Serving Life

Date: November 11, 2024

BSE Limited
P J Towers,
Dalal Street,
Mumbai – 400 001

Script Code: 543904

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

Symbol: MANKIND

Dear Sir/ Madam,

Subject: Investor Conference Call for Q2 & H1FY25 – Transcript

---

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference Call for Q2 & H1 FY25 held on Tuesday, November 05, 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/q2_fy25-transcript_11112024-1731327465.pdf

You are requested to kindly take the same on records.

Thanking You,

Yours Faithfully,

For **Mankind Pharma Limited**

PRADEEP CHUGH Digitally signed by PRADEEP CHUGH Date: 2024.11.11 18:04:37 +05'30'

Pradeep Chugh
Company Secretary and Compliance Officer

Encl.: As above

"Mankind Pharma Limited

Q2 H1 FY '25 Earnings Conference Call"

November 05, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to Mankind Pharma Limited Q2 & H1 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 the 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, and a very warm welcome to our Q2 FY '25 Earnings Conference Call. On call today, we have Mr. Rajeev Juneja, our Vice Chairman and Managing Director; Mr. Sheetal Arora, Chief Executive Officer and Whole Time Director; Dr. Sanjay Koul, Chief Marketing Officer; Mr. Ashutosh Dhawan, Chief Financial Officer; and Mr. Prakash Agarwal, President, Strategy.

I hope you had a chance to review the investor pack already uploaded on our website a couple of hours back. We will begin with Mr. Rajeev Juneja sir providing an overview of Q2 FY '25, followed by detailed insights from Mr. Sheetal Arora sir on our business performance. Mr. Ashutosh Dhawan sir will then cover our financial performance. And after that, we'll open the floor to ask questions.

Please note that some statements made on today's call may be forward-looking. For a full disclaimer, please refer to the investor presentation and press release available on our website. Now I'll hand over to Rajeev sir for his comments.

Rajeev Juneja: Thank you, Abhishek, and good evening, everyone. A very warm welcome to our Q2 & H1 FY25 earning call. I am delighted to share with you all that we have now successfully acquired Bharat Serums and Vaccines Limited. This acquisition is a significant milestone as it perfectly aligns with our vision to expand into high entry barrier products in women's health care, and niche critical segment. It also positions us as number one player in gynaecology segment, and further strengthens our research and development capabilities with improved technology.

While many see this as a transaction closing, at Mankind we see it as an inspiring beginning of a new journey together as one family of around 25,000 employees with BSV.

On the quarterly front, in Q2 FY25, our revenue increased to INR3,077 crores, registering a growth of approximately 14% year-on-year and a healthy EBITDA margin of 27.7%.

In first half of FY '25 revenue increased by 13% year-on-year, with an adjusted EBITDA margin of 26.5%. Our chronic share increased 120 bps year-on-year to 36% in first half '25 as compared to 34.8% in H1 '24 driven by continued outperformance of 1.3x to IPM chronic growth.

In Q2 FY'25, our domestic business grew at 11% year-on-year, consistently outperforming the IPM growth, driven by volume and chronic outperformance. In this quarter, the market share by volume has also increased to 5.9%, driven by a healthy volume growth of 1.3% as compared to IPM volume growth of 0.4%.

With our commitment to provide affordable quality health care accessible to all, we now have 200-plus DMF-grade products, of which more than 90% is in the chronic segment.

Moving on the Consumer Healthcare business. We believe this business has a huge potential, and hence, we have carved out our OTC business to a wholly owned subsidiary of Mankind Pharma, which sets this business for next phase of growth.

On the R&D front, we remain committed to product innovation and establishing strategic partnerships with innovators to enhance our product portfolio. Additionally, BSVs complex R&D tech platform will bolster our product presence in highly complex, innovative recombinant, biologics, immunoglobulins and complex delivery products.

In the last quarter, we laid a strong foundation for our next phase of growth by developing multiple growth levers, a resilient base business, a rapidly growing specialty chronic segment, high potential OTC business and now a super specialty portfolio of BSV. We believe strongly that the best of Mankind is yet to come.

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

Sheetal Arora: A very good evening, and I thank everyone for taking out time and joining us on our Q2 FY'25 earning call. As Rajeevji emphasized, our strategic acquisition of BSV expand Mankind's presence in high-entry barrier segments, both in India and emerging markets. Specifically, their women's health and niche critical care products present significant opportunities supported by favorable market trends.

We believe this acquisition will further support revenue growth and improve EBITDA margins, allowing us to unlock new opportunities and strengthen our product portfolio. This acquisition is financed through a mix of debt, equity and internal accruals. We may consider to retire a portion of the debt through a potential equity raise which is already approved by the shareholders to maintain our net debt-to-EBITDA ratio below 2x by FY'26.

I want to extend my heartfelt gratitude for the overwhelming response for our recent debt raise. Your trust is invaluable to us and we recognize the added responsibility, it entails as we move ahead. Following the closing of our transaction last week, both teams have begun collaborating closely to develop a comprehensive road map for the seamless integration of BSV. We anticipate its completion within the next couple of quarters and look forward to capitalize on potential synergies.

As I talk about domestic business, let us start with our domestic business revenue. This increased by 11% year-on-year basis to INR2,796 crores in the Q2 FY’25, supported by volume growth and chronic outperformance. This quarter, we continue to maintain our #2 rank in volume terms. Our consistent outperformance of 1.3x in chronic growth compared to the IPM chronic this quarter was driven by resilient outperformance of 1.6x in cardiac and 1.4x in anti-diabetic, alongside recent strategic launches in chronic segment.

As a result, our chronic share increased by 119 basis points on a year-on-year basis surpassing 35% in Q2 FY'25, commonly referred to as an acute heavy quarter. In contrast, the IPM chronic share increased 60 basis points to 38% during the same period. In line with our focus towards expanding specialty chronic, we have launched Crenzlo injection (Inclisiran in-licensed from Novartis) used for hyper lipid lowering.

We continue to be the leading player with a higher prescription share of 15.4%, reflecting the trust that doctors have on Mankind and our products deeper market reach. Additionally, our prescriber penetration has also improved by 30 basis points increasing from 83.2% in Q2 FY'24 to 83.5% this quarter.

About OTC. In the OTC business, our strategic initiatives adopted in the past are now largely implemented, and we have started witnessing strong growth in this segment.

In this quarter, revenue increased by 20%, reaching to INR232 crores as compared to INR193 crores in the same quarter last year, driven by healthy growth across key brands supported with strong growth in e-commerce and q-commerce channels. We are also witnessing strong traction in our recent strategic launches that is Manforce Connect and Epic premium category condoms, Nimulid in pain management, etc.

In international business, the revenue from export increased by 57% year-on-year and 8% quarter-on-quarter to INR281 crores in Q2 FY’25, led by increase in our base business and new launches in the last 12 to 24 months. Additionally, BSV's complex portfolio of fertility, recombinants, criterial care products and Immunoglobulins having high entry barriers will further strengthen our international product portfolio basket.

Thanks to the dedication, passion and customer-centric approach of our team, I am confident of achieving new milestones in the upcoming quarter. We look forward to upholding the trust our customers place in our product and wish to reaffirm our commitment to enhancing the quality of life.

Now I will hand over to Ashutosh ji, who will provide detailed insight on financials. Thank you so much.

Ashutosh Dhawan: Thank you, Sheetal ji. Good evening, everyone. I'm delighted to have you all with us on our Q2 H1 FY '25 earnings call. Let me give you a brief of the financial highlights of our quarterly performance for Q2 FY '25. Revenue from operations has increased by 13.6% year-on-year basis to INR3,077 crores as compared to INR2,708 crores in Q2 FY '24.

During the quarter, EBITDA has increased by 24.3% year-on-year basis to INR853 crores with margins of 27.7% as compared to INR686 crores with margin of 25.3% in Q2 FY '24. The increase in EBITDA margin by 2.4% was largely due to a 2.1% improvement in gross margin, and the balance is on account of operating leverage. The EBITDA margin for H1 FY '25 is 25.8%, which is largely in line with our earlier stated guidance of 25% to 26%. However, adjusted EBITDA for H1 FY '25 is 26.5%.

For this quarter, our gross margins have increased to 71.6% year-on-year basis from 69.5% in Q2 FY '24. This increase is a combination of sales price increase effect and favorable sales mix contributing 1.1% and remaining 1% is towards favorable input costs as well as certain operational efficiencies.

The R&D expenses for the quarter of INR58 crores remained at 1.9% of sales, which is within the stated guidance of 2% to 2.5%. Depreciation and amortization expenses increased to INR106 crores as compared to INR96 crores in Q2 FY '24, and this is majorly due to the impact of capitalization of completed projects in the previous 3 quarters.

The effective tax rate for H1 FY '25 was at 20.8%, which is in line with H1 FY '24 ETR of 20.6%. However, for the quarter 2 FY '25, the ETR was 22.4% as compared to 20.3% in Q2 FY '24 last year. The PAT increased by 28.9% to INR659 crores during the quarter with diluted EPS of INR16.3 per share of INR1 paid. Cash EPS, which is EPS adjusted for noncash items, like depreciation and amortization was at INR18.9.

The net operating working capital days for the quarters has increased to 45 days as compared to 44 days in Q2 FY '24. Further in H1 FY '25, our cash flow generated from operations was at INR1,139 crores, which is on a Y-on-Y basis increase of 18% from H1 FY '24. Our cash flow to EBITDA ratio in H1 FY '25 is 74%.

Our capex spend for Q2 FY '25 was INR128 crores, which is 4.2% of the total revenue for Q2 FY '25 as well as H1 FY '25. And the same is in line with our guidance of 4% to 5% of the revenue. Our net cash position has increased significantly to INR4,255 crores as at 30th September '24, vis-a-vis INR2,159 crores as at 30th September '23.

The return on capital employed, excluding cash, is at 35% level as of 30th September '24 on a trailing 12 months basis. The return on equity ex cash is at 31% level as of 30th September 2024 on a trailing 12-month basis. Now BSV transaction has formally got closed on 23rd October '24. Therefore, Q3 FY '25 will have consolidated results of BSV for that past period.

Further, for the purpose of this acquisition, Mankind has raised INR10,000 crores in debt, split into INR5,000 crores on nonconvertible debentures and INR5,000 crores for commercial papers with each component structured in 3 tranches. The composition of NCD is in 3 tranches of INR1,250 crores and INR1,250 crores and INR2,500 crores at a coupon interest rate, which is ranging from 7.97% to 7.99%.

The tenure of these NCDs is spread across 18 months, 24 months and 37 months. The interest on these NCDs is to be serviced on a semi-annual basis. The commercial papers were raised in 3 tranches of INR3,000 crores, INR500 crores and INR1,500 crores at a coupon interest rate, which is ranging from 7.45% to 7.85% and the tenure of these CPs is spread across 91 days, 182 days and 365 days.

As Sheetal ji has highlighted, we may consider to retire a portion of debt through a potential equity raise, which has already been approved by the shareholders. And this EBITDA margin accretive acquisition aligns with Mankind's goal of maintaining net debt-to-EBITDA ratio of below 2x by FY '26, reinforcing its commitment to sustainable growth and financial discipline.

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

Abhishek Agarwal: Yes, the forum is open for questions.

Moderator: Thank you very much. The first question is from the line of Neha from Bank of America. Please go ahead.

Neha: Sir, my first question is on the India domestic formulation business. What is the seasonality in…

Prakash Agarwal: You're not audible. Can you please speak up?

Neha: Okay. Let me try speaking louder. So for the India formulation business, just wanted to get a sense on how the seasonality was in this quarter. Because it seems like obviously chronic, we have done very well. But is it fair to assume that this growth could have been better if we had a normal season? How was it versus your expectation?

Rajeev Juneja: Hi Neha, good evening, Rajeev here. You're right. I mean, this time, Deepawali came a bit earlier than last year. This is one. Plus one more thing, basically once in every 5 years at mankind, we go for a deeper commercial excellence. And what's the meaning of that?

In every 5 years, we find a bit of inefficiencies - things are not happening as per our system, and productivity problems are there. We start working on that side, and we don't shy away from working to make our foundation strongest.

Prakash Agarwal: So just to add on the season side, I think we saw a fairly decent season both in terms of chronic and acute season. So nothing much to call out. It's a regular season for us.

Neha: Okay. Understood. And just on the other expenses, we seem to have seen -- seasonally, if I look back, this quarter, we do see a step-up in other expenses, even if I adjust R&D. But this quarter there seems -- I know there is a one-off in the first quarter. But even adjusted for that, other expenses seems to have come down meaningfully quarter-on-quarter. So I just wanted to understand is there savings seen there? Because I thought we were -- we should increase the promotion spend, etc. So operating leverage being better than we had expected.

Ashutosh Dhawan: So you are right in your assessment, Neha. Other expenses in this quarter, they have been pretty controlled. Last quarter, there were 2 effects. One was, there was an impact of certain one-off acquisition-related costs, not to BSV but some others. And second was the impact, apart from one-off, we introduced 4 new divisions. So a bit of an investment went into that direction as well. In Q1, there was a bulge in the expenses, which has normalized in Q2.

Neha: Understood. And sorry, one last question on BSV. Now that we'll start integrating the asset, what are the milestones that we should look at in terms of margin improvement? I mean when can we start looking at probably improvement in MR productivity, probably the in-sourcing that we talked about, scope for price increases. What is the scope for margin if you think about a 1-year perspective or 2 years down the line based on your comfort of giving any margin guidance there?

Prakash Agarwal: So Neha, as per last commentary, there are various synergy levers in the business. But first, we have just closed the transaction. We just started integrating it. Our focus is to improve the growth of the mandate brands, both in India as well as international because we see that there's a lot of juice left. And if these products continue to see that kind of growth, the operating leverage will flow in, because gross margins also are good for these kind of products.

So apart from the base business growth in this, there will be a couple of synergies. One is in terms of MR productivity, as you rightly said, the Rx business, the TTK portfolio. The MR productivity, as highlighted earlier, is much lower than the company average of BSV, so that's under 3 lakhs currently. We have some plans there, that can improve significantly in the immediate to near term to medium term. And secondly, there are manufacturing - CMO kind of opportunities plus a host of other things that would pan out in the next 12 to 24 months.

Neha: Prakash, what would be the gross margin for the BSV asset?

Prakash Agarwal: So gross margin-wise, I think on the consol front is in the region of Mankind, a little lower than company average, but it would -- if the mandate brands increase, I mean, the mandate brands are upwards of 70% plus.

Neha: Okay. But on a blended basis, it's slightly lower than Mankind?

Prakash Agarwal: Currently its slightly lower, yes.

Ashutosh Dhawan: So it is comparable to Mankind, a shade better than Mankind...

Moderator: The next question is from the line of Amlan Das from Nomura India. Please go ahead.

Amlan Das: Sir, my question is regarding the regulatory restrictions that you have written for the acute products. Could you please elaborate on that a bit?

Prakash Agarwal: So there are 2 products in 2 therapies. So first one is Codistar, which we've been highlighting for the last 4 quarters. So there is some impact there in this quarter as well. Going into Q3 and Q4, the impact will come down. In this quarter, particularly, there is one product in the gynaec segment, which is Unwanted-72, which has also been impacted. So adjusted for that, I think the IQVIA number (mankind secondary sales) would have been 10% plus, which is currently 8.6%. So from an outperformance perspective, we would have still been 1.25x versus the IPM.

Amlan Das: Okay. Sir, one more question on the Dydrogesterone project, what is the update there? How is the progress in the last quarter?

Sanjay Koul: So our growth last quarter has been more than 20% if you include both the brands that are Dydroboon as well as Drogyna in two different divisions. They have grown by more than 20% in Q2.

Amlan Das: Okay, sure, sir. And one more question, if I may. In the exports, on one-off opportunities that was there in the last quarter. Is it continued? Or is it purely based on new launches and the base business, the growth.

Prakash Agarwal: So one-off opportunities where? Sorry, your question is not clear.

Amlan Das: Sir, my question is that the export growth. Is it purely based on the base business growth and the new launches? Or has the one-off opportunity been continuing in that way that were mentioned in the last 2, 3 quarters?

Prakash Agarwal: So export business has seen good growth, both in the U.S. as well as ROW markets. The one-off opportunity, that is, again, as highlighted earlier, is smaller versus the base business.

Abhishek Agarwal: The growth Guidance is expected to be intact, that is double-digit growth over the last year number.

Moderator: The next question is from the line of Harith from Avendus Spark.

Harith: On BSV, now that we've closed the transaction, can you share some more details around the purchase price allocation, the breakup between intangible goodwill and the net assets acquired?

Ashutosh Dhawan: We have just started this exercise. So nothing more to add to what we have highlighted earlier, and this exercise is going to take some time. So on a very broad basis, what we can say is that whatever is the premium, anywhere between 27% to 33% would be allocated towards the goodwill portion.

Harith: Okay. Got it. And if you can also talk a bit about the performance that you've seen at BSV in the first half of FY '25, both in terms of growth and margins? And how we should think about BSV numbers for FY '25? If you could share some outlook, that would be helpful.

Prakash Agarwal: So we can share only top-level data points. From a top line perspective, the formulation business, which was 90% plus fiscal '24 sales has grown at about 13%, the German API business, which contributed 9% in FY24 has actually declined by 50%. So net-net, we have grown in the formulation business, which has led to EBITDA margin expansion, which was 23% reported last year to now 26%.

Harith: Okay. And is there some outlook that you can share for the second half or for the full year?

Prakash Agarwal: So I think, the closing has just happened and the guidance remains that business is expected to continue to see 15% plus growth with the improvement in EBITDA margins.

Harith: Okay. And lastly, on the Consumer Healthcare business, we've seen a 20% Y-o-Y growth, a strong performance. So how should we think about the sustainable growth for this business?

Abhishek Agarwal: Yes. So Harith, on OTC business, although Q1 was a little impacted. So here, you may expect high single digit to low double digit for this financial year. And going forward, you may expect double-digit growth. And EBITDA margin will largely be in the range of 18% to 20%, as we have guided before.

Moderator: The next question is from the line of Gagan Thareja from ASK Investment Managers.

Gagan Thareja: First one is a clarification on BSV. If I go by the presentation figures that you gave last quarter, I think OPM stated there was 28% adjusted OPM. You talked of OPM's first half being 26% versus 23% reported last year. So I mean, like-for-like adjusted, what's BSV's operating margin for the first half of this year versus last year?

Prakash Agarwal: Yes. The adjusted EBITDA margin is 29%.

Gagan Thareja: Versus first half last year would have been?

Prakash Agarwal: So it is in the region of 28%.

Gagan Thareja: Okay. All right. Second one is on incremental interest and depreciation cost post the consolidation of BSV starting next quarter, if possible to enumerate and give some idea on that?

Ashutosh Dhawan: That's what we highlighted that the current purchase price allocation study is on the way. And we expect to close this excercise by end of this year. So by that time, you will get a fair idea as to what is the intangibles, which are getting amortized and how much is getting allocated to the goodwill. The premium what we expect on a very, very high level, is close to around 30% towards the goodwill.

Gagan Thareja: Sorry, 30% would be towards Intangibles?

Ashutosh Dhawan: The balance should be towards the intangibles, but this has to be validated by the valuers. Currently, we have just started this exercise after closing.

Gagan Thareja: Amortization would be done over what time frame?

Ashutosh Dhawan: You have to be a bit patient because this exercise is going to take time, because there are multiple intangibles and each intangible will have a particular time frame. So we will give you more color to this in our next investor call. By that time, we can talk about this with more certainty and clarity.

Gagan Thareja: Okay. And basis the repayment tenures of the NCDs and the commercial paper, what would be the overall cumulative debt repayment annually you would be targeting in '25, '26 and '27?

Ashutosh Dhawan: As we highlighted that to maintain the financial prudence by FY '26, the overall debt should be less than 2x of the EBITDA level. Overall time frame, what we have kept is 3 years, within which we intend to liquidate the whole debt of INR10,000 crores.

And the plan to accelerate the repayment is, one is through QIP – a part of the debt is going to be retired through that. And we have certain non-core assets for which we have initiated the process of liquidating those assets. So those proceeds will also be used to retire debt.

Gagan Thareja: And what could be the equity -- possible equity dilution you would do to partly pay the debt?

Ashutosh Dhawan: So that will be close to INR3,000 crores, as per financial prudence, what we have worked out. This is subject to the formal approval and consideration by the Board. So that is the proposal which will be put across to the Board for their consideration and evaluation.

Gagan Thareja: Okay. And final one from my side. Sir, the chronic acute mix will keep on moving in favor of chronic for Mankind's base business. Obviously, it comes, as you've already pointed out at 10% or more higher gross margins, which means that logically speaking, operating margin should have more headroom to improve unless you intend to claw it back in promotional spends. Likewise, there are operating levers in BSV. Is it fair to assume that both base business of Mankind as well as BSV will have an improving operating margin trajectory going ahead?

Ashutosh Dhawan: That's a fair assumption.

Gagan Thareja: Is it possible for you to give some corridor or enumerate very broadly on ballpark what sort of improvement should we be looking at on an annual basis?

Ashutosh Dhawan: So the broad guidance what we have given going back to the guidance of 25% to 26% is for Mankind. And what we have been maintaining stance is that the BSV acquisition will be margin accretive. So the BSV margins should be better or comes out to be better than the Mankind margin.

Also, you have to appreciate there are levers available, which can enhance the margin. But to quantify them at this stage, will be a bit premature. So we would like to maintain the same guidance of 25% to 26% for Mankind.

Moderator: The next question is from the line of Bansi from JPMorgan.

Bansi: So my question is on BSV. How should we think about growth in international markets for this portfolio? So I understand you've guided for 15% growth. And in the domestic market, you guys have a pole position with your distribution reach. But when we think about international markets, what I understand is that Philippines, Malaysia, these are the key markets for BSV as of today. So how should we think about growth in those markets? And would you need further investments to grow that part of the business?

Prakash Agarwal: Bansi, this is Prakash. So the question asked was for the second half of this year, where we talked about 15% plus growth. From a FY'26 perspective, when we see the full year, we expect the growth to further inch up to 15% to 20%. We are already seeing 20% plus growth in the international markets. So that should continue the momentum because these existing products will enter a lot many markets as the registrations are just taking place. So there's enough growth levers available to grow in the ASEAN markets, LatAm markets, MENA markets, so 20%-plus growth is what you could build from FY'26 onwards in the international markets.

Bansi: And this would be largely coming on account of entering new markets? Or do you also have pricing lever in these markets?

Prakash Agarwal: So the first one will be more penetration in the existing market because the products they are present at is 1 to 2 player market. These are branded generic markets. So that is existing penetration in the existing markets and then the growth will propel further with entering into newer markets. So it's a two-pronged growth lever.

Rajeev Juneja: Bansi, I mean, we have just taken over this company and more we think about BSV more we feel very, very confident that this is a wonderful acquisition we have made. And it's always good to be a bit conservative initially so that we can make you happy later on. And as Prakash said that a lot of things will happen in BSV, TTK business will come, which is not a core BSV kind of a business, will be separated out - I mean, the right things will happen. At the same time, once we will come, some kind of acceleration in everything will happen. We're very confident about this.

Bansi: Appreciate your comments, sir. And just on this, sir, there are a few products also in the R&D pipeline of BSV. So what should we think about time lines in terms of those products getting eventually launched? So would it be slightly longer term in 3 to 5 years' time frame?

Rajeev Juneja: In the case of R&D, it's always very premature to make any comments because it's kind of a journey without destination. But yes, when you look at this at first hand, it tells us that a lot of optimism is there. That's all I can say. We don't know. I mean, it can happen in 3 years, it can happen in 5 years, we don't know. But we're quite optimistic about this.

Bansi: Okay. And just lastly, on the margin bit. Prakash, how would the margin differ between domestic and international piece for BSV?

Prakash Agarwal: So the gross margins of international are a tad higher. Domestic margins are inching up with the mandate brands going up. Two, one of the questions asked, I think, Neha asked that question. So when I gave the number a tad lower than company average or around that was for last year. So the first half of this year, the gross margins have increased, as I mentioned, the mandate brands have seen higher growth versus the tail brands. So that is the reason why gross margins and both EBITDA margins are higher than fiscal '24.

Bansi: Okay. And because these are regulated in terms of pricing, is your pricing lower here in domestic market?

Prakash Agarwal: So some of the products are, because still a large portion, I think about 40% plus portfolio is still covered by DPCO. But since it is a single player market, they are able to take price hikes. So there's lot of price lever, but more so, it is more on the volume side. Still, we believe that the penetration level is still very low, given the BSV footprint. With Mankind coming in, the footprint increases pan-India. And there, we expect much more volume growth. Price would be a second lever to that.

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

Kunal: Sir, my question is around field force productivity. So on the current portfolio, if you can share which therapies you believe offer headroom for improvement? And till where you can go?

Sanjay Koul: So there is a lot of headroom to grow in recent launches, such as - ophthalmology is one area, dermatology is another region where we have a lot of opportunity to grow. Then we have super specialty businesses like urology and neurology, where we feel that we have a lot of headroom to grow.

Prakash Agarwal: Just to add, the Mumbai division, which is the specialty chronic where there are super specialty divisions of cardio, diabeto, they are still under 3 lakhs, because they've been just launched 3, 4 years back. So there's a lot of headroom. So Mankind, if you see is a relatively younger company with 10-plus new division coming in the last 3 to 4 years, with about 3 lakh PCPM. The company average is more than 6.5.

And the older divisions are INR9 lakhs to INR10 lakhs to INR12 lakhs plus and the newer division, which have launched last 3 to 4 years are around INR3 lakh plus/minus. So all these divisions have a lot of headroom to reach the company average, which in turn will improve the company average to much higher than the current levels.

Rajeev Juneja: So if you look at any new division of Mankind, most of the divisions are in the chronic side. And when Prakash said INR3 lakhs plus/minus productivity, the growth is 25% plus. And just multiply this in the next 2, 3 years' time, and you'll see that the productivity will go up many fold. We hope that these chronic divisions, special divisions will start giving us more productivity. I mean in every term, whether it's the profitability, whether it's top line, whether it's the bottom line, we'll catch up on many things.

Kunal: Sure, that's helpful. But could you share what would be the productivity of the chronic division?

Prakash Agarwal: Your voice was not clear. Can you repeat your question?

Kunal: I was asking, can you share what the productivity would be of the chronic division?

Ashutosh Dhawan: That's what we highlighted that only the specialty division, which is chronic focused, the productivity is less than company average. But the legacy division, there is a mix of chronic as well as acute. So if you specifically ask that what is the chronic productivity as a company as a whole level so that we are not able to capture and provide.

Prakash Agarwal: So Kunal, as you might have appreciated that Mankind is a very unique company, when they launched, the division itself had both acute and chronic, which was a multi-specialty division. So that's why we are unable to carve out exact PCPM for acute and chronic. But what we are telling you is that the newer divisions which are specialty driven more focused towards MDs, DMs, KOLs, those are the newer divisions launched in the last 3, 4 years, which are around 3 lakh.

But if you see the brands like Telmikind, Amlokind, these are more than INR400 crores, INR500 crores brand today and the PCPM sitting in the multi-specialty division would be in the region of INR8 lakhs to INR10 lakhs. So it's very difficult to carve out just for chronic.

Sheetal Arora: But to add to Prakash point, around 5 years ago, our chronic contribution was ~28%. Now from 28%, it has gone up to 36%, 37%. So there's a jump in chronic from 28% to 36% in the last 4, 5 years.

Kunal: Got it, sir. And just if I can carry on, on that point. When you add BSV to your portfolio, I mean, how should we see the sales force shaping up in the next 2 to 3 years? Would you be adding people because there is some overlap in terms of the prescribers? Do we see some sales force maybe, would there be layoff or anything of that kind?

Rajeev Juneja: Please understand. I mean, when you look at this, Mankind is a very unique company. We have different kind of functioning in Mankind. On one side, when you look at this, our traditional old mass divisions, where we have 1,700, 1,800 medical reps working from Delhi division, where we sell acute and chronic both. This is one side, the older one.

Then we come to our consumer division, the second side. The third side basically is our specialty business, which we started 4 years back in 2019, 4 - 5 years back. When we say specialty, that means for all the chronic divisions, only chronic we sell over there.

And now BSV. BSV is a totally different ball game. It is super specialty business, more towards critical side, more towards gynec side, more towards IVF side. So we'll hardly find any overlap. The only place in BSV where we are supposed to really work on is the TTK portfolio, where work has to be done on have 3-4 divisions.

We are supposed to see how we basically play with that. Because these divisions will come to Delhi side as these are branded prescription products. So there, some kind of optimization will take place. We see 5 - 10% overlapping that's all, nothing more.

Prakash Agarwal: Just one point, if I may add. So BSV PCPM on an average last year was 6.5. But if you carve out just the TTK, which was under 3, the remaining PCPM is upwards of INR8 lakhs.

Moderator: The next question is from the line of Gagan Thareja: from ASK Investments.

Gagan Thareja: Is it possible to give some idea of the contribution to your domestic sales from your in-licensed brands currently and how they have grown year-on-year?

Prakash Agarwal: So there is a significant growth across the in-licensed brands. We are not calling out the percentage, but it is a very tiny percentage today. But we have seen very strong growth across older products, which were in-licensed like Neptaz, and also the recently launched products like Inclisiran as well as the Symbicort.

Gagan Thareja: Okay. But is it reasonable to assume that this growth number would be much higher than the cumulative reported growth of the domestic piece?

Rajeev Juneja: So Gagan, please try to understand that whenever we go for any in-licensed product, the strategy is not only growth. The strategy is how to really make our presence in topmost doctor's chambers. So they become the spearhead of our marketing side, these in-licensed products help our marketing team in entering big doctor chambers. So that way we see in-licensed products.

If you're selling branded generic product or some specialty products, but once you start selling these in-licensed products (a lot of science is there), a lot of information is passed on to these doctors and they start listening to us. At the same time, it really enhances the reputation of Mankind. So it's more of intangible, it's more of helping our marketing side rather than just looking at how much volume growth, how much growth is there. We don't feel like that. It's so tiny right now.

Gagan Thareja: Okay, sir. And on the Panacea brands, I think last year, you grew very well. Have you been able to maintain that kind of growth momentum in the Panacea brands?

Rajeev Juneja: Same kind of growth. Yes, it's 25% plus.

Gagan Thareja: Right. And exports last year, you had indicated that on that base, you will grow moderately this year, but first half growth has been very strong in exports. I think the base catches up in 4Q, but that would still mean that if you can continue at your current sort of quarterly run rate exports this year should also be very healthy in growth. Is that assessment correct? And secondly, on that base in FY'26, how should we look at exports for Mankind excluding BSV?

Prakash Agarwal: So Gagan, as you know, exports guidance is very difficult. But if you see, the U.S. generic cycle is pretty favourable and better than expected. And contribution of ROW sales have also picked up. So both of them contributing significantly to the overall growth. So we still be guiding for double digit. Let's see how we end. For FY'26, we'll come back to you in the Q4 quarter.

Gagan Thareja: Yes. I mean 1H is very strong. So arithmetically, even if you maintain that sort of rate, we're still talking about a very good number in exports for this year. But be that as it may.

Last question from my side. When you indicated noncore assets will be used to pay back a certain amount of debt, one - what will be potentially the scale of repayment that you can sort of get from monetizing these assets? And if possible, can you perhaps point out which are these? Are you talking about the resort and the real estate asset?

Ashutosh Dhawan: So these are the two hospitality units, one is the name of Mahananda, separate entity and one is broadway which are in the process of being liquidated.

Gagan Thareja: Right. And what part of your debt can be repaid away from liquidating these assets broadly?

Ashutosh Dhawan: We have currently floated the RFP for sale of these assets. So what we are targeting that somewhere around INR600 crores to INR650 crores should be the consideration what we are looking at, which will be used for the purpose of retiring the debt.

Moderator: The next question is from the line of Tushar from Motilal Oswal Financial Services. Please go ahead.

Tushar: On the chronic therapy side, if you could share the price volume and new launches growth?

Sanjay Koul: So we don't take the data. But as a whole, we can share. But on chronic side, we cannot do this.

Prakash Agarwal: It's a very small base, and we are just catching up. We are still under indexed to the market. As Sheetal ji highlighted, market is at 38%, we are at 36%. So there's a lot of volume jump that is happening. At the same time, wherever there are price difference, we have taken the price hikes also. And as you know, we had increased our covered market presence from 62% 3 years, 4 years back to now 69%, 70%.

Within that period, we have launched a lot of chronic portfolio, which is still catching up. For example, within respiratory, we launched inhalation; within diabetes, we launched insulins. In cardiac, as you know, we launched these lipid lowering drugs as well as Neptaz. So there's a lot of addition that has happened in the last 3 years. They're all catching up. So there's a lot of volume jump that is happening.

Tushar: So if I exclude the BSV portfolio for time being and look at the prescription growth rate, considering these kind of products that are getting added in the chronic side. So what kind of growth prospects can be thought of for the pure domestic, let's say, prescription side of the business for next 2 to 3 years?

Rajeev Juneja: I mean 2 places, now 3 places, we are very bullish, these are very close to our heart. One is our consumer business. Second is our chronic side. Just try to see Mankind's position. I mean, a few years back, it was just 1%, 22 years back, our chronic share in our total share was only 1%. And today, it is 36%.

How we have done it? We have just been continuously working on it. Our first priority basically is in the short-term period, how can we cross 40%, kind of a contribution from our chronic side. And in long term, why not more than 50% like our peers are doing it.

That's the kind of aspiration we keep in our heart in chronic side because we know, one, it brings consistency. Second, it brings more profit, whatever new prescription you add that clearly gives you growth as well. So all in all, it's a fantastic thing. We learned this a bit late, but we're working on it. And that's one reason you always see that in chronic side, our growth is more than IPM always.

Tushar: That's quite encouraging. So just connecting that to the profitability like in your earlier calls, you had highlighted Panacea, is now like 33% sort of an EBITDA margin out of profitability. So in a pecking order, putting it like chronic, acute, then consumer and then the exports and now Panacea, in terms of the EBITDA margins of these segments, if you could throw some light on this, Which are the ones which are more than the company average and which are the ones which are below company average?

Ashutosh Dhawan: So Panacea has been a successful acquisition where the EBITDA margin is much higher than the company's average, because that's a pure chronic play. And plus, at the time of acquisition, we were relying on Panacea to supply once they internalized, the margins improved further. So as we have earlier also called out, the margins are upward of 30% for the Panacea business. We don't do the profitability at the chronic segment or at the acute segment, we do a consolidated segmentation.

And now we have started showing a separate business segment of consumer care. So if you look at the pecking order broadly, Panacea is number one, then the core or the main business is number two. Then comes our OTC business, where we have given our guidance that the EBITDA margins will be in high teens. So that's how the pecking order is.

Tushar: And exports, sir? Export will be below OTC?

Ashutosh Dhawan: Yes. So exports also lies somewhere between the high teens and the company average margin.

Moderator: The next question is from the line of Alankar from Kotak Institutional Equities.

Alankar: So it's been 5 years now since we set up our specialty team. While you did comment on the current PCPMs and the scope for improvement in the future, can you qualitatively comment on how has been the progress so far versus, say, our initial expectations, what have been the key learnings? And any specific therapeutic areas wherein you expect the performance could have been better and possibly there is more scope for improvement in the future?

Rajeev Juneja: 5 years back, the specialty businesses we launched and immediately after that the COVID happened. Don't forget that. It was only after a few months, COVID happened. So all in all, if I say almost 2 years were lost in COVID, so it's 3 years old journey. And when this kind of interval is there or interruption is there, certain things which you expect don't happen.

People developed different kind of habits, post-COVID. So you keep on facing those challenges. In some of the divisions, the productivity has reached to 4.5 lakh and INR5 lakh. But in some of the divisions, I'd say, were not up to the expectations, productivity didn't reach to the right level. Our neuro business needs a lot of improvement. Again, we are working on the leadership side.

Our one division in the diabetes side, we need a bit of improvement. But rest as a whole, things are quite good. I can tell you - 70%, 70% plus divisions are doing good. Some are doing very, very good. Some are doing very good and 30% are not in the category of our expectations.

And there are always new challenges. Because it was the first kind of experience. We came to new therapies. So we learn and just keep working. We are living in a very dynamic world. Things change very, very fast, and we are also learning from it.

Alankar: Understood, sir. That's helpful. The second one is it possible to share our performance in either this quarter as well as or maybe the first half, Mankind versus IPM in rural markets and Tier 1 towns?

Sanjay Koul: So if we talk about Tier 2 to Tier 6 towns, our growth has been higher than the IPM growth in Q2. It has been 7.2% versus 6.9% of IPM. And if we take H1 as a whole, then it is 1.1x of IPM.

Alankar: And for the Tier 1 towns, sir?

Sanjay Koul: And for Metro and Tier 1, it is again higher than IPM - 9.8% versus 8.8% of IPM. And in H1FY25, it is 1.1x to 1.2x of IPM.

Alankar: Understood sir. And one final question. So now that the confusion around the sale and distribution of emergency contraceptive pills has been resolved, do you expect sales for Unwanted-72 to recover completely in the current quarter, third quarter?

Sanjay Koul: No. The issue of emergency contraceptive pill was that it was brought under price control. So I don't think that there was an issue that needed to be resolved. So there was price erosion and that is why the total numbers look so low.

Prakash Agarwal: The volume remains intact.

Sanjay Koul: Volume is intact.

Alankar: Understood. So basically, I mean, compared to our run rate before the second quarter, it will be -I mean, we'll have to work with a slightly lower pricing going forward as well?

Prakash Agarwal: Yes. Pricing has been revised downwards, yes, just for that.

Moderator: The last question is from the line of Harith from Avendus Spark.

Harith: So on your initiative to launch products using DMF quality APIs, you mentioned that we've launched around 200 SKUs till date. So would you be able to share some color on the response to this initiative. Have we seen some kind of a positive impact on growth in these SKUs and do we have a goal in terms of number of SKUs that we'll cover in the near to medium term?

Rajeev Juneja: Yes, could you repeat the question again, please?

Harith: The initiative to launch products using international DMF quality APIs. You mentioned that we have launched almost 200 SKUs using these DMF quality APIs. So what I was asking was about the response to this initiative from doctors. How have they reacted to this? And do we have any goal in terms of number of SKUs.

Rajeev Juneja: Reaction is very, very positive. When we say that there is a growth in the chronic side more than the IPM, better than any other companies, it really means that it's not by just creating some kind of a specialized division. That specialized division is supposed to have some kind of a, I mean, a differentiated product. And when we sell DMF-grade API products, that's a differentiated product.

So I mean, if you are a doctor, and if I say that whatever quality the Americans get, somebody living in Europe gets, if you get the same quality, right, at Indian prices. So that's quite impressive, actually. In 30 seconds, the call is done impact fully. Same Rosuvastatin, same other simple molecules, Telmisartan or sildenafil. But once you had DMF in that, it gives so much of credibility. It really opens the access to most sophisticated more super specialty doctors as well.

Prakash Agarwal: And that's the reason it has expanded, right? We did experimental to 50 and then 100 and then 150 and now we are touching 200. So we are tasting success, then only we are expanding it.

Harith: Okay. Last one. On the volume growth that you've shared for the quarter, 1.3% and this was closer to 2% in 1Q. So while we have outperformed the IPM in terms of volume growth, but historically, we have seen Mankind growing at 4% to 5%, maybe except FY '24. So where do you think this volume growth will settle at? I understand last few quarters, you had the impact of some regulatory restrictions. But if I think over the next 2 to 3 years, how should we think about volume?

Rajeev Juneja: I mean, everything is always in comparison. If IPM is growing at a certain percentage, our growth is always relative to that. We wish to grow more and will definitely grow more in the future. That's -- I think we can say that. And I also mentioned you that time and again, we keep doing certain commercial excellence exercises. So whatever you're seeing right now is a bit muted despite of having more growth than IPM growth, I say it's still muted, we hope to catch up soon. We hope to have more volume growth as well in the future.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

Abhishek Agarwal: Thank you, everyone. For any further queries or clarifications, please feel free to write to us on investor.relations@mankindpharma.com. Thank you, and have a nice day.

Rajeev Juneja: Thank you so much.

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