

Pharmaceuticals | Q4FY24 Result Update

Earnings above estimates

- Mankind's Q4FY24 results came above our estimates due to 1) better than expected gross margin, 2) lower other expense and 3) higher other income. However sales came in-line with estimates.
- For FY25 management guided mid-teens revenue growth for its export (ex one-off) and consumer business, along with overall EBITDA margin of 25-26%. The company will look at combination of debt and equity raise for any acquisition and will maintain financial discipline. Balance sheet not likely to become overleveraged and debt/EBITDA will not exceed 2-2.5x. Mgmt. also guided that it will not go ahead with any acquisition that is EBITDA margin or ROCE dilutive.
- We upgrade our FY25E/FY26E EPS estimates by 1.5%/1.4% assuming higher other income. Maintain 'Accumulate' rating with revised target price of Rs2,554 (earlier Rs2,520) at 38x (adjusted for amortization) FY26E P/E. Key risks : Adverse pricing regulation in India by NPPA and compliance issues on any facilities.

Strong performance from formulation; consumer health subdued

Mankind's domestic formulation revenues grew by 10.9%/13.6% YoY in Q4FY24/FY24 driven by outperformance in chronic therapies and recovery in gynecology. The company increased its chronic share by 160bps to 36% in FY24 vs 34% in FY23 demonstrating an outperformance of 1.6x as compared to IPM. Consumer health business witnessed a subdued growth of 2.6%/2.0% YoY in Q4FY24/FY24 due to stockiest consolidation. However, this segment saw recovery on a QoQ basis. **We expect revenue CAGR of 13% over FY24-26E in overall domestic business** led by 1) focus on chronic therapies, 2) recovery in consumer health business and 3) improving MR productivity.

Export business shows exponential growth on low base & one-offs

Export business witnessed remarkable growth of 230%/174.7% YoY for Q4FY24/FY24 which was aided by one-off opportunity in the US. During the quarter, the company launched four new products in the US taking the total launched products to 39 as on Mar'24. **We expect US revenue CAGR of 7% over FY24-26E** assuming base business growth in mid teens led by new product launches.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	24,411	20,527	18.9	26,070	(6.4)
Total Expense	18,500	16,360	13.1	20,005	(7.5)
EBITDA	5,911	4,167	41.9	6,065	(2.5)
Depreciation	1,047	845	23.9	1,097	(4.6)
EBIT	4,864	3,322	46.4	4,968	(2.1)
Other Income	921	475	93.9	701	31.4
Interest	94	52	82.0	92	2.1
EBT	5,692	3,745	52.0	5,577	2.1
Tax	950	836	13.6	1,025	(7.3)
RPAT	4,742	2,909	63.0	4,552	4.2
APAT	4,742	2,909	63.0	4,552	4.2
			(bps)		(bps)
Gross Margin (%)	69.8	67.2	262	68.3	154
EBITDA Margin (%)	24.2	20.3	392	23.3	95
NPM (%)	19.4	14.2	525	17.5	196
Tax Rate (%)	16.7	22.3	(563)	18.4	(169)
EBIT Margin (%)	19.9	16.2	374	19.1	87

CMP	Rs 2,191
Target / Upside	Rs 2,554 / 17%
NIFTY	22,201

Scrip Details

Equity / FV	Rs 401mn / Rs 1
Market Cap	Rs 878bn
	USD 10.6bn
52-week High/Low	Rs 2,490/ 1,242
Avg. Volume (no)	6,85,277
Bloom Code	MANKIND IN

Price Performance	1M	3M	12M
Absolute (%)	(4)	(1)	61
Rel to NIFTY (%)	(4)	(2)	40

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	76.5	76.5	74.9
MF/Banks/FIs	4.6	9.8	11.1
FIs	4.2	6.7	9.9
Public / Others	14.8	7.0	4.1

Valuation (x)

	FY24A	FY25E	FY26E
P/E	45.9	40.1	34.0
EV/EBITDA	33.3	28.0	23.2
ROE (%)	22.8	20.9	20.1
RoACE (%)	21.0	19.4	18.9

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	103.3	116.4	131.6
EBITDA	25.4	29.6	34.7
PAT	19.1	21.9	25.8
EPS (Rs.)	47.8	54.6	64.4

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Exhibit 1: Quarterly revenue mix

YE March (Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	YoY (%)
Domestic	21,740	19,720	10.2	24,000	(9.4)	84,534	95,220	12.6
- Consumer Health	1,560	1,520	2.6	1,490	4.7	6,920	7,060	2.0
- Domestic formulation	20,180	18,200	10.9	22,510	(10.4)	77,614	88,160	13.6
Exports	2,670	810	229.6	2,070	29.0	2,960	8,130	174.7
Total	24,410	20,530	18.9	26,070	(6.4)	87,494	1,03,350	18.1

Source: Company, DART

Exhibit 2: Actual vs DART estimates

Particulars (Rs mn)	Q4FY24	Q4FY24E	Variance (%)	Comments
Revenue	24,411	24,114	1.2	Inline
EBITDA	5,911	5,618	5.2	Above estimates due to higher gross
EBITDA Margin (%)	24.2	23.3	91bps	margin
Adjusted PAT	4,712	4,025	17.1	PAT above estimate due to higher other
EPS (Rs)	11.8	10.0	17.1	income and lower tax rate

Source: Company, DART

Exhibit 3: Change in estimates

Particulars (Rs mn)	FY25E			FY26E		
	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	1,16,086	1,16,426	0.3	1,31,230	1,31,579	0.3
EBITDA	29,486	29,572	0.3	34,645	34,737	0.3
EBITDA Margin	25.4	25.4	0bps	26.4	26.4	0bps
PAT	21,542	21,864	1.5	25,460	25,813	1.4
EPS	53.8	54.6	1.5	63.6	64.4	1.4

Source: Company, DART

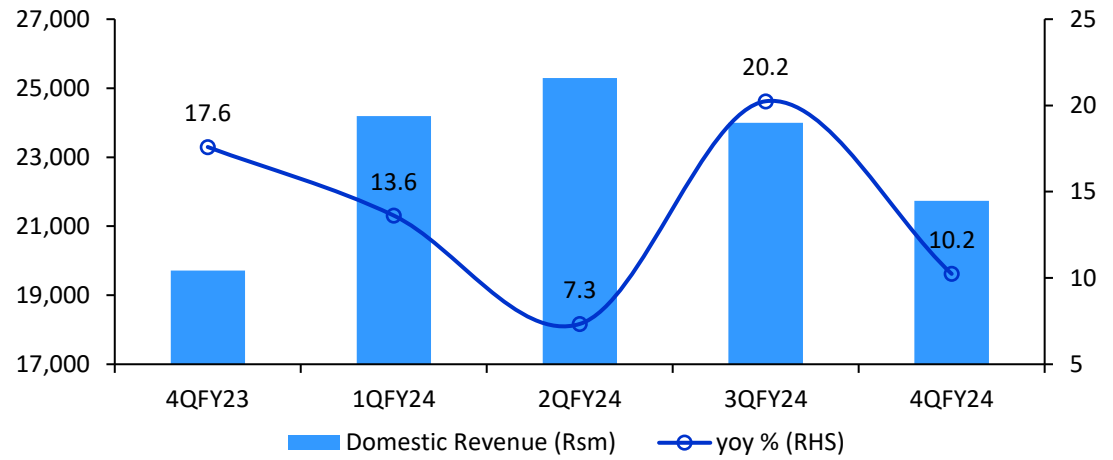
Exhibit 4: Annual revenue assumption table

Particulars (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Domestic	75,946	84,534	95,220	1,07,881	1,22,236
% of sales	97.6	96.6	92.1	92.7	92.9
% yoy	26.0	11.3	12.6	13.3	13.3
- Domestic formulation	70,056	77,614	88,160	99,621	1,12,572
% of sales	90.0	88.7	85.3	85.6	85.6
% yoy	-	10.8	13.6	13.0	13.0
- Consumer Health	5,890	6,920	7,060	8,260	9,664
% of sales	7.6	7.9	6.8	7.1	7.3
% yoy	-	17.5	2.0	17.0	17.0
Exports	1,870	2,960	8,130	8,545	9,343
% of sales	2.4	3.4	7.9	7.3	7.1
% yoy	0.6	58.3	174.7	5.1	9.3
Total revenue	77,816	87,494	1,03,350	1,16,426	1,31,579

Source: Company, DART

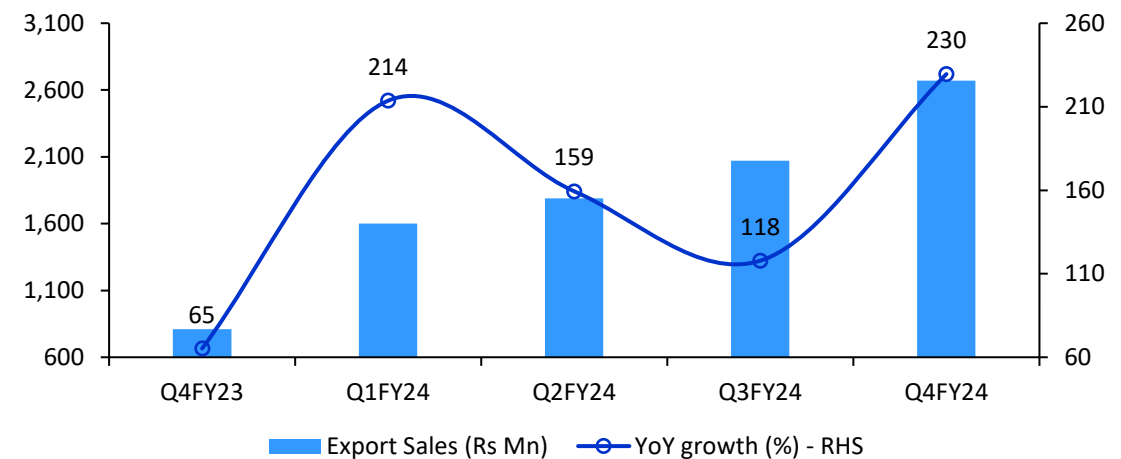
Story in Charts

Exhibit 5: India growth driven by chronic segment and recovery in gynaecology



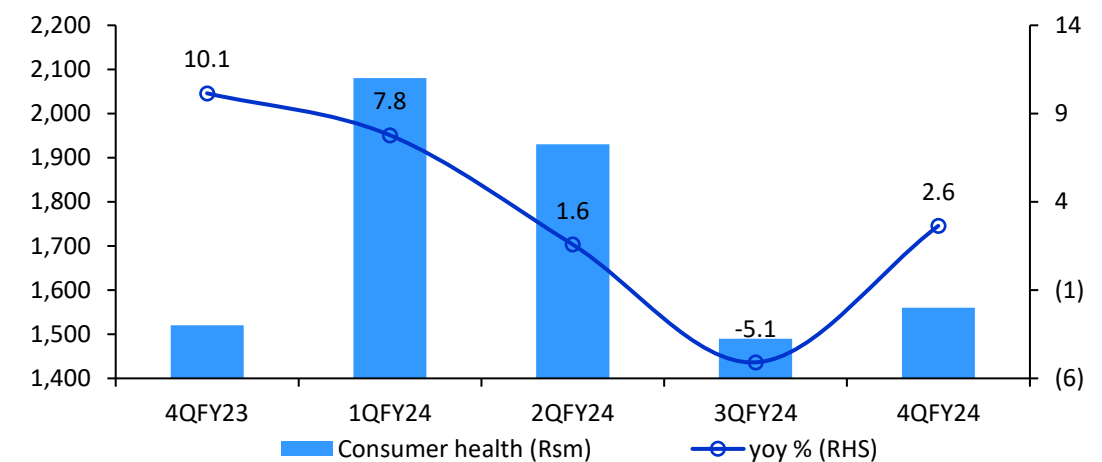
Source: Company, DART

Exhibit 6: Exports driven by one-off opportunity



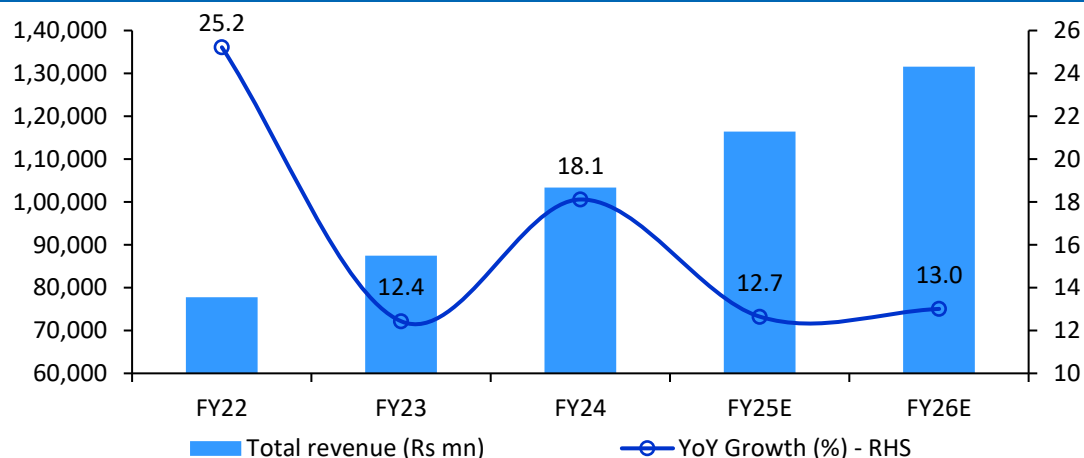
Source: Company, DART

Exhibit 7: Subdued consumer health business due to stockiest consolidation



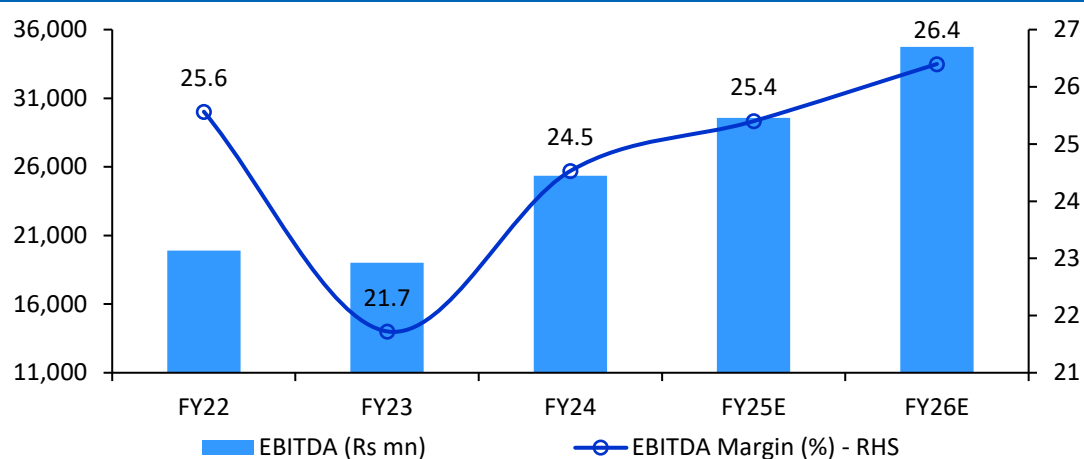
Source: Company, DART

Exhibit 8: Expect revenue CAGR of 12.8% over FY24-26E



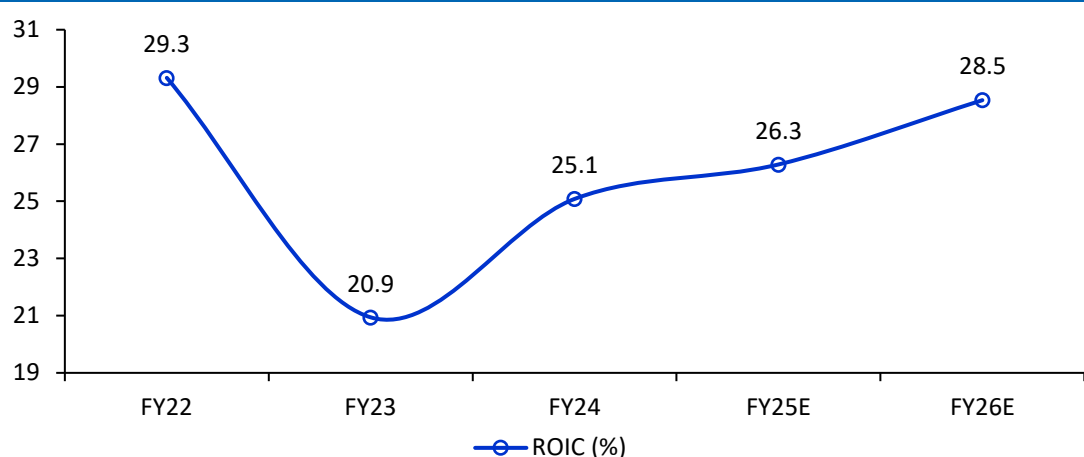
Source: Company, DART

Exhibit 9: EBITDA margin to expand with MR productivity & increasing chronic share



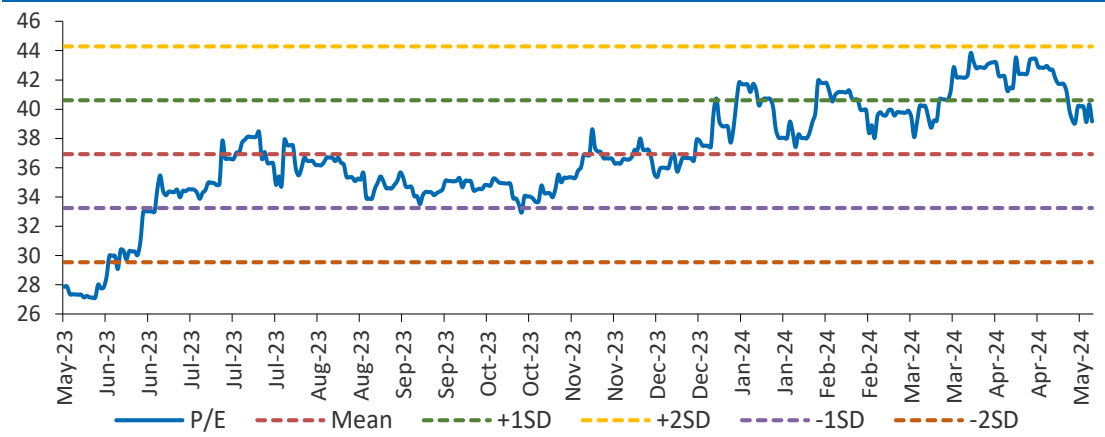
Source: Company, DART

Exhibit 10: ROIC to expand over FY24-26E with improving profitability



Source: Company, DART

Exhibit 11: One year forward P/E band



Source: Company, DART

Earnings call KTAs

Guidance -

- EBITDA margin guidance of 25-26% in FY25, aided by higher chronic contribution, and improved MR productivity
- Consumer health business is expected to grow in mid-teens in FY25.
- With an expected approval run rate of 5-7 ANDAs per year, the company foresees mid-teens growth in its export business in FY25.
- New product launches are expected to contribute 3.5-4% of total sales.
- Domestic business to outperform the IPM by 1.2 to 1.3x in FY25.

Domestic –

- Domestic business grew by 10% YoY due to outperformance in chronic therapies and recovery in Gynaecology.
- Secondary sales growth was 7.9% vs 5.7% for IPM in the quarter and 8.5% vs 7.6% for IPM in FY24.
- Mankind maintained its rank #4 with market share by value of 4.5% in Q4FY24 vs 4.4% in Q4FY23 and ranked #2 in CVM with market share of 6.5% in Q4FY24 vs 6.4% in Q4FY23.
- Increased chronic share by 160bps to 36% in FY24 vs 34% in FY23 demonstrating an outperformance of 1.6x as compared to IPM.
- Outperformance of 1.8x and 2.4x to IPM in Cardiac (21%) and Anti Diabetic (18%) respectively leading to an all-time high market share for both the therapies in FY24.
- Prescriber penetration increased to 83.4% in Q4FY24 vs 81.7% in Q4FY23.
- Maintained #1 rank with prescription share of 15.2% in Q4FY24 vs 15.3% in Q3FY24.
- The company in-licensed Symbicort from Astra Zeneca to further strengthen the inhalation portfolio in Q4FY24.
- Curated launches in FY24 across Chronic therapies – SGLTD-Trio, Juslina, Arnisac, Nobeglar, Thyroned, and Ipralungs etc.
- Mankind Chronic share in Metro & Class 1 increased from 51% to 55% (~70% for IPM) from FY20 to FY24.
- Acute therapies showed modest growth of 4%, surpassing IPM by 1.2x.
- Modern trade showed growth of 50% and is anticipated to normalize in FY25, aligning with growth in IPM, with a growth projection of 10-15%.
- Volume growth was higher than IPM volume growth by 1.3x in FY24 which did not reflect modern trade and hospital channel growth in IQVIA.
- Growth from price increase in FY24 was more than 5%. In FY25 also, the price increase is expected to be around 4-5%.
- The covered market share improved to 69% in FY24 from 60% in FY23.
- The company plans to add field force of around 700-900 MRs gradually and not in the near term.
- Total MR count as on FY24 is 16000 including first line managers with 12500 MRs.
- MR productivity improved from Rs6.1 lakh per MR in FY23 to Rs6.5 lakh per MR in FY24.
- The Board of Directors have approved raising of funds of Rs75bn by way of issuance of equity or equity linked securities under qualified institutional placement (“QIP”) or through issuance of FCCBs, ADRs / GDRs / debt securities or through any other permissible mode in accordance with the applicable laws and subject to necessary approvals.

- The company is also increasing its borrowing limit and creation of encumbrances to a sum of Rs125bn.
- The company is seeking inorganic acquisitions under the following conditions:
 - The funds to be raised will involve a combination of both debt and equity in 50:50 ratio.
 - It will follow financial discipline, ensuring that the acquisition is not EBITDA dilutive or ROCE dilutive.
 - The company will avoid becoming overleveraged, ensuring that the net debt/EBITDA ratio does not exceed 2-2.5 times.

Consumer health –

- Consumer Healthcare segment showed recovery during the quarter although remained muted during the year due to –
 - Initiatives taken during the year towards optimization of channel inventory;
 - Implementation of IT tools to facilitate stockiest consolidation.
- The company witnessed healthy growth in secondary/ tertiary sales in various brand categories resulting in market share gain driven by increasing presence in Modern Trade, E-commerce and Q-Commerce channels.
- Mankind further diversified consumer healthcare by launching Nimulid under the Pain Management category, and self-diagnostics kit for UTI, Male Infertility, Dengue, Menopause under the brand umbrella “Rapid News”.
- Focused on further strengthening key brands like Manforce, Gas O Fast and Prega News through premiumisation and line extensions.
- Four consumer healthcare brands ranked #1 in their categories.
- The company has carved out OTC business into new entity, as a subsidiary to Mankind.
- Consumer health business has lower EBITDA margin than company average, but management believes that this business has potential to match up to company level.

Export –

- Exports business witnessed a growth of 230% YoY in Q4FY24 and 29% QoQ, aided by one-off opportunities in the US.
- During the quarter, the company has launched 4 new products in US taking the total launched products to 39 as of Mar’24.
- In addition to US, the company is exporting to many countries including Bangladesh, Sri-Lanka, Nepal, Yemen etc.
- EBITDA margin of export is almost at par with company average.
- Export gross margin is slightly lower than domestic business.
- Management has no capital deployment plans for export business.
- Incremental growth in the export business was majorly from the US market.
- Competition in one-off product is unpredictable, however it can be compensated with new launches and increase in base business.
- The company believes that contribution from the US business will be higher and ROW business will continue to grow.
- The company has no plans for M&A outside India and expects to maintain export contribution and not exceed 10% of total sales.

Financials

- The company has a net cash of Rs32.6bn as of Mar'24
- Cash from operation as on 31st Mar'24 is Rs21.52bn.
- Net cash as on 31st Mar'24 was Rs32.6bn
- Capex incurred in FY24 is Rs3.89bn.
- Tax rate in FY24 was 19.1% vs 20.6% in FY23.
- R&D spent in FY24 was Rs2.23bn, which is 2.2% of total sales.
- NLEM contribution – 15%
- Launched India's first fully integrated facility for Dydrogesterone at Udaipur, Rajasthan providing a competitive edge in terms of pricing and quality
- The Dydrogesterone plant commenced operations in Sept'23. Currently, the plant fulfills the entire demand, operating at a capacity utilization of 60%. Efforts are underway to register this product in different markets, approvals are expected within 1-2 years. With the plant still underutilized, there is sufficient capacity to cater to other markets.
- Full year price increase, favorable sales mix and inventory issue related to covid product in Q4FY23 was normalized in Q4FY24; this led to increase in gross margin on YoY basis.

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	87,494	1,03,348	1,16,426	1,31,579
Total Expense	68,488	77,997	86,854	96,842
COGS	29,136	32,097	35,743	40,132
Employees Cost	19,185	22,747	24,915	27,632
Other expenses	20,167	23,153	26,196	29,079
EBIDTA	19,006	25,351	29,572	34,737
Depreciation	3,259	3,983	4,299	4,615
EBIT	15,747	21,368	25,273	30,122
Interest	445	335	337	339
Other Income	1,286	2,809	2,949	3,096
Exc. / E.O. items	0	0	0	0
EBT	16,588	23,841	27,886	32,879
Tax	3,616	4,576	5,890	6,940
RPAT	12,819	19,129	21,864	25,813
Minority Interest	278	289	292	295
Profit/Loss share of associates	124	152	160	168
APAT	12,819	19,129	21,864	25,813

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	401	401	401	401
Minority Interest	1,881	2,127	2,419	2,713
Reserves & Surplus	73,952	93,230	1,15,095	1,40,907
Net Worth	74,352	93,631	1,15,495	1,41,308
Total Debt	1,704	2,072	2,087	2,102
Net Deferred Tax Liability	5,248	5,904	6,039	6,210
Total Capital Employed	83,185	1,03,734	1,26,040	1,52,332

Applications of Funds

Net Block	43,022	46,147	46,848	47,233
CWIP	4,932	2,071	2,071	2,071
Investments	2,763	3,151	3,272	3,404
Current Assets, Loans & Advances	46,139	67,460	90,352	1,17,832
Inventories	14,985	15,535	17,500	19,778
Receivables	5,764	8,483	9,556	10,800
Cash and Bank Balances	4,532	11,980	25,488	41,755
Loans and Advances	1,118	324	357	393
Other Current Assets	8,986	8,558	10,354	12,588
Less: Current Liabilities & Provisions	13,672	15,095	16,503	18,207
Payables	10,082	11,030	12,426	14,043
Other Current Liabilities	3,590	4,065	4,078	4,164
<i>sub total</i>				
Net Current Assets	32,467	52,365	73,849	99,624
Total Assets	83,185	1,03,734	1,26,040	1,52,332

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	66.7	68.9	69.3	69.5
EBIDTA Margin	21.7	24.5	25.4	26.4
EBIT Margin	18.0	20.7	21.7	22.9
Tax rate	21.8	19.2	21.1	21.1
Net Profit Margin	14.7	18.5	18.8	19.6
(B) As Percentage of Net Sales (%)				
COGS	33.3	31.1	30.7	30.5
Employee	21.9	22.0	21.4	21.0
Other	23.0	22.4	22.5	22.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	35.4	63.7	75.1	88.8
Inventory days	63	55	55	55
Debtors days	24	30	30	30
Average Cost of Debt	8.5	17.8	16.2	16.2
Payable days	42	39	39	39
Working Capital days	135	185	232	276
FA T/O	2.0	2.2	2.5	2.8
(D) Measures of Investment				
AEPS (Rs)	32.0	47.8	54.6	64.4
CEPS (Rs)	40.1	57.7	65.3	76.0
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	185.6	233.7	288.3	352.8
RoANW (%)	18.9	22.8	20.9	20.1
RoACE (%)	16.9	21.0	19.4	18.9
RoAIC (%)	20.9	25.1	26.3	28.5
(E) Valuation Ratios				
CMP (Rs)	2191	2191	2191	2191
P/E	68.5	45.9	40.1	34.0
Mcap (Rs Mn)	8,77,588	8,77,588	8,77,588	8,77,588
MCap/ Sales	10.0	8.5	7.5	6.7
EV	8,64,005	8,45,099	8,27,089	8,05,418
EV/Sales	9.9	8.2	7.1	6.1
EV/EBITDA	45.5	33.3	28.0	23.2
P/BV	11.8	9.4	7.6	6.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
(F) Growth Rate (%)				
Revenue	12.4	18.1	12.7	13.0
EBITDA	(4.5)	33.4	16.7	17.5
EBIT	(13.6)	35.7	18.3	19.2
PBT	(15.4)	43.7	17.0	17.9
APAT	(10.6)	49.2	14.3	18.1
EPS	(10.6)	49.2	14.3	18.1

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	14,982	20,850	24,760	29,611
Depreciation & w.o.	3,259	3,983	4,299	4,615
Net Interest Exp	445	335	337	339
Direct taxes paid	(3,276)	(4,926)	(5,890)	(6,940)
Change in Working Capital	1,626	455	(3,325)	(3,918)
Non Cash	(124)	(152)	(160)	(168)
(A) CF from Operating Activities	16,912	20,545	20,021	23,540
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(8,371)	(4,246)	(5,000)	(5,000)
Free Cash Flow	8,541	16,299	15,021	18,540
(Inc.)/ Dec. in Investments	0	0	0	0
Other	1,286	2,809	2,949	3,096
(B) CF from Investing Activities	(7,085)	(1,437)	(2,051)	(1,904)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(7,054)	334	15	15
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	0	0	0	0
Other	(2,300)	(11,994)	(4,477)	(5,384)
(C) CF from Financing	(9,354)	(11,660)	(4,462)	(5,369)
Net Change in Cash	473	7,448	13,508	16,267
Opening Cash balances	4,059	4,532	11,980	25,488
Closing Cash balances	4,532	11,980	25,488	41,755

E – Estimates

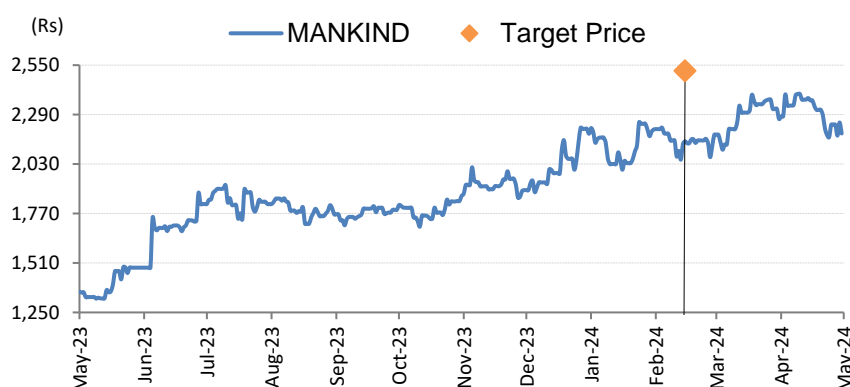
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Mar-24	Accumulate	2,520	2,149

*Price as on recommendation date

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