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MANKIND PHARMA LIMITED

April 21, 2023

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Pharma
Total Issue (Shares) - Offer for sale	40,058,844
Net Offer to the Public	**40,058,844**
Issue Size (Rs. Cr.)	4110-4327
Price Band (Rs.)	1026-1080
Offer Date	25-Apr-23
Close Date	27-Apr-23
Face Value	1
Lot Size	13

Issue Composition

	In shares
Total Issue for Sale	40,058,844
QIB	20,029,422
NIB	6,008,827
Retail	14,020,595

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	79.00%	76.50%
QIB	21.00%	18.50%
NIB	0.00%	1.50%
Retail	0.00%	3.50%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

Th 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.

Book Running Lead Manager

- Axis Capital Limited
- IIFL Securities Ltd
- Kotak Mahindra Capital Company Limited
- Jefferies India Private Limited
- J.P. Morgan India Private Limited

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in 1991, Mankind Pharma Limited develops, manufactures, and markets pharmaceutical formulations across various acute and chronic therapeutic areas and several consumer healthcare products. The company has a pan-India marketing presence and operates 25 manufacturing facilities across the country. In India, the business is active in a number of acute and chronic therapeutic fields, 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 Pharma has one of the largest distribution networks of medical representatives in the Indian pharmaceutical market ("IPM"). As of December 2022, the company had a team of over 600 scientists and a dedicated in-house R&D centre with four units located at IMT Manesar, Gurugram (Haryana) and Thane (Maharashtra).

Strength

Domestic focused business of scale with potential for growth: The company is one of the largest domestic formulation businesses in India and ranks fourth in terms of domestic sales in the Indian Pharmaceutical market. The company is ranked third among the 10 largest corporates in the IPM in terms of volumes with approximately 5.6% market share for MAT December 2022. Its revenue from operations in India contributed to 97.60% of its total revenue from operations for the Financial Year 2022, which was one of the highest among Peers Identified by IQVIA. In India, it has historically been present through its product portfolio in acute therapeutic areas and has gradually focused on chronic therapeutic areas. Its Domestic Sales in acute therapeutic areas grew at a CAGR of approximately 11% from approximately Rs.4133.40 Crore in the Financial Year 2020 to approximately Rs.5555 Crore for MAT December 2022, which has outpaced that of the IPM's growth rate for acute therapeutic areas, by approximately 1.2 times, which grew at a CAGR of approximately 9% over the same period.

Domestic Sales growing at 1.3 times the growth rate of the IPM between the Financial Year 2020 and MAT December 2022: Between the Financial Year 2020 and MAT December 2022, the company Domestic Sales grew at a CAGR of approximately 12%, also outperforming the overall IPM growth in Domestic Sales of approximately 10%, by approximately 1.3 times. Between the Financial Year 2020 and MAT December 2022, Domestic Sales had the third fastest growth at a CAGR of approximately 12% among the 10 largest corporates in the IPM by Domestic Sales, compared to the average growth of approximately 10% for the 10 largest corporates (excluding the Company) in the IPM by Domestic Sales and the average growth of approximately 11% for Peers Identified by IQVIA (Source: IQVIA Dataset, IQVIA TSA MAT December 2022 Dataset for India (For FY20-22)). Between the Financial Year 2020 and MAT December 2022, its market share in terms of volume in the IPM increased by approximately 0.4% from approximately 5.2% to approximately 5.6%. Further, it has outperformed the growth rate of the IPM in five out of 10 of its key therapeutic areas. The following table sets forth its CAGR between the Financial Year 2020 and MAT December 2022, in terms of Domestic Sales, by therapeutic areas as

compared to the IPM:

	IPM Growth Rate	Mankind Growth Rate
Anti-infectives	7%	9%
Cardiovascular 11%	11%	16%
Gastrointestinal	12%	11%
Anti-diabetic	8%	16%
Vitamins/minerals/nutrients	10%	9%
Respiratory	11%	15%
Pain/analgesics	10%	5%
Dermatology	7%	2%
Neuro/CNS	11%	10%
Gynaecology	11%	31%
Others	10%	14%
Total	10%	12%

Several products in portfolio with top 10 rankings across key therapeutic areas: The company has a diversified range of products with market-leading rankings across key therapeutic areas. Several products in its portfolio across key therapeutic areas were ranked amongst the 10 largest companies in the Covered Markets in 10 of the leading therapeutic areas, in terms of Domestic Sales for MAT December 2022.

Leveraged its corporate brand to build and scale brands: The company's efforts to establish "Mankind" as a well-recognized brand in India along with its established market presence and experience in manufacturing quality products across various therapeutic areas have helped it to build and scale brands in the IPM. The company had 10 brand families, 19 brand families and 36 brand families with Domestic Sales over Rs.02 Crore, Rs.01. Crore and Rs.50 Crore, respectively, for MAT December 2022, as compared to 7 brand families, 13 brand families and 29 brand families for the Financial Year 2020, representing a growth of approximately 1.4 times, 1.5 times and 1.2 times, respectively (Source: IQVIA Dataset, IQVIA TSA MAT December 2022 Dataset for India (For FY20-22)). 36 of its brand families with Domestic Sales of above Rs.500.00 million during MAT December 2022 contributed to approximately Rs.56,986 million or 68% of its Domestic Sales in the same period (Source: IQVIA Dataset, IQVIA TSA MAT December 2022 Dataset for India (For FY20-22)). Further, 19 brands of its 20 highest selling brands which ranked among the three highest selling brands in their respective molecule groups in the IPM, and 21 brands which ranked among the 300 highest selling brands in the IPM, during MAT December 2022 (Source: IQVIA Dataset, IQVIA TSA MAT December 2022 Dataset for India (For FY20-MAT Dec 22)). For MAT December 2022, 21 of its brands had annual Domestic Sales of more than Rs.01 Crore, compared to approximately 16 brands on average among the 10 largest corporates in the IPM (excluding its Company) by Domestic Sales and approximately 14 brands on average among Peers Identified by IQVIA (Source: IQVIA Dataset, IQVIA TSA MAT December 2022 Dataset for India (For FY20-MAT Dec 22)).

Pan-India market and distribution coverage with focus on affordability and accessibility: The company has a huge presence in the marketing and distribution department and has one of the largest distribution networks in the Indian pharmaceutical market with 11,691 medical representatives and 3,561 field managers, as of December 31, 2022, and over 80% of doctors in India prescribed its formulations during MAT December 2022. The company places emphasis on building lasting relationships with its medical representatives. The company focuses on improving work habits such as doctor coverage, doctor call frequency and chemist surveys, among other things, rather than reviewing only sales numbers.

Strategy

Increase Covered Market presence including in chronic therapeutic areas: The company intends to continue to increase its Covered Market presence and strengthen its position in the IPM. The company had a Covered Market presence of approximately 69% of the IPM in terms of Domestic Sales for MAT December 2022. It aims to increase its market share by expanding its product portfolio to increase sales, with a focus on chronic therapeutic areas. In addition to consolidating presence in its existing brands and therapeutic areas, the company also intends to focus on pursuing opportunities in therapeutic areas where it seeks to grow its presence. In particular, it plans to grow its market share in the following therapeutic areas: (i) anti-diabetic, where it plans to foray into SGLT2 inhibitors and new gliptin drugs, (ii) cardiovascular, where it plans to launch new formulations for the treatment of heart failure, (iii) neuro/CNS, where it will focus on introducing anti-epileptics, antidepressants and anxiolytics (iv) respiratory, where its prime focus will be inhalers, (v) critical care, where it plans to launch new anti-infectives, (vi) ophthalmology, where it will be introducing biologicals for anti-VEGF therapy (to slow down the growth of blood vessels in the eye) and new molecules for glaucoma treatment, and (vii) gynaecology, where it plans to focus on both male and female infertility care. It also plans to enter into new therapeutic areas such as urology and nephrology in the future.

Focus on increasing penetration in metro and Class I cities: The company is committed to increasing its penetration in metro and Class I cities. While it is already has a substantial share of Domestic Sales in Class II-IV cities and rural markets compared to the IPM, it aims to explore the potential to further grow its presence in metro and Class I cities. Its Domestic Sales from metro and Class I cities contributed to approximately 53% of its total Domestic Sales for MAT December 2022, lower than approximately 64% recorded for the IPM. It plans to engage key opinion leaders in the healthcare industry as well as corporate hospitals through a dedicated team of regional medical advisors that will seek to foster collaborative relationships across metro and Class I cities. As of December 31, 2022, it had hired 12 regional medical advisors, who will be focusing on the cities of Delhi NCR, Bengaluru, Mumbai, Hyderabad, Cochin, Chennai and Kolkata. It has also appointed a dedicated sales team to cater to requirements of the critical care segment of in-patient departments and to help it improve its business with hospitals in these cities.

Focus on building alternative channels for growth: Its established distribution network relies primarily on traditional trade channels for pharmaceuticals, i.e., distribution by stockists. During the nine months ended December 31, 2022, the company sold its products to over 12,000 stockists. Going forward, it will expand its focus on building its market share through alternative channels for growth, including through e-commerce and modern trade channels.

Continue to develop and invest in digital platforms to enhance doctor engagement: The company has developed digital platforms to improve doctor engagement. The company also recently launched Docflix, an over-the-top ("OTT") platform solely for doctors that provides access to reliable, authentic and engaging content on various medical fields, and which seeks to assist doctors in making quicker and more informed clinical decisions. Other digital platforms developed by the company include Mankind Connect, which is its knowledge dissemination channel for healthcare providers, and Prana, a virtual patient assist chatbot that provides real time information to patients on lifestyle diseases.

Risk factor

- Any disruption, slowdown or shutdown in its manufacturing or research and development operations could adversely affect its business,
- Any delay, interruption or reduction in the supply of its raw materials or finished formulations from its 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 its products.

- The company is subject to extensive government regulations that are prone to change. Any failure to comply with these regulations or the regulatory agencies can negatively affect the business.
- The company derives a significant portion of its revenue from operations from a limited number of markets.
- The company is exposed to price controls by the government which could negatively affect its results of operations.

Peer comparison

Company	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Abbott India	5265.35	929.40	437.36	51.50	17.63	1277.41	10.00	22525.90	47867.54
Cipla	22031.17	2638.33	33.03	27.99	3.41	271.13	2.00	924.50	74621.07
P & G Health Ltd	1171.23	232.81	140.25	33.94	10.76	442.45	10.00	4760.10	7901.77
Glaxosmi. Pharma	3273.90	1696.31	25.69	48.24	14.43	85.88	10.00	1239.20	20992.80
J B Chem & Pharm	3011.55	407.05	52.61	40.12	7.05	299.22	2.00	2110.65	16331.70
Dabur India	11369.90	1700.54	9.96	52.30	10.48	49.72	1.00	520.95	92300.02
Torrent Pharma.	9116.00	831.00	36.46	43.74	8.86	179.98	5.00	1594.65	53970.20
Ipca Labs.	6021.79	525.03	20.69	40.09	3.64	227.75	1.00	829.50	21044.76
Sun Pharma.Inds.	41939.38	4211.86	33.35	30.13	4.54	221.39	1.00	1004.95	241121.17
Zydus Wellness	2167.90	298.34	47.34	32.18	1.96	779.10	10.00	1523.20	9692.45
Alkem Lab	11180.52	1020.77	85.93	39.20	4.41	764.58	2.00	3368.50	40275.47
Zydus Lifesci.	15767.10	2061.10	20.56	25.09	3.13	164.64	1.00	515.75	52204.43
ERIS Lifescience	1566.32	397.04	29.20	21.25	4.16	149.05	1.00	620.45	8437.70
Mankind Pharma Limited**	8929.02	1354.63	33.82	31.94	5.64	191.32	1.00	1080.00	43263.55

**Financials are annualised FY23
*Peer companies financials are TTM based

Valuation

Considering the P/E valuation on the upper price band of Rs.1080, EPS and P/E of estimated annualised FY2023 are Rs.33.82 and 31.94 multiple respectively and at a lower price band of Rs. 1026, P/E multiple is 30.34. Looking at the P/B ratio on the upper price band of Rs.1080, book value and P/B of estimated annualised FY23 are Rs. 191.32 and 5.64 multiple respectively and at a lower price band of Rs. 1026 P/B multiple is 5.36. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Outlook

The size of Indian Pharmaceutical Market (IPM) has increased from Rs. 660.53 billion in Financial Year 2012 to Rs. 1,859.05 billion in Financial Year 2022 at approximately 10.90% CAGR over Financial Year 2012-22. (Source: IQVIA TSA MAT MAR 14,IQVIA TSA MAT Dec 22). The size of the IPM for MAT December 2022 was Rs. 1938.38 billion. The IPM is forecast to grow at a CAGR of 10-11% to reach Rs. 3,000 – 3,100 billion by Financial Year 2027. (Source: IQVIA TSA MAT Dec 22, IQVIA Market Prognosis - September 2021, IQVIA Analysis) Companies in the IPM benefit from defensiveness against recession in a high growth potential market while international markets are typically characterized by headwinds such as regulatory pressures, higher R&D spends and geopolitical tensions. While developed markets like the USA and the EU5 grew at approximately between 5-6% CAGR over Financial Years 2017-22, IPM witnessed approximately 10.2% CAGR over the same period (Source: IQVIA MIDAS Quarterly Sales Data MAT March 2022). Domestic manufacturers in IPM, characterized by high entry barriers, control over 80% of the market by value. Further, domestic players stand to grow their share of this market given the demand for high-volumes,

fit-forlocal (in terms of cost proposition) nature of the market, increased penetration of government financing models like universal healthcare coverage, and the associated requirement to contain costs. Local companies are best positioned to benefit from these market dynamics. Further, price competitiveness is particularly important in the market where growth is significantly driven by increasing penetration.

Outlook

The company is engaged in pharmaceutical products with a major focus on domestic markets. The company has suffered a minor setback due to one-time adjustments of its recent takeovers. As the issue is pure Offer For Sale hence, the amount that will be raised won't go to the company. Besides, on the valuation front, the company looks expensive. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	25-April-23
BID/ISSUE CLOSES ON	27-April-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	3-May-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	4-May-23
Credit of Equity Shares to demat accounts of Allottees	5-May-23
Commencement of trading of the Equity Shares on the Stock Exchanges	8-May-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-22 (9 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Total Operating Income	6696.77	7781.56	6214.43
Total expenditure	5212.81	5792.20	4566.33
Operating Profit	**1483.96**	**1989.35**	**1648.10**
OPM%	22.16	25.56	26.52
Other Income	81.06	196.03	170.95
PBDIT	**1565.01**	**2185.38**	**1819.05**
Depreciation	241.40	166.62	118.97
PBIT	**1323.61**	**2018.76**	**1700.08**
Interest	39.31	58.61	20.15
PBT	**1284.30**	**1960.15**	**1679.93**
Share of net profit of associates and joint ventures (net of tax)	9.65	14.45	11.68
Restated profit before tax	**1293.95**	**1974.60**	**1691.61**
Tax	277.98	521.64	398.58
Profit After Tax	**1015.98**	**1452.96**	**1293.03**

Balance sheet is on next page

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Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-22	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	1984.71	1652.36	1565.71
Capital work-in-progress	821.34	669.87	371.62
Investment properties	5.38	5.42	5.50
Goodwill	20.02	20.44	20.44
Other Intangible assets	1739.20	1842.61	18.43
Intangible assets under development	49.73	31.60	0.33
Right-of-use assets	115.41	67.36	54.36
Investment in associates and joint ventures	182.98	167.74	165.79
Financial assets			
Investments	89.27	67.27	40.01
Loans	0.02	0.03	0.07
Other financial assets	83.13	22.93	22.43
Income tax assets (net)	94.78	79.82	55.61
Deferred tax assets (net)	31.30	39.29	49.01
Other non-current assets	87.60	74.18	96.68
Total Non- Current Assets	**5304.86**	**4740.92**	**2466.00**
Current assets			
Inventories	1447.95	1760.24	1183.54
Financial assets			
Investments	709.59	874.46	1306.17
Trade Receivables	648.01	388.17	330.61
Cash and Bank balances	362.51	302.53	167.18
Bank Balances other than cash and cash equivalents	92.57	103.41	533.56
Loans	1.53	1.19	18.41
Other financial assets	33.77	13.94	10.31
Other current assets	670.14	959.90	354.14
Assets held for sale	2.83	2.98	2.70
Total current assets	**3968.89**	**4406.82**	**3906.64**
Total Assets	**9273.75**	**9147.74**	**6372.63**
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	30.74	49.19	57.67
Lease liabilities	5.87	2.99	4.51
Other financial liabilities	0.00	0.00	1.00
Provisions	98.91	80.00	72.24
Deferred tax liabilities (net)	82.18	55.62	13.03
Other non-current liabilities	26.73	20.15	7.89
Total non-current liabilities	**244.43**	**207.96**	**155.35**
Current liabilities			
Financial liabilities			
Borrowings	137.19	818.83	176.86
Lease liabilities	2.45	2.06	1.62
Trade payables			
-Total outstanding dues of micro enterprises and small enterprises	62.90	114.47	102.70
-Total outstanding dues of creditors other than micro enterprises and small enterprises	839.19	961.91	564.27
Other financial liabilities	226.79	221.49	162.64
Provisions	285.26	264.50	234.22
Current tax liabilities (net)	30.99	15.09	11.09
Other current liabilities	118.98	225.12	100.01
Total current liabilities	**1703.75**	**2623.47**	**1353.40**
Total liabilities	**1948.19**	**2831.43**	**1508.74**
	7325.57	**6316.31**	**4863.89**
Net worth represented by:			
Equity share capital	40.06	40.06	40.06
Other equity	7105.83	6115.17	4681.94
Non controlling Interest	179.68	161.08	141.89
Total Equity	**7325.57**	**6316.31**	**4863.89**

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RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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