



## IPO Note- Mankind Pharma Limited

24 April 2023

Mankind Pharma Ltd. (MPL) incorporated in 1991 is a well-known and fastest growing player in Indian pharma market and the 4<sup>th</sup> largest in terms of domestic sales and 3<sup>rd</sup> largest in terms of domestic sales volume as on Dec'22 MAT (Moving Annual Total). MPL develops and manufactures pharma formulations across various acute and chronic therapeutic areas and owns several consumer healthcare brands. MPL has around 36 brands including Manforce, Prega News, Unwanted -72, Moxikind and Nurokind, with several products ranking in Top 10 in the covered markets.

### Strong domestic market position through a diversified product portfolio:-

MPL focuses primarily on the domestic market (98% of sales) with market share increasing from 4.1% to 4.3% over FY20 - MAT Dec'22 with sales growing at 12% CAGR v/s IPM (Indian Pharmaceutical Market) growth of around 10% for the same period. MPL entered in consumer healthcare business in 2007 and has established dominant presence in the condoms, pregnancy detection, contraceptives, antacid, vitamin & mineral supplements and antiacne categories with their brands Manforce/ Prega News/ Unwanted- 72 having a market share of 30%/ 80%/ 62% respectively. MPL is also present in several acute and chronic therapeutic areas in India with their covered market presence in the IPM increasing to 69% in MAT Dec'22 and focusing on increasing penetration in the chronic segment which is expected to grow at a CAGR of 11% - 13% over the next 5 years and launched new divisions in anti-diabetic, cardiovascular, neuro/CNS and respiratory areas.

### Pan- India market presence with strong brand recall:-

MPL has a pan-India marketing presence (field force of 11,691 medical representatives and 3,561 field managers) and one of the largest distribution networks in the IPM with over 80% of doctors in India prescribing its formulations for MAT Dec'22. This has aided MPL to garner a strong brand recognition with several of its products gaining leadership positions in its covered markets. Their Domestic Sales from metro and Class I cities contributed around 53% while the rest comes from other than metro cities.

**Key Risks:-** 1) Any price control reforms from Government may affect margins. 2) High competition in generic segment. 3) Highly regulated industry.

### Decent financials & valuation – SUBSCRIBE

At the upper price band, MPL is available at PE of ~33x its expected FY23 EPS. As at FY22, the D/E stands at 0.09x while its Net Working Capital Cycle was at 49 days. We believe that MPL's market leadership and brand recognition coupled with Management's bet on the recent acquisition of Panacea Biotech's formulations may provide a huge growth opportunity for the company. We have a **SUBSCRIBE** recommendation to this issue.

Key Financials (₹ Cr)	Mar-20	Mar-21	Mar-22	9MFY23
Revenue	5,865.2	6,214.4	7,781.6	6,696.8
EBITDA	1,448.4	1,659.8	2,003.8	1,493.6
EBITDA Margin (%)	24.7%	26.7%	25.8%	22.3%
PAT	1,056.2	1,293.0	1,453.0	1,016.0
PAT Margin (%)	18.0%	20.8%	18.7%	15.2%
Net Worth	3,485.3	4,722.0	6,155.2	7,145.9
ROCE (%) (Not annualized for 9MFY23)	35.9%	30.4%	25.5%	16.6%
ROE (%) (Not annualized for 9MFY23)	31.8%	30.3%	26.0%	14.9%
Net Working Capital Days	34	40	49	53

Source: ABML Research, RHP, company presentation

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Rating	SUBSCRIBE	
Issue Details		
Issue Opens	25-Apr-23	
Issue Closes	27Apr-23	
Face Value (₹)	1	
Price Band (₹)	1,026-1,080	
Bid Lot	13	
Issue Size at higher price band (₹ Cr)	4,326	
Market cap @ upper price band (₹ cr)	43,264	
Listing	NSE/BSE	
BRLMs	Axis Capital, Kotak Mahindra Capital, IIFL Securities, Jefferies, JP Morgan	
Registrar	KFin Tech Ltd	
Shareholding Pattern (%)		
	Pre Issue	Post Issue
Promoter	79	76.5
Public	21	23.5
Issue Structure (In cr no. of shares)		
Issue size		4.0
OFS		4.0
Break-up of net issue to public (%):		
QIB's portion		50.0
Non-Institutional portion		15.0
Retail Portion		35.0

Source: ABML Research, RHP

### Analyst Details

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