

RETAIL EQUITY RESEARCH

Mankind Pharma Ltd.

Pharmaceuticals

SENSEX: 59,655

NIFTY: 17,624

SUBSCRIBE

Price Range Rs. 1,026 - Rs. 1,080

Leading domestic pharma player with diverse product portfolio

Mankind Pharma Ltd (MPL) is the fourth largest pharmaceutical company in India by domestic sales and third largest by sales volume. With 97% of its revenue from India, MPL sells pharmaceutical formulations and consumer healthcare goods, and operates 25 manufacturing sites and a specialised R&D centre with four divisions.

- The size of the Indian pharmaceutical market (IPM) was ₹1,859 billion in FY22 and is anticipated to grow at a CAGR of ~11% to reach ₹3,100 billion by FY27 while consumer healthcare market is also anticipated to grow at ~11%.
- MPL has outperformed IPM by 1.2x in the acute segment and by 1.4x in the chronic segment over FY20–9MFY23. MPL is increasing focus on chronic therapeutic areas, which has higher growth potential.
- Through its acquisition of pharmaceutical brands from Panacea Biotec Pharma Ltd, MPL ventured into the transplant and oncology markets, while the purchase of Daffy and Combihale brands from Dr. Reddy's Laboratories would further solidify its position in the dermatological and respiratory therapeutic fields.
- In the consumer healthcare category, Manforce ranked 1st in the male condom category (market share of 30%), Prega News ranked 1st in the pregnancy test kit category (market share of 80%) and Unwanted-72, ranked 1st in the emergency contraceptive category (market share of 62%).
- MPL's revenue from operations grew at a CAGR of 15.2% between FY20 and FY22 from ₹5,865cr to ₹7,782cr. PAT grew at a 17.3% CAGR during the same period. In 9MFY23, Mankind reported operating revenue of ₹6,697cr and a net profit of ₹1,016cr.
- MPL has an average EBITDA and PAT margins of ~25.5% and ~19.2% (3 yr. Avg FY20-FY22) and has an average RoE of 27% during the same period.
- At the upper price band of ₹1,080, MPL is available at a P/E of 30x (FY22), which appears reasonably priced compared to peers. Considering under-penetration of healthcare services and lower consumer expenditure in healthcare in India, MPL's focus on chronic therapeutic areas, emphasis on increasing penetration in metro and Class I cities, growth in consumer healthcare business, good financial performance and strong distribution network, we assign a "Subscribe" rating on a long term basis.

Purpose of IPO

The IPO consists of only OFS of 40,058,844 equity shares, amounting to Rs.4,326.36cr. The objects of the offer are to (i) carry out the offer for sale by the selling shareholders and (ii) achieve the benefits of listing the equity shares on the stock exchanges.

Key Risks

- Limited geographical diversification/ risk of over-reliance (FY22-97% revenue from India).
- 13 % portfolio fall under NLEM (National List of Essential Medicines), subject to price control.
- Ongoing acquisitions may enhance its business portfolio, there is a possibility of higher costs without a proportionate increase in revenues.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	EV/EBITDA	P/BV	P/E(x)	CMP(₹)
Mankind Pharma Ltd	43,264	7,782	25.6	18.7	36	23.6	22	7	30	1,080
Sun Pharma Ltd	2,39,820	38,426	26.7	8.5	28	6.9	20	5	36	1,005
Cipla Ltd	74,262	21,623	21.0	11.6	31	12.9	17	4	30	924
Zydus Lifesciences Ltd	52,245	14,828	21.6	30.0	20	29.9	12	3	25	516
Torrent Pharma	53,604	8,419	28.9	9.2	33	13.2	21	9	49	1,595

Source: Geojit Research, Bloomberg; Valuations of MPL are based on upper end of the price band (post issue), Financials as per FY22 consolidated.

Issue Details	
Date of opening	April 25, 2023
Date of closing	April 27, 2023
Total No. of shares offered (cr.)	4.01
Post Issue No. of shares (cr)	40.1
Price Band	₹1,026 - ₹1,080
Face Value	₹1
Bid Lot	13 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,040
Maximum application for retail (upper price band for 14 lot)	₹ 1,96,560
Listing	BSE,NSE
Lead Managers	Axis Capital, Kotak Mahindra Capital Company, IIFL securities, Jefferies India Pvt Ltd, J.P Morgan India Pvt. Ltd.
Registrar	KFin Technologies Ltd.

Issue size (upper price)	Rs.Cr
Fresh Issue	0.0
OFS	4,326.4
Total Issue	4,326.4

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	79.0	76.5
Public	21.0	23.5
Total	100	100

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	1,514.2
Non-Institutional	15	649.0
QIB	50	2,163.2
Employee Reservation	-	-
Total	100	4,326.4

Y.E March (Rs cr) Consol.	FY21	FY22	9MFY23
Sales	6,214	7,782	6,697
Growth (%)	6.0	25.2	-
EBITDA	1,648	1,989	1,484
Margin(%)	26.5	25.6	22.2
PAT Adj.	1,293	1,453	1,016
Growth (%)	22.4	12.4	-
EPS	32	36	25
P/E (x)	34	30	32*
EV/EBITDA	26	22	26
RoE (%)	27	24	19*

*Annualised

Business Operation & Product Offerings

A wide variety of pharmaceutical formulations are being developed, manufactured, and marketed by **Mankind Pharma** in both acute and chronic therapeutic fields, as well as for a number of consumer healthcare items.

MPL's formulations manufacturing facilities have a total installed capacity of 42.05 billion units per annum across a wide range of dosage forms including tablets, capsules, syrups, vials, ampoules, blow fill seal, soft and hard gels, eye drops, creams, contraceptives and other over-the-counter products, as of December 31, 2022. They are present in several acute and chronic therapeutic areas in India, including anti-infectives, cardiovascular, gastrointestinal, anti-diabetic, neuro/CNS, vitamins/minerals/nutrients and respiratory. They have achieved this through MPL's focus on increasing penetration in the chronic therapeutic areas and, in the past three Financial Years and the nine months ended December 31, 2022, they have launched new divisions across several chronic therapeutic areas including anti-diabetic, cardiovascular, neuro/CNS and respiratory.

They entered the consumer healthcare industry in 2007 and have since established several differentiated brands in the condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin and mineral supplements and anti-acne preparations categories. They are the category leaders in (i) the male condom category, where MPL's Manforce brand (representing a market share of approximately 29.6%), (ii) the pregnancy detection kit category, where MPL's Prega News brand (representing a market share of approximately 79.7%), and (iii) the emergency contraceptives category, where MPL's Unwanted-72 brand (representing a market share of approximately 61.7%), for MAT December 2022.

Strengths

Domestic focused business of scale with potential for growth

They are among the largest domestic formulations businesses in India with Domestic Sales of approximately ₹8,390.2cr during MAT December 2022, ranking fourth in the IPM in terms of Domestic Sales (*Source: IQVIA Dataset, IQVIA TSA MAT December 2022 Dataset for India (For FY20-22)*). Between the Financial Year 2020 and MAT December 2022, MPL's market share in terms of Domestic Sales in the IPM increased by 0.3% from 4.1% to 4.3%, which represents the fastest growth among the 10 largest corporates in the IPM by Domestic Sales. For MAT December 2022, they were the most prescribed pharmaceutical company in the IPM.

Domestic Sales growing at 1.3 times the growth rate of the IPM between FY20 and MAT December 2022

Between FY20 and MAT December 2022, MPL's Domestic Sales grew at a CAGR of approximately 12%, also outperforming the overall IPM growth in Domestic Sales of approximately 10%, by approximately 1.3 times. The growth has been primarily driven by growth in volumes, and they had the third largest volume share among the 10 largest corporates in the IPM by Domestic Sales for MAT December 2022.

Several products in portfolio with top 10 rankings across key therapeutic areas

Several products in MPL's portfolio across key therapeutic areas were ranked amongst the 10 largest companies in the Covered Markets in 10 of the leading therapeutic areas, in terms of Domestic Sales for MAT December 2022.

	Domestic Sales (₹ in millions)	As a percentage of total Domestic Sales	Market share	Market ranking in Covered Markets
Anti-infectives	12,136	14%	5.5%	5
Cardiovascular	10,614	13%	4.5%	4
Gastrointestinal	9,199	11%	4.5%	6
Vitamins/minerals/nutrients	7,314	9%	4.7%	2
Respiratory	7,755	9%	4.7%	3
Anti-diabetic	6,928	8%	3.9%	3
Dermatology	5,375	6%	4.0%	3
Gynaecology	6,565	8%	6.6%	2
Pain/analgesics	4,317	5%	2.8%	8
Neuro/CNS	2,297	3%	2.0%	5

Source: RHP, Geojit Research

Established consumer healthcare franchise with brand recall

They have established a number of consumer healthcare brands in the condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin and mineral supplements and anti-acne preparations categories, among others. They are the category leaders in (i) the male condom category, where MPL's Manforce brand (a market share of approximately 29.6%), (ii) the pregnancy detection kit category, where MPL's Prega News brand (a market share of approximately 79.7%), and (iii) the emergency contraceptives category, where MPL's Unwanted-72 brand (a market share of approximately 61.7%), for MAT December 2022

Pan-India market and distribution coverage with focus on affordability and accessibility

They have pan-India marketing and distribution presence, and had one of the largest distribution networks in the IPM with 11,691 medical representatives and 3,561 field managers, as of December 31, 2022, and over 80% of doctors in India prescribed MPL's formulations during MAT December 2022. MPL's domestic Sales from Class II-IV cities and rural markets contributed to approximately 47% of MPL's total Domestic Sales for MAT December 2022, higher than approximately 37% recorded for the IPM, indicating MPL's established presence across high-growth markets in India.

25 manufacturing and four research and development facilities with capabilities across key therapeutic Areas

They operate 25 manufacturing facilities across India, in the states of Himachal Pradesh, Sikkim, Rajasthan, Andhra Pradesh, Maharashtra and Uttarakhand, and had 4,121 manufacturing personnel as of December 31, 2022. MPL's formulations manufacturing facilities have a total installed capacity of 42.05 billion units per annum across a wide range of dosage forms, including tablets, capsules, syrups, vials, ampoules, blow fill seal, soft and hard gels, eye drops, creams, contraceptives and other over-the-counter products, as of December 31, 2022. The company has a dedicated in-house R&D center with four units located in IMT Manesar, Gurugram, Haryana and Thane, Maharashtra

Key strategies:

Increase covered market presence including in chronic therapeutic areas

MPL aims to increase market share by expanding MPL's product portfolio to increase sales, with a focus on chronic therapeutic areas. In particular, they plan to grow MPL's market share in the following therapeutic areas: (i) anti-diabetic, where they plan to foray into SGLT2 inhibitors and new gliptin drugs, (ii) cardiovascular, where they plan to launch new formulations for the treatment of heart failure, (iii) neuro/CNS, where they will focus on introducing anti-epileptics, antidepressants and anxiolytics (iv) respiratory, where MPL's prime focus will be inhalers, (v) critical care, where they plan to launch new anti-infectives, (vi) ophthalmology, where they will be introducing biologicals for anti-VEGF therapy (to slow down the growth of blood vessels in the eye) and new molecules for glaucoma treatment, and (vii) gynaecology, where they plan to focus on both male and female infertility care. They also plan to enter new therapeutic areas such as urology and nephrology in the future. They intend to strategically acquire brands and companies across key markets as well as explore in-licensing and co-development opportunities with other companies to diversify MPL's therapeutic portfolio. Coupled receptor target for the treatment of type 2 diabetics and obesity, as well as continue to introduce difficult to manufacture molecules, such as "Dydrogesterone", a synthetic hormonal drug used to treat female infertility. As of December 31, 2022, they were the second pharmaceutical company to launch "Dydrogesterone" in India.

Focus on increasing penetration in metro and Class I cities

MPL already has a substantial share of domestic sales in Class II-IV cities and rural markets compared to the IPM, they aim to explore the potential to further grow MPL's presence in metro and Class I cities. MPL's Domestic Sales from metro and Class I cities contributed to approximately 53% of MPL's total domestic Sales for MAT December 2022, lower than approximately 64% recorded for the IPM.

Focus on building alternative channels for growth

Going forward, they will expand MPL's focus on building MPL's market share through alternative channels for growth, including through e-commerce and modern trade channels.

Grow MPL's consumer healthcare business

They plan to grow MPL's consumer healthcare business by expanding MPL's distribution channel and increasing the market share of MPL's existing brands. For MPL's existing portfolio of products, they rely largely on distribution through pharmacies. They plan to expand MPL's distribution reach through grocers and neighbourhood small (*kirana*) stores. They also plan to launch a new preconception and pre-natal care range of products as brand extensions under MPL's existing Pregna News brand. Further, on November 9, 2022, they completed a cash acquisition for a majority stake in Upakarma Ayurveda Private Limited, a company engaged in developing, manufacturing and selling premium ayurvedic products. They expect this acquisition to provide us with a direct to customer channel in the ayurvedic medicine category.

Continue to develop and invest in digital platforms to enhance doctor engagement

MPL recently launched Docflix, an over-the-top (OTT) platform solely for doctors that provides access to reliable, authentic and engaging content on various medical fields, and seeks to assist doctors in making quicker and more informed clinical decisions. Other digital platforms developed by them include Mankind Connect, which is their knowledge dissemination channel for healthcare providers, and Prana, a virtual patient assist chatbot that provides real time information to patients on lifestyle diseases.

Industry Outlook...

The size of the Indian pharmaceutical market increased (IPM) at a compounded annual growth rate (CAGR) of approximately 10.90% from ₹660.53 billion in FY12 to ₹1,859.05 billion in FY22, and is forecast to further grow at a CAGR of 10% - 11% to reach ₹3,000 - ₹3,100 billion by FY27 (Source: IQVIA TSA MAT Dec 22, IQVIA Market Prognosis - September 2021, IQVIA Analysis). The key factors affecting the growth of the IPM are rising income levels, increasing life expectancy, growth in lifestyle diseases and government initiatives. The consumer healthcare market in India has witnessed and is expected to continue to witness value growth in the range of 10-11%, mainly driven by new lifestyle patterns leading to disorders/diseases, consumer awareness on preventive healthcare, and an increase in consumer income level and expenditure on consumer healthcare products.

Promoter and promoter group

The Company was incorporated as "Mankind Pharma Private Limited" on July 3, 1991. Ramesh Juneja, Rajeev Juneja, Sheetal Arora, Ramesh Juneja Family Trust, Rajeev Juneja Family Trust and Prem Sheetal Family Trust are the Promoters of the company. Currently, the Promoters, hold 269,504,246 Equity Shares, representing 67.29% of the issued, subscribed and paidup equity share capital.

Brief Biographies of directors

- **Ramesh Juneja** is the Chairman and a Whole-Time Director of the company. He is a founder and Promoter of the company. He has been associated with the company since its incorporation. He has experience of over 31 years in the pharmaceutical industry.
- **Rajeev Juneja** is the Vice-Chairman and Managing Director of the company. He is also a Promoter of the Company and has been associated with the company since December 22, 1992. He has experience of over 29 years in the pharmaceutical industry.
- **Sheetal Arora** is the Chief Executive Officer and a Whole-Time Director of the company. He is also a Promoter of the company and has been associated with the company since September 21, 2007. He has experience of over 14 years in the pharmaceutical industry.
- **Satish Kumar Sharma** is a Whole-Time Director of the company. He has been associated with the company since September 23, 2016. He was previously associated with T.C. Health Care Pvt Ltd., Nicholas Piramal India Ltd and Wockhardt Ltd.
- **Leonard Lee Kim** is a Non-Executive Director of the company and a nominee of Cairnhill CIPEF Ltd and Cairnhill CGPE Ltd. He has been associated with the company since March 14, 2016.
- **Surendra Lunia** is an Independent Director of the company. He has been associated with the company since February 19, 2015.
- **Tilokchand Punamchand Ostwal** is an Independent Director of the company. He has been associated with the company since January 1, 2020.
- **Bharat Anand** is an Independent Director of the company. He has been associated with the company since August 31, 2018.
- **Vivek Kalra** is an Independent Director of the company. He has been associated with the company since August 1, 2022.
- **Vijaya Sampath** is an Independent Director of the company. She has been associated with the company since August 1, 2022.



CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY21	FY22	9MFY23
Sales	6,214	7,782	6,697
% change	6.0	25.2	-
EBITDA	1,648	1,989	1,484
% change	15	21	-
Depreciation	119	167	241
EBIT	1,529	1,823	1,243
Interest	20	59	39
Other Income	171	196	81
Share of net profit of associates & Joint ventures.	12	14	10
PBT	1,692	1,975	1,294
% change	18	16.7	-
Tax	399	522	278
Tax Rate (%)	24	26	21
Reported PAT	1,293	1,453	1,016
Adj	-	-	-
Adj. PAT	1,293	1,453	1,016
% change	22.4	12.4	-
Post issue No. of shares (cr)	40.1	40.1	40.1
Adj EPS (Rs)	32	36	25
% change	22.4	12.4	-

BALANCE SHEET

Y.E March (Rs cr)	FY21	FY22	9MFY23
Cash	701	406	455
Accounts Receivable	331	388	648
Inventories	1,184	1,760	1,448
Other Cur. Assets	386	978	708
Investments	1,478	1,048	898
Deff. Tax Assets	105	119	126
Net Fixed Assets	1,620	1,720	2,100
CWIP	372	670	821
Intangible Assets	39	1,895	1,809
Other Assets	159	164	260
Total Assets	6,373	9,148	9,274
Current Liabilities	767	1,301	1021
Provisions	327	420	493
Debt Funds	242	873	176
Other Fin. Liabilities	163	222	227
Deferred Tax liability	11	15	31
Equity Capital	40.1	40.1	40.1
Reserves & Surplus	4,823	6,276	7,286
Shareholder's Fund	4,863	6,316	7,326
Total Liabilities	6,373	9,148	9,274
BVPS (Rs)	118	153	178

CASH FLOW

Y.E March (Rs cr)	FY21	FY22	9MFY23
PBT Adj.	1,692	1,975	1,294
Non-operating & non cash adj.	-5.7	31	227
Changes in W.C	-549	-1,086	-192
C.F. Operating	1,137	920	1,329
Capital expenditure	-312	-2,342	-700
Change in investment	-996	-1,186	-27
Sale of investment	387	1,699	179
Other invest.CF	-303	460	19
C.F - investing	-1,222	-1,369	-529
Issue of equity			
Issue/repay debt	92	605	-796
Dividends paid			
Other finance.CF	-100		
C.F - Financing	-8	605	-796
Change. in cash	-93	155	4
Closing cash	127.3	283.1	293

RATIOS

Y.E March	FY21	FY22	9MFY23
Profitab. & Return			
EBITDA margin (%)	26.5	25.6	22.2
EBIT margin (%)	24.6	23.4	18.6
Net profit mgn.(%)	20.8	18.7	15.2
ROE (%)	27	24	19*
ROCE (%)	31	25	8
W.C & Liquidity			
Receivables (days)	25	17	26
Inventory (days)	213	222	175
Payables (days)	39	50	36
Current ratio (x)	3.7	2.7	2.7
Quick ratio (x)	1.3	0.6	1.1
Turnover & Levq.			
Net asset T.O (x)	3.9	4.8	3.7
Total asset T.O (x)	1.1	1.1	0.8
Int. covge. ratio (x)	0.0	0.0	0.0
Adj. debt/equity (x)	0.1	0.1	0.0
Valuation ratios			
EV/Sales (x)	7.0	5.7	6.5
EV/EBITDA (x)	26.4	22.2	29.3
P/E (x)	34	30	32*
P/BV (x)	9.2	7.0	6.1

*Annualised.

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