

**Date: August 06, 2024**

**BSE Limited**  
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Dalal Street,  
Mumbai – 400 001

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

**Script Code: 543904**

**Symbol: MANKIND**

Dear Sir/ Madam,

**Subject: Investor Conference Call for Q1FY25 – Transcript**

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference Call for Q1FY25 held on Wednesday, July 31, 2024 at 06:00 p.m. (IST).

The transcript is also available on the website of the Company at <https://www.mankindpharma.com/media/investor/q1-fy25-earnings-call-transcript-1722945267.pdf>

You are requested to kindly take the same on records.

Thanking You,

Yours Faithfully,

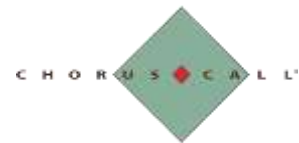
For **Mankind Pharma Limited**

**Pradeep Chugh**  
**Company Secretary and Compliance Officer**

**Encl.:** As above



“Mankind Pharma Limited  
Q1 FY'25 Earnings Conference Call”  
July 31, 2024



**MANAGEMENT:** **MR. RAJEEV JUNEJA – VICE CHAIRMAN AND  
MANAGING DIRECTOR**  
**MR. SHEETAL ARORA – CHIEF EXECUTIVE OFFICER  
AND WHOLE-TIME DIRECTOR**  
**MR. ARJUN JUNEJA – CHIEF OPERATING OFFICER**  
**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 Limited Q1 FY'25 Earnings 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 your touchtone 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:** Good evening, everyone. A very warm welcome to our Q1 FY'25 Earnings Conference Call. On the call today, we have Mr. Rajeev Juneja, Vice Chairman and Managing Director; Mr. Sheetal Arora, Chief Executive Officer and Whole-Time Director; Mr. Arjun Juneja, Chief Operating Officer; Dr. Sanjay Koul, Chief Marketing Officer; Mr. Ashutosh Dhawan, Chief Financial Officer; and Mr. Prakash Agarwal, President, Strategy.

I trust you had the opportunity to review the investor pack we shared earlier today. We will start with opening remarks and an overview of Q1 FY'25 from Mr. Rajeev Juneja followed by a detailed insight on the business performance from Mr. Sheetal Arora and then Mr. Ashutosh Dhawan will be sharing the key financial performance, post which we will leave the forum open for Q&A.

I'd like to remind you that some statements made during today's call will be forward-looking. For a detailed disclaimer, please refer to the investor presentation and press release available on our website.

Now I would like to invite Rajeev sir to share his comments.

**Rajeev Juneja:** Thank you, Abhishek, and good evening everyone and a very warm welcome to our Q1 '25 earnings call. It's great to reconnect just a week after our discussion about the acquisition of 100% stake in BSV Limited.

Over the past three decades, our bottom-up strategy has enabled us to grow our reach from smaller towns to major cities, establishing a strong distribution network. By understanding market trends, we gradually ventured into OTC business, where our brands such as Manforce, Prega News are market leaders.

This success prompted us to further expand into consumer wellness with products like AcneStar, HealthOK, Gas-O-Fast, which are also in a dominating position in the market. Our emphasis on consumer healthcare has elevated Mankind Pharma brand and established the company as a well-recognized household name.

While we entered the chronic segment in 2004, we introduced our specialty business for diabetes, cardiology, urology, neurology and respiratory 4, 5 years ago to further expand and strengthen our chronic portfolio.

Additionally, we acquired Panacea Biotec's transplant and oncology portfolio and have also partnered with leading MNCs for in-licensing of niche and complex products like Symbicort, now Inclisiran, Vonoprazan, Neptaz, etc.. This move has bolstered our presence in high-entry barrier segments and chronic therapies.

Now our acquisition of Bharat Serum will enable us to foray into the super specialty products where entry barriers are very high and having complex and difficult to replicate products with less or no competition.

Moving ahead to the key highlights for the quarterly performance. During the quarter, we witnessed a steady revenue growth of 12% year-on-year with EBITDA margin of 25.2% adjusted for one-time cost and PAT margins of 19%. This quarter, we have generated cash from our operations of INR546 crores with the cash flow from operations EBITDA, ratio of approximately 80%.

As on June 30, 2024, we have a healthy net cash position of INR3,747 crores. In terms of secondary sales, we continue to maintain our outperformance to IPM. I'm happy to highlight that now we are the second largest pharma company in terms of sales volume. This quarter, our volume growth was 1.9% versus 0.4% of IPM volume growth, indicating a strong outperformance to IPM. Further, our chronic share has also increased by 120 bps year-on-year to 37%.

Our strategic collaborations have bolstered our market presence. For instance, we have launched Inclisiran, a patented injectable with very high efficacy, in-licensed from Novartis used for lowering hyperlipidemia, mostly prescribed by super specialty doctors, or KOLs. This product is priced above INR1 lakh per injection and is positioned as one of the most premium products across our portfolio. Additionally, we have also in-licensed Vonoprazan from Takeda used for acid-related disorders including GERD.

Our consumer health care business has shown recovery with sequential growth of 32%, driven by expansion in modern trade, enabling our key brands to maintain their leading position within their respective categories.

Further, as part of our stockist consolidation, this is a very important initiative. In our consumer health care business, we have reduced our number of stockist by more than 60% from 6,500, now to 1,900 stockist as it is required for any OTC company to work. These stockists are contributing over 85% of our sales in consumer side.

This will help us generalize our efforts, and enhance productivity. As highlighted in the past, we are consistently delivering a high-teen EBITDA margins in this business.

Revenue from exports are up by 62% year-on-year, driven by increase in our base business, supported by curated new launches. Being an innovative pharmaceutical company, our endeavor is to constantly innovate and develop differentiated products to cater to the unmet needs of the patients.

To conclude, I extend my heartfelt gratitude to all of our stakeholders. And now I would like to invite Sheetal to provide more details on our business performance.

**Sheetal Arora:**

Good evening, everyone. Our domestic business revenue increased to INR2,634 crores, up by 10% year-on-year, excluding OTC in quarter 1 financial year '25. This growth was driven by an increase in volumes and healthy growth in the chronic segment. According to IQVIA, we witnessed a steady secondary sales growth of 10.5% compared to 8.7% IPM growth representing an outperformance of 1.2x.

As you all know, we have been a volume-focused company. Our strong volume growth during the quarter led to an increase in our market share to 6.1%, up 20 bps year-on-year. We are now the second largest pharma company by volume in IPM with 23 brand families, each having a revenue of INR100 crores plus in MAT June '24.

In our chronic segment, we have registered a healthy growth of 14%, surpassing the IPM chronic growth by 1.3x. Our anti-diabetic and cardiac therapy contributed significantly to this growth with both segments vesting robust growth rate of 21% and 15%, respectively. This has resulted in an increase in market share to 5.1% for cardiac and 4.4% for anti-diabetes.

In quarter 1 financial year '25, we launched Symbicort range Turbuhaler, a world-renowned inhaler with higher efficacy to further enhance and strengthen our respiratory portfolio, and we have witnessed significant growth in its revenue. This aligns with our strategy to expand our presence in high-end complex and specialty product.

Additionally, the acquisition of BSV strengthens our gynaecology portfolio, catering to the entire women's health value chain. BSV has one of the most comprehensive fertility drug portfolio globally with a presence in 12 out of top 15 molecules.

Together, we will be ranked the #1 pharmaceutical company with the highest market share in the gynaecology segment. In quarter 1 financial year '25, our dydrogesterone portfolio has also registered a significant growth of 18% year-on-year, resulting in a market share improvement of 82 bps to 22%. We aspire to be the most preferred choice for all gynaecology-related prescriptions.

Moving ahead to our Consumer Healthcare business. During the quarter, we achieved a revenue of INR206 crores, up by 32% quarter-on-quarter and all our digital and other initiatives have largely been implemented. Despite increased competition, our targeted marketing campaigns led to sustained leadership position of our key brands in their respective category. Our strategic new launch in the previous quarter, including Ova News, which helps detect the most fertile period of conceiving has growth potential similar to Prega News.

During the quarter, our export revenue increased by 62% year-on-year, propelled by an increase in our base business and new launches in the past 12 to 18 months.

Our commitment to providing quality products to every citizen of the country has been recognized by the Quality Circle Forum of India, which awarded our AP site in Behror,

Rajasthan with two gold awards. Additionally, our Sikkim manufacturing site received 1 gold and 1 silver award from CII Institute for Quality. We remain committed to fostering a healthier Bharat by innovating in the market and distinguishing ourselves from our competitors.

I will now hand over to Ashutoshji, who will provide further updates on our financial performance. Thank you, very much.

**Ashutosh Dhawan:**

Thanks, Sheetalji. Good evening, everyone. It's great to have everyone here for our quarter 1 FY'25 earnings call. Today, I will be sharing insights into our financial performance for Q1FY'25.

During the quarter, we witnessed a steady growth of 12.2% in our revenue from operations, which increased to INR2,893 crores as compared to INR2,579 crores in Q1 FY'24.

Our gross margins have increased to 71.9%, up by 3.7% year-on-year from 68.2% in Q1 FY'24. This increase is primarily driven by 3 factors. Firstly, there is a benefit of 1.5% going from sales price increase, secondly, a favorable sales mix of 0.6%, primarily driven by growth in chronic segment. And the balance 1.6% is towards favorable mix on account of input cost savings as well as certain operational efficiencies.

During the quarter, we witnessed a moderate EBITDA growth of 4% with an EBITDA of INR686 crores as compared to INR660 crores in Q1 FY'24. This EBITDA margin decline of 190 basis points to 23.7% is due to higher expense base in this quarter. This is due to onetime M&A-related expenses and other non-recurring costs.

If we adjust the EBITDA with the nonrecurring expenses, our adjusted EBITDA is INR728 crores and the adjusted EBITDA margin is 25.2%, which is in line with our guidance of 25% to 26%.

The R&D expenses during the quarter were at INR48 crores, which is 1.7% of revenue, and they are within our guidance of 2% to 2.5% of sales.

In terms of depreciation and amortization expenses, they have increased to INR108 crores in Q1 FY'25 from INR87 crores in Q1 last year due to Udaipur plant getting operationalized in Q2 FY'24 and the impact of capitalization of completed projects in the previous 3 quarters.

The effective tax rate for Q1 FY'25 is close to 19%, which is in line with our FY'24 ETR of 19%. The profit after tax increased to INR543 crores, up by 10% year-on-year basis with diluted EPS of INR13.4 per share of INR1 paid. The cash EPS, which is EPS adjusted for noncash items like depreciation and amortization was at INR16.1.

As you may be aware that we are in the process of subsidiarization of the consumer health care business and the transaction was approved by the Board of Directors in its last Board meeting, we expect the transaction to get consummated by Q2 of FY'25. Accordingly, we are disclosing the profitability of our Consumer Healthcare business.

The operating profit of Consumer Healthcare business is close to 20%, which is in line with our earlier guidance of high teens operating margin. Our initiatives have started yielding results for the Consumer Healthcare business and the same can be observed from the sequential revenue growth of 32% reported in Q1 FY'25.

However, on a year-on-year basis, the growth is flat, because of certain carve-out adjustments in the revenue due to subsidiarization in the current quarter. If we remove those adjustments then year-on-year growth is mid-single digit.

Our consistent efforts to enhance our operational efficiency has led to net cash position of INR3,747 crores as on 30th June 2024, and the sustained operating working capital days of 45 days, which is in line with the operating working capital as at 30th June '23 on a trailing 12 months basis.

The return on capital employed, excluding cash, remains consistent at 34% level as of 30th June '24, as well as at 31st March 2024 on a trailing 12-month basis. The return on equity ex cash remains consistent at 29% level as of 30 June 2024, as well as at 31st March 2024 on a trailing 12 months' basis.

Our capex spend for Q1 FY'25 was INR125 crores, which is approximately 4% of the total revenue, which is in line with our guidance of 5% of the revenue and we expect it to be at the same level. Even in FY'24, we had our capex spend at 3.8% of the sales. For the fiscal 2025, we are retaining our guidance of EBITDA margin to be in the range of 25% to 26%.

With this, we conclude our opening remarks. And now we can proceed to Q&A. Thank you, and over to you, Abhishek.

**Abhishek Agarwal:** We can start with Q&A.

**Moderator:** The first question is from the line of Chintan Sheth from Girik Capital.

**Chintan Sheth:** Thank you for the opportunity and congratulations. One question on the EBITDA margin, which you disclosed adjusted EBITDA margin at 25.2%. Even if I adjust that our other opex line item seems to be a little higher, both on a Y-o-Y and Q-on-Q basis, if you look at adjusting that non-recurring expenses, our other opex as a percentage of sales comes to around 24.8% versus previous quarter, it was around 21.8% and 21.4%, respectively, Y-o-Y and Q-on-Q. So if you can just point out anything which led to a slight sharper increase in other opex, because it's kind of matched whatever gross margin benefit, which we got during the quarter?

**Ashutosh Dhawan:** You are absolutely right in your assessment that the benefit of gross margin is getting absorbed by the EBITDA drop. And in this quarter, if we compare it to the previous quarter, the expenses are high because there is a spike in this quarter as we have launched 4 new divisions and a certain degree of investment has gone into the same. So that's why there is a bulge in the expenses, which is getting reflected in this quarter expenses.

- Chintan Sheth:** Okay. But do we see this recurring over the fiscal FY'25 or whether it will normalize over the course of FY'25 in the coming quarters?
- Ashutosh Dhawan:** So this will normalize over the coming quarters. The good part is that in spite of opening up of these 4 new divisions if you see the PCPM of the company that has not dropped. That has increased by INR30,000, which is at INR6.8 lakhs; which was INR6.5 lakhs earlier. So we expect it to normalize in the coming quarters.
- Chintan Sheth:** Sure. And second question was on the BSV. I know we clarified around that. I just had a question on the ROCE, which you spoke during our previous interaction of the BSV division at around 15% to 16% in FY'24. If you can just clarify one part is that given the reported margins at 23%. Is this the reported ROCE profile or adjusted ROCE profile at the 28% EBITDA margin which the business, at the core, generated?
- Prakash Agarwal:** So thanks, Chintan, for your question. That one is on the adjusted EBITDA margin, 15% to 18%. The way to look at it is that we are at 30% plus ROCE. You have to look at it when we consolidate with this asset, you have to look at the consolidated ROCE how it pans out. So it would be upwards of 20%.
- And both the assets, we are expecting margin expansion and more so with BSV since we believe that it is not fully penetrated; not fully optimized. So we see a lot of juice there. So when we see EBITDA margin and cash flow operations improving, your ROCE is bound to improve by 100 to 200 basis points at the basic level.
- Chintan Sheth:** And lastly, if I may, and I'll jump back in queue. On the BSV deal as well, the enterprise value of INR13,630 crores, if you can provide what is the net debt or net cash on BSV at the time of acquisition or FY'24?
- Prakash Agarwal:** So it is a very neutralized position. We will come back to you with more details when the closing happens as we have just signed the agreement. The details will come out when the closing happens.
- Moderator:** The next question is from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** Just continuing on the BSV debt, I think FY'23 that the finance expense for them was really high. So I think it will be good if you can provide some detail as to what is sitting on their balance sheet? And how is the PAT for BSV for FY'24?
- Prakash Agarwal:** So I'll give you some color on the fiscal '24 numbers. So if you see, we have given a number of around 28% adjusted, if you see the slide where we had added Mankind plus BSV, so INR488 odd crores, leading to 28%, plus/minus margins. So assuming 70% plus will be the cash flow conversion, you can do the maths.
- Ashutosh Dhawan:** So let me clarify, Kunal, okay. It's basically from the transaction structure because Advent has done - it was a CCD structure, which was there. So because of that, this interest is getting reflected. But as the transaction will get consummated, everything is going to get converted into



it. So that was more of internal debt repayment to the parent. That's why this interest spike is getting reflected.

**Kunal Dhamesha:** Sure, so that will reverse once we kind of do it. And I think that was mentioned, right, the callable bonds, etcetera, what is given in the balance sheet at some point, would it...

**Prakash Agarwal:** Kunal, can you speak louder, please?

**Kunal Dhamesha:** That structure has it changed drastically in FY'24? Or whatever we see in FY'23 is what kind of continued and we will change it once we acquire it?

**Ashutosh Dhawan:** So once we acquire the whole structure is going to get converted into equity and those equity will be acquired by us. It will be plain, simple, vanilla buyout.

**Kunal Dhamesha:** Sure. And one more question I had, since we have seen good traction in chronic therapies now, we are almost at par with the market level penetration in terms of chronic, right, market is at 38%, we are at 37%. Would you be able to quantify the kind of EBITDA margin difference between our chronic business versus the acute business stuff?

**Ashutosh Dhawan:** No. So it's basically mixed up, Kunal, we don't track EBITDA. We only track it at a particular level, but not at the EBITDA level, the acute versus chronic because in some of the divisions, MR is promoting both the products. So it's difficult to do a segmentation at that level.

**Prakash Agarwal:** But it's fair to assume that obviously the gross margins are much higher in chronic?

**Kunal Dhamesha:** Correct. And what's that difference would be in the gross margin between chronic and acute probably ?

**Ashutosh Dhawan:** So it has increased up to 15% now, yes.

**Kunal Dhamesha:** Despite we launching the DMF-grade APIs, etcetera?

**Ashutosh Dhawan:** Yes.

**Kunal Dhamesha:** Sure. And on the DMF-grade API, I think we had a plan to launch around 1,200 SKUs and we had done some 325 maybe till last quarter. So where are we on that now?

**Abhishek Agarwal:** So last quarter, we have announced that we have done approximately 150 DMF filings. This quarter, we are close to 160.

**Kunal Dhamesha:** Okay. And sir, in terms of SKUs how would it mean because there will be multiple SKUs?

**Prakash Agarwal:** We are not splitting by SKUs.

**Kunal Dhamesha:** Sure. And the last one, if I may. We have done a lot of in-licensing deals, right, starting with Neptaz, etc. What would be the contribution of the in-licensed product for us over the last 12 months? A rough number is fine.

- Prakash Agarwal:** See the first one happened in '22, '23. So the contribution has just started. The idea is to get the foot in the door of the specialty doctors. While the sales are growing at 30%, 40% or even more, but it is on a small base. But it gives a lot of synergy benefits of our core portfolio also. So you have to see that in entirety. But coming back to your question, on a small base, it is still growing at 30%, 40% plus.
- Kunal Dhamesha:** Okay. But it is fair to assume it will be single-digit contribution as of now?
- Abhishek Agarwal:** Not even 1%.
- Ashutosh Dhawan:** It is fairly less at the moment, and it will not be a correct reflection of that because these in-licensing deals have been done at a different point of time. So they have not been for the whole year, so that the real basis can be drawn from or inference can be drawn from the same. So maybe after a year or so, we would be in a position to disclose. But at this stage, it will not give the correct reflection of things.
- Rajeev Juneja:** Major reason of the in-licensing deals; what advantage to Mankind is, we get an intangible hike in reputation of Mankind, one. And basically our endeavor were to really enter those high-end doctors, high-end hospitals, we get welcomed over there, foot in the door, that's a major thing. That's the reason. And we basically want to enter difficult to make or high-entry barrier market or in-license products, where instead of 30, 40 competitors, we have 2, 3 competitors.
- So we just want to enter that market and attain some kind of a position over there because tomorrow, more products will come. So it's like acclimatizing yourself, your field for that kind of an environment.
- Kunal Dhamesha:** Sure. So that then you can cross-sell your existing portfolio, which is anyway high margin and can bring that synergy side?
- Rajeev Juneja:** Yes.
- Moderator:** The next question is from the line of Neha Manpuria from Bank of America.
- Neha Manpuria:** Ashutosh sir, on the gross margin, most of the factors that you mentioned, sales mix can change seemed very sticky. Obviously, I understand there is seasonality in the business. Adjusted for that, is it fair to assume that this level of gross margin is sustainable for Mankind?
- Ashutosh Dhawan:** That's a good question, Neha. So we would say that 70% would be the fair assumption to assume it around 70% level because 1.6%, which is coming from the input cost savings, that's a timing difference, which is not in our control, to be honest. And because of the capacity utilization and all, this time, the margin is higher. But from the sustainability point of view, we are more confident or comfortable with 70% gross margin level.
- Prakash Agarwal:** So Neha just to add, if you're doing for modeling purpose, 70% is good, but at the same time, as one of the participants asked on the cost side. So we do expect cost to normalize. So you will see the cost going down and there's a corresponding effect on the EBITDA.

- Neha Manpuria:** No, no. That is understood. I was just trying to get clarification because the margins had improved so much. So I just wanted to get a sense there. My second question, on the BSV deal, the 16% growth that we had mentioned, right, adjusted for their acquisition and COVID. If you were to break that up between international business and domestic, what would be the growth, let's say, in the domestic business and international? Because I think the international growth that you've mentioned is in constant currency, but on a reported basis, what would that growth be?
- Prakash Agarwal:** Yes. So we have given a growth of around 17%. That would be India, 16% to 17% and around 25% in constant currency growth for international business.
- Neha Manpuria:** So the reported is also in the same range?
- Prakash Agarwal:** Reported is actually a tad better...
- Neha Manpuria:** Oh, it's tad better.
- Prakash Agarwal:** Because of the TTK acquisition, it is a tad better.
- Neha Manpuria:** No, no. Sir, the 16% growth is excluding TTK, right?
- Prakash Agarwal:** It's actually 17% pro forma. So on that, there's about 9% volume, 6%, 7% price, 1% here in there. So new product is about 1% to 2%. So it's not 16%, it's 17%. And pro forma growth that we had given in the presentation pack is 21%.
- Moderator:** The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.
- Tushar Manudhane:** Rajeev sir, first at the industry level. We are seeing this volume growth remaining quite muted, even FY'23, hardly 0% even FY'24, 0.9% or even 1Q FY'25 to be like 0.9%. So this shift towards trade generics. So will that sort of further reduce overall industry growth for next, let's say, 3 to 4 years, if you could share some comment on this?
- Rajeev Juneja:** See, I mean it's a mixture of things. One basically is that seasonality also plays a role because whatever unit growth comes, there is always a contribution of antibiotics or acute side of the business as well. Yes, you're right as well. I mean some kind of stress is there from generic kind of players as well. It's a mixture of things.
- Dr. Sanjay Koul:** Just to add, there is one more issue which we need to take into account that 6% contribution of modern trade is not being captured by IQVIA. That is why there is under reflection of volume growth as per IQVIA is concerned.
- Tushar Manudhane:** No, no. So I mean to refer the prescription side of the overall market. So there, we will see growth is getting much more moderated to the way it seems over the next 3 to 4 years, it could go down to 6% or so.
- Rajeev Juneja:** Try to understand one more thing that a prescription comes from the hospital, it is maybe not being tracked. And one more thing is there that hospital side, patients are more than general

practitioners. I mean whenever you see, you go to a hospital, you find more patients. Otherwise, in normal clinics, when season comes, then you see a good number of patients. That is also an impact.

**Tushar Manudhane:** Understood, sir. Secondly, as far as the metro Tier 1 share is concerned for Mankind, despite a good number of niche products being added, the chronic share being rising, the metro Tier 1 share still remains stable for last 2, 3 years. So just to understand if I'm missing anything.

**Dr. Sanjay Koul:** See, our metro and Class 1 share is around 53%. So there is still scope for improvement. The good thing is that both metro and town 1, we are growing at much better pace as compared to IPM growth. So we are bridging the gap between IPM, contribution of metro and Class I and Mankind.

**Abhishek Agarwal:** And Tushar, if you see last 4 years growth of metro, IPM is close to 10% to 12%, but growth is somewhere in the range of 11% to 20% for Mankind metro.

**Tushar Manudhane:** How much is it for Mankind?

**Abhishek Agarwal:** For Mankind it is in the range of 11% to 20%, you can refer last quarter presentation where we have highlighted that our metro share has increased from 51% to 55% in the last 4 years, chronic metro share.

**Moderator:** The next question is from the line of Sumit Joshi from SK Finance.

**Sumit Joshi:** Yes. Sir, I'm just asking a very high-level question, maybe from a 2 to 3 years the way we want to grow a product strategy right after the acquisition. Is there something big picture, which we are planning that we can give some guidance that will help me to understand better?

**Rajeev Juneja:** See, I mean, the big picture basically is, look at the history of Mankind, 5 points were there always in our head. First was a bottom-up approach. Second was our OTC business. Third was making mankind brand a household brand. Next was chronic side. After that, we entered into specialty and then now super specialty. So it's like I mean completing the pyramid, coming to the high end of the pyramid. And ensuring that we are in every side of the pharma market and growing in the fastest pace.

And hopefully, I mean, we'll do fantastic. Because going forward, as a number of times, these questions keep coming that there is a stress because of generic, because what we basically see generally, whenever you bring some product or one product which basically comes out of patent, 40, 50, 100 competitors come immediately.

And our intentions of taking this BSV is that we should be in complex business. We should be in difficult to make products, we should make the high-entry barrier products, where advantage is - either you are alone, either you have some kind of a monopoly or 1 or 2 competitors, that's plus side. You can command the prices. You have more EBITDA margin.

That basically is our hope. Keeping those planning in mind, we have just acquired this company. And we hope, we have said a number of times, this business will multiply in coming future.

- Sumit Joshi:** Okay.
- Rajeev Juneja:** We are very, happy and confident that this is a fantastic buying of Mankind. I mean, nothing can be better than this one because everything fits very, very well in Mankind. Look from any angle, every corner whether the consumer side, I mean, Ossopan or Lactare, whether it's a patent product, AntiD - high-entry barrier, whether you look at this Thymogam, again, 100% market share, in some animal bites with 98% share, infertility we have 1 or 2 competitors. It's amazing and we've done a fantastic job by acquiring this. Absolutely confident and pretty sure about this business.
- Moderator:** The next question is from the line of Nikunj Doshi from Bay Capital.
- Nikunj Doshi:** Just one question. Are we expecting any more merger-related costs in the next quarters?
- Ashutosh Dhawan:** Yes. So the transaction has started in a way at the end of the last quarter. So there will be certain merger-related costs, which will be coming in this Q2 as well.
- Prakash Agarwal:** So just to be clear, Nikunj, the cost that you are seeing in Q1 is related to the transaction that we saw in Q1.
- Nikunj Doshi:** Okay. Okay. So this larger transaction, what we are doing, that will be further in...
- Prakash Agarwal:** That will be in Q2.
- Moderator:** The next question is a follow-up question from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** Just on this, the BSV growth split between India and international, I probably misunderstood it. Total growth is 16% adjusted for the acquisition. And then you are saying India grew at 16% and international was better than 25%.
- Prakash Agarwal:** So Kunal, if you should see the presentation, we have given a 21% CAGR growth. We are giving a split of India and international, which is - India is 17% and international is 25% dollar-term growth.
- Kunal Dhamesha:** Okay. So 21% is not adjusted for TTK. So TTK is more in the international...
- Prakash Agarwal:** No, no. TTK is a domestic business. So what has happened is, why we have given pro forma numbers, there is a volatility due to the COVID-related products and the TTK related products. So we have neutralized that. If you see on a reported like-to-like basis, growth is actually 24%, but we wanted to give a pro forma numbers for the right reflection for future. Does that help?
- Kunal Dhamesha:** No, but the COVID would have also positively impacted during the initial phase?
- Prakash Agarwal:** No. But then there are spikes and there are peaks and valleys, right? So 1 year, you will see a spike, then other years, it will go down. So we have removed the volatility.
- Kunal Dhamesha:** But in CAGR, you will only look at the first and the last year, right? The spike will not...

- Prakash Agarwal:** So FY'21 was higher, right, because of the COVID year?
- Kunal Dhamesha:** Correct. FY'21 also, there were lockdowns. So yes, difficult to understand. Can you help us with a slightly larger -- longer-term growth rate for the BSV?
- Prakash Agarwal:** So we have called out that the growth will be in the region of 15% to 20% is what we believe, it can be even better. I mean this is our initial assessment. And we have also called out that we look at margins around 30% plus and to improve year-on-year.
- Ashutosh Dhawan:** So if you look at the audited reported CAGR, that is 23% and the adjusted is 21% with adjustment for COVID.
- Kunal Dhamesha:** Okay. And one question on the overall market in response to the previous answer. So you said the 6% of the modern trade is not getting reflected in IQVIA. My question is how fast that 6% is growing. And since it is not getting reflected, what are we missing from the IPM growth? And what is our exposure to that modern trade channel now? I think we had a good quarter, a couple of quarters back or something. So are we like now under-index, over-index or we are properly indexed with respect to that 6% of the market.
- Dr. Sanjay Koul:** So as per my understanding, 6% contribution comes in IPM from modern trade that is having growth, there is no channel to give us the correct growth number, but as per different sources, the growth comes to around 15%. As per Mankind is concerned, our contribution from modern trade is around 4%.
- Kunal Dhamesha:** 4%. So still there is scope for us to kind of penetrate more in this channel. Sure. And one question on the Panacea acquisition that you had done, right? It is some time that we have been with this business, how has that kind of grown - what we have seen in terms of the improvement in terms of profitability, any synergies that you have seen? If you can provide some update there, it would be good.
- Rajeev Juneja:** So Panacea business has already panned very, very well. On one side, again, super specialty business when we acquired Panacea, the thoughts were same, absolutely same kind of thoughts. Transplant business, super specialty - difficult to enter, one, that is being very good, Glizid anti-diabetics, more than INR100 crores brand now. And apart from this Sitcom is a patented product that we acquired. So all in all, the Panacea business must be growing at a pace of 20% - 25% right now.
- Ashutosh Dhawan:** 33%.
- Rajeev Juneja:** 33%.
- Ashutosh Dhawan:** 33% plus, in terms of profitability also; even though Panacea has been fully submerged into all the divisions wherever synergies were there, but on a very broad basis, the EBITDA margin is also close to 30% coming out of the products of Panacea.

- Rajeev Juneja:** And if you extrapolate Panacea, by many times, then this would be Bharat Serums - even better. And if you remember very well when Panacea was acquired, I mean, people were saying it's expensive this and that, but we knew our business.
- Kunal Dhamesha:** Okay. Sure, sir. And one for Ashutoshji. On the R&D expense, it seems lower for this quarter, right? So do we expect to ramp up? Or do we see that R&D expense overall would be more or less flat for FY'25 over FY'24.
- Ashutosh Dhawan:** So we would like to retain the guidance of close to 2% because R&D is mainly driven from some of the project related and the testing related expenses. So there are sometimes some spikes here and there, but by and large, as a rule of thumb, expected to be around 2% level.
- Kunal Dhamesha:** So it should see similar growth as to our top line more or less in FY'25. Last year was 2.2%, I guess.
- Ashutosh Dhawan:** So this time also, it will be in that vicinity only.
- Moderator:** The next question is from the line of Prashant Kothari from Pictet AMC.
- Prashant Kothari:** The first question is on the BSV acquisition itself. In terms of funding for it, I understand you have not kind of properly finalized. But just looking at the overall numbers, it seems that if you were to apply that discipline of 2x net debt-to-EBITDA, if you could just kind of wait until the FY'26 end then you would already be kind of in that limit even if you don't dilute. So just wanting to understand how you're kind of thinking about the need for equity dilution versus maybe waiting a bit so that it's not needed actually?
- Prakash Agarwal:** Yes. So the rough broad maths could be thought like this, that we are looking to fund this, as Rajeevji mentioned on the Friday call, that around INR4,000 crores could be used approximately from the internal accruals. For the remaining, the majority would be a mix of debt and equity and the majority would be debt. But we believe since we've always been a conservative company, there will be a requirement of equity, which could be in the region of about 30%.
- Prashant Kothari:** Right. So INR4,000 crores internal accruals we'll have in the next 2 years, plus, we have INR3,500 crores of net cash.
- Prakash Agarwal:** No, no Prashant. So around closing, we would be having that kind of cash. So we will be using that cash to pay upfront, that's one. The remaining that we are required to pay, which will be a mix of debt and equity, majority will be by debt given the cash flows that we have. We believe that we'll be able to take a majority of it as debt.
- But since we want to have a lighter balance sheet, we don't want to leverage significantly. And as per our guidance, of debt-to-EBITDA of not exceeding 2x, we think that we would be looking at plus/minus 30% of equity and that would be around closing.
- Prashant Kothari:** Okay. So the EBITDA you're looking for that calculation is of FY'25 itself?
- Prakash Agarwal:** Can you repeat?

- Prashant Kothari:** On a combined basis -- the EBITDA that you're using for that calculating...
- Prakash Agarwal:** Yes, FY'25 and FY'26. And on a conservative basis, we have calculated. So obviously, the business could give a bit better returns. But these assumptions are based on conservative estimates of mankind as well as BSV.
- Prashant Kothari:** Understood. And sir, the second question was on market growth differential between the kind of metro and Tier 1 versus the rest more rural semi-urban, how much is the differential these days? Has it changed versus the past?
- Dr. Sanjay Koul:** If we talk about IPM versus Mankind, Q1 basis, IPM rural has grown by 6.7%, Mankind is growing by 10.3%. And town 1 is growing by 10.4% as per IPM is concerned, and Mankind growing by 12.7%. Metro and town 1, in total, is growing by 9.3% as per IPM is concerned and Mankind is growing by 10.6%.
- Prashant Kothari:** So rural, as per IPM is growing the slowest, why is that happening? And is that just recent or that has been the trend in the last few quarters also?
- Dr. Sanjay Koul:** So FY'24 as well, rural has shown a growth of 5.9%. This quarter has been better as per FY'24 is concerned.
- Prashant Kothari:** Yes. But it is growing slower versus the overall market. So just trying to understand what is happening there in terms of the overall pharma sales, not for you, but for the industry?
- Dr. Sanjay Koul:** So rural, usually, the growth you see, there is a seasonal impact because rural market is all about acute segment rather than chronic. Last year, the acute season came very late in the month of October only. That is why we had muted performance of acute segment overall in the year and it impacted the rural growth.
- Prakash Agarwal:** Prashant, if I can add. So if you see the number of doctors who are available, the number of chronic diseases, which are growing faster than the market and acute, is happening more so in the metro and Tier 1 cities. So the growth share in metros and Tier 1 is higher versus rural.
- Prashant Kothari:** Okay. Which is what I was trying to kind of think of whether it is that the companies are not making enough efforts? Or is it just about the doctor population, wherever they grow the market grows, how should I kind of...
- Prakash Agarwal:** Again, Prashant, India is a land of many cities, towns, rural is like rural and then above rural, it would be again segmented into 3 sub-buckets. So the first bucket is metro and town 1. The second bucket is town 1 and town 2, which is Tier 1 and Tier 2 cities. And then there's a third bucket above rural, which is town 2 to town 4.
- So this is split again into 4 big buckets and rural is a part of it. So metro and Tier 1 is totally where everybody is really focused on. And I think, as Rajeevji mentioned, we have always gone bottoms up. So we started with actually not rural, but town 2 to town 4. And then we have picked to Tier 1 cities and now metro and Tier 1. So it is bottoms up for us.



- Sheetal Arora:** And to add to Prakash point because of the lifestyle changes, the chronic diseases are more prevalent. And because of hygiene, people in rural area, people are more aware about hygiene, cleanliness drives. So that's why acute is growing less and that's where you see the growth of chronic more, even in IPM also.
- Prashant Kothari:** Interesting. And sir, just the last question of our growth, how much is pricing?
- Dr. Sanjay Koul:** Because of pricing is 5.8%. Our volume growth is 1.9%, and growth because of price increases 5.8% and growth because of new products is 2.7%.
- Moderator:** The next question is from the line of Gagan Thareja from ASK Investment Managers.
- Gagan Thareja:** Sir, I have one question pertaining to the split of the acquired asset value of BSV into fixed tangible assets, intangibles and goodwill. If you could give a broad rough split, that would be very helpful.
- Ashutosh Dhawan:** Yes, Gagan, this is an extensive exercise, which will be carried out at the time of closing and after closing. But just to give you a sense, since it's a high-entry barrier and a niche asset, the majority of the allocation will be towards the intangible side. Close to around 60% to 70% would be the portion which may get allocated towards the intangibles.
- Gagan Thareja:** And when you say intangibles, I mean, because intangibles would include patents, trademarks plus goodwill life. I'm presuming that is how it is. So from the perspective of depreciation and amortization, it's going to be trademarks and patents which will be amortized, goodwill will not figure there. So I'm just trying to understand that split further down.
- Ashutosh Dhawan:** Correct. So goodwill will not be getting amortized but intangibles in terms of technical know-how, trade, brands which are coming with this and plus some other intangibles will also come, customer relationship, etc. so all those things will be getting amortized over a period. So how much will that period will be and the exact quantum of that intangible that is subject to expert valuation.
- But from the broad indicative point of view, it will be closer to 60% odd - the intangibles and the balance would be towards the goodwill. But this number is highly likely to get changed once the proper PPE exercise is carried out by the experts.
- Gagan Thareja:** Right. And Rajeev, sir, I think in your interview to Business Standard have indicated that BSV sales could touch INR5,000 crores sort of mark in the next 3 to 4 years. To whatever degree possible, would you be able to explain how you think you can bring this about what could be the broad contours of the strategy here?
- Rajeev Juneja:** Sometimes, I mean, journalists are also very enthusiastic. They basically add some kind of flavor. I mean the expectations are very high from this company. I said basically in 4, 5 years, maybe he rolled down to 3, 4 years. Understand the point, in some of the categories, there is no competition.

Example, AntiD is one product, which in India, approximately 5% to 7% ladies who want to be mother are Rh negative, right? That is approximately 90 lakh to 1.2 crores. But how many injections are being sold right now? 9 lakh. So right now the penetration is only 10%. If we increase the penetration to 20%, the market can grow double, 30% - more. It's a matter of just propagating it, matter of just making sure that people have this kind of a knowledge, just example. And they have patent on this product till 2028.

And also, within a number of countries, other countries as well, same is the situation. So this company comes with a very high-entry barrier products, one. The second basically is what, just look around yourself, which particular segment is growing fastest - infertility. You go in bigger towns, smaller towns, every place, every gynaecologist wants to open a fertility clinic. That is one area which is growing very, very fast because of urbanization, because of women empowerment, because of late marriages, a lot of reasons are there, right?

You see from any angle, I mean, this company has all their plus sides. Tailwinds are also -- complexities are there, difficult-to-make products are there, patent products are there. So this way, we expect this company can grow a lot, very, very optimistic.

**Moderator:** The next question is a follow-up question from the line of Chintan Sheth from Girik Capital.

**Chintan Sheth:** On the export side, if you look at the growth has been great as well on a high base, do you see the run rate of the current quarter can sustain or do you see as quarter progresses, we will see some softness at least the rate of growth can taper a bit low going forward? How do you see the exports panning out?

**Sheetal Arora:** See, because of the low base last year quarter, so growth is high in this quarter. But as always, mentioned in the commentary that Mankind business will mostly focus in domestic, almost 90% plus business of domestic.

**Chintan Sheth:** Okay. But at the 15% - mid-teen growth, which we gave, that is what we should work with...

**Arjun Juneja:** No, I think that the growth will continue. For an export side, the growth of quarter-on-quarter will continue, that's what has been guided so far.

**Chintan Sheth:** On the BSV deal side, you mentioned something around a 30% figure for the equity part, the fresh equity part. Is that correct understanding?

**Prakash Agarwal:** No, somebody had asked the question around how would the funding look like? Because everything is subject to closing. So we have received many calls and emails from analysts trying to understand for modeling purposes, how to think about it - of the asset.

We are just a little bit modeling ourselves that around approximately INR4,000 crores would be funded through internal accruals. That is the cash that we would have in the books by the time the closing happens. The remaining would be a mix of debt and equity. Out of that, the majority will be debt and the remaining, which we believe could be done with around 30%. Again, this could be changed subject to closing, but this is our initial assessment.

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

**Abhishek Agarwal:** Thank you. And please feel free to write to us for any further clarification or information. Have a nice day.

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

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