



Mankind 
Serving Life

— 26th April, 2023 —

Company Overview

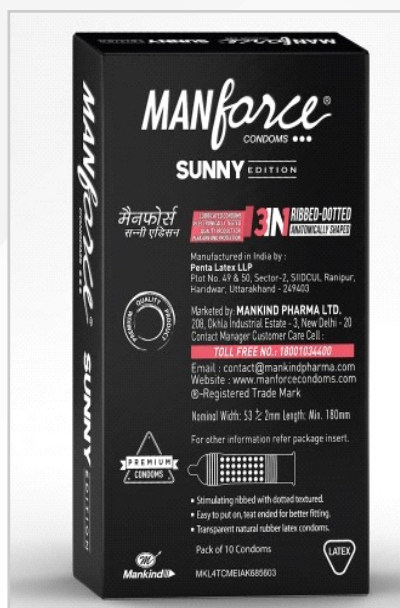
The company develops, manufactures, and markets a wide range of pharmaceutical formulations for acute and chronic therapeutic areas and some consumer healthcare items.

- MPL operates at the crossroads of the Indian pharmaceutical formulations and consumer healthcare sectors, with the goal of providing high-quality goods at reasonable pricing. The company has a proven track record of developing and expanding brands in-house.

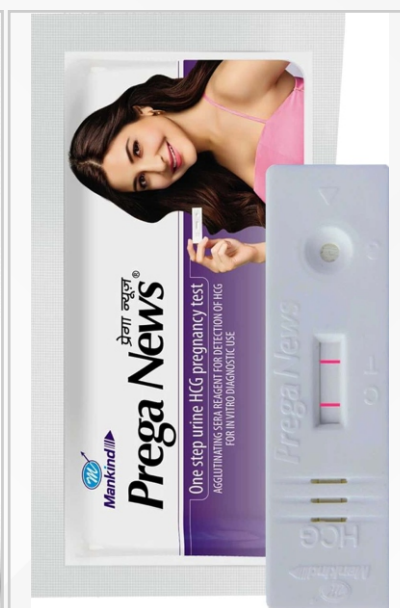
- Over the years, MPL has developed 36 different pharmaceutical brands. In India, the company is active in a variety of acute and chronic therapeutic areas, including anti-infectives, cardiovascular, gastrointestinal, anti-diabetic, neuro/CNS, vitamins/minerals/nutrients, and respiratory. It has over 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.

- Since entering the consumer healthcare market in 2007, Mankind has launched numerous notable brands of condoms, pregnancy tests, emergency contraception, antacid powders, vitamins, and acne treatments. In 2022, the total covered market for consumer healthcare business was Rs 20,682 crore. MPL is the market leader in the following categories:

- 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%).



Manforce Condoms



Preganews Pregnancy Kit

- 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 operates 25 manufacturing plants in India and employs 4,121 manufacturing workers as of December 31, 2022. As of December 31, 2022, the formulations manufacturing facilities will be able to produce 42.05 billion units annually across a variety 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.

- 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 robust growth was achieved by increasing penetration in chronic therapeutic areas.

- Mankind has a pan-India presence, with a large part of its revenue contribution coming from North India 35%, South and West contributing an equal 23% each, and the rest is covered from the eastern markets. Much 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.

Revenue Distribution Across India

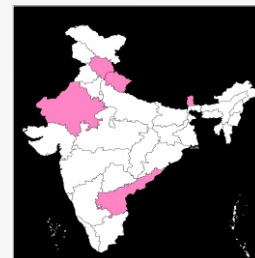


■ North India ■ South India ■ West India ■ East India

Manufacturing Facility

• As of December 31, 2022, the Company had 4,121 manufacturing personnel and 25 manufacturing and four research and development facilities in Himachal Pradesh, Sikkim, Rajasthan, Andhra Pradesh, Maharashtra, and Uttarakhand, with capabilities in important therapeutic areas.

• Mankind's formulations manufacturing facilities have a total installed capacity of 42.05 billion annually across a variety 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.



Manufacturing Facilities Across India

• The Company has received honours from organisations for its emphasis on process excellence and improvement. Many of their facilities have received licences or certificates from various regulatory organisations, including the CDSCO and the USFDA, and are further subject to inspections and audits by these organisations.

• Mankind has established an independent quality assurance function comprising 1,318 personnel as of December 31, 2022. The company has created a range of unique items in many therapeutic fields. The company employed around 600 scientists as of December 31, 2022, and it has a specialised internal R&D hub with four facilities situated in IMT Manesar, Gurugram, Haryana, and Thane, Maharashtra.

Company's Business & Products

Company Products		
Product Categories	Domestic Sales (₹ Cr)	Market Share (%)
Anti-Infectives	1222.4	5.6
Cardiovascular	994.8	4.5
Gastrointestinal	901.5	4.8
Vitamins/Minerals/Nutrients	791.2	5.2
Respiratory	782.2	4.8
Anti-Diabetic	676.5	4.0
Dermatology	612.1	4.7
Gynaecology	548.9	6.2
Pain/Analgesics	445.3	3.2
Neuro/CNS	241.7	2.3

Mankind is involved in the development, production, and marketing of a wide variety of pharmaceutical formulations for use in both acute and chronic therapeutic sectors as well as a number of consumer healthcare goods.

- **Domestic Business:** According to domestic sales for MAT December 2022, Therapeutic Mankind is India's fourth-largest pharmaceutical company. Their domestic sales increased from about 6,094.2 crore to about 8,390.2 crore between the Financial Year 2020 and MAT December 2022 at a CAGR of about 12%, which is about 1.3 times that of the IPM, which increased from about 150,300 crore to about 193,800 crore during the same time period at a CAGR of about 10%. The Domestic Sales in chronic and acute therapeutic areas in the IPM, for the years/periods indicated:

- **Anti-infectives:** The company has therapeutic classes like penicillin, cephalosporin, macrolides, and quinolones in its anti-infectives portfolio. Between the Financial Year 2020 and MAT December 2022, domestic sales of anti-infectives goods increased at a CAGR of around 9% as opposed to the IPM's approximately 7% figure. For MAT December 2022, the therapeutic area for anti-infectives amounted for around 14% of all domestic sales.

- **Cardiovascular:** Angiotensin receptor blockers and calcium channel blockers are among the company's therapeutic offerings in the field of cardiovascular disease. Between the Financial Year 2020 and MAT December 2022, domestic sales of cardiovascular products increased at a CAGR of almost 16% as opposed to the approximately 11% noted by the IPM. For MAT December 2022, domestic sales in the cardiovascular therapeutic area made up roughly 13% of the total.

- **Gastrointestinal:** Mecobal, ondansetron, rabeprazole, pantoprazole, and ofloxacin are just a few of the medicinal compounds the company has in its portfolio for gastrointestinal conditions. Between the Financial Year 2020 and MAT December 2022, domestic sales of their gastrointestinal products increased at a CAGR of roughly 11% compared to the IPM's roughly 12% growth rate.

- **Consumer Healthcare Business:** In 2007, Mankind established its consumer healthcare business, which has since grown to include condoms, pregnancy detection, emergency contraception, antacid powders, vitamin and mineral supplements, and anti-acne products. In 2022, the total Covered Market for their consumer healthcare industry was Rs. 20,682 crore. The following are brief descriptions of important consumer healthcare and other brands:

- **Manforce:** With a market share of roughly 29.6%, Manforce ranked first in the male condom category. Manforce has been positioned as a socially responsible business dedicated to improving sexual wellness and making sexual interactions safe and joyful.

- **Prega News:** Prega News is an easy-to-use home pregnancy screening tool that uses urine samples to detect pregnancy.

- **Unwanted - 72:** Unwanted-72 is a contraceptive tablet used as an emergency contraceptive in circumstances of unprotected sex or contraceptive failure.

- **Gas-O-Fast:** Gas-O-Fast is an ayurvedic, multi-flavor oral antacid powder designed to alleviate acid reflux, heartburn, and indigestion symptoms.

- **AcneStar:** AcneStar is an anti-inflammatory and anti-bacterial gel containing clindamycin and nicotinamide that is used to treat acne.



Gas-O-Fast

- **Health OK:** Health OK is a multivitamin tablet that promotes general health and immunity while improving energy levels.

- **Neurokind:** Individual brands sold under the Neurokind name include Neurokind LC for treating chronic fatigue syndrome, as well as Neurokind Gold and Neurokind Plus-RF for treating vitamin deficiency.

- **Telmikind:** Telmikind is a hypertension treatment that comprises telmisartan combos.

- **Dydroboon:** Dydrogesterone is a synthetic hormonal API used to treat female infertility. International Trade

- **Mankind's foreign operations**

revenue from activities outside India contributed 186.81 crore and 215.17 crore, respectively, or 2.40% and 3.21%, of their total income from operations for the Financial Year 2022 and the 9 months ending December 31, 2022. Their products are sold in 21 countries, including the United States, Latin America, Southeast Asia, Africa, the Middle East, and the Commonwealth of Independent States, as well as regulated and semi-regulated emerging markets. The Company sells its products in foreign countries through subsidiaries or through distribution and supply arrangements:

- **Overseas subsidiaries:** The Company now has four overseas subsidiaries, including one in the United States, one in Nepal, one in the United Arab Emirates, and one in Singapore, as well as one branch office in Myanmar.
- **Distribution agreements:** In areas where the corporation does not have a physical presence, they have entered into long-term supply deals with certain distributors to sell and distribute its products
- **Supply agreements:** The corporation enters into supply agreements with counterparties that have the facilities and personnel to advertise, sell, and distribute their pharmaceutical products in certain international markets.

Key Business Strategy For Future Growth

- **Increase Covered Market presence, including in chronic therapeutic areas:** For MAT December 2022, Mankind had a Covered Market presence of approximately 69% of the IPM in Domestic Sales. They plan to expand their Covered Market presence and strengthen their position in the IPM. They intend to increase their market share in the Manufacturing Facilities following therapeutic areas, in particular:
 - **Anti-diabetic:** In which they intend to introduce SGLT2 inhibitors and new gliptin drugs
 - **Cardiovascular:** On which they intend to introduce new formulations for the treatment of heart failure; and
 - **Neuro/CNS:** In which they intend to introduce anti-epileptics, antidepressants, and anxiolytics.
 - **Respiratory:** With a primary focus on inhalers
 - **Critical care:** With a focus on new anti-infectives
 - **Ophthalmology:** With a focus on anti-VEGF therapy and new molecules for glaucoma treatment
 - **Gynaecology:** with a focus on both male and female infertility care. They also intend to expand into new therapeutic areas in the future, such as urology and nephrology.
- **Expand the consumer healthcare business:** Mankind intends to expand its consumer healthcare business by increasing the market share of its existing brands and expanding its distribution channel. They intend to broaden their distribution through grocers and small stores. They also intend to hire additional field personnel for this purpose and to seek collaborative arrangements with appropriate distributors. They intend to increase the retail presence of their key consumer healthcare brands, such as Manforce, Prega News, and Gas-O-Fast, in order to increase their market share. Furthermore, on November 9, 2022, they completed a cash acquisition for a majority stake in Upakarma Ayurveda Pvt Ltd, a premium ayurvedic products company.
- **Focus on developing alternative growth channels:** The company's established distribution network is primarily based on traditional pharmaceutical trade channels, such as stockist distribution. They sold their products to over 12,000 stockists in the nine months ending December 31, 2022. In the future, they will focus more on increasing their market share through alternative growth channels such as e-commerce and modern trade channels. During the COVID-19 pandemic, new media such as e-pharmacies emerged as patients sought drug refills for chronic conditions.
- **Increase penetration in Metro and Class I cities:** The company intends to investigate the possibility of expanding its presence there. Their Domestic Sales from Metro and Class I cities contributed approximately 53% of their total Domestic Sales for MAT December 2022, which is lower than the IPM's approximately 64%. Through a dedicated team of regional medical advisors, they intend to engage key healthcare industry and corporate hospital opinion leaders. In addition, they recently launched cardiovascular cardio-diabetology, neurology, ophthalmology, respiratory, gynaecology, and critical care specialties, as well as a transplant and oncology division.

- **Maintain and invest in digital platforms to improve doctor engagement:** The DrOnA Health service, developed in-house by the Company, is a dedicated virtual-consultation platform that allows doctors to easily consult and interact with their patients across multiple channels, including in-clinic and virtually. They also recently launched Docflix, a doctor-only over-the-top ("OTT") platform. Mankind Connect, their knowledge dissemination channel for healthcare providers, and Prana are two other digital media platforms they have created. This virtual patient-assist chatbot provides patients with real-time information on lifestyle diseases.

Competitive Strength

- 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

Key Risk

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

Outlook & 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

Issue Details	
Issue Opens	25-Apr-23
Issue Closes	27-Apr-23
Issue Size	Rs 4326 Cr at Upper Price Band
Type Of Issue	Offer For Sale
Price Band	Rs 1026-1080
Bid Lot	13 shares and in multiples thereafter
QIB Portion	50% of the offer
Non Institutional Portion	15% of the offer
Retail	35% of the offer
Implied Market Capitalization	Rs 43264 Cr at Upper Price Band
Estimated Listing Date	09-May-23

Issue Objective		
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.		
Shareholding %	Pre %	Post %
Promoter	67.29	64.78
Promoter Group	11.71	11.71
Public	21	23.50
Total	100	100

Peer Comparison

Particulars (In Crs)	Market Cap	FY 22 Sales	Domestic Formulation Sales	FY 22 EBITDA Margin	ROCE	Trailing EV/ EBITDA	Market Cap/ Sales
Mankind Pharma	43264	7782	7595	26%	23%	21.6	5.6
Sun Pharma	235000	38654	13452	27%	18%	20.2	6.1
Cipla	72874	21763	9837	21%	17%	14.4	3.3
Alkem Labs	41000	10634	7529	19%	19%	22.8	3.9
Zydus Life	52473	15265	7251	22%	15%	15.2	3.4
Torrent Pharma	54809	8508	4683	29%	19%	21.2	6.4
IPCA Labs	20950	5797	2933	23%	20%	19	3.6
Eris Life	8279	1347	1347	36%	25%	15.9	6.1
GSK	21150	3278	3196	23%	36%	22.6	6.5
Abott India	47907	4919	4821	22%	38%	34.8	9.7
Average	-	-	-	25%	23%	20.7	5.5
Average (ex MNCs)	-	-	-	25%	20%	18.8	4.8

Financial Snapshot

Particulars	FY 19	FY 20	FY 21	FY 22
Profit and Loss				(In Crs)
Net Revenues	4980	5865.2	6214.4	7781.6
Operating expenses	4055.5	4337.8	4548.6	5792.2
EBITDA	924.5	1527.4	1665.8	1989.4
Depreciation	69	99.1	119	166.6
EBIT	855.4	1428.3	1546.8	1822.7
Other Income	52.9	110.4	170.9	196
Interest Exp	43	22	20.1	58.6
Extra Ordinary Items	(0.7)	(90.6)	(17.7)	-
Reported PBT	846.7	1246.2	1679.9	1960.2
Tax	264.1	381.6	398.6	521.6
Reported PAT	600.5	1044.6	1281.4	1438.5
Minority Interest	(22)	(24.2)	(15.9)	(5)
Net Profit	578.5	1020.4	1265.4	1433.5
EPS (In INR)	14.4	25.5	31.6	35.8
Cash Flows				(₹ In Cr)
Operating Activity	600.4	1069.7	1137.2	919.8
Investing Activity	(377.1)	(235.4)	(848.6)	(1819.2)
Financial Activity	(222.8)	(530.7)	(7.8)	604.6
Net Cash Flows	13	303.6	280.9	(294.8)
Growth Indicators				(In %)
Revenue	0.6	17.8	6	25.2
EBITDA	(9)	65.2	9.1	19.4
Adj EPS	(11.9)	76.4	24	13.3
Valuations				
P/E (x)	74.8	42.4	34.2	30.2
P/B (X)	15.3	12.4	9.2	7
EV/EBITDA (x)	46.3	27.7	24.9	21.5
EV/Sales (x)	8.6	7.2	6.7	5.5
Dividend Yield (%)	0	0	0	0

Financial Snapshot

Particulars	FY 19	FY 20	FY 21	FY 22
Balance Sheet				(In Crs)
Share Capital	40.1	40.1	40.1	40.1
Reserve and Surplus	2783	3445.3	4681.9	6115.2
Networth	2823.1	3485.3	4722	6155.2
Debt	266.6	130.9	240.7	873.1
Minority Interest	158.6	186.3	140.9	161.1
Net deferred Tax liabilities	(73)	(28.7)	(80.5)	(48.4)
Capital Employed	3175.2	3773.8	5023	7141
Gross Fixed Assets	1660.9	1967.4	2139.6	4226.1
Accumulated Depreciation	281.9	393.8	501.1	663.8
Capital work in progress	327.9	317	372	701.5
Net Fixed Assets	1706.9	1890.6	2010.5	4263.8
Goodwill	20.4	20.4	20.4	20.4
Investments	543.3	665	1346.2	941.7
Non Current Investments	0	0	40	67.3
Current Investments	543.3	665	1306.2	874.5
Current Assets, Loans & Adv.	1745.4	2394.8	2890.9	3802.7
Inventory	821	899.1	1183.5	1760.2
Debtors	220.2	531.1	33.6	388.2
Cash & Bank balance	141	419.9	700.7	405.9
Loans & advances and others	563.1	544.7	676	1248.3
Current Liabilities & Prov.	840.8	1197	1245	1887.6
Liabilities	692.8	918.4	938.5	1543.1
Provisions	147.9	278.7	306.5	344.5
Net Current Assets	904.6	1197.8	1646	1915
Application of Funds	3195.2	3773.8	5023	7141
Financial Ratios				
ROCE(%)	28.2	44.3	39.1	33.2
ROE	20.9	32.4	30.8	26.4
Asset Turnover	1.9	2.1	1.8	1.6
Net Debt/Equity	(0.1)	(0.3)	(0.4)	(0.1)

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