

MANKIND PHARMA LIMITED

25th April, 2023 to 27th April, 2023

Recommendation: Subscribe for long term
Industry: Pharmaceutical

Price Band: ₹ 1026 - 1080
Post Implied Market Cap: ₹ 41,100 - 43,264 Cr

Key Data

Issue Size (₹ Cr)	4110- 4326
Fresh (₹ Cr)	0
OFS (₹ Cr)	4110- 4326
No of shares	40058844
Face Value (₹ /share)	1
Bid Lot	13

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	03-05-2023
Refunds/Unblocking ASBA Fund	04-05-2023
Credit of equity shares to DP A/c	08-05-2023
Trading commences	09-05-2023

Shareholding (No. of shares)

Pre-Issue	40058844
Post Issue (Lower price band)	40058844
Post Issue (Higher price band)	40058844

Shareholding Pattern

Promoters:	
Pre Issue	67.29%
Post Issue	64.78%
Promoters Group:	
Pre Issue	11.71%
Post Issue	11.71%
Public – Other Selling S/h:	
Pre Issue	21%
Post Issue	13.5%
Public - Others:	
Pre Issue	0%
Post Issue	10%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details:

BRLMs: Axis Capital, Kotak Mahindra Capital, IIFL Securities, Jefferies India, J.P Morgan

Registrar: Kfin Technologies Ltd

Listing: BSE & NSE

Research Analyst

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About the Company:

Mankind Pharma Ltd ("Mankind") is India's 4th largest pharmaceutical company in terms of Domestic Sales and 3rd largest in terms of sales volume for Moving Annual Total ("MAT") December 2022. Mankind has primarily grown organically and is the youngest company among. They 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. They have one of the largest distribution networks of medical representatives in the Indian pharmaceutical market ("IPM") and over 80% of doctors in India prescribed their formulations for MAT December 2022, which has assisted them in establishing their brands in India. It 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.

Investment Rationale

1) Leveraged the corporate brand to build and scale brands - Mankind has seen a growth of approximately 1.4 times, 1.5 times and 1.2 times as they currently have 10 brand families, 19 brand families and 36 brand families with Domestic Sales over ₹200 cr, ₹100 cr and ₹50 cr, respectively as on December 2022, compared to 7 brand families, 13 brand families and 29 brand families for the Financial Year 2020. 36 of their brand families with Domestic Sales of above ₹50 cr during MAT December 2022 contributed to approximately ₹5,698.6 crore or 68% of their Domestic Sales in the same period. Adding to that, 19 brands of their 20 highest selling brands which ranked among the 3 highest selling brands in their respective molecule groups in the IPM.

2) Coverage of the whole Indian market and distribution network with a focus on accessibility and affordability - As of today, Mankind has a marketing and distribution presence over all of India, and it has one of the largest distribution networks in the IPM, with 11,691 medical representatives and 3,561 field managers which helps them to stay connected with the doctors and to increase their brand visibility which in turn results in doctors prescribing their formulations. During MAT December 2022, more than 80% of Indian doctors prescribed its formulations. Additionally, they sold their goods to over 12,000 stockists and worked with 75 C&F agents. In terms of revenue generated by region, it receives 35% of its total income from North India, 23% from South and West India, and 19% from East India.

3) Increase presence in the covered market, specifically in areas of chronic therapy - In terms of domestic sales, Mankind has a Covered Market presence of over 69% of the IPM as of MAT December 2022, and they expect to keep growing this presence and fortifying their position within the IPM. They specifically intend to increase their market share in the following therapeutic fields: a) Anti-diabetic b) Cardiovascular c) Neuro/CNS d) respiratory e) critical care f) Ophthalmology g) Gynaecology.

4) Professional management team with industry experience and backed by private equity investors - The professional management team and Board of Directors, who represent a variety of backgrounds and have expertise in a range of areas including R&D, pharmaceutical sciences, corporate affairs, management, finance, legal affairs, taxation, mergers and acquisitions, private equity, and investments, are responsible for the company's business and operations. They also have seasoned people in charge of crucial facets of their organisation, including, among others, with deep expertise in the healthcare industry.

Risk

- 1) Dependency on the domestic market
- 2) Regulatory Risk

MView

We believe Mankind IPO offer gives investors an opportunity to invest in one of the well-focused domestic formulations businesses in India which has grown organically in last 3 decades. We like the way Mankind's has diversified its product portfolio basket with a mix of consumer healthcare segment contributing for brand penetration segment and are ranked among the 1 to 3 highest selling brands in their respective segments. With target to focus only on domestic markets, company plans to raise business outlook more towards chronic therapeutic area which is believed to be main catalyst for the growth. The last three years financials have been outstanding in terms of sales growth, margin, and return ratios gives confidence in the management going forward. On valuation parse at upper band of Rs.1080 the issue is asking a market cap of Rs 43,200 Cr and based on annualised FY23e earnings, P/E stands at 34 which means the issue is fairly priced when compared to industry's average. Hence, considering all the investment rationales like affordable domestic focused business model, Mankind growth at 1.3x times the industrial growth, Established consumer healthcare franchise with brand recall followed by increased chronic therapeutic areas, we advocate subscribing to Mankind with a long term perspective only.



BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2020	2021	2022	Dec'31 (2022)
Equity Share Capital	40	40	40	40
Reserve as Stated	3445	4682	6115	7106
Net Worth as stated	3485	4722	6155	7146
Revenue from Operations	5865	6215	7782	6697
Revenue Growth (%)	-	6	25	11
EBITDA as stated	1448	1660	2004	1494
Profit Before Tax	1438	1692	1975	1294
Net Profit	1057	1293	1453	1016
EPS (₹)	26	32	36	25
RONW (%)	32	30	26	15
NAV (₹)	87	118	154	178

COMPARISON WITH LISTED PEERS ₹ (In Cr)

Companies	Mcap (in Cr)	FV	Revenue from Operations (As on 31st March 2022)	EPS	NAV	P/E	P/BV	RoNW
Mankind Pharma	41,100 – 43,264	1	7781	36	178	-	6	15
Sun Pharmaceuticals	232718	1	38654	14	200	71	9	7
Cipla	72966	2	21763	31	258	28	3	12
Zydus Lifesciences	52659	1	15265	44	166	11	4	26
Torrent Pharmaceuticals	54842	5	8508	23	176	66	8	13
Alkem Laboratories	40981	2	10634	138	722	23	4	19
Abbott India	47537	10	4919	375	1327	56	18	28
Glaxosmithkline Pharmaceuticals	21256	10	3278	100	157	57	14	64
Zyds Wellness	2219	10	2009	49	761	31	2	6

Source: RHP, Data as on 31st March 2022, Cline: Mcap, P/BV calculated as on 24th April 2023.

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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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