



IPO Report

24th April'23

Snapshot

Mankind Pharma Ltd is India's fourth largest pharmaceutical company in terms of Domestic Sales and third largest in terms of sales volume for MAT December 2022. Company is engaged in developing, manufacturing and marketing a diverse range of pharmaceutical formulations across various acute and chronic therapeutic areas, as well as several consumer healthcare products. Company is focused on the domestic market, as a result of which its revenue from operations in India contributed to 97.60% of company's total revenue from operations for the Financial Year 2022, which was one of the highest among peers.

VALUATION

Company is bringing the issue at price band of Rs 1026-1080 per share at p/e multiple of more than 32x on post issue annualized 9 months ended FY23 PAT basis.

We like the company due to its domestic focused business of scale with potential for growth. Also, company's domestic sales growing at 1.3 times the growth rate of the Indian pharmaceutical market between Financial Year 2020 and MAT December 2022 which looks decent. Company has several products in portfolio with top 10 rankings across key therapeutic areas along with established consumer healthcare franchise with brand recall. Company has Pan-India market and distribution coverage with focus on affordability and accessibility along with 25 manufacturing and four research and development facilities with capabilities across key therapeutic areas and professional management team with industry experience and backed by private equity investors. Hence, we recommend "Subscribe" on issue.

Price Band (Rs./Share)	1026-1080
Opening date of the issue	25 th April 2023
Closing Date of the issue	27 th April 2023
No of shares pre issue	Eq Shares
Issue Size(In Rs)	Rs 4326 Cr
Issue Size (in No of Shares)	40,058,844 Eq Shares
Offer For Sale	40,058,844 Eq Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	13

BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 20,029,421 Eq Shares)
Non-Institutional	15% of the offer (Approx 6,008,827 Eq Shares)
Retail	35 % of the offer (Approx 14,020,596 Eq Shares)
Pre Issue Promoter & Group Holding	79.00%
Post Issue Promoter & Group Holding	76.49%
Lead managers	Kotak Mahindra Capital, IIFL Securities, Jefferies India, JP Morgan India
Registrar to the issue	KFin Technologies Ltd.

KEY HIGHLIGHTS

Established consumer healthcare franchise with brand recall

Company is the category leaders in (i) the male condom category, where its Manforce brand representing a market share of approximately 29.6%, (ii) the pregnancy detection kit category, where company's Prega News brand representing a market share of approximately 79.7%, and (iii) the emergency contraceptives category, where company's Unwanted-72 brand representing a market share of approximately 61.7%, for MAT December 2022.

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

Several products in company'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. In terms of Domestic Sales for MAT December 2022, 19 brands of company's 20 highest selling brands are ranked among the three highest selling brands in their respective molecule groups and 21 of company's brands are among the 300 highest selling brands of the IPM

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

Company 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 company's formulations during MAT December 2022 Company's medical representatives frequently visit prescribers across medical specialties to market its product portfolio and also visit pharmacies and distributors to ensure that its brands are adequately stocked.



COMPANY BACKGROUND

Company is engaged in developing, manufacturing and marketing a diverse range of pharmaceutical formulations across various acute and chronic therapeutic areas, as well as several consumer healthcare products. During MAT December 2022, company had the third lowest exposure of approximately 17% to the products listed under the National List of Essential Medicines – 2011 among the 10 largest corporates in the IPM by Domestic Sales, compared to approximately 21% in the IPM and approximately 34% for the highest exposure among the 10 largest corporates in the IPM by Domestic Sales. Company also manufacture certain products using “DMF-grade” APIs for sale in India.

The following tables set forth company’s Domestic Sales in chronic and acute therapeutic areas in the IPM, for the years/periods indicated:

	For the Financial Year ended march 31,2020	For MAT December 2022		
	(Rs in millions,except percentages)			
Acute therapeutic areas	41,333.61	67.82%	55550.111	66.21%
Chronic therapeutic areas	19608.85	32.18%	28352.03	33.79%
Total Domestic Sales	60942.46	100.00%	83902.14	100.00%

Company’s Products and Brands

The following table sets forth the Domestic Sales of company’s 20 largest brand families for MAT December 2022:

Brand Families	Domestic Sales (Rs in millions)	As a percentage of total Domestic Sales
Nurokind	5154	6.1%
Telmikind	4363	5.2%
Manforce Rx	3948	4.7%
Unwanted	3330	4.0%
Moxikind	3123	3.7%
Gudcef	2899	3.5%
Glimestar	2492	3.0%
Amlokind	2488	3.0%
Asthakind	2488	3.0%
Dydroboon	2050	2.4%
Prega News	1844	2.2%
Candiforce	1725	2.1%
Codistar	1672	2.0%
Mahacef	1500	1.8%
Cefakind	1452	1.7%
Zenflox	1364	1.6%
Monticope	1225	1.5%
Vomikind	1059	1.3%
Caldikind	1038	1.2%
Dynaglipt	996	1.2%
Total	45812	54.6%



INVESTMENT RATIONALE

<p><i>Established consumer healthcare franchise with brand recall</i></p>	<p>Company operate at the intersection of the Indian pharmaceutical formulations and consumer healthcare sectors with the aim of providing quality products at affordable prices, and have an established track record of building and scaling brands in-house. According to the IQVIA Report, the consumer healthcare market has witnessed growth and is expected to continue to see value growth in the range of 10-11% driven by new lifestyle patterns leading to disorders or diseases that may be treated with consumer health products, consumer awareness on preventive healthcare and products labelled with natural ingredients, and an increase in consumers' income level and expenditure on consumer healthcare products. Company 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. Company is the category leaders in (i) the male condom category, where its Manforce brand had Domestic Sales of approximately ₹4,616 million (representing a market share of approximately 29.6%), (ii) the pregnancy detection kit category, where company's Prega News brand had Domestic Sales of approximately ₹1,844 million (representing a market share of approximately 79.7%), and (iii) the emergency contraceptives category, where company's Unwanted-72 brand had Domestic Sales of approximately ₹1,083 million (representing a market share of approximately 61.7%), for MAT December 2022</p>
<p><i>Pan-India market and distribution coverage with focus on affordability and accessibility</i></p>	<p>Company 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 company's formulations during MAT December 2022. Company's medical representatives frequently visit prescribers across medical specialties to market its product portfolio and also visit pharmacies and distributors to ensure that company's brands are adequately stocked. Company place emphasis on building lasting relationships with its medical representatives. Company focus on improving work habits such as doctor coverage, doctor call frequency and chemist surveys, among other things, rather than reviewing only sales numbers. Company have also established a significant distribution network and, during the nine months ended December 31, 2022, company sold its products to over 12,000 stockists and engaged with 75 C&F agents.</p>
<p><i>Professional management team with industry experience and backed by private equity investors</i></p>	<p>Company's business and operations are led by a professional management team and Board of Directors, who come from diverse backgrounds with expertise in various fields such as R&D, pharmaceutical sciences, corporate affairs, management, finance, legal affairs, taxation, mergers and acquisitions, private equity and investments. Company benefit from the industry experience, vision and guidance of its individual Promoters, Ramesh Juneja (Chairman and Whole-Time Director), who has over 32 years of work experience in the pharmaceuticals industry, and Rajeev Juneja (Vice Chairman and Managing Director), who has over 30 years of experience in the pharmaceuticals industry. Further, Sheetal Arora, company's Chief Executive Officer and Whole-time Director, and Arjun Juneja, company's Chief Operating Officer, are instrumental in the management, operations and growth of company.</p>
<p><i>Leveraged its corporate brand to build and scale brands</i></p>	<p>Company had 10 brand families, 19 brand families and 36 brand families with Domestic Sales over ₹2.00 billion, ₹1.00 billion and ₹500.00 million, respectively, for MAT December 2022, as compared to 7 brand families, 13 brand families and 29 brand families for the Financial Year 2020, representing a growth of approximately 1.4 times, 1.5 times and 1.2 times, respectively. 36 of company's brand families with Domestic Sales of above ₹500.00 million during MAT December 2022 contributed to approximately ₹56,986 million or 68% of company's domestic Sales in the same period.</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) carry out the Offer for Sale of 40,058,844 Equity Shares by the Selling Shareholders and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges

RISKS

Introduction of stricter norms regulating marketing practices by pharmaceutical companies could affect company's ability to effectively market its products, which may have an adverse effect on company's business, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Overview of Indian Pharmaceutical Market Overall market size and estimated growth rate

The size of Indian Pharmaceutical Market (IPM) has increased from ₹ 660.53 billion in Financial Year 2012 to ₹ 1,859.05 billion in Financial Year 2022 at approximately 10.90% CAGR over Financial Year 2012-22.. The size of the IPM for MAT December 2022 was ₹ 1938.38 billion. The IPM is forecast to grow at a CAGR of 10-11% to reach ₹ 3,000 – 3,100 billion by Financial Year 2027.

Key growth drivers for the market

- Rising income levels: Per capita income of India increased from ₹ 65,538 to ₹ 86,659 between Financial Years 2013-21 indicating a growth of approximately 4.07% CAGR. This has resulted in improved living 181 standards and healthcare awareness. As a result, people across income levels seek high quality healthcare services in terms of better hospitals, medicines, and pharmacy services.
- Government initiatives: Various schemes have been announced by the Indian government including (a) Ayushman Bharat and (b) the National Commission for Allied, and Healthcare Professions Bill 2021, which aims to create a body that will regulate and maintain educational and service standards for healthcare professionals. In addition to programs and schemes related to core healthcare sector, the government has also launched programs to develop manufacturing infrastructure to support smooth and low-cost raw material supply to pharmaceuticals industry. The PLI scheme is designed to encourage domestic production of 50 key APIs. The list is dominated by anti-infectives, but also includes several cardiovascular drugs. In case of pharmacy services, the number of Jan Aushadhi stores has increased from 100 in CY14 to 7,800 in CY21.
- Increasing life expectancy: As per the United Nations, the current life expectancy for India in CY22 is estimated at 70.2 years, a 0.3% increase over CY21. Life expectancy for India was 62.3 years in the CY2000 and is expected to reach 74.9 years in CY50. According to National Health Profile, the average age of Indians is expected to be of 34.7 years in CY36 as compared to 24.9 years in CY11. As of CY11, the proportion of population over the age of 60 years was 8% which is set to increase to approximately 11.5% by CY26 and approximately 15% by CY36.
- Growth in lifestyle diseases: Chronic segment in IPM has grown at a relatively faster rate of 11.97% CAGR compared to the overall IPM (10.14%) over Financial Year 2018 - MAT December 22. Market share of chronic segment increased from 34.71% in Financial Year 2018 to 37.53% in MAT December 22 (Source: IQVIA TSA MAT Mar'20, IQVIA TSA MAT Dec'22). Major chronic therapy areas such as cardiovascular and antidiabetic are expected to continue to grow at 11-13% CAGR over the next five years, driving the growth in IPM (Source: IQVIA Market Prognosis - September 2021, IQVIA Analysis).
- Growth in partnerships and co-marketing agreements: Partnerships and co-marketing agreements between Indian and foreign companies are expected to increase over the next 5 years, reflecting benefits for both originator and local partners. Such alliances will drive rapid and broader market penetration for new brands or an increase in sales for more established products.
- Increase in health insurance coverage: The Indian government's Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) health insurance scheme, will drive healthcare access for patients and improve health outcomes over the forecast period. As per Insurance Regulatory and Development Authority of India (IRDAI), over 500 million people (which is approximately 38% of Indian population) were covered under some form of health insurance policy as of 2020. Post the COVID-19 pandemic, there has been increased acceptance of health insurance among people, leading to further increase in insurance penetration. (Source: National Health Profile)

Overview of the Indian Consumer Healthcare Market

The consumer healthcare market in India primarily comprises categories such as (a) vitamins and dietary supplements, (b) OTC products across varied therapy areas (anti-tussive, antacids / gastroenterology, dermatology, etc.), (c) condoms and other contraceptive products, and (d) herbal/ traditional products. The 187 consumer healthcare segment has witnessed and is expected to continue to witness value-growth in the range of 10%-11% on account of the following growth drivers:

Demand-side drivers

- New lifestyle patterns increasing prevalence of disorders that can be treated / managed by consumer healthcare products
- Rising consumer awareness about preventive healthcare and limited availability of prophylactic / preventive products within allopathy
- Rising income and willingness to spend on wellness
- Rising cases of lifestyle diseases and use of such products as adjuvants
- Increasing awareness / inclination within Indian population to use products labeled as “natural” • Brand loyalty / pull leading to recall and high growth (consumer brand recognition also drives prescription growth and vice versa)



Supply-side factors / initiatives by pharmaceutical companies

- Efforts on part of consumer healthcare companies to generate evidence (through scientific papers / RWE studies) on the benefits of consumer healthcare products
- Aggressive marketing and category creation (for instance – intimate hygiene) by existing players as well as several start-up companies that have entered consumer healthcare space
- Pharmacy retail reach to push consumer products (e.g., POS counter has high potential for contraceptives)
- Product innovation in terms of dosage forms (for instance- sprays) and introduction smaller pack sizes
- Emergence of new channels (e-pharmacies, dedicated channel players focused on wellness and nutrition). The prevalence of self-medication has increased in the wake of the COVID-19 pandemic – especially among patients seeking refills of drugs for the treatment of chronic conditions.

Overview of the Indian Animal Health Market

Note: There does not exist an industry standard / industry recognized data-set that provides the size, growth trends, competitive landscape of animal health market in general and medicines for animals in particular. The information contained in this section is based on information available in public domain (including but not limited to annual reports of companies that market animal health related products, analyst reports as well as select publications of Government of India and the Indian Federation of Animal Health Companies (INFAH)). Accordingly, the data-points stated in this section are not based on a single data-set.

Growth drivers for the Animal Health market

- Rise in prevalence of Zoonotic diseases: Incidence rate and prevalence of zoonotic diseases have increased in India. This is most likely due to demographic changes, encroachment of land, and agricultural practices. Zoonotic diseases such as bovine encephalopathy and foodborne, vector borne, and waterborne zoonotic diseases have witnessed an increase in the recent past.
- Increase in pet adoption and willingness to spend on pets: Pet ownership and awareness about diseases related to animals witnessed a continual growth over the past 5 years; this was especially led by COVID-19 since stringent lockdowns and resultant seclusion led to an increased willingness to adopt pets. Pet-parents / pet-owners are increasingly considering pets to be “part of the family” and are therefore willing to spend on pet-care products to maintain or improve the pet’s health (including veterinary pharmaceuticals).
- Rise in integration of IoT with animal health monitoring solutions: Internet of Things (IoT) is used for animal health care monitoring, which is important in order to reduce the risk of infection among animals. Animal health monitoring and proper animal husbandry can be conducted with this technology. Usage of biosensors and wearable technologies is becoming increasingly important for animal health management. These devices can provide timely diagnosis of diseases in animals.



Consolidated Financials

(Rs in Mn)

Financials	FY20	FY21	FY22	9monthsFY23
Total Revenue (A)	58652.34	62144.31	77815.55	66967.66
Total Expenditure (B)	44284.23	45663.28	57922.03	52128.09
EBIDTA	14368.11	16481.03	19893.52	14839.57
EBIDTA Margin	24.69	26.71	25.75	28.30
Other Income	1104.20	1709.49	1960.29	810.55
Depreciation	990.59	1189.71	1666.20	2414.00
EBIT	14481.72	17000.81	20187.61	13236.12
Interest	219.72	201.47	586.10	393.14
PBT	14262.00	16799.34	19601.51	12842.98
Extraordinary item	0.00	0.00	0.00	0.00
PBT	14262.00	16799.34	19601.51	12842.98
Share of Profit in Associates	115.35	116.77	144.48	96.54
PBT	14377.35	16916.11	19745.99	12939.52
Tax	3815.87	3985.77	5216.43	2779.76
PAT	10561.48	12930.34	14529.56	10159.76
NPM%	18.01	20.81	18.67	15.17
Eq Cap	400.59	400.59	400.59	400.59
Net Worth	36,715.70	48,628.89	63,163.08	73,255.65
EPS	25.72	31.59	35.78	24.87
ROE %	29.56	26.80	23.29	13.94
ROCE%	35.86	30.41	25.50	16.58

(Source: RHP)

Peer Comparison

Company Name	Total Income (Rs in million)	P/E	EPS	RONW %	NAV as at March'2022
Mankind Pharma	77815.55		35.78	23.29	153.65
Peers Group					
Sun Pharma	386544.90	71.54	13.60	6.82	200.10
Cipla	217633.4	28.18	3.17	12.08	258.32
Torrent Pharma	85080.40	66.25	22.97	13.06	175.89
Alkem Lab	106341.90	23.03	137.63	19.05	722.44
JB Chemicals	24242.44	39.48	49.82	18.06	240.83
Eris Life	13470.43	19.10	29.88	21.28	140.39
Ipca lab	58297.90	22.38	34.85	16.10	216.47
Abbott	49192.70	56.19	375.86	28.32	1327



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