 8,920 | 11,740 | 16,390 | 30.6% | 24.7% |
| AJP | 6,140 | 6,290 | 6,900 | 7,690 | 8,130 | 9,780 | 11,740 | 15.1% | 13.3% |
| ASTR | 5,445 | 5,720 | 7,283 | 8,318 | 8,136 | 8,056 | 10,030 | 6.4% | 11.9% |
| INDR | 5,850 | 5,950 | 6,062 | 6,862 | 6,190 | 8,031 | 7,967 | 5.1% | 6.0% |
| NTCPH | 8,360 | 7,388 | 7,169 | 5,406 | 4,110 | 4,770 | 3,749 | -11.5% | -12.7% |
| Average | 23,671 | 24,790 | 26,766 | 31,382 | 33,204 | 40,231 | 42,713 | 10.8% | 11.5% |

Source: Company, Systematix Institutional Research, *Follows Calendar Year

Exhibit 16: Relative valuation

| Company | CMP | M-Cap | EPS (Rs) | | | P/E (x) | | | EV/EBITDA (x) | | |
|----------------|--------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|
| | (Rs) | (Rs bn) | FY23 | FY24E | FY25E | FY23 | FY24E | FY25E | FY23 | FY24E | FY25E |
| AJP | 1,446 | 182 | 45.9 | 54.5 | 66.5 | 31.5 | 26.5 | 21.7 | 25.6 | 19.3 | 15.9 |
| JBCP* | 2,154 | 167 | 52.3 | 71.6 | 87.0 | 41.2 | 30.1 | 24.8 | 21.9 | 18.5 | 15.6 |
| MANKIND | 1,482 | 594 | 32.0 | 41.3 | 52.8 | 46.3 | 35.9 | 28.1 | 31.1 | 23.4 | 20.2 |
| IPCA* | 727 | 185 | 18.6 | 33.5 | 43.2 | 39.1 | 21.7 | 16.8 | 22.2 | 14.0 | 10.1 |
| INDR | 330 | 30 | 15.4 | 15.7 | 19.2 | 21.4 | 21.1 | 17.2 | 11.7 | 11.3 | 9.6 |
| LPC | 816 | 372 | 9.5 | 30.9 | 36.3 | 86.1 | 26.4 | 22.5 | 22.3 | 13.1 | 11.6 |
| SUNP | 983 | 2,359 | 35.3 | 39.2 | 45.0 | 27.8 | 25.1 | 21.9 | 19.7 | 18.1 | 15.6 |
| CIPLA | 969 | 782 | 34.9 | 47.9 | 50.9 | 27.7 | 20.2 | 19.0 | 15.3 | 12.1 | 11.0 |
| DRRD | 4,670 | 777 | 271.5 | 278.7 | 287.3 | 17.2 | 16.8 | 16.3 | 10.4 | 9.7 | 9.1 |
| GNP* | 636 | 179 | 10.5 | 38.5 | 47.7 | 60.6 | 16.5 | 13.3 | 5.8 | 7.7 | 6.7 |
| BOOT* | 21,735 | 463 | 447.0 | 500.0 | 577.0 | 48.6 | 43.5 | 37.7 | 38.9 | 30.9 | 26.3 |
| SANL* | 6,972 | 161 | 252.0 | 278.0 | 313.0 | 27.7 | 25.1 | 22.3 | 21.5 | 19.6 | 17.1 |
| PFIZ* | 3,945 | 180 | 136.0 | 140.0 | 150.0 | 29.0 | 28.2 | 26.3 | 19.6 | 20.8 | 19.3 |
| GLXO* | 1,369 | 232 | 36.1 | 36.5 | 42.7 | 37.9 | 37.5 | 32.1 | 27.9 | 26.6 | 22.2 |
| ALKEM* | 3,412 | 408 | 82.3 | 132.0 | 158.0 | 41.5 | 25.8 | 21.6 | 25.2 | 18.8 | 15.7 |
| TRP* | 1,807 | 613 | 26.8 | 46.4 | 59.5 | 67.4 | 38.9 | 30.4 | 18.3 | 19.3 | 16.1 |
| ZYDUSLIF | 507 | 513 | 19.4 | 26.5 | 28.2 | 26.2 | 19.1 | 18.0 | 13.5 | 11.8 | 11.2 |
| ERIS* | 646 | 88 | 28.1 | 31.1 | 34.6 | 23.0 | 20.8 | 18.7 | 14.5 | 12.8 | 10.6 |
| Average | | 460 | | | | 38.9 | 26.6 | 22.7 | 20.3 | 17.1 | 14.7 |

Source: Company, Marketscreener, Systematix Institutional Research, *Consensus Estimates

Risks/Concerns

- **Slowdown in the Indian pharmaceutical market:** We have built in a stable ~11% growth outlook for IPM, with MANKIND slated to post ~13% growth in FY24E and FY25E. A slowdown in India's branded generics market may prompt us to cut our estimates in future.
- **Most manufacturing sites lack WHO GMP approval:** Only 7 out of MANKIND's 23 facilities are WHO GMP approved, and 2 out of 23 facilities are US FDA approved. Quality issues related to MANKIND's products could hurt its reputation and/or lead to certain regulatory actions.

Valuation

MANKIND has grown faster in almost all its covered therapeutic areas. Its strong brands like Manforce, Unwanted and Prega News enjoy a dominant market share in their categories. As about 97% of the company's business falls in IPM, we perceive a sustainable growth outlook for the company. Over the last three years, MANKIND has been outpacing IPM growth (FY20-FY23 – 13.5% vs ~11%). It enjoys high EBITDA margin of ~22% (FY23) due to the strength of its brands. We believe the stock is fairly valued and we see limited upside potential hereon. We initiate coverage on MANKIND with a HOLD rating, and value the company at a target multiple of 27x on Mar'25E EPS to arrive at our TP of Rs 1,425/share (Market Cap – Rs 594bn).

FINANCIALS

Profit & Loss Statement

| YE: Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------|---------------|---------------|---------------|---------------|-----------------|
| Net Sales | 62,144 | 77,816 | 87,494 | 99,357 | 1,12,877 |
| % growth | 6.0 | 25.2 | 12.4 | 13.6 | 13.6 |
| Raw Material | 17,806 | 24,217 | 29,136 | 31,298 | 35,556 |
| Staff | 14,158 | 16,206 | 19,185 | 21,679 | 24,497 |
| Other expenses | 13,522 | 16,899 | 20,167 | 21,859 | 23,704 |
| Total Expenditure | 45,486 | 57,322 | 68,488 | 74,835 | 83,757 |
| EBITDA | 16,658 | 20,494 | 19,006 | 24,522 | 29,120 |
| % growth | 9.1 | 23.0 | (7.3) | 29.0 | 18.7 |
| EBITDA margin (%) | 26.8 | 26.3 | 21.7 | 24.7 | 25.8 |
| Other income | 1,709 | 1,960 | 1,286 | 1,529 | 3,170 |
| Interest | 201 | 586 | 445 | 479 | 536 |
| Gross Profit | 44,338 | 53,598 | 58,358 | 68,060 | 77,321 |
| % growth | 11.2 | 20.9 | 8.9 | 16.6 | 13.6 |
| Depreciation | 1,190 | 1,666 | 3,259 | 3,878 | 4,088 |
| Profit Before Tax | 16,799 | 19,602 | 16,588 | 21,694 | 27,665 |
| % growth | 17.8 | 16.7 | (15.4) | 30.8 | 27.5 |
| Tax | 3,986 | 5,216 | 3,616 | 4,990 | 6,363 |
| Effective tax rate (%) | 23.7 | 26.6 | 21.8 | 23.0 | 23.0 |
| Net Profit before MI | 12,814 | 14,385 | 12,973 | 16,704 | 21,302 |
| Minority Interest | (159) | (50) | (154) | (154) | (154) |
| Net Profit after MI | 12,654 | 14,335 | 12,819 | 16,550 | 21,148 |
| % growth | 22.8 | 13.3 | (10.6) | 29.1 | 27.8 |
| EPS (Rs) | 31.6 | 35.8 | 32.0 | 41.3 | 52.8 |
| % growth | 22.8 | 13.3 | (10.6) | 29.1 | 27.8 |

Source: Company, Systematix Institutional Research

Cash Flow

| YE: Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------------|---------------|----------------|---------------|---------------|---------------|
| PBT | 16,916 | 19,746 | 16,712 | 21,694 | 27,665 |
| (Inc.)/Dec in WC | -946 | -5,861 | 1,667 | -1,145 | -1,607 |
| Cash flow from operations | 15,970 | 13,885 | 18,380 | 20,548 | 26,058 |
| Others | -1,246 | -1,358 | -275 | -1,049 | -2,634 |
| Depreciation | 1,190 | 1,666 | 3,259 | 3,878 | 4,088 |
| Tax paid | -4,541 | -4,995 | -3,231 | -4,990 | -6,363 |
| Net CFO | 11,372 | 9,198 | 18,133 | 18,388 | 21,149 |
| Capital expenditure | -3,116 | -23,424 | -8,260 | -3,000 | -3,500 |
| Net cash after capex | 8,257 | -14,226 | 9,873 | 15,388 | 17,649 |
| Other investing activities | 103 | 207 | -2,281 | 1,529 | 3,170 |
| CFA | 861 | 6,753 | -7,166 | -506 | -483 |
| Opening cash | 10,849 | 20,069 | 12,804 | 13,230 | 29,640 |
| Closing cash | 20,069 | 12,804 | 13,230 | 29,640 | 49,976 |
| Change in cash | 9,220 | -7,265 | 426 | 16,410 | 20,336 |

Source: Company, Systematix Institutional Research

Balance Sheet

| YE: Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|--|---------------|---------------|---------------|---------------|-----------------|
| Equity | 401 | 401 | 401 | 401 | 401 |
| Reserves | 48,228 | 62,763 | 75,832 | 92,382 | 1,13,531 |
| Net worth | 48,629 | 63,163 | 76,233 | 92,783 | 1,13,931 |
| Deferred Tax Liabilities | 130 | 556 | 773 | 773 | 773 |
| Provi./ Other LT Liabilities | 856 | 1,031 | 1,286 | 1,286 | 1,286 |
| Total Loans | 2,345 | 8,680 | 1,626 | 1,754 | 1,961 |
| Liabilities | 51,961 | 73,431 | 79,918 | 96,595 | 1,17,951 |
| Net Block | 16,201 | 16,578 | 24,148 | 25,022 | 26,186 |
| Capital work-in-progress | 3,720 | 6,699 | 4,932 | 4,932 | 4,932 |
| Goodwill & Intangible Asst. | 389 | 18,946 | 17,784 | 16,032 | 14,280 |
| LT Loans & Advances | 0 | 0 | 0 | 0 | 0 |
| Other LT Assets | 4,351 | 5,186 | 7,011 | 7,011 | 7,011 |
| Inventories | 11,835 | 17,602 | 14,985 | 16,096 | 18,286 |
| Debtors | 3,306 | 3,882 | 5,764 | 6,546 | 7,436 |
| Cash | 7,007 | 4,059 | 4,532 | 20,942 | 41,278 |
| Other Current assets | 16,917 | 18,525 | 17,998 | 17,998 | 17,998 |
| Total Current assets | 39,066 | 44,068 | 43,279 | 61,582 | 84,999 |
| Trade payables | 6,670 | 10,764 | 10,082 | 10,830 | 12,303 |
| Other current liabilities/ provisions | 5,096 | 7,282 | 7,155 | 7,155 | 7,155 |
| Total current liabilities | 11,765 | 18,046 | 17,236 | 17,984 | 19,458 |
| Net current assets | 27,301 | 26,022 | 26,042 | 43,598 | 65,541 |
| Total Assets | 51,961 | 73,431 | 79,918 | 96,595 | 1,17,951 |

Source: Company, Systematix Institutional Research

Key Financial Metrics

| YE: Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|-------|-------|-------|-------|-------|
| EPS | 31.6 | 35.8 | 32.0 | 41.3 | 52.8 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BVPS | 121.4 | 157.7 | 190.3 | 231.6 | 284.4 |
| Profitability & Return ratios | | | | | |
| EBITDA margin (%) | 26.8 | 26.3 | 21.7 | 24.7 | 25.8 |
| EBIT margin (%) | 24.9 | 24.2 | 18.0 | 20.8 | 22.2 |
| Net profit margin (%) | 17.6 | 20.4 | 18.4 | 14.7 | 16.7 |
| ROE (%) | 29.7 | 25.6 | 18.4 | 19.6 | 20.5 |
| ROCE (%) | 34.8 | 30.7 | 21.0 | 23.9 | 23.8 |
| Working capital & Liquidity ratios | | | | | |
| Receivables (days) | 25 | 17 | 20 | 23 | 23 |
| Inventory (days) | 213 | 222 | 204 | 181 | 176 |
| Payables (days) | 145 | 131 | 131 | 122 | 119 |
| Current ratio (x) | 3.3 | 2.4 | 2.5 | 3.4 | 4.4 |
| Quick ratio (x) | 2.3 | 1.5 | 1.6 | 2.5 | 3.4 |
| Valuation ratios | | | | | |
| EV/Sales (x) | 9.5 | 7.7 | 6.8 | 5.8 | 4.9 |
| EV/EBITDA (x) | 35.4 | 29.2 | 31.1 | 23.4 | 19.0 |
| P/E (x) | 46.9 | 41.4 | 46.3 | 35.9 | 28.1 |
| P/BV (x) | 12.2 | 9.4 | 7.8 | 6.4 | 5.2 |

Source: Company, Systematix Institutional Research

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DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Vishal Manchanda, Beza Deboo**; hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

| Disclosure of Interest Statement | Update |
|--|--------|
| Analyst holding in the stock | No |
| Served as an officer, director or employee | No |

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