Serving Life

Date: January 30, 2025

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National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Symbol: MANKIND

Dear Sir/ Madam,

Subject: Investor Conference Call for Q3 & 9M FY25 – Transcript

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Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference Call for Q3 & 9 months FY25 held on Friday, January 24, 2025 at 12:00 noon (IST).

The transcript is also available on the website of the Company at https://www.mankindpharma.com/wp-content/uploads/2025/01/Q3FY25-Earnings-Call-Transcript.pdf

You are requested to kindly take the same on records.

Thanking You,

Yours Faithfully,

For **Mankind Pharma Limited**

HITESH KUMAR JAIN

Digitally signed by HITESH KUMAR JAIN
Date: 2025.01.30 15:01:31 +05'30'

Hitesh Kumar Jain
Company Secretary and Compliance Officer

Encl.: As above

"Mankind Pharma Limited
Q3 and 9 Months FY '25 Results Conference Call"
January 24, 2025

MANAGEMENT: **MR. RAJEEV JUNEJA – VICE CHAIRMAN & MANAGING DIRECTOR**
MR. SHEETAL ARORA – CHIEF EXECUTIVE OFFICER & WHOLE-TIME DIRECTOR
DR. SANJAY KOUL – CHIEF MARKETING OFFICER
MR. ASHUTOSH DHAWAN – CHIEF FINANCIAL OFFICER
MR. PRAKASH AGARWAL – PRESIDENT (STRATEGY)
MR. ABHISHEK AGARWAL - HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Mankind Pharma Q3 and 9 Months FY '25 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Agarwal from Mankind Pharma Limited. Thank you, and over to you, sir.

Abhishek Agarwal: Thank you. Good afternoon, everyone. Thank you for joining us today for our Q3 and 9 months FY '25 earnings conference call. On the call today, we have Mr. Rajeev Juneja, our Vice Chairman and Managing Director; Mr. Sheetal Arora, Chief Executive Officer and Whole-Time Director; Dr. Sanjay Koul, Chief Marketing Officer; Mr. Ashutosh Dhawan, Chief Financial Officer; and Mr. Prakash Agarwal, President, Strategy.

We will start with Mr. Rajeev Juneja providing an overview of Q3 FY '25, followed by Mr. Sheetal Arora providing detailed insights into our business performance. Mr. Ashutosh Dhawan will then speak about our financial performance. And thereafter, we'll open the floor for any questions.

I would like to emphasize that this was the first quarter with BSV included in our performance with 69 days of BSV effective from 23rd October 2024. Further, please note that some statements made today may be forward-looking, and for a complete disclaimer, please refer to the investor presentation and press release available on our website.

Now I'll hand it over to Rajeev sir for his comments.

Rajeev Juneja: Thank you, Abhishek, and good afternoon, everyone. Wish you a very happy New Year. A very warm welcome to our Q3 & 9M FY25 earnings call. Year 2024 has been a transformative year for Mankind. We began by assessing our various M&A opportunities culminating in the acquisition of BSV, which perfectly complements our strategy of expanding into high entry barrier portfolios and having specialty R&D tech platforms.

Our market share in IPM in value terms increased by 40 bps to 4.8% in December '24 versus 4.4% in March ’24, primarily driven by acquisition of BSV. And therefore, we raised funds of INR10,000 crores through NCDs and CPs for the acquisition. Additionally, we raised INR3,000 crores in equity, which has been utilized to repay a portion of CPs as of January 16th, 2025, which shows our commitment towards maintaining a healthy financial position in the company.

In line with the corrective actions taken in OTC division last year, we have undertaken certain corrective measures in our Delhi pharma divisions to enhance field force productivity and bring more efficiency in the system. We have always focused on building a solid foundation and with this initiative nearing completion, we are confident, it will further support in delivering sustainable long term growth.

Moving ahead with our quarterly performance. In Q3 FY25, our revenue increased by 24% year-on-year to INR3,230 crores and a healthy adjusted EBITDA margin of 27.7%. Our organic growth for the quarter was 11.2% year-on-year with a domestic growth of 8.4% year-on-year and export growth of 43% year-on-year.

For 9M FY25, our revenue increased by 17% year-on-year with adjusted EBITDA margin of 26.9%.

Our organic growth for 9M FY25 was 12.3% year-on-year with a domestic growth of 9.3% year-on-year and export growth of 53% year-on-year. For Mankind, excluding BSV, chronic share has further increased by 200 bps year-on-year to 37.6% in Q3 25 as compared to 35.6% in Q3 FY24, driven by continued outperformance in key chronic therapies.

Our commitment to make quality healthcare accessible to all has led us to expand our DMF grade products offering to over 215 versus 150 in FY'24 with more than 90% of them in chronic segment, and thereby ensuring that our customers on prolonged medication receive products that adhere to international grade quality standards.

Our corrective measures undertaken in OTC business is now completed, and we witnessed a robust revenue growth of 30% year-on-year during the quarter and 15% year-on-year in 9M FY25. On the R&D front, we continue to prioritize product innovation and building strategic partnership with innovators to strengthen our product portfolios.

In this regard, we have recently partnered with Innovent Biologics for the in-licensing of Sintilimab, an advanced PD-1 immunotherapy designed to address the critical challenges of cancer treatment and improve access to innovative therapies in India. Overall, this year has been a transformative year for Mankind with 4 engines of growth, 1) steady base business; 2) Fast-growing specialty chronic segment; 3) High potential OTC business; 4) high entry barrier super-specialty portfolio of BSV. All 4 business verticals are placed well to drive long-term sustainable growth.

And now I invite Sheetal to provide more details on our business performance.

Sheetal Arora: A very good afternoon to all. Thanks for joining us today for our Q3 & 9M FY25 earnings call. In the last quarter, we completed the acquisition of BSV, strengthening our high-entry barrier portfolio and adding incremental capabilities to our existing R&D tech platform. During the quarter, work on BSVs integration in Mankind is on track. Looking ahead, our priority is the successful integration of BSV to ensure long-term sustainable growth.

Before moving ahead to the quarterly update, I would like to express gratitude for the overwhelming response we received during the fundraising. And I would also like to extend my heartfelt gratitude to all stakeholders for their continued trust and belief in our vision.

Talking about domestic business. In the Q3 FY25, our domestic business revenue increased 16% year-on-year, majorly driven by continued outperformance in chronic segment and consolidation with BSV business from October 23rd, 2024 onwards. Our organic domestic growth for Q3 FY25 was 8.4% year-on-year.

For 9M FY25, the revenue increased to INR8,203 crores, registering a growth of 12% year-on-year. Our organic domestic growth for 9M FY25 was 9.3% year-on-year.

In Q3 FY25, Mankind, excluding BSV, chronic share increased by 200 basis points year-over-year to 37.6%, primarily driven by 1.3x outperformance in cardiac and 1.1x in anti-diabetes. Now our CVM cardio rank has improved from fourth to third in IPM.

As we know, cancer cases continue to rise in India with its burden projected to reach 29.8 million disability adjusted life years by 2025. We have recently partnered with Innovent Biologicals through an exclusive in-licensing agreement, Sintilimab injection. This strategic collaboration aims to address the critical challenges in cancer treatment.

Talking about OTC. This has been the first quarter of the OTC business post carving out the same into wholly-owned subsidiary of Mankind to maximize its true potential. In Q3 FY25, revenue increased by 30% to INR193 crores. The revenue for 9M FY25 increased by 15% to INR631 crores. The growth is largely attributed to healthy performance across key brands.

Talking about international business, in Q3 FY25, revenue increased by 121% year-on-year to INR457 crores. In Q3 FY25, led by increase in our base business, further supported by BSVs International portfolio. Our organic export growth for Q3 FY25 was 43% year-on-year. Together with BSV, we aspire to be one of the most admired company in the country, offering complex and specialty products accessible to all.

Now I invite Ashutoshji to provide detailed insights into the financial performance. Thank you so much.

Ashutosh Dhawan: Sure. Thank you, Sheetalji. Good afternoon, everyone. I'm delighted to have you all on our Q3 and 9M FY '25 earnings call with us. This marks the first quarter in which we have started consolidation of BSV's financials effective 23rd October '24 onwards, along with OTC business, which has been carved out of Mankind into a wholly-owned subsidiary from this quarter.

Let me briefly summarize the financial highlights of our quarterly performance for Q3 FY '25. During the quarter, our revenue from operations has increased by 23.9% year-on-year basis to INR3,230 crores as compared to INR2,607 crores in Q3 FY '24. This quarter's revenue is a combination of Mankind's revenue for the full quarter and BSV's revenue for part of the quarter.

During this quarter, our EBITDA has increased by 36.4% year-on-year basis to INR833 crores with margins of 25.8% as compared to INR611 crores with margin of 23.4% in Q3 FY '24. The EBITDA margin for 9M FY '25 were at 25.8%. However, if we adjust the EBITDA with non-recurring expenses, especially related to the transaction, our adjusted EBITDA margins for the quarter were at 27.7%.

The increase in adjusted EBITDA margin of 430 basis points year-on-year was largely due to improvement in the gross margin of 270 basis points and the balance is on account of operating leverage due to higher growth. In 9M FY '25, adjusted EBITDA margins were at 26.9%.

For this quarter, our gross margins have increased to 71% year-on-year basis from 68.3% in Q3 FY '24. This increase is a combination of sale price increase effect, favorable sales mix, and input cost.

The R&D expenses for the quarter are INR71 crores, which remains at 2.2% of the sales, which is within the stated guidance of 2% to 2.5%. Depreciation and amortization expenses increased to INR192 crores as compared to INR110 crores in Q3 FY '24. This includes amortization impact of INR84 crores pursuant to provisional purchase price analysis related to BSV assets.

The consolidated effective tax rate for 9M FY '25 was at 21.2%, which is higher than 19.8% effective tax rate in 9M FY '24, which is in line with our guidance of 21% to 22%. The PAT has decreased by 16.4% to INR385 crores during the quarter in spite of increase in the reported margins of 240 basis points. This is primarily due to higher finance costs and amortization costs related to acquisition.

Our diluted EPS is INR9.4 per share of INR1 paid for the quarter. The cash EPS, which is EPS adjusted for noncash items like depreciation and amortization was at INR14.2. The net operating working capital days for the quarter has increased to 52 days as compared to 45 days in the preceding quarter.

Further, in 9M FY '25, our cash flow generated from operations was at INR1,599 crores, which is on a year-on-year basis, a decrease of 2.3% from 9M FY '24. This decrease is on account of higher working capital days and certain one-off expenses. As a result of higher working capital and one-off expenses, our cash flow to EBITDA ratio for 9M FY '25 is at 67.4%.

Our capex spends for 9M FY '25 was INR344 crores, which is 3.7% of total revenue for 9M FY '25, and the same is in line with our guidance of 4% to 5% of the revenue.

In order to maintain financial discipline and healthy leverage ratio, we have repaid INR3,000 crores of CP last week from the proceeds received from QIP. Our net debt to adjusted EBITDA is 2.2x as on quarter end, and our endeavor is to achieve net debt to adjusted EBITDA of 2x by end of this year.

This concludes our opening remarks, and now we are happy to take any questions which you might have. Thank you. Over to you, Abhishek.

Abhishek Agarwal: Thank you. We can start the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, with respect to the prescription business, we have commented that there has been corrective measures as far as MR efficiency is concerned. If you could elaborate what were the lacunae or the loopholes which we have tried to address and subsequently improve the MR efficiency? That's my first question?

Rajeev Juneja: If you just look at our commentary, time and again we have said that we want to attain a leadership position. And when you think of these things, you basically work on certain areas of your weakness, whether it is on marketing side, IT side or finance side, every place.

So let's talk about the marketing side. There were certain inefficiencies in terms of a bit primary sales or discounted sales, the category of doctor's coverage, or the strategy of entering in top doctors' chambers, top hospitals. And once you start working on these things, which we started working on last year, to bring these changes in 15,000 people, you need to take certain bold steps.

And we have always been very forthright and frank in explaining that for the strong foundations, we'll always go for any kind of changes which are basically right for the future sustainable growth of Mankind, and we have taken that. A lot of changes have been brought in leadership side as well.

I mean a lot of new leaders have come from outside, those who can really bring these changes. That is what has been done. When you do these things, bumps can really come. But let me tell you one thing that we are very confident that going forward things will be even better from what was there in the past. 80%, 90% changes are complete and the rest would take maybe next 1 quarter I'll say. In Mankind pharma side - Delhi division, this will be completed.

Let me further explain you, with the example of OTC business. We took the same kind of steps last year in OTC side, where we just accepted that these are certain practices, which needs to be corrected, whether it was number of distributors, whether hiving off, bringing different talent, making sure that it's not a mixed kind of a culture where one guy, one leader is taking care of OTC and pharma both. And once we took that initiative, look at the growth.

And what gives us more happiness is that we are solid from inside. And I can tell you with fullest confidence that Mankind will always operate on these lines. I'm sure, I've answered you?

Tushar Manudhane: That's quite comforting, sir. Sir, secondly, while you have highlighted on the organic revenue growth, would it be possible to share organic EBITDA growth as well for the quarter?

Ashutosh Dhawan: Since this is the first year and the numbers are strictly not comparable, because BSV has been consolidated for the first time. And moreover, there has been one-off expenses also, which has impacted the overall EBITDA margin. So going forward, we shall be in a better position to give a better color around this.

Rajeev Juneja: But let me add one thing. I mean, once you take corrective actions, so margins always improve. On one side, you will see that there's a less of growth. You can ask these questions. We know this. But once you take these corrective actions on a field force of 15,000, you bring a lot of new replacement, you challenge them, you push back, you do everything possible, right? And we have done it.

And it's a long process. Even in Mankind, 1 year it has taken, where we take everything very fast. For any other company it's a huge task just to maintain everything, having a balanced approach. I mean, these actions can be taken in a tapered manner. But we believe that once we identify something, we work on that. So growth may be a bit affected, but naturally, the impact on margin increase is always there.

Ashutosh Dhawan: And it has been constant last quarter also at 27.7%.

Tushar Manudhane: In fact, it seems that if I adjust the onetime expense with respect to the acquisition, a 27.7% margin. Just trying to understand out of this, on a like-to-like comparison, if I have to do, for the base business, what is the EBITDA growth? So basically excluding BSV as well as excluding the onetime expense associated with M&A?

Prakash Agarwal: Tushar, so BSV margins are in line with company average margins. So the core growth in the EBITDA you see is as per what you see, because even if you strip that, you'll get the same number.

Moderator: The next question is from the line of Kunal Dhamesha with Macquarie.

Kunal Dhamesha: So first one, more clarity on the organic growth. So what you've been saying is quarter 3 organic growth for our domestic business is around 11.2%, right? Is that correct understanding?

Prakash Agarwal: So let us repeat that. Our overall growth organic is 11.2%, domestic is 8.4%, and international export is 43%. These are the organic numbers.

Kunal Dhamesha: Okay. So in that case, our formulation business would have grown at around 6.5% - 7%?

Prakash Agarwal: You mean the domestic ex OTC?

Kunal Dhamesha: Ex OTC, yes.

Prakash Agarwal: Yes, that's around 7%. That's right.

Kunal Dhamesha: Okay. So this is obviously a meaningful slowdown from what we have been seeing. While our chronic has improved, our acute seems to be bleeding in my view. So what are the steps that we have taken? And what is the outlook on the acute therapy since we are growing our chronic, acute is still the bigger part of the chunk, right? So how should we think about the organic domestic formulation business going forward?

Prakash Agarwal: As Rajeev Ji highlighted, there is significant corrective action taken in the Delhi division, which is largely the mass market division where acute sits. So there, a significant corrective action in terms of field force optimization, productivity improvement, efficiency improvement is taking place. So that's why you see acute being sharper drop across acute therapies, not only one. So that is the main reason.

And while you see that there is some impact on chronic, I would also say that we usually grow 1.3x, this time it has been 1.1x. But that journey continues because of the higher focus. And your observation is totally right that acute is softer because of these corrective measures, which Rajeev Ji already highlighted just before.

Rajeev Juneja: Let me elaborate even further, Kunal, to your query. So wherever you take corrective actions in terms of everything, once we identify in Mankind especially that these are certain things to be cleaned up, corrected, then we move very fast, irrespective of anything, because our concern is always the foundation, the strength, the substance of Mankind, because that drives the organization.

So we've worked on that and a lot of changes we brought in our leadership as well, whether in the field, whether it's head office, in marketing, every place. And once you do all these things in a field force of, again, I repeat, 15,000-plus people, it takes time. We started this process last year, I'll say, Feb, March. So 80%, 90% is done.

You take up every division, every zone, every area, scrutinize that, check it, which ZM, which RM, which sales manager, which marketing manager, which person, which BU head, and then we take action. And we have taken that. The kind of actions we have taken, I can tell you, you'll find rare company taking these things, because there is always some kind of a burden on those people of showing off the performance which is actually not there inside.

In our case, because we are promoters, we can say our foundations are more important than anything else. So we have taken this.

Sanjay Koul: So there is one more fact that we have to take into consideration. There have been regulatory tailwinds regarding emergency contraceptive pills and anti-infective - a combination, that is an FDC, and a codeine preparation that also has impacted the growth in Q3 of acute segment.

Kunal Dhamesha: Sir, can we quantify that impact, all these 3 put together?

Prakash Agarwal: It's about 0.5%.

Kunal Dhamesha: And one question on the BSV. So if I look at the BSV revenue, probably it's around INR330 crores, including domestic and export. And if I add it to the first half performance, we would be close to around INR1,170 crores, which is roughly, let's say, 68% of the last full year revenue. So is there any seasonality that is playing out and quarter 4 could be very strong that could add one-third more revenue? Or is there a slowdown on BSV aspect as well?

Prakash Agarwal: So Kunal, this is for 69 days. So first point is we have to quarterize it, take it for 90 days, 91 days. That's the first point. Second, there is a significant restructuring going in the Rx business, that is the TTK business of the BSV. Because we understand Rx business better, that is getting shifted to Mankind. So there is a lot of field force optimization that is happening there. As we also said, there were 600 people in a very small division.

So we are looking at optimization. We are looking at product portfolio rationalization and optimization there also. So various initiatives are going. We want to improve the hygiene of the business. So Rx business has been soft. Other than that, I think the other businesses are growing very well. So these are the 2 key reasons.

Kunal Dhamesha: And then how should we think, let's say, 2 years out, what's the internal expectation for the BSV business growth, specifically for domestic as well as exports?

Prakash Agarwal: So overall, we continue to maintain that this is a high entry barrier portfolio and growing 15% plus should be possible with export being higher. And on the margin side, we continue to maintain that given its high entry barrier portfolio, margins, to start with, would be in the region of company average, 26% to 28%. And thereon, taking initiatives, R&D initiatives, productivity initiatives, we look forward that in 2 years' time, we should every year add on a little bit on the margin side as well.

Moderator: The next question is from the line of Neha Manpuria with Bank of America.

Neha Manpuria: Just continuing on the corrective actions that we have taken, have these corrective actions led to a reduction in the field force that Mankind had? Just trying to understand what essentially has led to lower spending in the quarter? If you could give us a little more color on what essentially is there. I understand the opening remarks that you made, but just trying to quantify this?

Rajeev Juneja: Let me tell you, Mankind is known for its reach. We'll always maintain that. So what happens, there are certain customers which are very relevant. They were relevant 10 years back. But maybe today they are not relevant. The practices change, acute to chronic, some people age, right? So you need to change list of your customers as well, right?

And when you do that, I mean, you want to penetrate in the hospitals and clinics of those doctors, those who are a bit high end. Keeping that in mind, these corrective actions have been taken, whether it's a talent, training, primary sales, discounted sales, coverage of doctors, everything, right?

We have not cut down number of people, we have replaced people. I mean, especially in leadership side, I'll say. Because once you replace leadership, some people also leave with those people. I mean, when you say this is a new Mankind, this Mankind wants to become number one company in the future. When you announce these things, it's not for the sake of announcement only. It's to really walk the talk.

So you take these hard actions, we have taken that. So we have not cut down number of people. And whatever, I mean, less number of people would be visible, they would be visible and they will be filled. We are in lookout. You keep seeing vacancies, you keep filling it. It's not like that. The strength of Mankind would remain intact. Just to give you an example of that. Every year, how many thousands of doctors come out of medical colleges.

So that coverage has to be there, right? How many doctors/customers lose practice, you check the list, you find a lot of lacunae. Once you go deeper down, once in a while, and we went last year, when we basically started seeing the taste of chronic sales benefits, once we launched our specialty divisions in Mumbai side, we saw what can really happen.

So naturally, our inclination went towards that side. And once you go for that, further deep down, you say, why our existing divisions were not covering these doctors? Let's check it out. And once you go for a deep checking, you realize these are certain lacunas, and you work on those.

And again I want to reiterate that we started this journey last year Feb, March. This is almost 1 year. And this quarter, I can tell you, till now, 80%, 90% job has been done and dusted.

Neha Manpuria: Understood, sir. Ashutosh sir, is it fair to assume that the organic SG&A cost would have declined materially quarter-on- quarter because of these corrective actions?

Ashutosh Dhawan: Yes, if you see, on a consolidated basis, so there is a delta of INR50 crores. And if you see the one-off expenses, that's around INR63 crores. So it is fairly flat, slight decline in the SG&A cost on a quarter-on-quarter basis.

Sanjay Koul: So I want to add one point, Ashutosh Ji. On March 31st, 2024, we had a field strength of 16,043. On December 31st, 2024, we have a field strength of 16,570. We have rather added more people.

Neha Manpuria: Understood.

Ashutosh Dhawan: Some expenses have been rationalized on a quarter basis.

Neha Manpuria: Excluding BSV that is?

Ashutosh Dhawan: This is excluding BSV, yes.

Neha Manpuria: Okay. Understood. And my last question, when I think about the synergies that we can get from the BSV integration, what I think Prakash mentioned, what are the milestones that we need to watch? I mean, would it be procurement first, portfolio optimization probably takes time, field force optimization.

So what are the milestones that we need to watch for to understand the synergies that you could get? And if you could quantify a synergy, let's say, over the next 2 years or 3 years that you're targeting?

Prakash Agarwal: So thanks, Neha, for your question. So we continue to maintain that about INR50 crores to INR100 crores synergy benefits will be there over the next 12 to 24 months, primarily led by 3-4 things. So one is BSV's MR productivity, both Rx and non-Rx. So there's a lot of room. As we said, fertility is still INR18 lakhs. We see peers around INR30 lakhs. So that is one clear area.

Then we are looking at shifting of outsourcing of Rx portfolio to Mankind itself because we have large facilities, and tablets and capsules we understand better in terms of manufacturing. So the Rx business, if it shifts, we see cost savings there as well. Plus, we ourselves have a large gynaec division, so we get access to those fertility clinics, because fertility clinics are growing very well.

So there's a lot of cross-selling opportunity that we see. Plus there's a host of extensive geographical doctor coverage that both the companies can gain from each other, leveraging the extensive coverage. And lastly, there are some of the savings that can come from leveraging resources, because there might be some optimization that can be played out in future. These are the 4-5 points.

Moderator: The next question is from the line of Rashmi Shetty with Dolat Capital.

Rashmi Shetty: In the anti-infective segment, in the presentation also, we have mentioned that we have underperformed the market, and you already mentioned that certain corrective actions had been taken. But in that, related to the product, you mentioned that we have also lost sales in the codeine-based product.

But what I understand that the Codistar has already started picking up very well, and it is already getting around 80% to 90% of the codeine-based sales. So what is exactly leading to say that this product-related issue is still there?

Sanjay Koul: So thank you so much for your query, Rashmi. There has been one product which has faced a regulatory issue. It is a FDC, which got impacted in Q3. So that is why it has impacted the overall growth of anti-infectives. This is one. Second, when you make overall corrections in field force over a period of 9 months, we are talking about good number of field force, and we have replaced the field force, but many colleagues in field are 3 months old, 1 month old, 4 months old, or 6 months old. They will take some time to basically develop relationship and rapport with the customers and things will improve in coming quarters and months.

Rashmi Shetty: So for this full year, taking into account that anti-infective will be slowing down, do you think that we would be just showing Mankind's domestic formulation growth will be high single digit sort of?

Sanjay Koul: So Rashmi, this is Q3 only where we have shown less than optimum performance of anti-infective. But if you look at the Y-T-D, then we are almost equal to IPM growth, So it's not way behind the IPM growth. And this will also be corrected in case I take into consideration the FDC which we had to withdraw because of regulatory issues.

Rashmi Shetty: Understood. And how is your Panacea portfolio performing?

Prakash Agarwal: Very good.

Rashmi Shetty: It is still showing at around 20% sort of growth?

Sanjay Koul: Correct. Our transplant business is showing 20% growth and the other products which we promote in other regions are growing by more than 25%. One is Sitcom and second is Glizid.

Rashmi Shetty: Second one is?

Sanjay Koul: Glizid.

Rashmi Shetty: And out of your total purchase consideration, what is the split between intangibles and goodwill? Is it 70-30 only what you earlier mentioned? And how many years amortization you have taken?

Ashutosh Dhawan: So if you look at the plain split, so that is two-third is towards the intangible and balance is towards the goodwill, broadly speaking, okay? So if you look at the depreciable intangible assets, so that is around INR9,000 crores out of the total consideration approximately. However, if you adjust it for taxes, it becomes INR7,200 crores, and the balance gets allocated towards the goodwill.

So that's how the broad part is. And if you look at the overall useful life of these assets, so that ranges from 5 years to 30 years, but on weighted average basis, it's around 21 to 22 years.

Rashmi Shetty: Okay. And one final question. What is the cost of debt for the portion which is still there sitting in the balance sheet after INR3,000 crores repayment? The average cost of debt?

Abhishek Agarwal: Rashmi, it's sub 8%. And if you see, the INR3,000 crores which we have repaid, it was close to 7.5%, but all the debt, which is INR2,000 crores of CP and INR5,000 crores of NCD, it's in the range of 7.9% to 8%. It's there in the public domain along with interest repayments.

Ashutosh Dhawan: Just to clarify, Rashmi, further. There is a bulge in the interest expenses in this quarter, and this is towards expenses of some of the debt arrangement fee and other related expenses.

Rashmi Shetty: Yes, that's the reason I asked, because I just felt that the interest cost during the quarter was extremely high, because when you adjust 7.9% to 8%, the interest cost should have been lower. But fine, I just got the clarification.

Moderator: The next question is from the line of Chintan Sheth with Girik Capital.

Chintan Sheth: The question I had was on the interest cost only. So you clarified that there were certain cost related to debt raise that was also sitting in the interest cost. If you can quantify the same it would be great. Because that will be non-recurring, right?

Ashutosh Dhawan: No, that is not, because CP is getting retired and all those. So if you see the total expense is around INR220 crores. And historically, if you see, on a quarterly basis, INR10 crores to INR12 crores is always the interest expense which is coming, because there are certain loans in the subsidiary. And we can give you color, for the next quarter, the interest cost would be in the range of INR180-odd crores or so.

Chintan Sheth: Okay. Next quarter, still on INR6,000-INR7,000 crores of gross debt

Ashutosh Dhawan: CPs, we have retired on 16th of Jan. So there will be a spillover effect also.

Chintan Sheth: For 15 days. Okay. And on the corrective measures which you have taken for last 1 year on the prescription side, do you feel the hit which we have seen this quarter, where the growth has compromised. For 4Q, there will be some more spillovers likely to happen and then next year onwards, we'll have a fresh growth slate to grow from thereon?

Rajeev Juneja: Yes, see whatever actions we have taken, we have taken to ensure that in future we are much better, stronger than actual, right? And I again reiterate, 80%, 90% things have been done.

Whatever is left, 10%, 15% would be done now. It is in motion, process is on. So 80%, 90% we say, it has been done, completed.

Chintan Sheth: Okay. And the regulatory restrictions, the product which led to acute getting impacted, gynaec getting impacted, 1 or 2 products which you mentioned. Are we trying to recoup or are we trying to change the prescription, so that we can reintroduce the product in the market to get the sales recovering back?

Sanjay Koul: So in gynecology, there was DPCO matter. So that we can only increase the volume growth, but it will still take quite some time to reach to the same number, because there has been steep decline in the value growth because of the DPCO. And second product is an anti-infective FDC, and maybe in a month's time, we will be introducing a kind of replacement of that FDC, a single molecule. So that we can mitigate the losses because of the dent that we'll get because of that anti-infective FDC.

Rajeev Juneja Let me elaborate on that. I mean, certain things keep happening. I mean, certain kind of headwinds are always there. If you're solid inside and you basically keep launching new products, ensuring that your INR50 crores brand becomes INR100 crores, you have certain right strategies, and you are entering and meeting right kind of customers, these things get mitigated automatically. I mean, they are not given so much of focus, it happened. Now I mean look forward and change the picture. We take everything like this only.

Chintan Sheth: And lastly, on BSV margins, you mentioned that it is closer to the average adjusted EBITDA margin which we have kind of clocked. Going forward, we also mentioned that BSV has a potential to improve margins to about 30% level given the product being a high entry barrier and specialty in nature. We can scale that business faster with our reach and drive the margins upward of 30%. That is our goal. The synergy you mentioned, around INR50 crores to INR100 crores, is part of it, or that is a separate BSV targeted margins to improve from here on?

Prakash Agarwal: Yes. So over 2 to 3 years, we expect that there should be improvement in the margins by 100 bps every year, while it will require some R&D investments also, because to enter into some of these semi-regulated markets, regulated markets will require investments, but we remain on track that in next 2 to 3 years, we would be close to 30% margins, and for sure in the next 5 years.

Prakash Agarwal: Yes, synergies are baked in, yes.

Chintan Sheth: Synergies are over and above it, right?

Ashutosh Dhawan: They are part of this.

Moderator: The next question is from the line of Amalan Das from Nomura.

Amalan Das: Most of my questions have been answered. I just wanted to ask one question. In the organic domestic formulation growth, what has been the contribution of volume, price and new products?

Prakash Agarwal: Yes. So if we look at the quarter, there has been a slight decline in the volume because of those corrective actions. So it's about minus 1%, price growth is about 3% and NI, new introduction, is about 3%. So this is as per secondary data, IQVIA, 5% growth is what we have got from IQVIA.

Sanjay Koul: But if you look at Y-T-D, then volume growth is around 1%, 4.4% is price growth, and 2.6% is new introduction growth.

Amalan Das: Okay, sir. And just wanted one clarification. I think I missed a part. So these corrective measures, these will be continuing in the next quarter, right?

Rajeev Juneja: This quarter. See, 80%, 90% job has been done, but 10%, 15%, is work in progress, which will be completed within this quarter only.

Amalan Das: Sir, is it possible to quantify the impact of these corrective measures on the growth? What has been the impact?

Rajeev Juneja: So quantification is not possible, but you can see, I mean, when you take these actions, your growth is not great. You're not happy with the growth, number one. But the best part basically is what, EBITDA margins have increased. The happiness is what, that you have steered the company in the right direction. New young leadership enthusiasm has been infused. So every company once in a while needs some kind of changes, which we have brought.

Sheetal Arora: And regarding the quantification, if you can see, in the history of Mankind, we have always grown 1.1x to 1.2x better than IPM. So this time, our growth is subdued.

Amalan Das: I just wanted to clarify that the negative volume growth that you have seen in this quarter, is it majorly because of the corrective measures? Or there is also a market phenomena here, that actually the volumes have been decreasing of the products?

Sheetal Arora: Mainly because of corrective action.

Moderator: The next question is from the line of Kunal Randeria with Axis Capital.

Kunal Randeria: Sir, just to clarify on the BSV business, from what I understand, this year, the BSV business revenue should be flat. Would that be correct? And that's largely because of some changes in the employee structure that you are doing there?

Prakash Agarwal: So if we exclude the Rx business, the business has grown double-digit. And Rx business is one more quarter. There is a restructuring going on. The business is getting shifted to Mankind. So going forward, I think fiscal '26, when you see, you'll probably see all the businesses ex of Rx. And the specialty business, which is women specialty as well as the international specialty, both are growing double-digits.

So it's the Rx business, and there's a small element on the API side, barring that, business is in good shape.

Kunal Randeria: Fair enough. But at consol BSV level, it would be flat this year, right?

Prakash Agarwal: Consol level, yes, one can say so. And this is strategic to improve the hygiene and the quality and productivity.

Kunal Randeria: Got it. That's very clear. Secondly, on the export front, you've had a great last few quarters. Last year, you used to call out that it was driven by some of these onetime opportunities, but there's been quite healthy growth even from those levels. So can you just give us some color on how much of this export portfolio you still classify as limited competition?

Prakash Agarwal: The last part was not clear, sorry.

Kunal Randeria: So I was asking that you have still grown from last year's level when a lot of the business last year was driven by one-off opportunities, as you yourself called out. So in today's revenue generation, how much of the portfolio would you classify as limited competition?

Prakash Agarwal: No. So if you see, we have given some data on the new launches as well as approvals. So now the base business is growing pretty well, both in the US and ROW. Excluding that one-off also, the business is growing. And the share of that one-off has come down substantially. Despite that, there is a decent growth happening.

Kunal Randeria: Right. And the new launches or the base business that you speak of, margins would be near the company average?

Prakash Agarwal: So that would depend. It's very difficult to quantify margins for the regulated markets. That is product specific.

Moderator: The next question is from the line of Dheeresh Pathak with WhiteOak.

Dheeresh Pathak: In BSV, INR1,723 crores revenue of FY '24, how much was the Rx business in that?

Prakash Agarwal: For the quarter and for the year, I mean, when we were acquiring, we had said it's about 11%, 12%. For the quarter, we are not quantifying. But since the growth has come down, you can imagine the ratio would have come down substantially.

Dheeresh Pathak: Okay. And this INR1,724 crores to the earlier question, Prakash, you said, this will be flat in FY '25, the total sales?

Prakash Agarwal: Flat means marginal growth. I mean, it would be single-digit growth. But yes, because of these corrective actions, we think that making solid foundation is more important, improving hygiene is more important. We are also taking some steps to align BSV to Mankind policy. So this is, I think, transient. So Q4 onwards, I think you will see the base starting to grow.

Dheeresh Pathak: Understood. And on the restructuring, so you mentioned senior leadership changes and MR restructuring. Apart from that, what else have you changed, sir?

Rajeev Juneja: See, I mean, once you bring different kind of leadership, different kind of policies in the sense that approach to market, how to approach a chronic product, how to bring new products, how to make sure that your acute business is doing good. Plus, I mean, other changes are basically bringing some kind of automatization, using more of IT side, using more of digital side.

All sort of things, because ultimately, if you bring a modern leader, he brings modern things, and things start changing. And making sure that hygiene is always there. Right hygiene is most important for us.

Dheeresh Pathak: So I'm just trying to understand that like in consumer business, there was a channel change. So there was a difference in the primary and the secondary sales. So in the prescription business, apart from the MR restructuring and senior leadership changes, have you done any channel policy changes? So there is a difference between primary and secondary sales?

Rajeev Juneja: Yes. In primary side, in discount side, in hospital side, in customer list side, going to those areas and those hospitals which was out of coverage, all sort of things.

Dheeresh Pathak: But the final secondary sales at the customer end. Do you have a measure of how much that would have grown? Because if you're showing primary at 7%, then how much is the channel impact? Is there an estimate of that in your mind?

Rajeev Juneja: I always believe that once you bring these kind of changes and you maintain and make sure that hygiene is there, secondary is no less. Primary and secondary should be equal. How is it possible that it's prescription versus primary sales? Prescription is secondary and primary you fill. I mean if you basically believe that you are in a solid ground, you always make sure that your secondary prescription is very good. And based on that, you fill the inventory.

Dheeresh Pathak: Sir, maybe if you can give one of the examples of the senior leadership changes, so that we get some qualitative color of what exactly changed in the senior leadership?

Prakash Agarwal: I can add. So we have a lot of divisions. So if you see, we have more than 15 divisions. And in the large divisions, where there was some rigor required, we have added some leadership change. That's one big change that has happened. So when these large divisions start growing double digit, you will probably see a good change next year.

Moderator: The last question comes from the line of Abhinav Ganeshan with SBI Pension Funds.

Abhinav Ganeshan: So just one clarification I wanted and some qualitative color. So just wanted to understand, on company-wide PCPM basis, for your whole business and for the chronic segment, is the chronic PCPM starting to grow faster than overall PCPM? How do we look at that?

Rajeev Juneja: It's always like that. I mean, chronic was always growing faster. It was always like that. I mean, we just mentioned that now it has reached to ~37.6% in our total sales, which is 200 bps more than last year. So once we understood that chronic is way forward, and for chronic, you're supposed to approach those specialized doctors. So naturally, I mean, it's not approach, it's total change.

Total ecosystem has to change in the sense who is going, what is he supposed to talk, whatever training should take place, everything.

Prakash Agarwal: So just to clarify, the growth is faster in chronic, but as an average, PCPM in acute will be higher because of the aging is much higher.

Abhinav Ganeshan: Yes, I appreciate that color. So is it a safe assumption to make that in the next 5 to 6 years, as this chronic business also ages, we come towards the company average?

Rajeev Juneja: 100%.

Moderator: That was the last question for today. I now hand the conference over to the management for closing comments.

Abhishek Agarwal: Yes. Thank you. And please write to us in case you have any further clarification. Have a nice day.

Moderator: Thank you. On behalf of Mankind Pharma Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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