

August 05, 2024

Mankind Pharma Limited - Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Proposed Non-Convertible Debentures*	4,600	4,600	[ICRA]AA+(Stable)
Total	4,600	4,600	

*Instrument details are provided in Annexure-1; * Yet to be placed

Rationale

Material Event

On July 25, 2024, Mankind Pharma Limited (MPL) informed the Bombay Stock Exchange and the National Stock Exchange that its Board of Directors had considered and approved a proposal to acquire a 100% stake in Bharat Serums and Vaccines Limited (BSV), subject to completion of customary conditions and receipt of requisite regulatory approvals. BSV, a medium-sized pharmaceutical company, is involved in developing, manufacturing and marketing of biological-based pharmaceutical formulations with strong presence in therapeutic segments such as women health (WH), assisted reproductive technology (ART) and critical care (CC). With operations in more than 50 countries, BSV's product profile is fairly diversified, comprising plasma derivatives, monoclonal, fertility hormones, antitoxins, antifungals, anaesthetics, cardiovascular drugs, diagnostic products, etc. The transaction is expected to close within the next 3 to 4 months, at an enterprise value of Rs. 13,630 crore, subject to receipt of regulatory approvals and completion of certain condition precedents.

Impact of Material Event

The acquisition will strengthen MPL's business profile by widening its product portfolio and positioning it as a leading player in Indian women's health and fertility segment as it will gain access to high potential over-the-counter prescription (OTX) brands and high entry barrier portfolio with specialty R&D technology platforms across recombinants, niche biologics, novel delivery and immunoglobulins. Besides, potential synergies from the transaction include revenue enhancement emanating from potential of cross selling in specialty channels, BSV's access to resources of MPL including its large field force, a strong geographical and doctor coverage, potential OTX shift and cost synergies from the likely shift of the outsourced manufacturing of BSV's prescription drugs (Rx) portfolio to MPL's in-house manufacturing.

While the transaction is expected to be funded by internal accruals of up to Rs. 4,000 crore, the quantum of debt and equity for the balance, is expected to be finalised over the next few months. In Q4 FY2024, MPL had taken approval from its Board of Directors and shareholders to raise equity of up to Rs.7,500 crore via a qualified institutional placement (QIP) route and had also sought approval for increasing its debt limits to up to Rs. 12,500 crore via enabling resolutions. Given the partial reliance on debt to fund the acquisition, MPL's leverage levels are expected to increase over the near term, yet remain in line with ICRA's expectations. ICRA also draws comfort from the management's conservative approach towards financial leverage, which is demonstrated by its continued net cash positive status over the past many years. Accordingly, ICRA expects MPL to maintain its debt at prudent levels, and the leverage levels are expected to moderate over the medium term, given its continued focus on maintaining a conservative capital structure.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Pharmaceuticals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of MPL. MPL's subsidiaries, joint ventures and associates, as on March 31, 2024, are enlisted in Annexure-2.

About the company

MPL is involved 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. It is India's fourth largest pharmaceutical company in terms of domestic sales and has been ranked number one over the last seven years by the volume of prescriptions. It also ranks third in the domestic market in terms of sales volumes. MPL's pharmaceuticals portfolio caters to various acute and chronic therapeutic areas including anti-infectives, cardiovascular, gastrointestinal, anti-diabetic, neuro/CNS, VMNs, respiratory, etc.

The company is also present in consumer healthcare products with established brands like Manforce Condoms and Pregarnews, and other products in categories like antacid powders, vitamin and mineral supplements, oral contraceptives, anti-acne preparations, etc. It is also present in the export business, including in markets like the US, Sri Lanka, Nepal and Bangladesh.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount Rated (Rs Crore)	Current (FY2025)			Chronology of rating history for the past 3 years					
			Aug 05, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Proposed NCD's	Long Term	4,600.00	[ICRA]AA+ (Stable)	July 09, 2024	[ICRA]AA+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Proposed Non-Convertible Debentures	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Proposed Non-Convertible Debentures [#]	NA	NA	NA	4,600.00	[ICRA]AA+ (Stable)

Source: Company; [#]Yet to be placed

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
SUBSIDIARIES		
Broadway Hospitality Services Private Limited	100.00%	Fully Consolidation
Shree Jee Laboratory Private Limited	100.00%	Fully Consolidation
Prolijune Lifesciences Private Limited	100.00%	Fully Consolidation
Pavi Buildwell Private Limited	100.00%	Fully Consolidation
Medipack Innovations Private Limited	51.00%	Fully Consolidation
Jaspack Industries Private Limited	100.00%	Fully Consolidation
Mahananda Spa and Resorts Private Limited	100.00%	Fully Consolidation
Lifestar Pharma LLC	90.00%	Fully Consolidation
Mankind Pharma Pte Limited	100.00%	Fully Consolidation
Packtime Innovations Private Limited	90.00%	Fully Consolidation
Mankind Specialities (partnership firm)	98.00%	Fully Consolidation
Appian Properties Private Limited	100.00%	Fully Consolidation
Relax Pharmaceuticals Private Limited	63.00%	Fully Consolidation
Copmed Pharmaceuticals Private Limited	63.00%	Fully Consolidation
Vetbesta Labs (partnership firm)	60.48%	Fully Consolidation
Mediforce Healthcare Private Limited	62.98%	Fully Consolidation
JPR Labs Private Limited	100.00%	Fully Consolidation
Penta Latex LLP	68.00%	Fully Consolidation
Pharma Force Labs (partnership firm)	63.00%	Fully Consolidation
Mediforce Research Private Limited	61.72%	Fully Consolidation
Pharmaforce Excipients Private Limited	63.00%	Fully Consolidation
Qualitek Starch Private Limited	60.39%	Fully Consolidation
Superba Warehousing LLP (partnership firm)	51.00%	Fully Consolidation
North East Pharma Pack (partnership firm)	57.50%	Fully Consolidation
Lifestar Pharmaceuticals Private Limited	85.00%	Fully Consolidation
Mankind Prime Labs Private Limited	100.00%	Fully Consolidation
Mankind Life Sciences Private Limited	100.00%	Fully Consolidation
Appify Infotech LLP	100.00%	Fully Consolidation
Mankind Consumer Healthcare Private Limited	100.00%	Fully Consolidation
Mankind Pharma FZ LLC	100.00%	Fully Consolidation

Company Name	Ownership	Consolidation Approach
Mankind Agritech Private Limited	100.00%	Fully Consolidation
Upakarma Ayurveda Private Limited	90.00%	Fully Consolidation
Mankind Medicare Private Limited	100.00%	Fully Consolidation
JOINT VENTURES		
Superba Buildwell	60.00%	Equity method
Superba Developers	70.00%	Equity method
Superba Buildwell (South)	70.00%	Equity method
ASSOCIATES		
ANM Pharma Private Limited	34.00%	Equity method
Sirmour Remedies Private Limited	40.00%	Equity method
J. K. Print Packs	33.00%	Equity method
A. S. Packers	50.00%	Equity method
N. S. Industries	48.00%	Equity method

Source: Q4 FY2024 financial results

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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