

# IPO Note: Mankind Pharma Ltd.

Industry: Pharmaceutical

Date: April 24, 2023

Issue Snapshot		Issue Break up		
Company Name	Mankind Pharma Ltd.	QIB ex Anchor	20%	8,011,769
Issue Opens	April 25, 2023 to April 27, 2023	Anchor Investor	30%	12,017,653
Price Band	Rs. 1026 to Rs. 1080	HNI<Rs. 10 Lakhs	5%	2,002,942
Bid Lot	13 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10%	4,005,884
The Offer	Public issue of 40,058,844 Equity shares of Face value Re. 1 each, (Comprising of Offer for Sale by Selling Shareholder).	RII	35%	14,020,595
Issue Size	Rs. 4110.0 – 4326.4 Crore	<b>Total Public</b>	<b>100%</b>	<b>40,058,844</b>
IPO Process	100% Book Building			
Face Value	Re. 1.00	Equity Share Pre Issue (Nos. Cr.)	40.1	
Exchanges	NSE & BSE	OFS Share (Nos. Cr.)	4.0	
BRLM	Kotak Mahindra Capital Co Ltd, Axis Capital Ltd, IIFL Securities Ltd, Jefferies India Pvt Ltd, J.P. Morgan India Pvt Ltd	Equity Share Post Issue (Nos. Cr.)	40.1	
Registrar	KFin Technologies Ltd	Market Cap (Rs. Cr.)	43,263.6	
		Stake Sale by OFS	10.0%	

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 3,705,443 equity shares by Ramesh Juneja, up to 3,505,149 equity shares by Rajeev Juneja, up to 2,804,119 equity shares by Sheetal Arora, up to 17,405,559 equity shares by Cairnhill CIPEF Limited, up to 2,623,863 equity shares by Cairnhill CGPE Limited, up to 9,964,711 equity shares by Beige Limited and up to 50,000 equity shares by Link Investment Trust)

## Company Highlights

- Mankind Pharma Ltd. (MPL) is India's fourth largest pharmaceutical company in terms of Domestic Sales and third largest in terms of sales volume for MAT December 2022. The 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.
- MPL 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.
- MPL have created 36 brands in the pharmaceutical business. The company is present in several acute and chronic therapeutic areas in India, including anti-infectives, cardiovascular, gastrointestinal, anti-diabetic, neuro/CNS, vitamins/minerals/nutrients and respiratory. It has over 36 brands, including Manforce (Rx), Moxikind-CV, Amlokind-AT, Unwanted-Kit, Candiforce, Gudcef, Glimestar-M, Prega News, Dydroboon, Codistar, Nurokind-Gold, Nurokind Plus-RF, Nurokind-LC, Asthakind-DX, Cefakind, Monticope, Telmikind-H, Telmikind, Gudcef-CV, and Unwanted-72, among them.
- Mankind 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. Total Covered Market for consumer healthcare business amounted to Rs 20,682 crore in 2022. MPL is the category leaders in:
  - ❖ The male condom category, where their Manforce brand had Domestic Sales of approximately Rs 461.6 crore (representing a market share of approximately 29.6%).
  - ❖ The pregnancy detection kit category, where their Prega News brand had Domestic Sales of approximately Rs 184.4 crore (representing a market share of approximately 79.7%).
  - ❖ The emergency contraceptives category, where the Unwanted-72 brand had Domestic Sales of approx Rs 108.3 crore (representing a market share of approximately 61.7%), for MAT December 2022.

- MPL operate 25 manufacturing facilities across India and have 4,121 manufacturing personnel as of December 31, 2022. The 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.
- For its covered market, Mankind is ranked #2 by market share. Mankind's covered market presence in IPM has increased from ~62% to over ~69% in the past three years. This kind of robust growth was achieved through its focus on increasing penetration in the chronic therapeutic areas.
- Over the past three years, the company's revenue has grown at 16% CAGR, which is nearly 1.5x the IPM growth rate. Mankind's rank, based on domestic sales, has improved from #8 to #4 in the past 10 years. During the same period, the company has also been able to increase its market share by 0.4% to 4.4% in FY23, making it one of the fastest growing companies in IPM.
- Mankind has pan-India presence with a large part of its revenue contribution coming from North India (~35%), with south and west contributing an equal ~23% each, and the rest being covered from the eastern markets. A large part of Mankind's revenue comes from Tier 2-4 towns with the regions contributing ~47% to sales, which is ~37% for its larger peers and IPM in general. The company has a large field force of ~12,000 MRs and ~3,200 line managers, helping the company grow at ~13% CAGR over the past three years in Tier 2-4 markets.

## View

In domestic sales Mankind Pharma is India's fourth largest pharmaceutical company, developing, manufacturing and marketing a diverse range, in acute and chronic therapies, of pharmaceutical formulations such as Manforce (RX), Moxikind CV, Amlokind AT, Unwanted Kit, Candiforce, Gudcef, GlimestarM, etc., as well as consumer healthcare products such as Manforce, Prega News, Unwanted 72, Gas-o-Fast, Health OK and AcneStar. Mankind Pharma is a purely domestic business having majority acute brands (67% of sales) with top 5 therapeutic areas of anti-infective, cardiac, gastro, vitamins & respiratory. It is focusing on increasing penetration in the chronic therapies, and has launched new divisions in anti-diabetic, cardiovascular, neuro/CNS and respiratory. Sales of chronic therapies (33% of FY22 revenues) clocked an 14% CAGR over FY20-22, outpacing the IPM's 10%. The recently acquired pharma formulations (transplants, oncology) from Panacea Biotec, and Daffy (derma) & Combihale (respiratory) from Dr Reddy's would boost growth. Further growth would be led by launches in SGLT2 inhibitors, gliptins, cardiac, anti-epileptic, antidepressant anxiolytics. The company plans to grow consumer healthcare business through expanding distribution channel and increasing the market share of existing brands. For existing portfolio of products, the company relies largely on distribution through pharmacies. The company plan to expand distribution reach through grocers and neighborhood small (kirana) stores. Mankind Pharma generates 98% of its revenue from the Indian market, making it the only company of its size with an exclusive domestic focus. The company currently has an annualised revenue of ~Rs. 9,000 crore in FY23. Other domestic-focussed companies listed on the stock exchange either dabble in the international markets (think Torrent, Cipla, Zydus) or are of smaller size (think Eris, JB Chemical). Based on the financials of recent years' growth, margin and return ratios have been impressive with typical advantages of branded formulations business such as limited working capital of 48 days, minimal capex and R&D (~2.5% of sales). We believe that most of the negative impact on margins and sales has already been experienced, and we anticipate a significant improvement in key financial metrics in FY24. The suppression in margins was due to increase in input prices, hiring costs and one-off costs due to Panacea's products acquisition, which is mostly behind us. The company is expected to be listed with a market capitalisation of ~Rs. 43,000 crore, implying a P/E valuation of ~32x on FY23 annualised earnings. Post-IPO, the promoter will continue to hold 78% of the company, with 12% held by existing PE investors. This strong promoter holding makes the stock well-positioned from a float perspective. Overall, we believe that the Mankind Pharma IPO presents a compelling investment opportunity with a favourable risk-reward outlook.

## Revenue from Operations

	FY20		FY21		FY22		9MFY22		9MFY23	
	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total	Amount (Rs. Cr.)	% to Total
<b>Revenue from Operations</b>	<b>5,865.2</b>	<b>100%</b>	<b>6,214.4</b>	<b>100%</b>	<b>7,781.6</b>	<b>100%</b>	<b>6,055.8</b>	<b>100%</b>	<b>6,691.3</b>	<b>100%</b>
- Sales of Products	5,863.7	100%	6,211.9	100%	7,778.1	100%	6,053.5	100%	6,649.2	99%
- Sales of services	1.6	0%	2.5	0%	3.5	0%	2.3	0%	9.7	0%
- Sale of Inventories in Housing Project	-	-	-	-	-	-	-	-	32.3	0%
Other operating revenues	-	-	-	-	-	-	-	-	5.5	0%
- Royalty Income	-	-	-	-	-	-	-	-	5.5	0%
<b>Total Revenue</b>	<b>5,865.2</b>	<b>100%</b>	<b>6,214.4</b>	<b>100%</b>	<b>7,781.6</b>	<b>100%</b>	<b>6,055.8</b>	<b>100%</b>	<b>6,696.8</b>	<b>100%</b>

### Based on Geography

<b>In India</b>	<b>5,788.8</b>	<b>99%</b>	<b>6,028.5</b>	<b>97%</b>	<b>7,594.8</b>	<b>98%</b>	<b>5,918.4</b>	<b>98%</b>	<b>6,481.6</b>	<b>97%</b>
Outside India	76.4	1%	185.9	3%	186.8	2%	137.4	2%	215.2	3%
- United States	13.1	0%	104.1	2%	73.9	1%	63.1	1%	106.0	2%
- Bangladesh	3.5	0%	6.7	0%	17.8	0%	11.5	0%	22.9	0%
- Sri Lanka	13.8	0%	12.5	0%	16.3	0%	12.2	0%	18.1	0%
- Nepal	7.1	0%	6.3	0%	10.3	0%	7.2	0%	9.8	0%
- Others	38.9	1%	56.3	1%	68.4	1%	43.5	1%	58.3	1%
<b>Revenue from Operations</b>	<b>5,865.2</b>	<b>100%</b>	<b>6,214.4</b>	<b>100%</b>	<b>7,781.6</b>	<b>100%</b>	<b>6,055.8</b>	<b>100%</b>	<b>6,696.8</b>	<b>100%</b>

## Highest Selling Pharmaceutical Brands

Brand	Domestic Sales for MAT Dec'2022 (? in Cr)	CAGR for FY20 to MAT Dec' 2022	Market Share for MAT Dec' 2022	Ranking for MAT Dec'2022
Manforce (Rx)	386.2	18%	48.1%	1
Moxikind-CV	312.3	10%	8.9%	3
Dydroboon	205.0	177%	22.3%	2
Unwanted-kit	204.7	19%	4865.0%	1
PregaNews	184.4	24%	79.7%	1
Amlokind-AT	182.0	10%	29.0%	1
Candiforce	172.5	1%	18.2%	1
Gudcef	167.6	145%	13.7%	2
Glimestar-M	158.8	13%	5.1%	6
Codistar	140.8	34%	25.2%	2
Nurokind-Gold	130.0	14%	6.2%	1
Nurokind-LC	125.7	13%	50.2%	1
Nurokind plus-RF	115.6	7%	14.2%	2
Telmikind-H	111.1	12%	14.2%	2
Cefakind	109.8	17%	12.4%	2
Telmikind	109.2	14%	10.1%	2
Unwanted-72	108.3	19%	61.7%	1
Vomikind	105.9	16%	21.3%	3
Monticope	105.5	16%	7.3%	3
Telmikind-AM	104.9	27%	11.6%	2

## Intellectual Property Rights

	Filing	Approved/ Hold	Tentative Approval	Pending	Remark
ANDAs	54	29	3	22	
Drug Product	645	451	-	194	
DMFs	25	4	-	21	Submitted in the United States received 'Adequate' letter from USFDA
	1	-	-	1	DMF submitted in Canada
CEPs	11	7	-	4	Submitted in Europe
Patent	245	52	-	136	Filed in several countries
Trademarks	3,163	2,319	-	844	Registered, currently hold

## Financial Statement

(In Rs. Cr)	FY20	FY21	FY22	9MFY22	9MFY23
Share Capital	40.1	40.1	40.1	40.1	40.1
Net Worth	3671.6	4862.9	6316.3	6123.7	7325.6
Long Term Borrowings	50.3	57.7	49.2	53.5	30.7
Other Long Term Liabilities	92.8	98.7	158.8	108.9	213.7
Short-term borrowings	76.6	176.9	818.8	215.2	137.2
Other Current Liabilities	1182.0	1176.5	1804.6	1542.6	1566.6
Fixed Assets	1864.0	1982.0	4222.3	2269.1	4620.4
Non Current Assets	2225.1	484.0	518.6	469.1	684.5
Current Assets	2822.2	3906.6	4406.8	5305.7	3968.9
Total Assets	5073.3	6372.6	9147.7	8043.9	9273.8
Revenue from Operations	5865.2	6214.4	7781.6	6055.8	6696.8
Revenue Growth (%)		6.0	25.2		10.6
EBITDA	1436.8	1648.1	1989.4	1704.5	1484.0
EBITDA Margin (%)	24.5	26.5	25.6	28.1	22.2
Net Profit	1056.1	1293.0	1453.0	1260.2	1016.0
Net Profit Margin (%)	18.0	20.8	18.7	20.8	15.2
Earnings Per Share (Rs.)	25.7	31.6	35.8	31.0	24.9
Return on Networth (%)	29.6	26.8	23.3	20.8	13.9
Net Asset Value per Share (Rs.)	87.0	117.9	153.7	148.9	178.4

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY20	FY21	FY22	9MFY22	9MFY23
Cash flow from Operations Activities	1069.7	1137.2	919.8	1158.5	1328.9
Cash flow from Investing Activities	(439.2)	(1222.2)	(1369.1)	(1035.0)	(528.7)
Cash flow from Financing Activities	(530.7)	(7.8)	604.6	22.3	(796.1)
Net increase/(decrease) in cash and cash equivalents	99.8	(92.8)	155.3	145.8	4.1
Cash and cash equivalents at the beginning of the year	116.3	219.7	127.3	127.3	283.1
Cash and cash equivalents at the end of the year	219.7	127.3	283.1	273.6	293.4

Source: RHP

## Comparison with listed industry peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Mankind Pharma Ltd.	7781.6	25.6	0.0	26.1	27.7	31.9	5.9	21.8	4.8	43263.6
Sun Pharma Laboratories Ltd.	38654.5	16.8	0.0	9.3	7.2	56.7	4.3	20.5	5.7	238829.8
Cipla Ltd.	21763.3	16.3	0.0	17.2	13.1	27.9	3.2	14.5	3.3	73588.5
Torrent Pharmaceuticals Ltd.	8508.0	17.3	0.7	14.4	13.2	65.0	8.5	20.8	5.9	53993.9
Zydus Lifesciences Ltd.	15265.2	12.0	0.2	15.3	15.5	25.4	3.0	15.2	3.3	52361.3
Abbott India Ltd.	4919.3	23.1	0.0	40.5	30.0	52.0	16.3	34.6	9.2	48307.7
Alkem Laboratories Ltd.	10634.2	14.5	0.3	18.7	21.0	39.1	4.2	22.2	3.6	39945.5
Glaxosmithkline Pharmaceuticals Ltd.	3278.0	23.3	0.0	37.7	18.4	12.4	13.0	22.6	6.4	21112.2
Ipca Laboratories Ltd.	5796.7	23.7	0.1	20.4	17.9	40.1	3.6	19.2	3.5	21038.4
JB Chemicals & Pharmaceuticals Ltd.	2424.2	24.0	0.0	25.5	19.9	40.4	6.8	25.2	5.5	16452.8
Eris Lifesciences Ltd.	1347.0	36.6	0.0	25.3	23.3	21.2	3.9	16.0	5.4	8397.6
Procter & Gamble Health Ltd.	1114.4	25.2	0.0	38.4	29.4	33.6	10.6	21.6	6.7	7813.8

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