



## “Mankind Pharma Limited Conference Call”

**July 26, 2024**



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**Moderator:** Ladies and gentlemen, good day and welcome to Mankind Pharma Limited 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 “\*” then “0” 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. Thank you and over to you, sir.

**Abhishek Agarwal:** Thank you. Good evening everybody. A very warm welcome to the Conference Call of Mankind Pharma to discuss the acquisition of Bharat Serums and Vaccines Limited.

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; Mr. Ashutosh Dhawan - Chief Financial Officer and Mr. Prakash Agarwal - President, Strategy.

We will begin with opening comments from Mr. Rajeev Juneja, followed by comments from Mr. Sheetal Arora on the acquisition of BSV and thereafter Mr. Prakash will run everyone through the key slides and then we can open the forum for Q&A.

I hope you had a chance to access the Investor Deck and Press Release shared yesterday; however, I would like to reemphasize the fact that certain statements made during today’s call may pertain to future expectation and plans. A comprehensive disclaimer regarding those forward-looking statements can be found in our Investor Presentation and Press Release uploaded on our website.

Today, we will be addressing questions specifically related to BSV acquisition and will not be able to answer any other questions.

With this, I would like to invite Rajeev sir to share his comments.

**Rajeev Juneja:** Good evening, everybody. And it is a very special day, very special announcement is there.

But before I go for a written formal kind of a document, let me give you certain thoughts which are always there in our head in Mankind. One thing is very clear in Mankind that we have a very clear strategy and we are very clear about what we are supposed to do. It is like when you make a castle and 22,000 people live in that, then what you do, you make big tranches and big walls so that people can live safely and prosperity is always there. And that has always been our strategy to make sure that Mankind grows at a faster pace.



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And what are those things which we have always talked in the past as well? One has always been high entry barrier products. We have always talked about that. Super specialty was always our longing desire. Next was the lifestyle chronic diseases, we have always talked about that, OTC, OTC flavor angle in everything that Mankind is doing. And we have always worked to make sure that Mankind brand equity as a whole should become an example. If you look at the journey of Mankind earlier, it was a bottom up approach of mass level coverage of 4-5 lakh doctors, that was our style of mitigating the risk from the competitors with whatever resources we had in our hand in those days.

The second was OTC and brand building of Mankind, whether it was Manforce, Prega News or Unwanted 72 whatever, because we wanted to build Mankind brand as a whole - big brand. The third was what in the same clear strategy we launched our Specialty division during COVID time in Mumbai and came in cardio, diabeto, neuro, respiratory, all sort of specialized divisions. And to give fuel to these division, certain products were acquired. One name I can tell you is Combihale, and some in-licensed products were taken. Neptaz was one and now **Inclisaran** is one, the next basically is what Symbicort is another one because every specialized division needs some kind of specialized products.

And then we acquired Panacea, that was also part of that plan only and it was not only Glizid, we basically wanted to acquire along with Glizid a patented product Sitcom and most important super specialty business of Panacea, transplant business. That was a clear strategy for that. The next basically is what now we have come to Bharat Serum.

So I will call Bharat Serum not a specialty; it is basically a super specialty business with huge entry barrier, very super specialty kind of a business and they have got infertility business as well where penetration is only 1% and demand is huge and you can really command good prices over there. Along with this, they have some OTC, OTC flavored products, Lactare is one and Ossopan is another. These are quite popular brands, which were not properly nurtured in the past, but now taking a better shape. It basically complements Bharat Serum as even if I say compliment Mankind in every aspect, whether it is a high end entry product, super specialty product, infertility product. Along with this, they are backed with the R&D and super specialty high entry barrier products.

We looked Bharat Serum many years back as well, but this capital management has really turned around that Bharat Serum 5 years back, basically in just 3 years' time. Why I am saying three years because two years were lost in COVID times. So if I say that whatever we are paying to this Bharat Serum, this is very relevant in terms of it. It really has so much of value. So one thing should be very clear that this acquisition is not to really add some kind of revenue, but to add lot of value, future growth, entry barrier, super specialty business in Mankind. That was basically very informal kind of thoughts crossing my mind. So I just spoke about this.



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Let me now come to this formal announcement. Good evening and we are very pleased to announce the signing of definite agreement for strategic acquisition of 100% stake in Bharat Serum and Vaccines Limited from Advent International. BSV acquisition represents a pivotal milestone in Mankind's journey, which expands our high entry barrier portfolio and people's Mankind to leadership in women health. Now, Mankind becomes in women healthcare #1 Gynaec portfolio in IPM.

The deal is valued at an enterprise value of Rs. 13,630 crores subjective to closing related adjustments. BSVs complex portfolio across women health fertility and critical care segment are perfectly aligned with Mankind Pharms strategic vision to expand its footprint in high entry barrier portfolio. BSV is ranked #1 or #2 in 9 out of top 10 fast growing brands with limited competition in India and closed FY24 with consolidated reported revenue of Rs. 1,723 crore, delivering a robust 20% year-on-year growth.

BSV acquisition is in line with our stated acquisition cases of high entry barrier business with long run rate win for growth, specialty, R&D tech platform, solidifying our position offering in space like complementary drug portfolio with high potential OTX brands, EBITDA margin accretive to Mankind's margin, and unlock synergy by leveraging Mankind's extensive reach to target rapidly growing highly underpenetrated markets, especially in fertility as well.

We believe Women's Health and Fertility segment hold immense potential along with strong growth visibility globally fueled by structural tailwinds like lifestyle change, delayed parenthood, rising chronic conditions. BSV is strategically positioned to leverage these trends with their extensive range of products that cover the entire woman health spectrum, from fertility to pregnancy and post pregnancy. In the fertility side, BSV offers a comprehensive portfolio designed to scale across both the Indian and international market particularly as the IVF treatments become more prevalent. The market leadership of the company is further evidenced by its advanced and differentiated product offering. Beyond product offering, BSV has a developed, robust, Specialty R&D tech platform with capabilities in recombinant, niche biologics, novel delivery and immunological immunoglobins.

One of the prime examples of BSV's R&D capability reveals Anti-D where BSV is the only innovator in the world to develop patented recombinant Anti Rho. This product prevents RH isoimmunization in pregnant mothers, RH negative mothers with RH positive fetus where it is required actually. R&D platform significantly adds to Mankind's R&D engine along with potential opportunity from high value specialty pipeline in both Women's Health and Critical Care. BSV portfolio spanning Women's Health, Fertility, Critical Care, BI Specialty, R&D tech platform along with Mankind extensive scale and reach is set to deliver remarkable growth.

In recent years, our strategic initiatives including the launch of Specialty chronic divisions, the acquisition of Panacea Biotech's transplant, and Oncology portfolio and in-licensing agreements



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with global leaders including Novartis, for a leading cardiac product and from AstraZeneca for the premium inhalers - Symbicort and many more such deals, have significantly bolstered our presence in high entry barrier segments and chronic therapies.

With BSV acquisition, we will enhance Mankind's capabilities in the specialty and niche portfolio built on robust R&D tech platform along the leadership in Indian Women's Health market. As we welcome BSV's 2,500 members to Mankind Family, we are filled with a sense of excitement and purpose. Together we will collaborate to harness synergy that is very important, we can really have a fantastic synergy here, benefits with synergy as well and that will sustain growth and market leadership driven by our shared value and dedication towards making a positive impact on healthcare. Now, I pass on to Sheetal.

**Sheetal Arora:**

Thank you, Rajeev ji. Good evening, everyone and welcome everyone. First of all, thank you everyone for joining this investor call. Since last one year, we are doing this investor calls and whenever any question came about acquisition, in all previous call we have said that whenever any opportunity comes for acquisition, we will go for a company which has a very high entry barrier, super specialty product has a flavor of OTC and EBITDA accretive. And in last few months we have seen number of assets, but BSV stands out as it matches 100% with our criteria for acquisition. Why because BSV has developed some niche biological products and recombinant in-house which has a long term assurance of less or very minimal competition. They have a very strong R&D capability and robust portfolio for Fertility, Woman Health and Critical Care.

If I talk about an opportunity of infertility product, that is a very big opportunity in the world. According to WHO report, infertility affects one in six people across the globe and IVF adoption is still in its early stages in India and in other emerging markets. Fertility drug market is big and fast growing segment in India and globally. BSV is well poised to capture this market with most comprehensive fertility portfolio. BSV has a specialty branded portfolio in international markets with focused presence across 7 brand families with increasing focus on fertility segment. BSV branded specialty pharma portfolio across India and international markets present immense growth potential and will add to existing growth velocity of Mankind. Moreover, BSV business will be highly synergistic with our comprehensive portfolio, expensive field force and doctor coverage.

We are confident that this would correspond to an expansion of EBITDA margins and thereby solidify our position as a company known for marketing innovative and specialized offering. Thank you for all your continued support and confidence in Mankind Pharma. The future looks bright as we continue to make strides towards building a healthier Bharat. Thank you so much.

**Prakash Agarwal:**

Thank you, Sheetalji. Good evening, everybody. Let me take you to the investor presentation. I hope everybody has seen and gone through.



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I will just touch upon the key highlights. So of the Slide #3, if you see the transaction overview, Mankind has signed definitive agreement to acquire 100% stake in BSV. We plan to fund this acquisition through a combination of internal accruals and a mix of debt and equity. We expect net debt to EBITDA to be not more than 2x by fiscal 26. Transaction value translates to 22x to 23x on EBITDA of fiscal 25. We expect Rs. 50-Rs. 100 crore synergy benefits to flow through over the next 12 to 24 months. Thus on fiscal 26 basis, the EBITDA would approximately land up to 17x to 18x which we believe is an attractive valuation for a Super Specialty portfolio of BSV. With 30% plus EBITDA margin, considering BSV's potential of double digit topline growth and EBITDA margin expansion, we expect EPS accretion from second full year onwards and cash EPS accretion from first year onwards.

Now coming to Slide #4. Giving a glance on the company so clearly over a period of time, it has created big brands. It has 12 brands, about Rs. 25 crores, with the biggest being Anti-D above Rs. 100 crores. It has a world's first and only recombinant product Anti-D and many first in India, like rFSH and HCG. Company has many first-hand launches backed by proven capabilities in recombinant technology, finished biologics, complex delivery systems, and immunoglobins. BSV's significant focus on women health has 76% share in India and 55% overall with comprehensive fertility portfolio. Coming to the revenues, Rs. 1,723 crores in fiscal 24 split into India and international 54% and 46% respectively, which has seen a robust 3-year CAGR of 21%. EBITDA margins for BSV have been 28% on adjusted basis reported, however, 23% which is adjusted for TTK acquisition, exit related cost and ESR related expenses in fiscal 24.

Coming to slide #5. As Rajeevji and Sheetalji mentioned that the acquisition is in line with our stated acquisition thesis; A, high entry barrier portfolio; B, R&D Specialty tech platform; C complementary portfolio, EBITDA margin accretive acquisition and to unlock synergies. On a pro forma basis, if you look at the sales mix and the EBITDA margins and the brands, these are the three key criteria's where we look at it. So if you see that our domestic business focus remains with 87% pro forma revenue share. Brands from 40, we move up to 50 brands above Rs. 50 crores. EBITDA margin, if you see, the accretion results in an excess of 25% EBITDA margins in fiscal 24 pro forma numbers.

If we move to Slide #7, highlighting high entry barrier specialty pharma portfolio across India and emerging markets, I want to highlight complex portfolio and biologics need 5 to 10 years R&D to develop these products. And Anti-D stands out because of the only innovator in the world to develop patented recombinant. The other piece highlighted was the big opportunity in the fertility drugs. It has presence and a pipeline of 12 out of the 15 top in fertility drugs, which is largest among the global peers.

Also highlighted on the woman health leadership, it has high OTx potential products like Lactare and Ossopan.



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Fast growing India business- so India business has outperformed IPM by 1.7x with more than 9% volume growth. It has been creating large brands, 12 brands with 25% plus crore of sales. Top ten brands account for 60% of the domestic revenues.

International business has grown at a 25% CAGR in the last 3 years in constant currency terms and it has developed complex and specialty portfolio in the critical care and fast growing fertility segment in the international business, established R&D platform, three large categories, recombinant tech we mentioned, niche biologics, immunoglobins, complex delivery systems. We have separate Slide #on that. We will just discuss in a minute.

Complex manufacturing capabilities, Ambarnath facility has five injectable lines with capabilities across recombinant equine based hormonal and complex delivery systems is also an US FDA approved facility in Germany with in-house capabilities in enzymes and hormones. We continue to believe that the asset will be EBITDA margin accretive and margin improvement to follow through given the mix change towards recombinant and higher share of fertility.

Plus there would be an operating leverage which will flow through sales growth and manufacturing excellence. We also believe that there will be synergies which will boost both topline and profitability led by Mankind reach - geographical doctor reach, Sales force reach, higher MR productivity, operational excellence in sales and marketing and 75% in-house manufacturing, capability to move products in-house for manufacturing.

Slide #9. We want to highlight 3-4 key differentiators in the high tech platform that we are talking about the high entry barrier products, we are talking about Anti-D that stands out. In India, only 5% to 7% eligible mothers are RH negative which culminates into 1 crore mothers. So the opportunity is huge as the under penetration is huge. The key differentiator is that this product has patent till 2028. It is vertically integrated through in-house cell lines and it has recently been awarded with the Prix Galien 2024 in India which is for the most innovative product. Second product, Thymogam, it is the only ATG product in India for rare disease, aplastic anemia and has complexity in manufacturing and quality and to maintain the quality of the product. Foligraf, very excited about this product given the huge opportunity in the fertility market. It is the first biosimilar of RSH in India, best in class. Indication is for infertility in women, for evolution stimulation, strong distribution capability with 90% to 100% reach in IVF centers and comprehensive dosage forms, all forms of dosage forms from pens, PFS and vials.

Moving to Slide #11. I want to highlight the massive opportunity in the fertility market, which has strong structural tailwinds. We have all seen decline in fertility rates, driven by lifestyle changes, delaying parenthood, and prevalence of chronic diseases. This is leading to rapid scale up in IVF infrastructure across the country. Even Tier 2, Tier 3 cities are also seeing that. This is also coupled with increasing affordability and awareness and improved success rate. Globally, the market is \$6 billion, which is led by global players like Merck, Organon and Ferring. If you



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see, there is a huge growth opportunity in these markets as the IVF penetration is still around 1% in emerging market and in India.

Moving to Slide #12. BSV offers full range of woman health lifecycle products, from fertility to pregnancy and post pregnancy which is a unique platform. It is one of the few players globally with an exhaustive fertility drug portfolio which has 12 out of the 15 molecules in this space. Very few players again like Merck, Organon and Ferring, and other players like Ferring have this kind of capability.

Coming to Slide #13. It clearly brings us as a leader in the woman healthcare space with number one position in the Gynaec therapeutic area, which is led by complementary portfolio and coverage expansion, especially in the area of women health specialty, fertility, along with complex critical care products and animal bites products.

Where Mankind stands out is the field-force reach and doctor reach and where BSV would help Mankind in the institutional reach. So it is a complementary channel as well. Looking at the fast growing and limited competition portfolio, few colors on the key brands it has. The clear differentiator here it has got market dominance in terms of market share, three of the products where it is a solo player especially Anti- D/Rhoclon, Thymogam and ASVS. Other brands also if you see it has only one or two players, so it has a very limited competition portfolio and most of its key brands are going upwards of 20%-25%. Fertility products, in particular Humog and Foligraf given the huge growth potential are growing at 30% to 60% respectively. Moving to international, it has a specialty branded portfolio in the international markets. With two key home markets, Philippines and Malaysia and presence in 15 countries, it has focused presence across 7 brand families, representing 80% of the sales. BSV specialty brand portfolio is scalable with add-on filing potential across the markets.

Moving to Slide #16. We have spoken about the niche R&D tech platform, but want to highlight the product pipeline. Not only it has the recombinant entity first in the world, but it has two very interesting biosimilar products in women healthcare, which is under development. Also immunoglobins, there are three very interesting products, in Anti-infective as well as Anti-thymocyte products which are under development.

Coming to Slide #17, highlighting manufacturing infrastructure with complex capabilities, Ambarnath has been a facility which has been there for some time with 5 dedicated injectable lines, capabilities across recombinant equine based hormonal and complex delivery systems. Germany US FDA approved API plant, which is in-house and also strategic partnership with innovators for focused products for six key products, there is available land and building adjacent for expansion. There is also upcoming Genome Valley facility, which can be used for future expansion.





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Coming to the synergy benefits and Slide #18. First the revenue synergies if you look at clearly BSV portfolio can leverage Mankind's extensive geographical and doctor coverage, which is very extensive with more than 16,000 people on the ground. Mankind has developed unique consumer portfolio, so it has a huge potential to ship products to the OTC channel, BSV's comprehensive fertility portfolio to ensure long runway of growth given structural tailwinds. Cross sell opportunity in specialty channels, which are fertility clinics, institutions from a cost synergy perspective, we clearly believe that given Mankind capability, we can improve the BSV's MR productivity by leveraging Mankind's operational excellence. Second, potential shift of outsource manufacturing for RX portfolio in Mankind bringing the products in-house, leveraging resources across the companies, so multiple synergy levers to accelerate growth and improve margins.

Lastly, very important slide, Slide #19, which captures how Mankind has transitioned there, how Rajeevji articulated in his opening remarks from starting a mass market portfolio, which has a combination of acute, chronic and semi-chronic business and added and launched specialty chronic portfolio, which is Super Specialty in cardio, diabetes, CNS and added Mankind consumer business over a period of time. With BSV, it adds a new layer of growth, which is super specialty, which is sizable, scalable and has high entry barrier portfolio with specialty R&D tech platform across these unique platforms of recombinant biologics delivery systems.

Hope the above is helpful and now we are open for queries on this transaction. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Damesha from Macquarie. Please go ahead.

**Kunal Damesha:** So while the acquisition kind of fits into what we have been saying in terms of high entry barrier specialty business, but we have also stated that we would be focusing on the domestic business and will not be allocating capital towards the exports business, right and this kind of piece brings in decent exposure to export along with our exports, which have grown multifold in the last one year and are we kind of digressing the bit here on the strategy part to just focus on domestic and what kind of incremental capital allocation are we kind of expecting for export business or we would just be continuing with what piece we have got and focus on domestic?

**Rajeev Juneja:** So your question is absolutely right. We have always said that our focus would be on the domestic side, but at the same time, we have always said that whenever there would be an opportunity, we will go for complex, difficult to make injectable business. But here in this case, sir, you are supposed to really understand this is a branded business with high entry barrier. It is a very specialized business. It is not like, you cannot really paint export business with me too and super specialty with the same brush. It is not like that. It is absolutely different where the seller commands the price and in some of the cases we are the only company going forward and selling the product. That is the difference here. That you are supposed to understand. So don't

really even think that it is a need to some kind of a generic business we are doing in export market. It is a branded international business. It is a super specialty business where sometimes the competition is only with one or two players. It is that kind of a business. So that is one reason our thesis stands absolutely right. We are India focused, but it doesn't mean when we have a great opportunity like Bharat Serum which offers us high entry barrier super specialty, business and that to be branded business, do not go for it.

**Sheetal Arora:** And for your question about the capital investment and export right now the investment won't be much because infertility penetration even in rest of the world is very minimum and the scope is huge. With the same product, it can grow many fold even in emerging market also.

**Kunal Damesha:** But would it require any investment in let us say, plant or capacity building?

**Arjun Juneja:** So basically, this is Arjun here. There is enough capacity in Bharat Serum. So there is no capital allocation which would move towards any major R&D or any major plant and manufacturing setup and also wanted to highlight that at a blended level if you see both Mankind and Bharat Serum put together, the export business would only contribute to 13%. There is not a significant contribution towards the export.

**Kunal Damesha:** And the second question on the financing of the deal, right, while we have said to be some mix of cash, internal accruals and equity, but how are we planning in terms of financing?

**Ashutosh Dhawan:** So you rightly said it is going to be a combination of internal accruals, equity and debt. So what we expect that Rs. 4,000 crore is going to be from internal accruals and majorly the balance will be funded through the debt given that we will ensure the debt amount should not be more than 2x of the FY26 EBITDA of both Mankind and BSV. They have a strong cash generation abilities and CFO-to-EBITDA is close to around 70%. With regard to the exact quantum of that we will determine that between signing and closing.

**Kunal Damesha:** So as of now, should we exclude equity as a potential financing tool?

**Ashutosh Dhawan:** So we will come out with the definitive numbers as we approach closing, we are exploring various options at the moment and the exact quantum of that will be known once we approach the closing timeline.

**Kunal Damesha:** And then couple of questions, I think for Prakash, you said TTK acquisition adjusted CAGR is around 16%, is it right?

**Prakash Agarwal:** So the pro forma adjusted for TTK and some COVID sales, it is about 16% where the breakup is about 9% is the volume growth, around 6% is the price growth and about 1% is the new product growth.

- Ashutosh Dhawan:** The revenue CAGR for last 4 years has been upward of 20% for the BSV business.
- Kunal Damesha:** This is adjusted for COVID, right, COVID products which they would have sold?
- Ashutosh Dhawan:** Yes.
- Kunal Damesha:** And in terms of the Rs. 90 crore one off that we have adjusted in EBITDA, right, 23% was the reported EBITDA margin versus we have said 28% is the adjusted. What is the composition of that Rs. 90 crores?
- Prakash Agarwal:** So we are not breaking that out, but there are three key elements as mentioned in the opening. One is on the TTK acquisition related expenses, second is the exit related expenses by the private equity and third ESAR related expenses. ESAR is non-recurring and that is why we are calling it as adjusted.
- Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Service. Please go ahead.
- Tushar Manudhane:** Based on your comment on FY26, EBITDA 17x to 18x, which implies EBITDA of Rs. 750 crores for FY26, broadly 25% CAGR over 24 to 26, if you could just elaborate in terms of how this growth is going to come from base portfolio or you are factoring any new launches as well into this subscription?
- Prakash Agarwal:** As Sheetal highlighted, there is a significant product portfolio already invested in and the full potential is not extracted. So we believe with the Mankind's operational excellence, reach etc., both in India and international markets, the growth will accelerate, A.
- B, there is a lot of margin improvement scope that can happen, we already mentioned about the margins of 28% moving to 30% plus from 25 to 26. And third are the synergy benefits that would play out in the range Rs. 50-Rs. 100 crores over the next 12 to 18, 24 months which will be a function of both revenue synergies as well as cost synergies.
- Tushar Manudhane:** As far as this IVF penetration is concerned, which initiative is very low in emerging markets as well as in India, so if you could share some efforts of BSV into this segment in the past in terms of improving the accessibility of the product now which start to give you confidence of further cleaning up this segment?
- Arjun Juneja:** So basically, Tushar, if you see the penetration of IVF with the growing lifestyle changes and late marriages, people are having babies late and this problem of infertility is growing. So that is where the market is really under penetrated. Having said that there is a lot of focus in BSV to work with these IVF clinics, not just in India, but globally across these 15 markets where there

is major growth going to come from. It is not just BSV growth which is going to be there. It is going to be a market growth as well, which is going to result into BSV's growth.

**Prakash Agarwal:** If I can just add there so is the clear proof of the pudding, is that if you see Foligraf, which has been growing at 60% CAGR in the last 3 years and still is only Rs. 35 crores, so this can become a very big brand going forward. Second example is the Humog HMG, which is growing at 38%, which is Rs. 55 crores brand today. So these are huge long run rate of growth in terms of IVF products.

**Ashutosh Dhawan:** And globally, the market is more than 6 billion and the current penetration level is less than 1%. So you can see the potential and the magnanimity of the growth, which can entail in future.

**Tushar Manudhane:** If I connect this dot compared to the payback period broadly, what you would have sort of assumed for this acquisition, if you could share that as well?

**Prakash Agarwal:** So on the payback period, see it is very difficult to call out because signing has just happened; closing is going to happen in 3-4 months. What we are comfortable sharing at this point in time is the EPS accretion when it will start. So that is what we are commenting at the moment.

**Ashutosh Dhawan:** Moreover, it is a strategic acquisition and on the long-term basis, we are very confident that this deal will drive immense value to the shareholders.

**Tushar Manudhane:** And just lastly on the balance sheet side, if you could help us like in terms of how much is the gross block and how much is the working capital days for these?

**Ashutosh Dhawan:** So based on the diligence, the working capital days are somewhere close to 92 - 100 days cycle.

**Tushar Manudhane:** And the gross block, the tangible and intangible assets on the balance sheet?

**Prakash Agarwal:** Gross block, we will come back to you on that.

**Moderator:** Thank you. The next question is from the line of Amey Chalke from JM Financial. Please go ahead.

**Amey Chalke:** Sir, first question I have is on the breakup of India sales. I believe it is around Rs. 900 crore. Is it possible for you to provide how much would be the vaccine sales from this Rs. 900 crores and how much would be the branded retail sales from this Rs. 900 crores?

**Prakash Agarwal :** So there is no vaccine sales as such, the business is built largely into three segments. One is woman health specialty, second is woman health Rx and the third is fertility. Fertility is about 10%-12%, women health specialty is about 45% and the remaining is your RX.

- Arjun Juneja:** And also just to call out, the only vaccine is the Equirab vaccine, which accounts for Rs. 40 crores of business in domestic sales.
- Amey Chalke:** Is it fair to assume entire Rs. 850 crore or removing that vaccine entirely would be the branded generic retail sales basically? Will you go through prescription?
- Arjun Juneja:** Almost 90% of it would be branded sales, branded or everything is branded. Out of it 90% would be private market sale and 10% to 15% would be institutional sales.
- Amey Chalke:** And second question I have, what is the manufacturing landscape for these products in India at present? I believe most of these products have been launched over last 2-3 years even through Bharat Serum, so it looks like it is a market which is getting created in India at present. So how do you see how long you believe that this will remain a low competitive market going ahead?
- Arjun Juneja:** So at the moment, you know the manufacturing landscape is very complex. I think Bharat Serum is one of the very few companies in India and globally to have the capabilities to manufacture such type of products whether it is immunoglobulins or the IVF hormonal products.
- But having said that, it is not a question of how tough the manufacturing capabilities are. It is a matter of developing the relationship with the doctors because it is not a product which you can develop and launch tomorrow. It is a product which gets sold by winning the trust of the doctors. Doctors don't start writing such products overnight. It is the trust which Bharat Serum has developed over many years. Even if someone is able to manufacture and develop these products, it is very difficult to win doctors trust.
- Amey Chalke:** Just last question I have on the pricing front, because most of these products are at around like Rs. 2,200 to Rs. 20,000 kind of price range and at present very limited competition, you have factored in the pricing erosion going ahead in your estimates or how?
- Prakash Agarwal:** On the business model, we have taken a price increase of 4% to 5%, which is much conservative versus what you have seen in the past, which is about 6%-7%.
- Amey Chalke:** So you don't expect the competition to increase, so that is why you have not factored in?
- Prakash Agarwal:** Given the competition is itself low, we believe that this is achievable because if you see the main brands which we mentioned in one of the slides, in three of them, there is no competition. In three or four of them, there are two to three players, so there is a good visibility of limited price increase.
- Rajeev Juneja:** And also having said that, you need to understand this is a branded business. This is not a generic business where pricing plays a major role. It is a doctor's prescription which matters like how we do our domestic business.



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- Amey Chalke:** Just last question I have on the non-competitive arrangement, whether if it has been signed with the previous promoters of BSV?
- Ashutosh Dhawan:** This transaction is from a private equity. And normally the non-compete clause is for 3-4years. So this asset was taken by private equity from the erstwhile promoter. And this projection is between Mankind and the private equity.
- Moderator:** Thank you. The next question is from the line of Sourabh from Pictet. Please go ahead.
- Sourabh:** So from your remarks, it seems the DNA of BSV is quite different from Mankind. It is more oriented towards R&D and innovation. So are you planning to integrate their team with ours or do you plan to preserve the culture of BSV separately? And how do you plan to retain the talent of BSV?
- Rajeev Juneja:** See, this business is totally different. Their capabilities are totally different. So their thought process, DNA has to be different, but they will be complementing Mankind because we don't have these kind of business capabilities in one go. We have got two things, one - we like to run this company as far as the management is concerned, independently, yes, in coming time there would be a merger, but despite of that, they would be running this company independently because here different kind of requirements are there, different kind of talent is required, different kind of products are required. So on one side that culture of making sure that there is a proper institutionalization, right things of Mankind come in there in the team of BSV, but DNA as far as the working is concerned, should remain as it is right now.
- Sheetal Arora:** And to add to his points, we have acquired the capabilities of complex product and capabilities of people of BSV. So these will remain separate.
- Sourabh:** And how do you plan to retain that talent?
- Rajeev Juneja:** **That will definitely retain them in different mechanisms. you will see this in the time to come, you will come to know that.** Mankind is quite good in retaining talent, look at our background in last 28-29 years. People love Mankind. We create this kind of an environment. That is the DNA of Mankind, actually. The talent is one side. Talent is the mind, the heart is another side.
- Moderator:** Thank you. The next question is from the line of Surya Narayan from Phillip Capital. Please go ahead.
- Surya Narayan:** My first question is on the market presence in the international region. So while we are having patented molecule, still our market presence in the international region would be restricted to limited areas. What is the impediment there and what is the scope of taking it forward further and if that is the kind of strength, why are we restricting or indicating that, our aspiration for the international market business would be limited only?

**Arjun Juneja:** So the patented molecule which is Anti-D, it was initially developed for India market and slowly it started progressing towards other markets. It still hasn't received its approval in a lot of these countries. But having said that, the idea is to increase the focus and get approval of Anti-D in these 15 international markets and also we plan over the next 4-5 years to take it further into ROW and developed markets. There are about 20 ROW markets where filing is in process.

**Surya Narayan:** The development that is on for the other market and that will take us to those markets subsequently?

**Arjun Juneja:** Correct.

**Surya Narayan:** My second question is on the growth of the business segment and steep broader segment as you have indicated 10%, 45% and 45% RX and women health and IVF, so in terms of the profit profile of the business, which would be the best and how different would be the margin profile of this business? Even if you will give some qualitative aspect understanding point of view that is also fine? That is one and related and extended question about it is that in the opening remark, you mentioned that in the last 2 years the growth has been like phenomenal and it is not only in the revenues and the margin front also there is a kind of significant improvement. So what could have led to this kind of progression and is it only led by the prices or it is one supported also and can you continue the similar kind of progression both in terms of growth as well as margin improvement?

**Prakash Agarwal:** As highlighted, the entire portfolio is high entry barrier portfolio with an element of super specialty. So super specialty assets, if you see have high gross margins. That is why as the penetration and growth is increasing on these products, the EBITDA margin and gross margins have been improving.

**Arjun Juneja:** And at the same time there is lot of efficiency which has been built into cost which has led to increase in the margin profile and there are certain high margin products with high growth, especially Anti-D, those kind of products have led to increase in profit margin.

**Moderator:** Thank you. The next question is from the line of Gagan Thareja from ASK Investments. Please go ahead.

**Gagan Thareja:** I have two questions. One is, can you split up the total purchase value into fixed assets, intangibles, goodwill and also give us some idea of what the depreciation and amortization value can be? Second, even at the FY27 guidance that you are giving of the EBITDA, the ROCE at your purchase value still remain perhaps on mid to between 5% and 10% sort of an ROCE, so just trying to understand how do you see this evolving because prima facie the ROCE at the purchase value looks low?

- Prakash Agarwal:** I will take the ROCE question. So if you look at BSV's ROCE is currently in the region of 15% to 18% and we expect with improving margin profile and growth profile, it will move to 22% to 25% in next 2-3 years. If you look at Mankind, Mankind ROCE is 30% plus. So if you look at combined ROCE, adjusted for goodwill, it would be in the region of 20%.
- Gagan Thareja:** No, but then goodwill is the value you are paying for it, right, so inclusive of goodwill, the ROCE will still remain low, right?
- Ashutosh Dawan:** No, that is a good question. And as we highlighted that it is a super specialty R&D tech platform and there are patents also in this business and it is a combination of branded formulation, critical care and Super specialty business. So we will be carrying out the purchase price allocation exercise and basis that we will be doing the apportionment between how much to be allocated towards the intangibles and how much towards the goodwill. So that is an exercise which we intend to take out when we approach the closing or immediately after the closing. So if you ask me, the broad rule of thumb, it is very difficult to define the split at this stage, but broadly given this is a high quality and super specialty business, we are fairly confident that the allocation towards the intangibles will be higher. Majority of the portion will be allocated towards the intangibles in the business.
- Gagan Thareja:** And if I understand it correctly, I think in your presentation it also indicates that 40% of the portfolio in India is under price control. Is that the case and if that is so, does it not sort of constrain you in terms of pricing power?
- Ashutosh Dhawan:** You are right that 40% is there, but that is pricing agnostic because at the same time the pricing is higher and there is a headroom available between the MRP and the average sale price. So having said that historically, BSV has been able to take price increase close to 6% on a year-on-year basis and that has resulted in the pricing efficiency which you have seen in the EBITDA improvement.
- Prakash Agarwal:** See Gagan, you have to see that these products are very limited competition, unlike branded generic for example, when they enter and then suddenly there is a like you saw in diabetes, one or two MNC player and then there are a host of 30 players coming in even in the branded generic market. This you have to take it as a super specialty business where the competition remains 2-3 at best and maybe 1-2 to start with. So the pricing power on these and the volume growth given the low competition is significantly higher.
- Abhishek Agarwal:** And at the overall level, if you see, as we have highlighted for Mankind, so our NLEM exposure is close to 14%-15%. At the overall level, it may go up to 17%-18%. So 82% is still non NLEM.
- Gagan Thareja:** And are the exports targeted only at the ROW, or are you going to look at exports in the regulated markets as well?



- Sheetal Arora:** Recently, it has been targeted in ROW emerging market, mainly focusing in ROW market only.
- Moderator:** Thank you. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.
- Alankar Garude:** First question you spoke about 30% plus EBITDA margins in FY26 and also alluded to the fact that the gross margins for BSV are pretty high, so based on your current assessment and taking into account those 4%-5% price hikes plus synergies and efficiencies, high growth, what could be the peak EBITDA margin for BSV?
- Prakash Agarwal:** So Alankar, just one point before we start answering that. So the domestic business gross margins are significantly higher. The second point is what are the margin levers is the question?
- Alankar Garude:** The peak EBITDA margin based on your current assessment for the overall entity?
- Prakash Agarwal:** So this business can continue to see 100 to 200 basis point margin improvement year-on-year, given that the growth will improve, operational efficiency will improve, then there will be synergistic benefits. So on an overall basis, we can believe that every year there would be margin improvement and there will be new technology based products also coming in, which will again improve the margins.
- Alankar Garude:** And when you say, Prakash domestic gross margins are significantly higher, can you just broadly bifurcate what is the difference between domestic and international gross margins for this portfolio?
- Prakash Agarwal:** So basically, if you see the branded generic gross margins of domestic business, it is little better. So that was the point that I was trying to make.
- Alankar Garude:** And the second one is the clarification on the historical organic growth. You spoke about 16% earlier and then there was also mention about 20%. So can you clarify that and the 16% or 20% is over what timeframe?
- Prakash Agarwal:** So the 16% is from the India business pro forma basis, 25% is for the international business. Blended basis, it is about 20%.
- Alankar Garude:** And this is over how many years?
- Prakash Agarwal:** Last 3 years, 21 to 24.
- Alankar Garude:** So there Prakash, the base would also be a bit low, right, because these were COVID years, so if you can help us with?

- Prakash Agarwal:** We can deal it offline.
- Ashutosh Dhawan:** So just to clarify, 2 numbers are floating around, one is 16, second is 20. 20 is the reported or the actual growth registered, 16 is the adjusted for COVID and the other acquisition. So that is how you have to look at it, Alankar.
- Alankar Garude:** So basically it is 20% reported overall growth for BSV and 16% is the adjusted growth for the acquisition as well as COVID over the 3-year timeframe?
- Moderator:** Thank you. It is from the line of Prashant Kothari from Pictet. Please go ahead.
- Prashanth Kothari:** Sir, my question is looking at the history of BSV, the growth rates were pretty low before Advent came and the growth rate was like 8%-10% annually and then it has suddenly come up to whatever 16% or 20%. My concern would be how much due diligence have you done on the sales that they have recognized, is there any kind of dumping has happened in the market because private equity can be kind of bit bad in terms of trying to dress up the company and then sell it at higher prices, especially given the fact that that coming out of it in kind of only 4-5 years. So just wanted to understand your process of due diligence before you have signed up for this?
- Rajeev Juneja:** We have done a good diligence in this. We are from the market side as well. We know inside story of earlier Bharat Serum and this Bharat Serum, we know the management, we are absolutely confident that these two extra dumping is not being taken place and apart from this, we have almost some kind of sense on numbers of this quarter as well. That also reflects that things are right.
- Ashutosh Dhawan:** So the approach has been both internal as well as external. For external, we engage with one of the big three for the commercial and the revenue diligence. It was a proper due diligence exercise, which was carried out by a combination of big three, big four and the big law firms. This was an extensive process, which we went through over the last two months timeframe.
- Prashanth Kothari:** So what led to the sales inflection after Advent came in?
- Rajeev Juneja:** When it was held by the previous promoters, it was a very mismanaged business. They had good products, but they were very mismanaged. When Advent came in, they brought in new management. New team came in to run this business and there was a lot of cost which were taken out and lot of products which were there in R&D which were shared, products which were relevant were developed and lot of effort was put into marketing these good quality products.
- It was a company which had good products, good engine, but it was mismanaged, so they basically came in with the new leadership who could manage the business well and that is where the growth came in.



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**Prashanth Kothari:** And sir, in the domestic business margins, would they be kind of somewhere between typical chronic business margin and acute business margin, would they fall somewhere in between?

**Prakash Agarwal:** Yes, in that range.

**Prakash Agarwal:** Thank you. Please write to us for any further clarification and queries. Thank you. Have a nice day. Thank you.

**Moderator:** Thank you. That concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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