

IPO Report

Choice

“SUBSCRIBE” to
Mankind Pharma Ltd.



Salient features of the IPO:

- **Mankind Pharma Ltd.** (Mankind), a domestic pharma formulation company with established consumer healthcare franchise is coming up with an IPO to raise around Rs. 4,326cr, which opens on 25th Apr. and closes on 27th Apr. 2023. The price band is Rs. 1,026 - 1,080 per share.
- The IPO consists of only an OFS offering. Thus the company will not receive any proceeds from the IPO.
- Few of the promoter & promoter group entities are participating in the OFS and offloading 1.001cr equity shares. Pre-IPO, the promoter & promoter group had 79% stake in Mankind, which will get reduced to 76.50% post the conclusion of the IPO.
- Couple of private equity (PE) investors (like affiliate firms of ChrysCapital, Capital International Group etc.) are also participating in the OFS and partially offloading their stake. Post-issue, stake of these selling PE investors will decline to 13.13% from current 20.63%.

Key competitive strengths:

- Domestic focused business of scale with potential for growth
- Domestic sales growing at 1.3 times the growth rate of the IPM between the FY20 and MAT Dec. 2022
- Established consumer healthcare franchise with brand recall
- Leveraging corporate brand to build and scale brands
- Pan-India market & distribution coverage with focus on affordability & accessibility
- 25 manufacturing and four research & development facilities with capabilities across key therapeutic areas
- Professional management team with industry experience and backed by private equity investors

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Delay in the commercialization of new products/molecules
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- Indian pharmaceutical market (IPM) is primarily a branded generics-driven market, dominated by Indian generic players which account for approximately 80-85% of the overall market. Typically, IPM growth is higher than the growth witnessed in the developed market of the US and Europe. In addition to lower regulatory headwinds, companies in the IPM benefit from the presence in high growth domestic market.
- Over FY15-22, the size of IPM increased from Rs. 0.9lakh cr in FY15 to Rs. 1.9lakh cr, a growth of 10.7% CAGR. It is forecasted to grow by 10-11% CAGR over FY22-27E to reach a size of Rs. 3-3.1lakh cr. The key factors driving the growth are rising income levels, increasing life expectancy, growth in lifestyle diseases and government initiatives. (Source: RHP)
- The domestic consumer healthcare market which stood at Rs. 0.2lakh cr in CY22, 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 & expenditure on consumer healthcare products.
- In terms of domestic sales, Mankind is India's 4th largest pharmaceutical company and 3rd largest in terms of sales volume for the 12-month period (TTM) ending Dec. 2022. It is a domestic focused pharma formulation company with a value market share of 4.3% and volume share of 5.6% in the IPM. Apart from developing, manufacturing and marketing pharma formulations, the company also manufactures and develops several consumer healthcare products.

Issue details

Price band	Rs. 1,026 - 1,080 per share
Face value	Rs. 1
Shares for fresh issue	Nil
Shares for OFS	4.006cr shares
Fresh issue size	N/a
OFS issue size	Rs. 4,110 - 4,326.4cr
Total issue size	4.006cr shares (Rs. 4,110 - 4,326.4cr)
Bidding date	25 th Apr. - 27 th Apr. 2023
Implied MCAP at higher price band	Rs. 43,264cr
Implied enterprise value at higher price band	Rs. 43,078cr

Book running lead manager	Kotak Mahindra Capital Company Ltd., Axis Capital Ltd., IIFL Securities Ltd., Jefferies India Pvt. Ltd. and J.P. Morgan India Pvt. Ltd.
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Registrar	KFin Technologies Ltd.
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Sector	Pharmaceuticals
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Promoters	Mr. Ramesh Juneja, Mr. Rajeev Juneja, Mr. Sheetal Arora, Ramesh Juneja Family Trust, Rajeev Juneja Family Trust and Prem Sheetal Family Trust
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Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	2.003cr shares
Non institutional portion (Big)	10%	0.401cr shares
Non institutional portion (Small)	5%	0.200cr shares
Retail portion	35%	1.402cr shares

Indicative IPO process time line

Finalization of basis of allotment	3 rd May 2023
Unblocking of ASBA account	4 th May 2023
Credit to demat accounts	8 th May 2023
Commencement of trading	9 th May 2023

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	79.00%	76.50%
Public	21.00%	23.50%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	13
Application money	Rs. 14,040 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Mankind Pharma Ltd.	1	1,080	43,264	43,078					8,423	1,769	1,186	66.8%	21.0%	14.1%
Abbott India Ltd.	10	22,526	47,866	45,117	7.7%	2.8%	23.9%	29.9%	5,265	1,224	929	45.1%	23.2%	17.7%
Alkem Laboratories Ltd.	2	3,369	40,275	40,138	8.1%	10.1%	8.3%	-2.4%	11,181	1,593	1,021	58.1%	14.3%	9.1%
Cipla Ltd.	2	925	74,621	71,307	5.7%	-13.1%	-17.8%	-10.0%	22,031	4,603	2,638	62.2%	20.9%	12.0%
Dabur India Ltd.	1	521	92,309	91,752	-2.8%	-6.6%	-2.0%	-7.4%	11,370	2,208	1,701	46.0%	19.4%	15.0%
Eris Lifesciences Ltd.	1	621	8,438	8,331	9.1%	-1.9%	-15.5%	-12.9%	1,566	515	397	78.2%	32.9%	25.3%
Ipca Laboratories Ltd.	1	830	21,045	20,448	6.0%	-5.3%	-7.6%	-18.9%	6,022	965	525	64.4%	16.0%	8.7%
JB Chemicals & Pharmaceuticals Ltd.	2	2,111	16,328	16,296	7.8%	6.0%	9.3%	32.2%	3,012	657	407	63.3%	21.8%	13.5%
Procter & Gamble Health Ltd.	10	4,760	7,901	7,577	-1.9%	16.5%	15.8%	10.9%	1,171	329	233	71.2%	28.1%	19.9%
Sun Pharmaceutical Industries Ltd.	1	1,005	2,41,133	2,29,416	4.9%	-3.3%	2.7%	8.3%	41,939	10,878	4,212	73.9%	25.9%	10.0%
Torrent Pharmaceuticals Ltd.	5	1,595	53,972	56,431	4.2%	-1.4%	2.1%	11.8%	9,116	2,676	831	70.9%	29.4%	9.1%
Zydus Lifesciences Ltd.	1	516	52,209	52,426	8.2%	16.3%	24.2%	41.4%	15,767	3,322	2,061	61.2%	21.1%	13.1%
Zydus Wellness Ltd.	10	1,523	9,692	9,627	3.5%	3.4%	-11.9%	-7.3%	2,168	334	298	48.8%	15.4%	13.8%
Average												61.9%	22.4%	13.9%

Company name	5Y revenue growth (CAGR)	5Y EBITDA growth (CAGR)	5Y PAT growth (CAGR)	5Y average EBITDA margin	5Y average PAT margin	5Y capital employed growth (CAGR)	5Y CFO growth (CAGR)	5Y average working capital cycle (Days)	5Y average fixed asset turnover (x)	5Y average total asset turnover (x)	5Y average RoE	5Y average RoIC
Mankind Pharma Ltd.	12.0%	18.7%	17.9%	23.1%	16.2%	20.4%	7.9%	38.6	2.8	1.1	24.6%	24.1%
Abbott India Ltd.	11.1%	22.5%	23.6%	18.8%	14.2%	-5.1%	25.3%	23.1	24.9	1.2	25.1%	21.6%
Alkem Laboratories Ltd.	13.3%	15.5%	13.0%	18.0%	13.4%	8.5%	18.7%	97.9	2.7	0.9	17.2%	18.9%
Cipla Ltd.	8.6%	12.8%	20.1%	19.8%	10.4%	1.9%	6.9%	118.7	1.7	0.7	11.0%	9.3%
Dabur India Ltd.	7.4%	8.3%	6.4%	20.7%	17.0%	11.1%	8.0%	23.6	4.0	0.9	22.8%	37.7%
Eris Lifesciences Ltd.	12.4%	12.5%	10.5%	35.7%	30.2%	26.9%	13.6%	31.0	1.3	0.7	25.2%	28.5%
Ipca Laboratories Ltd.	12.9%	24.8%	35.4%	20.0%	13.8%	11.0%	24.9%	116.0	2.0	0.8	16.0%	14.4%
JB Chemicals & Pharmaceuticals Ltd.	12.1%	18.9%	15.9%	20.7%	14.9%	13.3%	-3.3%	95.1	2.5	0.8	16.9%	14.4%
Procter & Gamble Health Ltd.	2.3%	18.3%	19.5%	19.7%	14.9%	5.9%	9.6%	42.6	7.6	0.5	19.9%	18.9%
Sun Pharmaceutical Industries Ltd.	4.3%	0.4%	-14.0%	22.9%	9.1%	7.6%	4.9%	142.9	1.4	0.5	6.7%	11.5%
Torrent Pharmaceuticals Ltd.	7.9%	12.0%	-3.6%	27.0%	11.0%	8.9%	12.3%	77.2	1.0	0.6	15.9%	13.9%
Zydus Lifesciences Ltd.	10.2%	11.8%	24.7%	22.3%	16.3%	15.7%	9.9%	112.8	1.2	0.6	18.5%	14.6%
Zydus Wellness Ltd.	36.1%	28.1%	23.2%	20.0%	15.2%	155.2%	25.2%	(11.0)	1.3	0.4	7.5%	8.3%
Average	11.6%	15.5%	14.6%	22.1%	15.0%	21.7%	13.0%	72.5	68.4%	31.7%	4.3	0.7

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	RoE	RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM earning yield
Mankind Pharma Ltd.	29.6	153.7	0.0	0.2	2.0	0.9	19.3%	28.1%	36.5	7.0	5.1	24.4	5.1	2.7%
Abbott India Ltd.	437.4	1,327.0	275.0	0.0	19.4	1.3	33.0%		51.5	17.0	8.6	36.9	9.1	1.9%
Alkem Laboratories Ltd.	85.4	722.4	35.3	0.3	3.4	0.9	11.8%	24.4%	39.5	4.7	3.6	25.2	3.6	2.5%
Cipla Ltd.	32.7	258.2	5.0	0.0	2.1	0.8	12.7%	19.8%	28.3	3.6	3.2	15.5	3.4	3.5%
Dabur India Ltd.	9.6	47.3	5.5	0.1	4.6	0.9	20.3%	25.7%	54.3	11.0	8.1	41.6	8.1	1.8%
Eris Lifesciences Ltd.	29.2	140.3	6.0	0.0	1.7	0.7	20.8%	24.7%	21.3	4.4	5.3	16.2	5.4	4.7%
Ipca Laboratories Ltd.	20.7	216.5	4.0	0.1	2.2	0.8	9.6%	14.8%	40.1	3.8	3.4	21.2	3.5	2.5%
JB Chemicals & Pharmaceuticals Ltd.	52.6	275.9	16.5	0.0	2.3	1.0	19.1%	25.6%	40.1	7.7	5.4	24.8	5.4	2.5%
Procter & Gamble Health Ltd.	140.2	371.4	171.0	0.0	7.7	0.6	37.8%	29.6%	33.9	12.8	6.5	23.0	6.7	2.9%
Sun Pharmaceutical Industries Ltd.	17.6	200.1	9.0	0.0	1.8	0.6	8.8%	22.9%	57.3	5.0	5.5	21.1	5.7	1.7%
Torrent Pharmaceuticals Ltd.	24.6	175.9	20.0	0.5	1.3	0.7	14.0%	26.3%	64.9	9.1	6.2	21.1	5.9	1.5%
Zydus Lifesciences Ltd.	20.4	167.9	3.7	0.2	1.2	0.6	12.1%	16.8%	25.3	3.1	3.3	15.8	3.3	3.9%
Zydus Wellness Ltd.	46.9	761.3	5.0	0.0	0.5	0.4	6.2%	6.7%	32.5	2.0	4.4	28.8	4.5	3.1%
Average			46.3	0.1	4.0	0.8	17.2%	21.6%	40.7	7.0	5.3	24.3	5.4	2.7%

Source: Choice Broking Research

- In domestic pharmaceuticals business, Mankind is present across acute & chronic therapeutic areas like anti-infective, cardiovascular, gastrointestinal, anti-diabetic, neuro/CNS, vitamins/minerals/nutrients, respiratory etc. In consumer healthcare business, it has established several brands in the condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin & mineral supplements and anti-acne categories.
- With increased focus on chronic therapeutic areas, Mankind has improved its presence in the covered market of IPM from 62% in FY20 to 69% by Dec. 2022. Going forward, it intends to further improve the penetration by expanding the product portfolio. The company has planned to launch various formulation in anti-diabetic, cardiovascular, neuro/CNS, respiratory, ophthalmology, gynecology therapeutic areas in future.
- During FY20-22, Mankind generated around 98% of the business from the domestic IPM. Business from chronic therapeutic areas increased by 17.5% CAGR, compared to 15.9% from acute therapeutic areas. Consequently, business contribution from chronic therapeutic areas improved from 31.9% in FY20 to 32.6% in FY22 and further to 33.8% during TTM ending Dec. 2022. While business contribution from acute therapeutic areas declined from 68.1% to 67.4% in FY22 and further to 66.2% during TTM ending Dec. 2022.

Key highlights of the company (Contd...):

- Over the years of operations, the company has established track record of building and scaling brands in-house. “Mankind” is well recognized brand in India. It has created 36 brands in the pharmaceutical business that have each achieved over Rs. 50cr in domestic sales for the TTM ending Dec. 2022. Moreover, 19 out of its 20 brands are ranked among the three highest selling brands in their respective molecule groups and 21 of its brands are among the 300 highest selling brands of the IPM. Further, Mankind has 10 “brand families” with sales exceeding Rs. 200cr, nine brand families with sales between Rs. 100-200cr and 17 brand families with sales between Rs. 50-100cr. (Source: RHP)
- The company entered the consumer healthcare market in 2007 and has since established several differentiated brands in the condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin & mineral supplements and anti-acne preparations categories. During TTM ending Dec. 2022, it was the category leaders in the male condom category (Manforce brand had a market share of approximately 29.6%), the pregnancy detection kit category (Prega News brand had a market share of approximately 79.7%) and the emergency contraceptives category (Unwanted-72 brand had a market share of approximately 61.7%).
- With a field force of 11,691 medical representatives and 3,561 field managers, Mankind has established a huge marketing presence in the IPM. During TTM ending Dec. 2022, over 80% of the doctors in India prescribed Mankind’s formulation. In terms of distribution network, the company sells its products to over 12,000 stockists and is engaged with 75 clearing & forwarding agents. During the TTM ending Dec. 2022, the company generated 35%, 23%, 19% and 23% of the domestic sales from North India, South India, East India and West India regions, respectively, reflecting its pan-India presence. One of the key differentiating features of Mankind’s marketing & distribution reach is that it generated 47% of the domestic sales from high-growth markets like Class II-IV cities & rural markets, which is higher than around 36% recorded for the IPM.
- The company operated 25 manufacturing facilities across India. Its formulations manufacturing facilities had a total installed capacity of 42.05bn units per annum across a wide range of dosage forms including tablets, capsules, syrups, vials, ampoules, eye drops, creams, contraceptives etc. Several of its facilities have obtained approvals/certifications from and are subject to inspections by, a range of regulatory bodies including CDSCO and USFDA. Also certain of the facilities have obtained certificates under the World Health Organization and PIC/S good manufacturing practices & guidelines. In addition to its own manufacturing facilities, the company has entered into third-party manufacturing contracts for certain of its finished formulations. Over FY20-22, products manufactured through third party manufacturing arrangements contributed around 25% to operating revenue.
- As of Dec. 2022, it was the 2nd pharmaceutical company in India to launch Dydrogesterone, a synthetic hormonal API used to treat female infertility. The domestic market of Dydrogesterone has rapidly grown during FY20-22. Mankind with around 25% market share in this product category is likely to benefit from further expansion in the market.
- The company spends around 2.5% of the operating revenue on R&D, which mainly focuses on the development of niche APIs, complex generic formulations and product & process improvements so as to achieve better quality and efficacy of its existing products. In Jul. 2022, it has filed one INDA (Investigational New Drug Application) for an anti-diabetic NCE (new chemical entity) molecule, which is in phase-I clinical trials. Further, as of Dec. 2022, it had two NCE molecules for auto-immune diseases and non-alcoholic steatohepatitis in pre-clinical stage.
- Mankind has filed over 248 patents, of which 53 patents have been granted. Four out of its 25 API drug master files submitted in the United States had received the ‘Adequate’ letter from the USFDA. Further the company has made 55 ANDA filings with the USFDA, out of which 29 have been approved, three have received tentative approval and 23 are still undergoing assessment.
- Because of its manufacturing facility located in Sikkim (currently contributing 25-30% of the sales), the company is entitled to certain tax benefits and incentives, which includes a 100% deduction on the profits & gains. This deduction is available for 10 consecutive years, starting from the year of the commencement of the business. Mankind is expected to avail this tax benefit until FY27
- Mainly with improved penetration in the chronic therapeutic areas and sales volume, Mankind reported a sustained growth in the business and profitability over FY20-22. During the period, its business growth has consistently outperformed the growth of the IPM, which grew at 11.2% CAGR. The company reported a 15.2% CAGR rise in consolidated operating revenue to Rs. 7,781.6cr in FY22. Domestic sales increased by 14.5% CAGR, while export increased by 56.4% CAGR on a low base. Consolidated EBITDA increased by 17.7% CAGR to Rs. 1,989.4cr, while EBITDA margin expanded by 107bps to 25.6% in FY22. Depreciation charge and finance costs increased by 29.7% and 63.3% CAGR, while net other income (including share of profit from associates and JVs) increased by 31.4% CAGR. Consequently, reported PAT was higher by 17.9% to Rs. 1,433.5cr, while PAT margin expanded by 85bps to 18.4% in FY22.
- Mankind reported positive operating cash flow over FY20-22, however it declined by 7.3% CAGR. Average operating cash flow stood at Rs. 1,042.2cr during the period. Financial liabilities increased by 120.3% CAGR, while debt-to-equity ratio remained comfortable at 0.2x in FY22 as compared to 0.1x in FY20. Average pre-issue RoIC and RoE stood at 25.1% and 26.6%, respectively.
- During 9M FY23, the company reported a 10.6% Y-o-Y increase in consolidated top-line to Rs. 6,696.8cr, compared to IPM growth of around 9%. EBITDA and PAT margin contracted by 599 and 565bps, respectively, mainly on account of higher cost of revenue and other expenses. On TTM basis, top-line stood at Rs. 8,422.5cr with EBITDA and PAT margin of 21% and 14.1%, respectively, compared to 25.6% and 18.4%, respectively, in FY22.

Peer comparison and valuation: Till FY22, Mankind has grown organically and evolved as the third largest pharmaceutical company. Its domestic focused operations bring stability in the performance, compared to players having exposure to the developed markets. The company is positioned as the manufacturer of quality medicines at affordable prices. Going forward, it intends to remain an affordable medicine manufacturer, while expanding its chronic product portfolio. Over the period following a bottoms-up approach, Mankind has established a vast marketing & distribution reach in the high-growth markets (i.e. Class II-IV cities & rural markets).

At higher price band, it is demanding a TTM P/E multiple of 36.5x, compared to the peer average of 40.7x. Thus we assign a “**SUBSCRIBE**” rating for the issue.

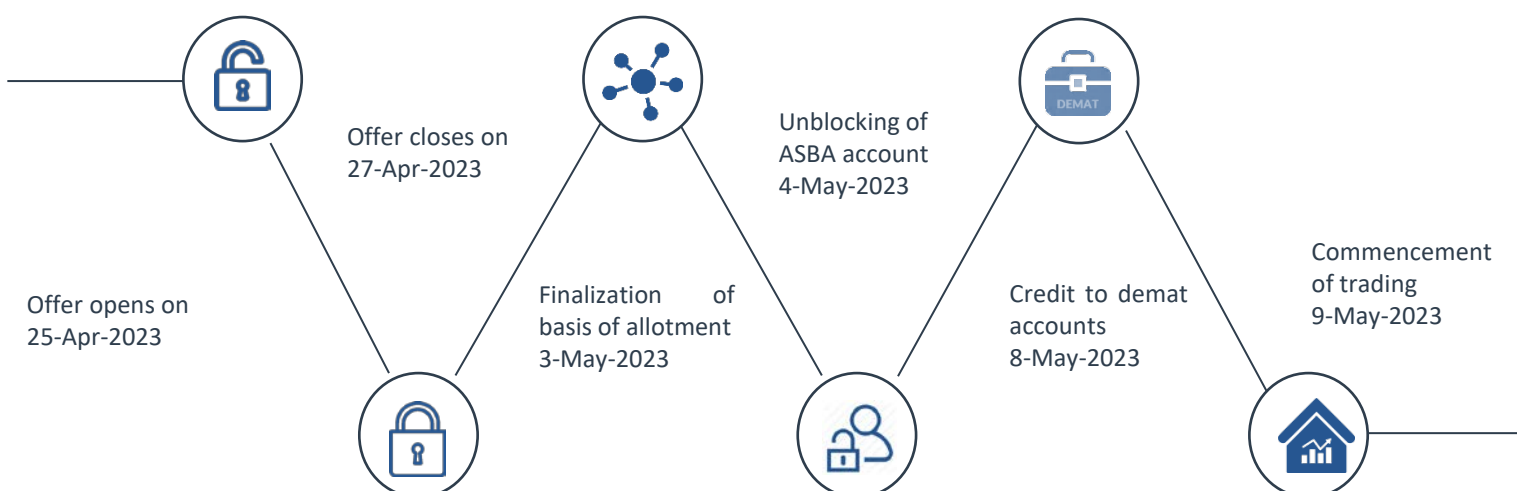
About the issue:

- Mankind is coming up with an IPO with 4.006cr shares (fresh issue: nil; OFS shares: 4.006cr shares) in offering. This offer represents 10% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 4,326.4cr (at higher price band).
- The issue is through book building process with a price band of Rs. 1,026 - 1,080 per share.
- Lot size comprises of 13 equity shares and in multiple of 13 shares thereafter.
- The issue will open on 25th Apr. 2023 and close on 27th Apr. 2023.
- The IPO consists of only an OFS offering. Thus the company will not receive any proceeds from the IPO.
- Few of the promoter & promoter group entities are participating in the OFS and offloading 1.001cr equity shares. Couple of private equity (PE) investors (like affiliate firms of ChrysCapital, Capital International Group etc.) are also participating in the OFS and partially offloading their stake. Post-issue, stake of these selling PE investors will decline to 13.13% from current 20.63%.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter group currently holds 79% stake in the company and post-IPO this will come down to 76.50%. Public holding will increase from current 21% to 23.50%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	79.00%	76.50%
Public	21.00%	23.50%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY20-22: Mainly with improved penetration in the chronic therapeutic areas and sales volume, Mankind reported a sustained growth in the business and profitability over FY20-22. During the period, its business growth has consistently outperformed the growth of the IPM, which grew at 11.2% CAGR.

The company reported a 15.2% CAGR rise in consolidated operating revenue to Rs. 7,781.6cr in FY22. Domestic sales increased by 14.5% CAGR, while export increased by 56.4% CAGR on a low base. Business contribution from respective geographies stood at 97.6% and 2.4% in FY22, compared to 98.7% and 1.3% in FY20.

Net cost of material consumed increased by 13.6% CAGR (a rate lower than top-line), thereby leading to a 90bps expansion in the gross profit margin. Employee benefit expenses and other expenses increased by 10.2% CAGR and 24.8% CAGR, resulting to a 17.7% CAGR increase in consolidated EBITDA to Rs. 1,989.4cr FY22. EBITDA margin expanded by 107bps during the period to 25.6% in FY22.

Depreciation charge and finance costs increased by 29.7% and 63.3% CAGR, while net other income (including share of profit from associates and JVs) increased by 31.4% CAGR. Consequently, reported PAT was higher by 17.9% to Rs. 1,433.5cr, while PAT margin expanded by 85bps to 18.4% in FY22.

Mankind reported positive operating cash flow over FY20-22, however it declined by 7.3% CAGR. Average operating cash flow stood at Rs. 1,042.2cr during the period. Financial liabilities increased by 120.3% CAGR, while debt-to-equity ratio remained comfortable at 0.2x in FY22 as compared to 0.1x in FY20. Average pre-issue RoIC and RoE stood at 25.1% and 26.6%, respectively.

Performance during 9M FY23: Consolidated top-line increased by 10.6% Y-o-Y to Rs. 6,696.8cr, compared to IPM growth of around 9%. EBITDA and PAT margin contracted by 599 and 565bps, respectively, mainly on account of higher cost of revenue and other expenses.

On TTM basis, top-line stood at Rs. 8,422.5cr with EBITDA and PAT margin of 21% and 14.1%, respectively, compared to 25.6% and 18.4%, respectively, in FY22.

Pre-issue consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	9M FY22	9M FY23	TTM	CAGR over FY20-22	Y-o-Y (FY22 annual)
Sales of products	5,863.7	6,211.9	7,778.1	6,053.5	6,649.2	8,373.9	15.2%	25.2%
Sale of services	1.6	2.5	3.5	2.3	9.7	10.8	49.3%	37.3%
Sale of inventories in housing project				0.0	32.3	32.3		
Other operating revenues					5.5	5.5		
Revenue from operations	5,865.2	6,214.4	7,781.6	6,055.8	6,696.8	8,422.5	15.2%	25.2%
Gross profit	3,987.2	4,433.8	5,359.8	4,193.4	4,456.8	5,623.3	15.9%	20.9%
EBITDA	1,436.8	1,648.1	1,989.4	1,704.5	1,484.0	1,768.8	17.7%	20.7%
Reported PAT	1,030.4	1,265.4	1,433.5	1,243.4	996.4	1,186.5	17.9%	13.3%
Restated reported EPS	25.7	31.6	35.8	31.0	24.9	29.6	17.9%	13.3%
Cash flow from operating activities	1,069.7	1,137.2	919.8	1,158.5	1,328.9	1,090.1	-7.3%	-19.1%
NOPLAT	982.7	1,168.8	1,341.2	1,167.3	975.6	1,148.9	16.8%	14.7%
FCF	242.4	(7.1)	(73.5)		1,799.2			932.4%
RoIC (%)	28.0%	25.4%	22.0%	19.8%	13.9%	16.4%	(603) bps	(337) bps
Revenue growth rate	17.8%	6.0%	25.2%		10.6%			
Gross profit growth rate	22.4%	11.2%	20.9%		6.3%			
Gross profit margin	68.0%	71.3%	68.9%	69.2%	66.6%	66.8%	90 bps	(247) bps
EBITDA growth rate	55.3%	14.7%	20.7%		-12.9%			
EBITDA margin	24.5%	26.5%	25.6%	28.1%	22.2%	21.0%	107 bps	(96) bps
EBIT growth rate	56.3%	14.3%	19.2%		-21.6%			
EBIT margin	22.8%	24.6%	23.4%	26.2%	18.6%	17.6%	62 bps	(118) bps
Restated reported PAT growth rate	78.2%	22.8%	13.3%		-19.9%			
Restated reported PAT margin	17.6%	20.4%	18.4%	20.5%	14.9%	14.1%	85 bps	(194) bps
Inventory days	53.5	61.2	69.0	63.2	58.4	62.7	13.6%	12.9%
Debtor days	23.4	25.3	16.9	21.7	26.1	28.1	-15.1%	-33.4%
Payable days	(40.7)	(41.5)	(40.9)	(38.4)	(36.4)	(39.1)	0.3%	-1.4%
Cash conversion cycle	36.2	45.0	45.0	46.6	48.1	51.7	11.5%	0.0%
Fixed asset turnover ratio	3.1	3.1	1.8	2.6	1.4	1.8	-23.0%	-40.6%
Total asset turnover ratio	1.2	1.0	0.9	0.8	0.7	0.9	-14.2%	-12.8%
Current ratio	2.3	2.9	1.7	3.1	2.4	2.4	-13.9%	-42.1%
Quick ratio	1.6	2.0	1.0	2.2	1.5	1.5	-19.2%	-50.1%
Total debt	225.5	404.3	1,094.6	427.5	403.0	403.0	120.3%	170.7%
Net debt	(859.4)	(1,602.6)	(185.8)	(2,410.8)	(761.6)	(761.6)	-53.5%	-88.4%
Debt to equity	0.1	0.1	0.2	0.1	0.1	0.1	65.8%	107.7%
Net debt to EBITDA	(0.6)	(1.0)	(0.1)	(1.4)	(0.5)	(0.4)	-60.5%	-90.4%
RoE (%)	29.6%	26.8%	23.3%	20.8%	13.9%	16.6%	(628) bps	(351) bps
RoA (%)	20.3%	19.9%	15.7%	15.5%	10.7%	12.8%	(464) bps	(419) bps
RoCE (%)	48.6%	50.5%	34.6%	45.7%	19.3%	23.0%	(1,395) bps	(1,585) bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



Competitive strengths:

- Domestic focused business of scale with potential for growth
- Domestic sales growing at 1.3 times the growth rate of the IPM between the FY20 and MAT Dec. 2022
- Established consumer healthcare franchise with brand recall
- Leveraging corporate brand to build and scale brands
- Pan-India market & distribution coverage with focus on affordability & accessibility
- 25 manufacturing and four research & development facilities with capabilities across key therapeutic areas
- Professional management team with industry experience and backed by private equity investors

Business strategy:

- Increase covered market presence including in chronic therapeutic areas
- Focus on increasing penetration in metro and Class-I cities
- Focus on building alternative channels for growth
- Grow consumer healthcare business
- Continue to develop and invest in digital platforms to enhance doctor engagement



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Delay in the commercialization of new products/molecules
- Difficulty in maintaining the profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)

	FY20	FY21	FY22	9M FY22	9M FY23	TTM	CAGR over FY20 - 22	Annual growth over FY21
Revenue from operations	5,865.2	6,214.4	7,781.6	6,055.8	6,696.8	8,422.5	15.2%	25.2%
Cost of raw materials & components consumed	(1,297.3)	(1,373.2)	(2,057.6)	(1,454.2)	(1,351.6)	(1,954.9)	25.9%	49.8%
Purchases of stock-in-trade	(591.2)	(654.8)	(813.8)	(568.6)	(611.0)	(856.2)	17.3%	24.3%
Changes in inventories of finished goods, work-in-progress, development rights and stock-in-trade	10.5	247.4	449.6	160.4	(277.4)	11.8	555.8%	81.7%
Gross profit	3,987.2	4,433.8	5,359.8	4,193.4	4,456.8	5,623.3	15.9%	20.9%
Employee benefits expense	(1,335.5)	(1,415.8)	(1,620.6)	(1,198.3)	(1,422.6)	(1,844.8)	10.2%	14.5%
Impairment of non-current assets	(90.6)			(5.0)	(8.9)	(3.9)		
Impairment losses on financial assets		(17.7)				0.0		
Other expenses	(1,124.2)	(1,352.2)	(1,749.9)	(1,285.5)	(1,541.4)	(2,005.8)	24.8%	29.4%
EBITDA	1,436.8	1,648.1	1,989.4	1,704.5	1,484.0	1,768.8	17.7%	20.7%
Depreciation & amortization expense	(99.1)	(119.0)	(166.6)	(119.3)	(241.4)	(288.8)	29.7%	40.1%
EBIT	1,337.8	1,529.1	1,822.7	1,585.3	1,242.6	1,480.0	16.7%	19.2%
Finance costs	(22.0)	(20.1)	(58.6)	(45.6)	(39.3)	(52.3)	63.3%	190.9%
Other income	110.4	170.9	196.0	162.5	81.1	114.6	33.2%	14.7%
Share of net profit/(loss) of associates & joint ventures (net of tax)	11.5	11.7	14.4	9.4	9.7	14.7	11.9%	23.7%
PBT	1,437.7	1,691.6	1,974.6	1,711.6	1,294.0	1,557.0	17.2%	16.7%
Tax expenses	(381.6)	(398.6)	(521.6)	(451.3)	(278.0)	(348.3)	16.9%	30.9%
PAT before minority interest	1,056.1	1,293.0	1,453.0	1,260.2	1,016.0	1,208.7	17.3%	12.4%
Minority interest	(25.7)	(27.6)	(19.5)	(16.8)	(19.6)	(22.2)	-13.0%	-29.4%
Reported PAT	1,030.4	1,265.4	1,433.5	1,243.4	996.4	1,186.5	17.9%	13.3%

Consolidated balance sheet statement (Rs. cr)

	FY20	FY21	FY22	9M FY22	9M FY23	TTM	CAGR over FY20 - 22	Annual growth over FY21
Equity share capital	40.1	40.1	40.1	40.1	40.1	40.1	0.0%	0.0%
Other equity	3,445.3	4,681.9	6,115.2	5,925.4	7,105.8	7,105.8	33.2%	30.6%
Minority interest	186.3	140.9	161.1	158.3	179.7	179.7	-7.0%	14.3%
Non-current borrowings	75.8	76.2	73.4	76.3	55.4	55.4	-1.6%	-3.6%
Non-current lease liabilities	2.8	4.5	3.0	3.4	5.9	5.9	2.8%	-33.7%
Other non-current financial liabilities	1.0	1.0				0.0		
Non-current provisions	63.0	72.2	80.0	80.0	98.9	98.9	12.7%	10.7%
Net deferred tax liabilities	8.2	13.0	55.6	12.2	82.2	82.2	161.0%	326.8%
Other non-current liabilities	17.8	7.9	20.2	13.2	26.7	26.7	6.4%	155.5%
Trade payables	745.1	667.0	1,076.4	861.2	902.1	902.1	20.2%	61.4%
Current borrowings	51.1	158.4	794.6	192.4	112.5	112.5	294.4%	401.8%
Current lease liabilities	1.1	1.6	2.1	2.2	2.5	2.5	34.3%	26.8%
Other current financial liabilities	93.6	162.6	221.5	153.1	226.8	226.8	53.8%	36.2%
Current provisions	215.7	234.2	264.5	249.8	285.3	285.3	10.7%	12.9%
Current net tax liabilities	65.6	11.1	15.1	56.3	31.0	31.0	-52.0%	36.1%
Other current liabilities	60.8	100.0	225.1	219.9	119.0	119.0	92.4%	125.1%
Total liabilities	5,073.3	6,372.6	9,147.7	8,043.9	9,273.8	9,273.8	34.3%	43.5%
Property, plant and equipment	1,498.8	1,565.7	1,652.4	1,561.4	1,984.7	1,984.7	5.0%	5.5%
Intangible assets	22.3	18.4	1,842.6	7.9	1,739.2	1,739.2	810.0%	9898.4%
Capital work-in-progress	313.3	371.6	669.9	650.8	821.3	821.3	46.2%	80.3%
Intangible assets under development	3.7	0.3	31.6	23.1	49.7	49.7	192.4%	9360.5%
Right-of-use assets	52.5	54.4	67.4	67.9	115.4	115.4	13.2%	23.9%
Investment properties	5.6	5.5	5.4	5.5	5.4	5.4	-1.2%	-1.5%
Goodwill	20.4	20.4	20.4	20.4	20.0	20.0	0.0%	0.0%
Investment in associates and joint ventures	164.4	165.8	167.7	157.2	183.0	183.0	1.0%	1.2%
Non-current investments	0.0	40.0	67.3	40.3	89.3	89.3	7093.3%	68.1%
Non-current loans	0.1	0.1	0.0	0.0	0.0	0.0	-45.9%	-60.8%
Other non-current financial assets	30.9	22.4	22.9	26.8	83.1	83.1	-13.9%	2.2%
Net income tax assets	54.5	55.6	79.8	56.1	94.8	94.8	21.0%	43.6%
Net deferred tax assets	47.9	49.0	39.3	51.4	31.3	31.3	-9.5%	-19.8%
Other non-current assets	36.6	96.7	74.2	69.4	87.6	87.6	42.3%	-23.3%
Inventories	899.1	1,183.5	1,760.2	1,418.4	1,448.0	1,448.0	39.9%	48.7%
Trade receivables	531.1	330.6	388.2	487.3	648.0	648.0	-14.5%	17.4%
Current investments	665.0	1,306.2	874.5	2,361.5	709.6	709.6	14.7%	-33.1%
Cash and cash equivalents	419.9	700.7	405.9	476.8	455.1	455.1	-1.7%	-42.1%
Current loans	34.5	18.4	1.2	35.3	1.5	1.5	-81.4%	-93.5%
Other current financial assets	4.8	10.3	13.9	11.7	33.8	33.8	70.3%	35.1%
Other current assets	265.1	354.1	959.9	511.4	670.1	670.1	90.3%	171.0%
Assets held for sale	2.7	2.7	3.0	3.5	2.8	2.8	4.9%	10.4%
Total assets	5,073.3	6,372.6	9,147.7	8,043.9	9,273.8	9,273.8	34.3%	43.5%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)								
	FY20	FY21	FY22	9M FY22	9M FY23	TTM	CAGR over FY20 - 22	Annual growth over FY21
Cash flow before working capital changes	1,545.8	1,686.0	2,005.4	1,715.8	1,520.7	1,810.4	13.9%	18.9%
Working capital changes	(145.2)	(94.6)	(586.1)	(142.4)	49.8	(393.9)	100.9%	519.4%
Cash flow from operating activities	1,069.7	1,137.2	919.8	1,158.5	1,328.9	1,090.1	-7.3%	-19.1%
Purchase of fixed assets and CWIP	(228.0)	(312.3)	(2,345.5)	(397.7)	(698.8)	(2,646.6)	220.8%	651.0%
Cash flow from investing activities	(439.2)	(1,222.2)	(1,369.1)	(1,035.0)	(528.7)	(862.8)	76.6%	12.0%
Cash flow from financing activities	(530.7)	(7.8)	604.6	22.3	(796.1)	(213.8)		
Net cash flow	99.8	(92.8)	155.3	145.8	4.1	13.5	24.7%	
Opening balance of cash	119.9	220.1	127.8	127.8	289.4	279.9	3.2%	-41.9%
Closing balance of cash	219.7	127.3	283.1	273.6	293.4	293.5	13.5%	122.3%

Consolidated financial ratios						
Particulars	FY20	FY21	FY22	9M FY22	9M FY23	TTM
Profitability ratios						
Revenue growth rate	17.8%	6.0%	25.2%		10.6%	
Gross profit growth rate	22.4%	11.2%	20.9%		6.3%	
Gross profit margin	68.0%	71.3%	68.9%	69.2%	66.6%	66.8%
EBITDA growth rate	55.3%	14.7%	20.7%		-12.9%	
EBITDA margin	24.5%	26.5%	25.6%	28.1%	22.2%	21.0%
EBIT growth rate	56.3%	14.3%	19.2%		-21.6%	
EBIT margin	22.8%	24.6%	23.4%	26.2%	18.6%	17.6%
Restated adjusted PAT growth rate	78.2%	22.8%	13.3%		-19.9%	
Restated adjusted PAT margin	17.6%	20.4%	18.4%	20.5%	14.9%	14.1%
Turnover ratios						
Inventory receivable turnover ratio	6.8	6.0	5.3	4.3	4.6	5.8
Trade receivable turnover ratio	15.6	14.4	21.7	12.4	10.3	13.0
Accounts payable turnover ratio	9.0	8.8	8.9	7.0	7.4	9.3
Fixed asset turnover ratio	3.1	3.1	1.8	2.6	1.4	1.8
Total asset turnover ratio	1.2	1.0	0.9	0.8	0.7	0.9
Return ratios						
RoIC (%)	28.0%	25.4%	22.0%	19.8%	13.9%	16.4%
RoE (%)	29.6%	26.8%	23.3%	20.8%	13.9%	16.6%
RoA (%)	20.3%	19.9%	15.7%	15.5%	10.7%	12.8%
RoCE (%)	48.6%	50.5%	34.6%	45.7%	19.3%	23.0%
Per share data						
Restated adjusted EPS (Rs.)	25.7	31.6	35.8	31.0	24.9	29.6
DPS (Rs.)	9.1	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	87.0	117.9	153.7	148.9	178.4	178.4
Operating cash flow per share (Rs.)	26.7	28.4	23.0	28.9	33.2	27.2
Free cash flow per share (Rs.)	6.1	(0.2)	(1.8)		44.9	
Dividend payout ratio	35.4%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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