

## Sales Note

### Mankind Pharma Ltd.

CMP: Rs. 2,358 | TARGET PRICE: Rs. 2,728 (18%)

#### Company Profile

Mankind Pharma Limited is a leading player in India's pharmaceutical industry, specializing in both prescription and consumer healthcare products. With over 36 brands including Manforce and Prega News, it covers a wide range of therapeutic areas such as anti-infective, cardiovascular, and respiratory. It has one of the largest distribution networks, Mankind Pharma reaches over 80% of Indian doctors. It secured the 4th spot in domestic sales in FY 2022 and has been honored with awards like The Best of Bharat Awards 2022 and a Silver Medal for Manufacturing Competitiveness. The company's reach extends across India, supported by a vast team of medical representatives and field managers. With 25 manufacturing facilities and over 4,000 personnel, it ensures quality control and production efficiency. Mankind Pharma also invests significantly in research and development, boasting a dedicated team of over 600 scientists and advanced R&D centers in multiple locations across the country.

#### Investment Rationale

**Increase in share of Chronic segment leads to healthy profit and margin growth:** The company has increased its chronic share by 500 bps to 33.9% from 28% in FY18. The chronic contribution to revenue is 34% vs 38% in the Indian Pharmaceutical market (IPM), despite gaining 500 bps over the 5 Years. The company is focusing on gaining more market share in the chronic therapeutic area to drive high profitability and margins ahead. This strategy involves strengthening its presence in existing therapies such as Diabetes (Insulin) and Respiratory (Inhalers), as well as venturing into new areas like CNS, Transplant, Urology, and Oncology through the acquisition of Panacea. Additionally, the company plans to expand its sales force by 25% to 30% and enter into licensing agreements with other Pharmaceuticals Innovator to enter into super specialty chronic therapeutic. We expect the chronic share to increase by 40% by FY26E. We expect revenue to grow at 13% CAGR from FY23 to FY26E and EBITDA margins at 26% by FY26E.

**Dominant Brand position with a diverse portfolio aid to capture the market share in IPM:** Mankind, the fourth-largest branded generic company in India, holds a market share of 4% in the Indian Pharmaceutical Market (IPM). Its revenue experienced a robust growth rate of 13% CAGR from fiscal year 2018 to fiscal year 2023, surpassing the overall IPM growth rate of 10% CAGR during the same period. The company boasts a portfolio of 36 brands spanning acute and chronic therapeutic segments. Notably, 19 out of its top 20 highest-selling brands rank among the top three in their respective molecule groups, with 21 brands among the 300 highest-selling brands in the IPM. Mankind's success is attributed to its strong connection with physicians and its consistent introduction of new products. This rapport is facilitated by its broad portfolio, covering 64% of the market. Feedback from medical practitioners indicates a high regard for Mankind's branding and marketing efforts. Over the years, the company has climbed from the 8th position in domestic sales ranking within IPM in FY12 to the 4th position in FY23, with its domestic market share increasing from approximately 3.3% to about 4.4%.

#### Company Detail

Industry	Pharmaceuticals
BSE Code	543904
NSE Code	MANKIND
Bloomberg Code	MANKIND.IN
Market Cap (INR Cr)	₹ 94,471 Cr
Promoter Holding (%)	74.88%
52wk Hi/Lo	2,417 / 1,241
Avg. 20 Daily Volume (NSE)	13,14,000

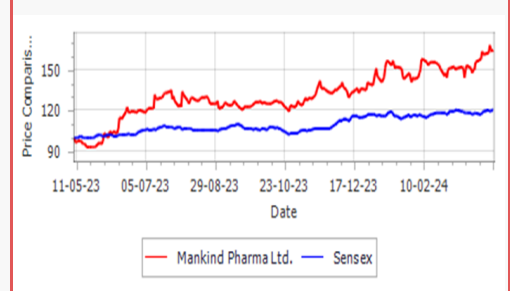
#### Shareholding Pattern (%)

Category	Dec-2023	Mar-2024
Promoter	76.50	74.88
Public	6.97	4.10

#### Public Holding More than 1% (Dec-24)

Name	% of Shares
ICICI Pru Mutual Fund	1.60%
ICICI Pru Focused Equity Fund	1%
Axis Mutual Fund	1.54%
SBI Nifty Midcap150 Index Fund	1.52%
Sundaram Mutual Fund	1.67%
ABSL Trustee Pvt Fund	1.13%

#### Share Price Performance



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**MANKIND PHARMA. (MANKIND)**

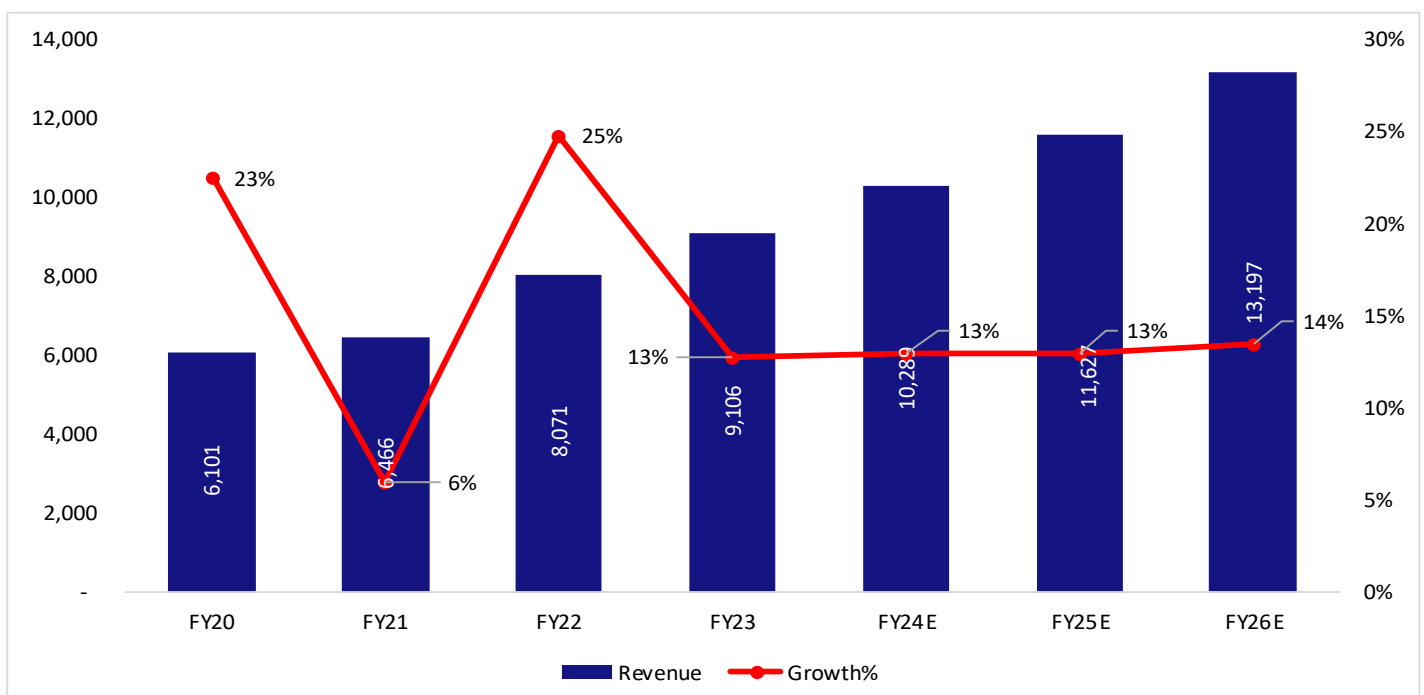
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**Strategic acquisitions and in-licensing initiatives are strategically utilized to penetrate niche and specialized markets:** Mankind Pharma has recently completed two strategic acquisitions, with Panacea Biotech Pharma and another with DR Reddy's Laboratories. The acquisition from Panacea Biotech includes a domestic formulation brand for India and Nepal, specializing in niche chronic therapies and transplant business backed by complex and advanced technology. This strategic move allows Mankind to enter the niche markets of oncology and transplant treatments. Additionally, Mankind acquired two brands, Daffy and Combihale, from DR Reddy's Lab, aimed at strengthening its presence in the Dermatology and Respiratory segments. Furthermore, the company is actively pursuing in-licensing agreements with other pharmaceutical firms, particularly focusing on anti-diabetic and cardiovascular therapies, to enhance its product offerings in India. The recent in-licensing partnership with Novartis and partnership with AstraZeneca Pharma India Ltd are expected to accelerate growth in the chronic segment, further solidifying Mankind Pharma's position in the pharmaceutical industry.

**Mankind Pharma leading the way in consumer healthcare through product innovation and portfolio expansion:** Mankind Pharma has a strong consumer healthcare business with a dominant market share and strong brand recall. Its four consumer healthcare brands rank 1st in their categories. Its product portfolio includes brands like Manforce, Gas-O-Fast, Health OK, Unwanted-72, Acne Star, and Prega News. Its products cover various categories, including condoms, pregnancy detection, emergency contraceptives, antacid powders, vitamin and mineral supplements, and anti-acne preparations. These products have a market size of Rs206bn and are expanding at a 10-11% CAGR. The company plans to increase its business by expanding its distribution channels, increasing product reach through grocers and small kirana stores, which were previously largely distributed through pharmacies. Additionally, the company plans to increase its sales force and aims to increase market share of key brands by enhancing retail presence in the segment. Furthermore, it plans to launch a new product leveraging brand equity. In FY22, the company completed the acquisition of a majority stake in Upakarma Ayurveda Pvt Ltd, a company engaged in developing, manufacturing, and selling premium ayurvedic products. This acquisition will likely provide Mankind with a D2C channel in the ayurvedic medicine category, making their healthcare business even stronger.

**Valuation and Recommendation**

- Stock is trading at forward PE multiple of 37(x) of FY26E. We estimate a CAGR of 13.17% growth in revenue over FY23 - FY26 period.
- PAT of Rs 2,485 Cr is estimated for FY26E. We Applied a PE (x) multiple of 45(x) and arrive at a Market cap of Rs. 1,11,803 Cr.
- A 18% upside is visible as per valuations.
- We recommend "BUY" on 'Mankind Pharma Ltd' with a target price of Rs. 2,728 /share.

**Exhibit 1: We Forecast revenue at 13% CAGR over FY2023 to FY26.**

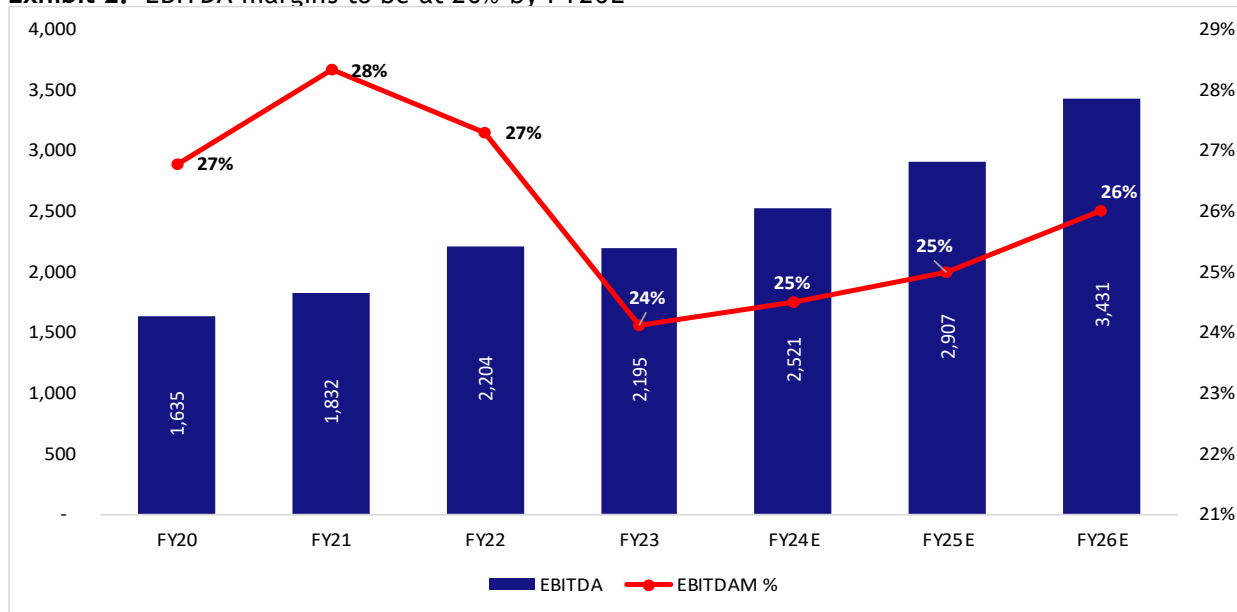
Source: Company data, GEPL Capital Research

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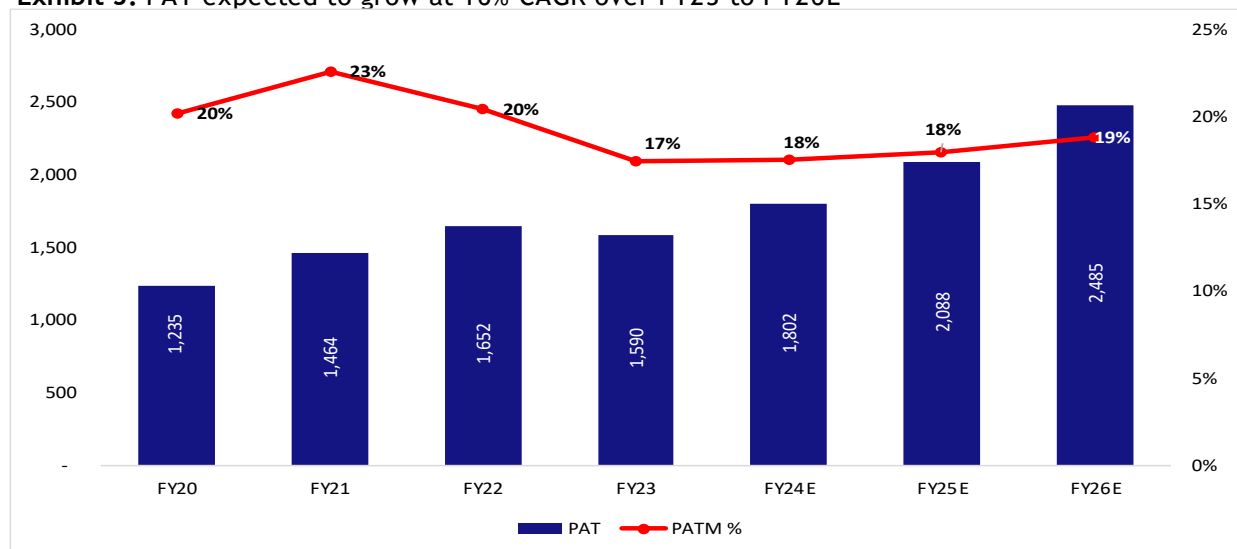
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**Exhibit 2: EBITDA margins to be at 26% by FY26E**



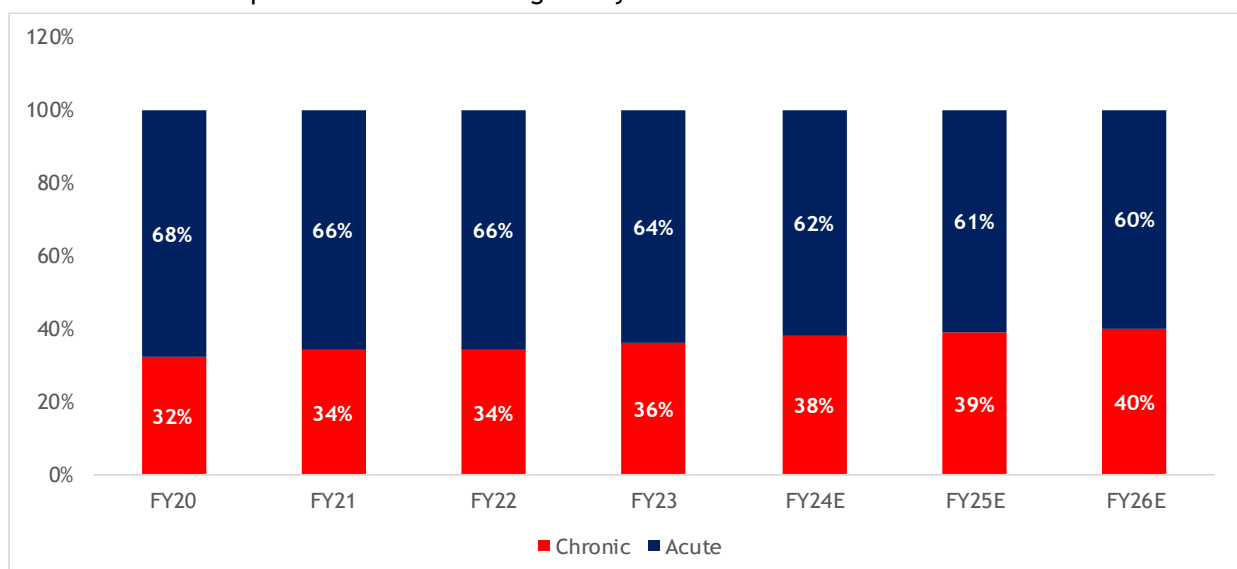
Source: Company data, GEPL Capital Research

**Exhibit 3: PAT expected to grow at 16% CAGR over FY23 to FY26E**



Source: Company data, GEPL Capital Research

**Exhibit 4: We expect chronic revenue to grow by 40% from current 36%.**



Source: Company data, GEPL Capital Research

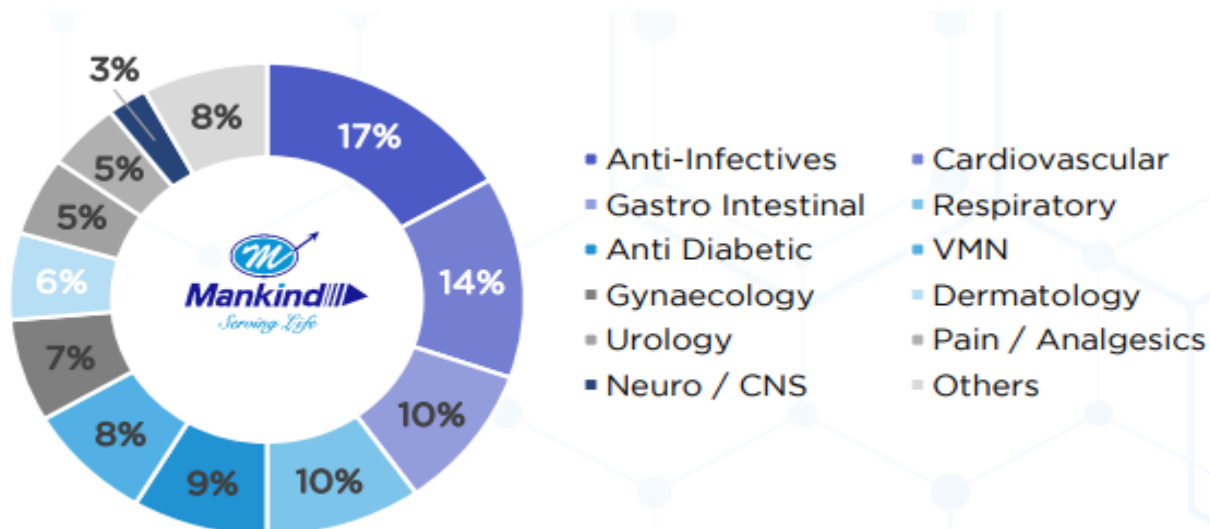
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**Exhibit 5: Consumer Brands and their Market Share**

Brand	Launch Year	Category Rank	FY20 Market Share	FY22 Market Share	9MFY24 Market Share
Manforce	2007	1	28%	30%	31%
Prega News	2010	1	73%	80%	85%
Unwanted-72	2007	1	19%	62%	61%
Gas-O-Fast	2012	5	3%	4%	2%
Health Ok	2021	5	NA	3%	34%
AcnceStar	2016	2	NA	13%	34%

Source: Company data, GEPL Capital Research

**Exhibit 6: Therapy Portfolio**

Source: Company data, GEPL Capital Research

**Exhibit 7: Sales Mix of Therapy**

Key Therapeutic Segments	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Anti-Infectives	24.3	22.0	19.6	19.0	17.7	15.8	15.9	13.2	14.7	15.0
Cardiac	7.1	7.6	8.5	9.3	10.1	10.8	11.5	12.6	12.1	12.8
Gastro Intestinal	12.0	12.1	13.1	12.7	12.3	11.5	11.4	11.3	10.9	10.8
Respiratory	6.4	6.8	6.6	6.5	7.6	8.0	8.7	7.2	9.7	9.5
Pain / Analgesics	5.9	6.2	6.3	6.3	6.0	6.4	6.1	5.4	5.4	5.0
Anti Diabetic	4.3	4.5	4.9	5.7	6.3	7.7	7.5	8.7	8.3	8.2
Vitamins/Minerals/Nutrients	7.7	9.2	10.8	10.7	10.6	9.8	9.5	10.3	9.5	8.5
Dermatology	5.3	6.2	7.1	8.2	9.1	9.0	8.4	8.6	7.4	6.1
Gynaecology	8.0	7.3	6.1	5.4	4.8	5.0	5.1	6.5	6.7	7.7
Neuro / CNS	4.4	4.3	3.1	2.8	2.7	2.9	2.9	3.2	2.9	2.6

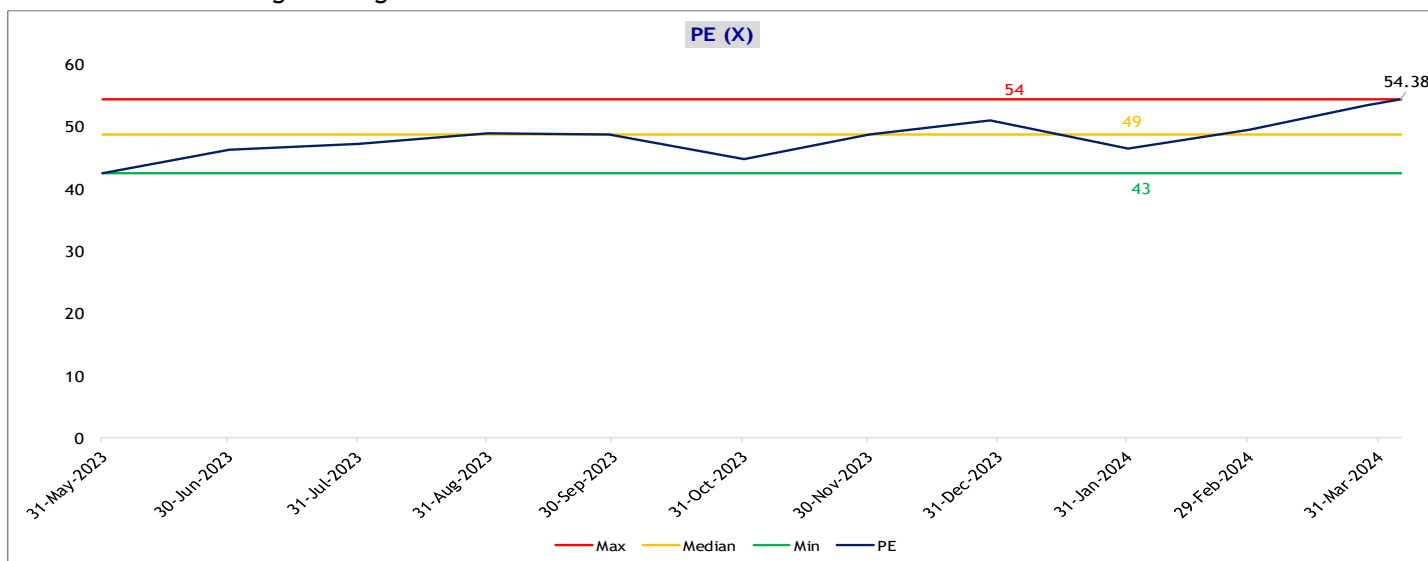
Source: Company data, GEPL Capital Research

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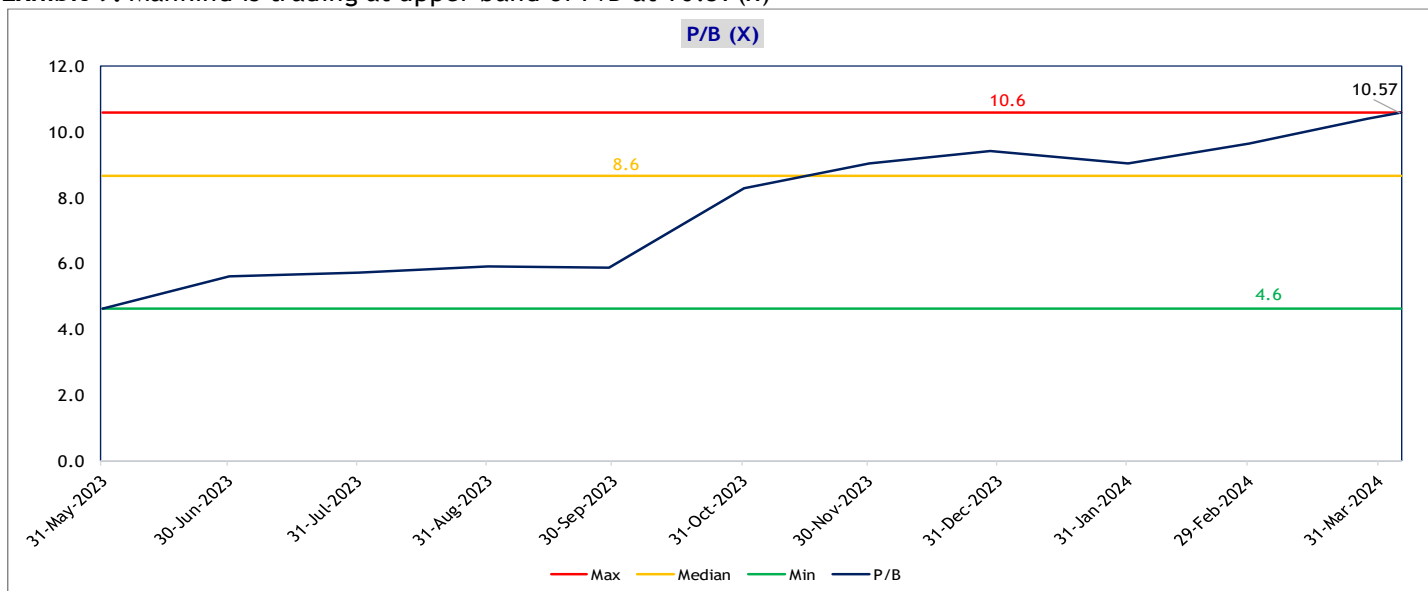


**Exhibit 8: PE is trading at a High level of 54x.**



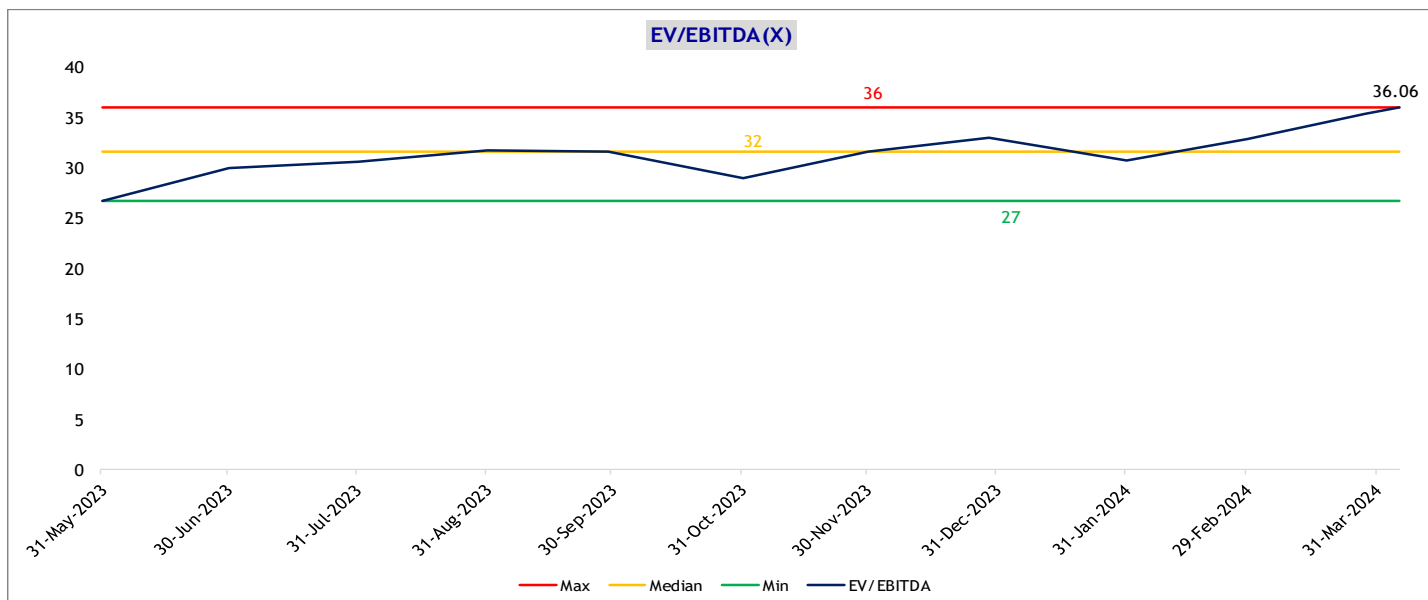
Source: GEPL Capital Research

**Exhibit 9: Mankind is trading at upper band of P/B at 10.57(x)**



Source: GEPL Capital Research

**Exhibit 10: Mankind is trading at EV/EBITDA of 36.06(x) and has touch the high band of 36 (x)**



Source: GEPL Capital Research

**MANKIND PHARMA. (MANKIND)**

Date: 09 April, 2024

**Exhibit 11: Profit and Loss Statement**

Particular (₹ in Cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	6,101	6,466	8,071	9,106	10,289	11,627	13,197
<b>COGS</b>	<b>3,343</b>	<b>3,595</b>	<b>4,670</b>	<b>4,713</b>	<b>5,813</b>	<b>6,395</b>	<b>7,258</b>
Gross Profit	2,758	2,871	3,400	4,392	4,476	5,232	5,938
Operating Expenses	1,123	1,039	1,196	2,197	1,955	2,325	2,507
<b>EBITDA</b>	<b>1,635</b>	<b>1,832</b>	<b>2,204</b>	<b>2,195</b>	<b>2,521</b>	<b>2,907</b>	<b>3,431</b>
<b>EBITDAM %</b>	<b>27%</b>	<b>28%</b>	<b>27%</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>
Other Income	104	171	196	129	129	129	129
Depreciation	99	119	167	326	344	367	388
<b>EBIT</b>	<b>1,639</b>	<b>1,884</b>	<b>2,234</b>	<b>1,998</b>	<b>2,305</b>	<b>2,668</b>	<b>3,171</b>
Interest	23	21	60	46	24	25	26
EBT	1,616	1,863	2,174	1,952	2,281	2,643	3,145
Tax	382	399	522	362	479.0	554.9	660.4
<b>PAT</b>	<b>1,235</b>	<b>1,464</b>	<b>1,652</b>	<b>1,590</b>	<b>1,802</b>	<b>2,088</b>	<b>2,485</b>
<b>PATM %</b>	<b>20%</b>	<b>23%</b>	<b>20%</b>	<b>17%</b>	<b>18%</b>	<b>18%</b>	<b>19%</b>

Source: GEPL Capital Research

**Exhibit 12: Balance Sheet**

Particular (₹ in Cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Asset</b>							
<b>Total non current assets</b>	<b>2,203</b>	<b>2,417</b>	<b>4,702</b>	<b>5,358</b>	<b>5,570</b>	<b>5,745</b>	<b>6,244</b>
Gross PP&E (Including CWIP)	1,988	2,160	4,247	5,233	5,733	6,123	6,473
Accumated Depercetion	373	501	664	984	1,328	1,695	2,084
Net PP&E	1,594	1,659	3,583	4,245	4,405	4,428	4,389
Non Current Asset	164	206	235	271	271	271	271
Other non-curret assets	131	181	214	348	894	1,046	1,584
<b>Total Current asset</b>	<b>2,820</b>	<b>3,880</b>	<b>4,404</b>	<b>4,325</b>	<b>5,605</b>	<b>7,615</b>	<b>9,621</b>
Trade Recivable	531	331	388	576	507.4	573.4	668.9
Inventories	899	1,184	1,760	1,498	1,691	1,911	2,169
Investment	665	1,306	874	1,075	1,075	1,075	1,075
Cash and Cash equivalents	420	701	406	453	1,096	2,011	3,128
Other Current Asset	304	359	975	721	1,235	2,044	2,580
<b>Total Assets</b>	<b>5,025</b>	<b>6,324</b>	<b>9,108</b>	<b>9,686</b>	<b>11,175</b>	<b>13,360</b>	<b>15,865</b>
<b>Equity and Liabilities</b>							
Share Capital	40	40	40	40	40	40	40
Reserves	3,632	4,823	6,276	7,583	9,385	11,473	13,957
<b>Shareholder Fund</b>	<b>3,672</b>	<b>4,863</b>	<b>6,316</b>	<b>7,623</b>	<b>9,425</b>	<b>11,513</b>	<b>13,997</b>
Long Term-Debt	58	58	49	23	23	23	22
Lease Liabilities	22	13	23	31	31	31	31
Other non-current borrowing	23	36	96	145	46	67	40
<b>Non-Current Liabilities</b>	<b>103</b>	<b>107</b>	<b>169</b>	<b>199</b>	<b>99</b>	<b>120</b>	<b>93</b>
Short Term Debt	44	158	795	115	121	127	133
Trade Payable	745	667	1,076	1,008	1,015	1,019	1,048
Other Current liabilities	461	528	752	740	514	581	594
<b>Current Liabilities</b>	<b>1,251</b>	<b>1,353</b>	<b>2,623</b>	<b>1,863</b>	<b>1,650</b>	<b>1,727</b>	<b>1,775</b>
<b>Total Equity and Liabilities</b>	<b>5,025</b>	<b>6,324</b>	<b>9,108</b>	<b>9,686</b>	<b>11,175</b>	<b>13,360</b>	<b>15,865</b>

Source: GEPL Capital Research

**MANKIND PHARMA. (MANKIND)**

Date: 09 April, 2024

**Exhibit 13: Cash Flow Statement**

Particular (₹ in Cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PBT	1438	1692	1975	1671	2281	2643	3145
Non Operating & EO Item	-15.3	-144.8	-167.9	-72.0	-56	-67	-80
Interest Expense	23	21	60	46	24	25	26
Depreciation	99	119	167	326	344	367	388
Working Capital Change	-140	-95	-586	167	-131	-290	-383
Tax Paid	-331	-454	-500	-323	-479	-555	-660
<b>Operating Cash Flow (A)</b>	<b>1,074</b>	<b>1,138</b>	<b>948</b>	<b>1,815</b>	<b>1,984</b>	<b>2,123</b>	<b>2,437</b>
Capex	-228	-312	-2,346	-832	-500	-390	-350
Free Cash Flow	846	826	-1398	983	1484	1733	2087
Others	-211	-910	976	-222	-456.2	-528.5	-629.0
<b>Investing Cash Flow (B)</b>	<b>-439</b>	<b>-1,222</b>	<b>-1,369</b>	<b>-1,054</b>	<b>-956</b>	<b>-919</b>	<b>-979</b>
Interest Expense	(22)	(17)	(17)	(41)	(24)	(25)	(26)
Dividend	-364	0	0	0			
Others	-141	9	622	-698	-228	-264	-314
<b>Financing Cash Flow C</b>	<b>(527)</b>	<b>(8)</b>	<b>605</b>	<b>(740)</b>	<b>(253)</b>	<b>(290)</b>	<b>(341)</b>
<b>Net CashFlow (A+B+C)</b>	<b>108</b>	<b>(92)</b>	<b>183</b>	<b>21</b>	<b>775</b>	<b>915</b>	<b>1,117</b>
<b>Closing Cash Balance</b>	<b>209</b>	<b>117</b>	<b>300</b>	<b>321</b>	<b>1,096</b>	<b>2,011</b>	<b>3,128</b>

Source: GEPL Capital Research

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**Notes**

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for stock and our recommendation.

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