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Issue Details

Price Band (Rs)	Rs. 1,026-1,080 per share
Face Value (Rs)	1
Issue Size (Rs)	4,110-4,326 Cr.
Issue Type	Book Building
Minimum lot	13 Shares
Issue Opens	April 25, 2023
Issue Closes	April 27, 2023
Listing on	BSE, NSE

Indicative Timeline

Indicative Timeline	On or before
Finalization of Basis of Allotment	May 03, 2023
Unblocking of Funds	May 04, 2023
Credit of shares to Demat Account	May 05, 2023
Listing on exchange	May 08, 2023

Other Detail

Book Running Lead Managers	1. Axis Capital 2. Kotak Mahindra Capital 3. IIFL Securities, 4. Jefferies India 5. JP Morgan India
Registrar	KFin Technologies Ltd.

Mankind Pharma Limited

Company Background

The Company was incorporated as "Mankind Pharma Private Limited" on July 3, 1991. 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 the 5 largest pharmaceutical companies in India, in terms of Domestic Sales in 2022. Between the Financial Year 2020 and MAT December 2022, their market share in terms of Domestic Sales in the IPM increased from 4.1% to 4.3%, which represents the fastest growth among the 10 largest corporates in the IPM by Domestic Sales.

Mankind 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.

Issue Details

The offer comprises Offer for Sale of 40,058,844 equity shares with a face value of Rs. 1 totalling up to Rs. 4,326.36 crore.

Issue Objectives

The company will not receive any proceeds from the Offer and all the Offer Proceeds will be received by the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholders as part of the Offer.

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.1080
QIB (Institutional)	50%	20,029,421
Non-Institutional	15%	6,008,827
Retail	35%	14,020,596
Total (OFS)	100%	40,058,844

Source: Company RHP, ACMIIL Research

Outlook and Valuations

Mankind benefits from the industry experience and business acumen of their individual Promoters and is driven by the 3 core values of quality, affordability and accessibility. Their professional and experienced management team has been critical in building their brands, growing their operations, and maintaining capital efficiency despite their emphasis on affordable product offerings. The company strive to maintain corporate governance standards. The Company is focused on sustainability in their operations as well as on the health and safety of their workforce and have undertaken initiatives relating to optimizing energy usage and minimizing dependence on conventional sources of energy to reduce carbon footprint. At the upper price band of Rs.1,080/-, stock is available at a valuation of 32.56x of its FY23E EPS of Rs.33.16. Hence, we recommend subscribing the issue from a long-term perspective

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Business Overview

- 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. It 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.
- The company is focused on the domestic market, as a result of which their revenue from operations in India contributed to 97.60% of the total revenue from operations for the Financial Year 2022, which was one of the highest among peers identified by IQVIA Consulting and Information Services India Pvt Ltd. ("IQVIA").
- 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. Their total Covered Market for their consumer healthcare business amounted to Rs. 20,682 crore in 2022.
- **They are the category leaders in:**
 - The **male condom category**, where their Manforce brand had Domestic Sales of approximately Rs. 461.6 crores (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 crores (representing a market share of approximately 79.7%), and
 - The **emergency contraceptives category**, where the Unwanted-72 brand had Domestic Sales of approximately Rs. 108.3 crores (representing a market share of approximately 61.7%), for MAT December 2022.
- Both of their Manforce and Prega News brands have grown faster than their respective product categories in the industry in terms of Domestic Sales between the Financial Year 2020 and MAT December 2022. This growth has been fuelled by their product innovation, focused marketing campaigns and strategic selection of distribution channels, which have enabled them to build customer connect.
- Mankind has a pan-India marketing presence, with a field force of 11,691 medical representatives and 3,561 field managers, as of December 31, 2022. It have also established a significant distribution network in India and, during the 9 months ended December 31, 2022, they sold their products to over 12,000 stockists and engaged with 75 clearing and forwarding ("C&F") agents. As a result, it have an established presence in the IPM with pan-India coverage.

Manufacturing Facilities and R&D Centers

- The Company has 25 manufacturing and 4 research and development facilities with capabilities across key therapeutic areas in the states of Himachal Pradesh, Sikkim, Rajasthan, Andhra Pradesh, Maharashtra and Uttarakhand, and had 4,121 manufacturing personnel as of December 31, 2022.
- Mankind's 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 seals, soft and hard gels, eye drops, creams, contraceptives and other over-the-counter products, as of December 31, 2022.
- The company's focus on process excellence and improvement has led to awards by bodies. Several of their facilities have obtained approvals or certifications from, and are subject to inspections and audits by, a range of regulatory bodies including the CDSCO and the USFDA.
- Mankind has established an independent quality assurance function, comprising 1,318 personnel as of December 31, 2022. The company have developed a portfolio of differentiated products across several therapeutic areas. As of December 31, 2022, the Company had a team of over 600 scientists and a dedicated in-house R&D center with 4 units located in IMT Manesar, Gurugram, Haryana and Thane, Maharashtra.

Company's Business & Products

Mankind 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.

A) Domestic Business - Therapeutic

Mankind is India's 4th largest pharmaceutical company in terms of Domestic Sales for MAT December 2022. Between the Financial Year 2020 and MAT December 2022, their Domestic Sales grew at a CAGR of approximately 12% from approximately ₹6,094.2 crore to approximately ₹8,390.2 crore, which is approximately 1.3 times that of the IPM, which grew at a CAGR of approximately 10% from approximately ₹150,300 crore to approximately ₹193,800 crore over the same period.

The Domestic Sales in chronic and acute therapeutic areas in the IPM, for the years/periods indicated:

1. Anti-infectives

The company's portfolio in the anti-infectives therapeutic area includes therapeutic classes such as penicillin, cephalosporin, macrolides and quinolones. Domestic Sales of anti-infectives products grew at a CAGR of approximately 9% compared to approximately 7% recorded by the IPM between the Financial Year 2020 and MAT December 2022. The anti-infectives therapeutic area accounted for approximately 14% of the total Domestic Sales for MAT December 2022.

2. Cardiovascular

The company's portfolio in the cardiovascular therapeutic area includes angiotensin receptor blockers and calcium channel blockers. Domestic Sales of cardiovascular products grew at a CAGR of approximately 16% compared to approximately 11% recorded by the IPM between the Financial Year 2020 and MAT December 2022. The cardiovascular therapeutic area accounted for approximately 13% of the total Domestic Sales for MAT December 2022, respectively.

3. Gastrointestinal

The company's portfolio in the gastrointestinal therapeutic area includes therapeutic molecules such as mecobal, ondansetron, rabeprazole, pantoprazole and ofloxacin. Domestic Sales of their gastrointestinal products grew at a CAGR of approximately 11% compared to approximately 12% recorded by the IPM between the Financial Year 2020 and MAT December 2022.

B) Consumer Healthcare Business

Mankind has launched their consumer healthcare business in 2007 and have expanded the business to cover various categories including condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin and mineral supplements and anti-acne preparations. The total Covered Market for their consumer healthcare business amounted to ₹20,682 crore in 2022.

The brief details of key consumer healthcare and other brands:

1) Manforce

Manforce ranked 1st in the male condom category, with a market share of approximately 29.6%. They have positioned Manforce as a socially responsible brand seeking to improve sexual wellness and make sexual experiences safe and pleasurable.

2) Prega News

Prega News is an easy-to-use home pregnancy detection kit that seeks to detect pregnancy with the use of urine samples.

3) Unwanted - 72

Unwanted-72 is used as an emergency contraceptive tablet to prevent unwanted pregnancy in cases of unprotected sex or contraceptive failure.

4) Gas-O-Fast

Gas-O-Fast is an ayurvedic, multi-flavour, oral antacid powder used to relieve symptoms of acidity, heartburn and indigestion.

5) AcneStar

AcneStar is an anti-inflammatory and anti-bacterial gel which contains clindamycin and nicotinamide and is used for the treatment of acne.

6) Health OK

Health OK is a multi-vitamin tablet that helps improve energy levels and boosts overall health and immunity.

7) Neurokind

Individual brands sold under the Neurokind brand include Neurokind LC, which is used for treating chronic fatigue syndrome, and Neurokind Gold and Neurokind Plus-RF, which are used for treating vitamin deficiency.

8) Telmiking

Telmiking contains telmisartan combinations, which are used to treat hypertension.

9) Dydroboon

Dydroboon contains Dydrogesterone, a synthetic hormonal API used to treat female infertility.

International Business

Mankind began their international operations in 2011. During the Financial Year 2022 and the 9 months ended December 31, 2022, their revenue from operations outside India contributed to ₹186.81 crore and ₹215.17 crore, respectively, or 2.40% and 3.21%, of their total revenue from operations, respectively. Their products are sold in 21 countries, including in regulated and semi-regulated emerging markets such as the United States, Latin America, Southeast Asia, Africa, the Middle East and the Commonwealth of Independent States.

The Company offers their products in their overseas markets either through their Subsidiaries or through distribution and supply arrangements:

- 1. Overseas subsidiaries:** The Company currently has 4 overseas subsidiaries including in the United States, Nepal, the UAE and Singapore, as well as 1 branch office in Myanmar.
- 2. Distribution arrangements:** In countries where the company do not have a direct presence, they have entered long-term supply agreements with certain distributors for marketing and distributing their products.
- 3. Supply arrangements:** The company enters into supply agreements with counterparties that have the facilities and personnel to promote, sell and distribute their pharmaceutical products in certain overseas markets.

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 FY2020 and MAT December 2022.
- Several products in portfolio with top 10 rankings across key therapeutic areas.
- Established consumer healthcare franchise with brand recall.
- Leveraged the corporate brand to build and scale brands.
- Pan-India market and distribution coverage with focus on affordability and accessibility.
- Professional management team with industry experience and backed by private equity investors

Key Business Strategies for future growth

- 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 the consumer healthcare business.
- Continue to develop and invest in digital platforms to enhance doctor engagement.

Financial Snapshot (Consolidated):

Particulars (Rs. Cr.)	FY2020	FY2021	FY2022	9MFY23
Equity share capital	40.06	40.06	40.06	40.06
Reserves	3,445.25	4,681.94	6,115.17	7,105.83
Net worth	3,485.31	4,722.00	6,155.23	7,145.89
Revenue from Operations	5,865.23	6,214.43	7,781.56	6,696.77
EBITDA	1,448.35	1,659.78	2,003.80	1,493.61
EBITDA Margin (%)	24.69	26.71	25.75	22.30
Net Profit	1,056.15	1,293.03	1,452.96	1,015.98
Net Profit Margin (%)	18.01	20.81	18.67	15.17
Diluted EPS (Rs)	25.72	31.59	35.78	24.87
ROE (%)	31.75	30.30	25.99	14.89
ROCE (%)	35.86	30.41	25.50	16.58

Source: Company RHP, ACMIIL Research

Comparison with Listed Peers as on 31st March 2022:

Name of the Company	Consolidated/ Standalone	Face Value	Revenue from Operations FY22 (in Cr.)	EPS (FY22)	NAV	P/E (FY22)	RoNW (%)
Mankind Pharma Ltd	Consolidated	1	7,781.56	35.78	153.65	30.18	23.29
Sun Pharmaceuticals Industries Ltd	Consolidated	1	38,654.49	13.6	200.1	71.54	6.82
Cipla Ltd	Consolidated	2	21,763.34	31.17	258.32	28.18	12.08
Zydus Lifesciences Ltd	Consolidated	1	15,265.20	43.83	166.05	10.95	26.4
Torrent Pharmaceutical Ltd	Consolidated	5	8,508.04	22.97	175.89	66.25	13.06
Alkem Laboratories	Consolidated	2	10,634.19	137.63	722.44	23.03	19.05
JB Chemicals & Pharmaceuticals Ltd	Consolidated	2	2,424.24	49.82	240.83	39.48	18.06
Eris Lifesciences Ltdd	Consolidated	1	1,347.04	29.88	140.39	19.10	21.28
Ipca Laboratories Ltd	Consolidated	2	5,829.79	34.85	216.47	22.38	16.1
Abbott India Ltd	Consolidated	10	4,919.27	375.86	1,327.00	56.19	28.32
Glaxosmithkline Pharmaceuticals Ltd	Consolidated	10	3,278.03	100.04	157.19	57.03	63.64
Dabur India Ltd	Consolidated	1	10,888.68	9.81	47.41	54.55	20.75
Procter & Gamble Health Ltd	Consolidated	10	1,114.41	116	371.39	42.27	31.23
Zydus Wellness Ltd	Consolidated	10	2,009.10	48.54	761.26	31.11	6.38

Source: Company RHP, ACMIIL Research

Risks and concerns

1. Any disruption, slowdown or shutdown in company's manufacturing or R&D's operations could adversely affect their business, financial condition, cash flows and results of operations.
2. Any delay, interruption or reduction in the supply of Company's raw materials or finished formulations from third-party suppliers and manufacturers, or an increase in the costs of such raw materials and finished formulations, may adversely impact the pricing and supply of the company's products and have an adverse effect on their business, financial condition, cash flows and results of operations.
3. Introduction of stricter norms regulating marketing practices by pharmaceutical companies could affect Company's ability to effectively market their products, which may have an adverse effect on the business, results of operations and financial condition

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