

Torrent Pharma

Estimate change



TP change



Rating change



CMP: INR3,139

TP: INR3,340 (+6%)

Neutral

India/Germany businesses drive earnings

ANDA approvals to pick up pace over medium term

- Torrent Pharma (TRP) delivered largely in-line 1QFY25. TRP posted robust 14.7% YoY growth in domestic formulation (DF) segment. However, this was partly offset by floods in some provinces in Brazil and the lack of approvals in US generics segment. TRP delivered the highest gross margin in the past 20 quarters.
- We maintain our FY25 earnings estimate. We raise our FY26 earnings estimate by 3% to factor in a) the benefit of ANDA approvals, b) the addition of products in OTC segment in India, and c) the shift to the new tax regime. We value TRP at 36x 12M forward earnings to arrive at a TP of INR3,340.
- TRP remains a promising play in the pharma space, with 64% of its revenue derived from branded generics and sustainable outperformance to industry in DF/Brazil. ANDA approvals are expected to pick up, which would not only boost revenue growth but also improve profitability of the US generics segment. Accordingly, we estimate a 32% earnings CAGR over FY24-26. We maintain our Neutral stance as the valuation provides limited upside from the current levels.

Product mix/operating leverage drive margins YoY

- Sales grew 10% YoY to INR28.6b (est. INR29.8b). India formulations revenue grew 14.7% YoY to INR16.4b (57% of sales). ROW+CDMO sales grew 14.4% YoY at INR4.9b (17% of sales). Germany sales rose 10.1% YoY to INR2.8b (10% of sales). LATAM business increased by 3.2% YoY to INR2b (7% of sales). US generics business declined 11.6% YoY to INR2.6b (9% of sales).
- Gross margin expanded 80bp YoY to 75.7% due to a better product mix.
- EBITDA margin expanded at a higher rate of 180bp to 32.3% YoY due to lower other expense (down 100bp as % of sales).
- Accordingly, EBITDA grew 16.8% YoY to INR9.2b (est. INR9.4).
- Adjusted for a one-off expense of INR200m related to exploring an inorganic opportunity, PAT grew 24.6% YoY to INR4.7b (est. INR4.9b).

Highlights from the management commentary

- DF business growth (+14.7% YoY) is sustainable over the medium term.
- TRP expects 7-8 approvals in FY25, driving better business prospects in US generics segment.
- While Brazil performance was affected by floods in 1Q, TRP indicated a 12-13% annualized growth rate in this business.
- TRP plans to add one more product in OTC segment by the end of the year.
- On the current MR base of 5,700, TRP would add 300-400 in FY25.
- For the year, R&D expenses would be ~5% of sales.
- The one-off expense of INR200m for the quarter was related to exploring an international opportunity.

Bloomberg	TRP IN
Equity Shares (m)	338
M.Cap.(INRb)/(USDb)	1062.2 / 12.7
52-Week Range (INR)	3177 / 1771
1, 6, 12 Rel. Per (%)	7/11/38
12M Avg Val (INR M)	735

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	107.3	123.0	141.2
EBITDA	33.7	40.6	47.6
Adjusted PAT	15.9	21.5	27.7
EBIT Margin (%)	23.9	26.1	27.5
Cons. Adj EPS (INR)	47.1	63.4	82.0
EPS Gr. (%)	26.7	34.6	29.3
BV/Sh. (INR)	202.6	485.3	590.1

Ratios

Net D-E	0.6	0.4	0.3
RoE (%)	24.4	28.5	30.5
RoCE (%)	16.3	20.9	24.2
Payout (%)	34.8	36.4	36.1

Valuation

P/E (x)	67.1	49.9	38.6
EV/EBITDA (x)	32.7	26.9	22.4
Div. Yield (%)	0.4	0.6	0.8
FCF Yield (%)	2.8	1.8	3.1
EV/Sales (x)	10.3	8.9	7.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	71.3	71.3	71.3
DII	7.3	7.3	8.3
FII	14.2	14.1	12.8
Others	7.3	7.4	7.6

FII Includes depository receipts

Tushar Manudhane - Research Analyst (Tushar.Manudhane@MotilalOswal.com)

Akash Manish Dobhada - Research Analyst (Akash.Dobhada@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance (Consolidated)

(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	Est.	Var.
INRb	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	vs Est
Net Revenues	25.9	26.6	27.3	27.5	28.6	30.5	31.1	32.8	107.3	123.0	31.7	-4.0
YoY Change (%)	12.2	16.1	9.7	10.2	10.3	14.7	13.8	19.4	12.0	14.6	22.2	
EBITDA	7.9	8.3	8.7	8.8	9.2	10.0	10.4	11.0	33.7	40.6	9.0	-1.8
YoY Change (%)	17.4	21.5	17.6	19.8	16.8	21.3	19.1	24.3	19.1	20.5	13.2	
Margins (%)	30.5	31.0	31.8	32.2	32.3	32.8	33.3	33.5	31.4	33.0	28.3	
Depreciation	1.9	2.0	2.1	2.0	2.0	2.1	2.2	2.3	8.1	8.5	2.1	
EBIT	6.0	6.2	6.6	6.8	7.3	7.9	8.2	8.7	25.6	32.1	6.9	-0.7
YoY Change (%)	15.6	20.9	20.2	25.7	21.2	26.8	24.9	27.8	20.7	25.3	14.5	
Margins (%)	23.2	23.5	24.0	24.8	25.4	25.9	26.4	26.5	23.9	26.1	21.7	
Interest	1.0	0.9	0.8	0.8	0.8	0.7	0.6	0.5	3.5	2.5	0.8	
Other Income	0.3	0.3	-0.3	0.3	0.2	0.2	0.2	0.2	0.6	0.8	0.2	
PBT before EO Expense	5.3	5.6	5.4	6.3	6.8	7.4	7.8	8.4	22.6	30.3	6.3	0.0
One-off expenses	0.0	0.0	-0.9	0.0	0.2	0.0	0.0	0.0	-0.9	0.2	0.0	
PBT after EO Expense	5.3	5.6	6.3	6.3	6.6	7.4	7.8	8.4	23.5	30.1	6.3	
Tax	1.5	1.7	1.9	1.8	2.0	2.2	2.3	2.3	7.0	8.8	1.8	
Rate (%)	28.8	30.9	34.6	28.8	29.4	29.5	29.7	27.6	30.7	29.0	27.8	
Reported PAT	3.8	3.9	4.4	4.5	4.6	5.2	5.5	6.1	16.6	21.3	4.6	
Adj PAT	3.8	3.9	3.8	4.5	4.7	5.2	5.5	6.1	15.9	21.5	4.6	-3.5
YoY Change (%)	15.0	23.7	19.1	51.0	24.6	35.2	43.5	34.9	26.7	34.6	20.5	
Margins (%)	14.6	14.5	14.0	16.4	16.5	17.1	17.6	18.5	14.9	17.4	14.4	

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	Est.
INRm	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
India formulations	14.3	14.4	14.2	13.8	16.4	16.5	16.3	16.0	56.7	65.2	16.0
YoY Change (%)	14.5	18.0	12.4	9.8	14.7	14.5	15.0	16.0	13.7	15.0	12.5
US generics	2.9	2.5	2.7	2.6	2.6	2.7	3.3	3.7	10.8	12.3	2.8
YoY Change (%)	12.3	-15.1	-5.8	-6.4	-11.6	10.4	21.2	40.3	-7.2	14.3	-3.7
Latin America	1.9	2.5	3.1	3.7	2.0	3.6	3.7	4.4	11.3	13.5	3.3
YoY Change (%)	3.3	36.2	25.8	17.0	3.2	42.0	17.0	17.0	20.4	20.3	75.0
Europe	2.6	2.7	2.7	2.8	2.8	2.9	2.9	3.9	10.7	12.5	3.0
YoY Change (%)	20.6	20.9	12.0	10.7	10.1	9.0	8.0	39.0	15.7	16.8	15.0
Others (ROW+CDMO)	4.2	4.5	4.6	4.5	4.9	4.8	4.9	4.9	17.8	19.4	4.6
YoY Change (%)	19.2	21.6	2.2	17.4	14.4	6.0	7.0	7.6	14.3	8.8	9.0
Cost Break-up											
RM Cost (% of Sales)	25.1	24.8	25.5	24.7	24.3	24.6	24.7	24.8	25.0	24.6	24.9
Staff Cost (% of Sales)	19.3	18.9	18.2	17.7	19.2	18.1	17.8	17.0	18.5	18.0	17.8
R&D Expenses(% of Sales)	5.0	5.3	5.1	5.1	4.7	4.1	3.9	3.9	5.1	4.1	4.2
Other Cost (% of Sales)	25.1	25.3	24.5	25.4	24.2	24.5	24.2	24.7	25.1	24.4	25.7
Gross Margins(%)	74.9	75.2	74.5	75.3	75.7	75.4	75.3	75.2	75.0	75.4	75.1
EBITDA Margins(%)	30.5	31.0	31.8	32.2	32.3	32.8	33.3	33.5	31.4	33.0	31.6
EBIT Margins(%)	23.2	23.5	24.0	24.8	25.4	25.9	26.4	26.5	23.9	26.1	24.6

E: MOFSL Estimates

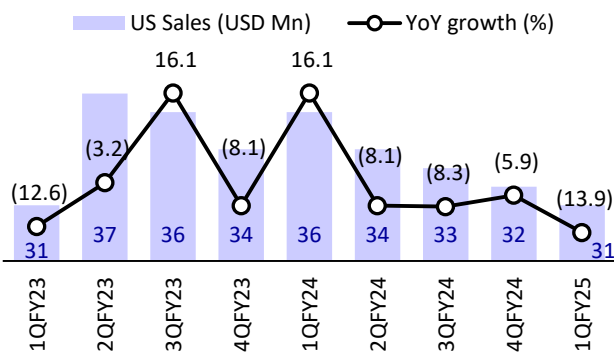


Key takeaways from the management interaction

- Shelcal brand grew by 17% YoY for the quarter (Consumer+RX); high-teen growth is sustainable going forward as well.
- The company is de-risking the Losar brand in cardiac due to lower growth and expects that the rank of the product would decrease from 1 to 3 next year.
- TRP expects Unienzyme and Vizylac to grow at low-teens on a YoY basis.
- US business breaks even at the pre-R&D expense level.
- TRP witnessed mid-single digit price erosion in its US portfolio.

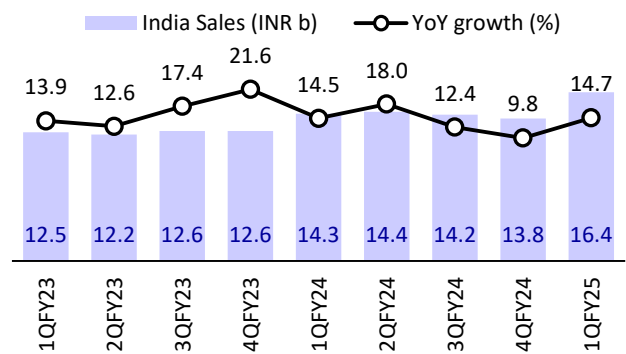
Key exhibits

Exhibit 1: US sales declined 14% YoY in 1QFY25 (CC terms)



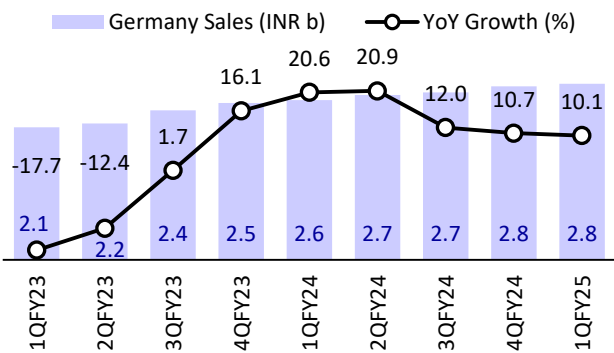
Source: MOFSL, Company

Exhibit 2: India sales grew ~14.7% YoY in 1QFY25



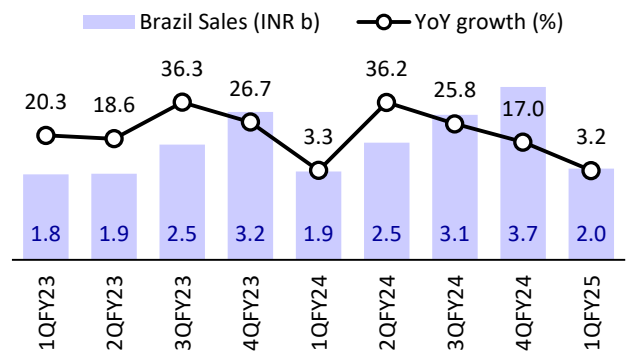
Source: MOFSL, Company

Exhibit 3: Germany sales rose ~10.1% YoY in 1QFY25



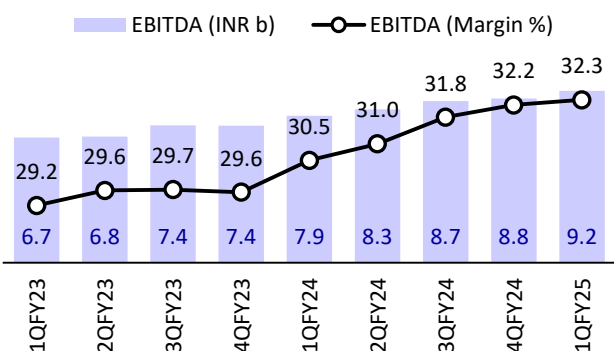
Source: Company, MOFSL

Exhibit 4: Brazil sales grew 3% YoY in 1QFY25



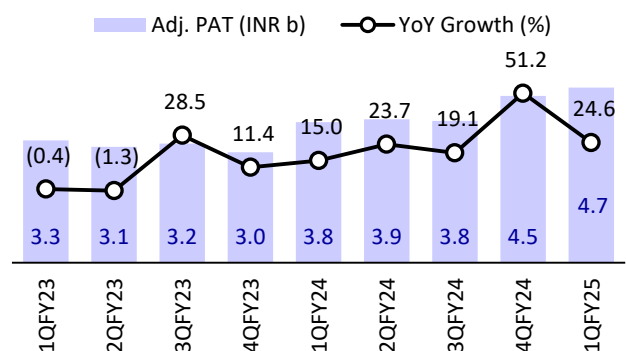
Source: Company, MOFSL

Exhibit 5: EBITDA margin expanded 180bp YoY in 1QFY25



Source: MOFSL, Company

Exhibit 6: Adjusted PAT up ~24.6% YoY in 1QFY25



Source: MOFSL, Company

Building growth levers across segments to enhance growth**DF – Efforts underway to sustain market share gain in Rx; OTC traction remains encouraging**

- In 1QFY25, DF sales grew 14.7% YoY to INR16.4b, led by robust demand for all chronic therapies, new launches and strong growth in consumer business. Additionally, the Curatio business is also contributing meaningfully as margins are expanding.
- Moreover, all other products in the Curatio portfolio are expected to continue to deliver a strong performance through increased presence in the pediatrician segment, e-commerce, and penetration in the northern and eastern markets.
- To boost growth in the consumer health business, TRP will introduce one more product in the OTC space by the end of the year. Shelcal, Unienzyme and Tedibar are expected to deliver strong growth, led by alternate distribution channels; TRP conducted national media campaigns.
- Further, growth in the prescription business will be driven by focus on chronic therapies and field force expansion.
- Additionally, the company plans to expand through in-licensing strategy as well.
- Accordingly, we expect a 15% sales CAGR in DF to INR75b over FY24-26.

Brazil – Floods hit the quarter; new launches/strong execution to fuel growth in branded generics market

- In 1QFY25, the Brazil business witnessed moderate growth of 3% YoY to INR2b. (CC: 8% YoY) primarily due to severe floods in the province of Rio Grande do Sul.
- During 1QFY25, TRP received approval for Lisdexanfetamine and expects to launch it in 2QFY25.
- TRP plans to file 16 products, including 13 filings in CNS/Diabetes/Cardiac and 3 in oncology. In order to build large brands, the company is focusing on launching only 2-3 products in each franchise in branded business.
- Additionally, TRP is looking to improve the productivity of existing MRs and enter a new therapy.
- Accordingly, we expect an 18% sales CAGR in Brazil to INR15.6b over FY24-26.

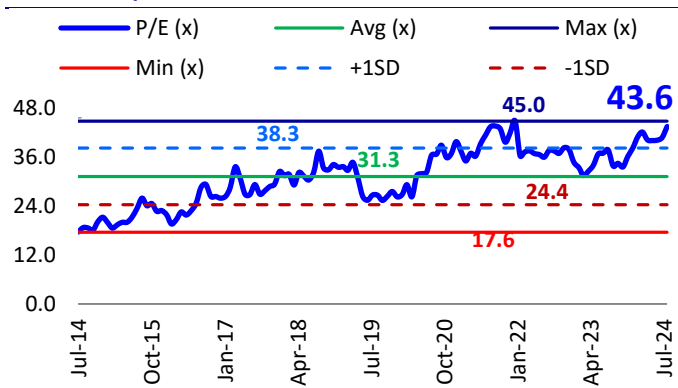
US – Approval pace to pick up over medium term

- US sales declined 14% YoY in CC terms to USD31m in 1QFY25, due to the loss of low-margin business, slow approval and ramp-up of the Dahej facility, and regulatory issues at its Indrad plant.
- TRP expects to launch limited-competition and oncology products in the near term. It expects overall 7-8 approvals in US markets, which would drive growth in the near term.
- Accordingly, we expect a 17% sales CAGR over FY24-26 to INR14.7b.

Reiterate Neutral

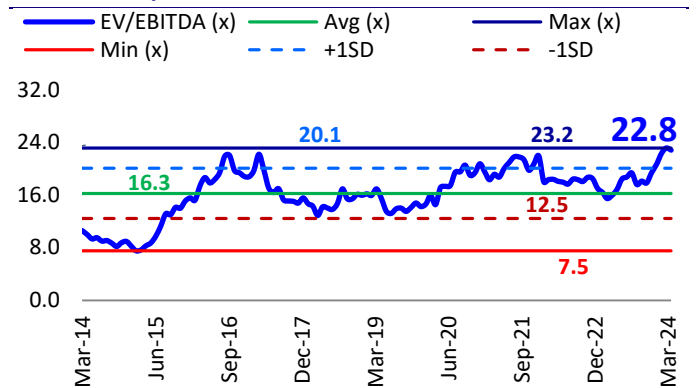
- We maintain our FY25 earnings estimate. We raise our FY26 earnings estimate by 3% to factor in a) the benefit of ANDA approvals, b) the addition of products in OTC segment in India, and c) the shift to the new tax regime. We value TRP at 36x 12M forward earnings to arrive at a TP of INR3,340.
- TRP remains a promising play in pharma space, with 64% of its revenue derived from branded generics and sustainable outperformance to industry in DF/Brazil. ANDA approvals are expected to pick up, which would not only boost revenue growth but also improve profitability of the US generics segment. Accordingly, we estimate a 32% earnings CAGR over FY24-26. We maintain our Neutral stance as the valuation provides limited upside from the current levels.

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

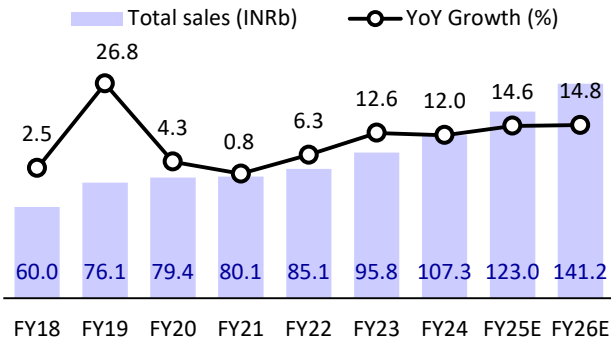
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

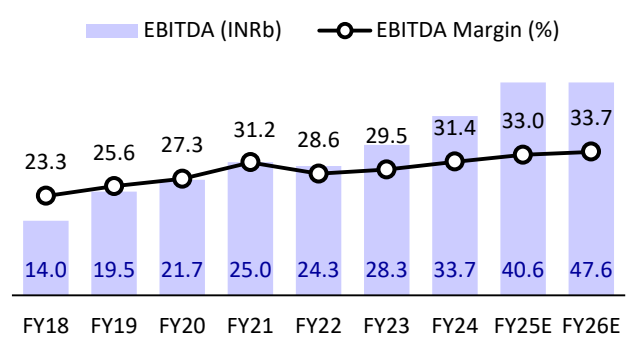
Story in charts

Exhibit 9: Expect total sales CAGR of 14.7% over FY24-26



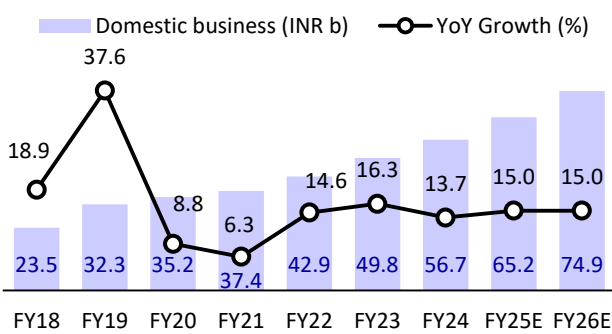
Source: Company, MOFSL

Exhibit 10: Expect EBITDA margin expansion of 230bp over FY24-26



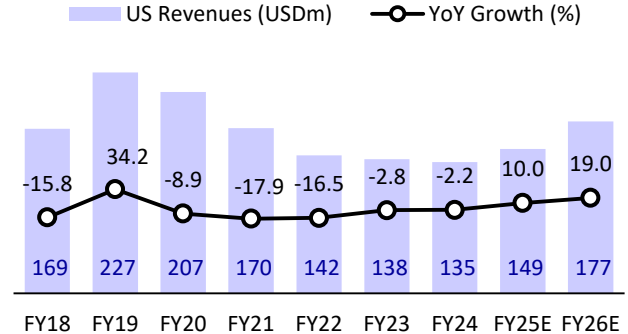
Source: Company, MOFSL

Exhibit 11: Expect 15% DF sales CAGR over FY24-26



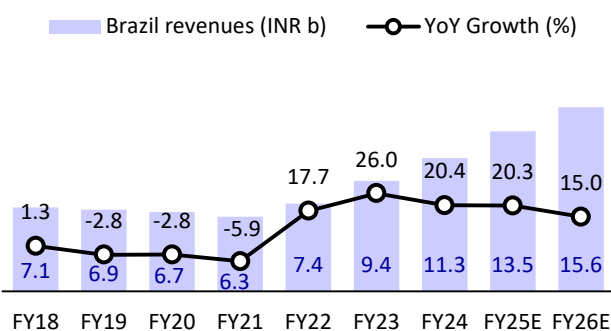
Source: Company, MOFSL

Exhibit 12: Expect US revenue to stay on upward growth trajectory



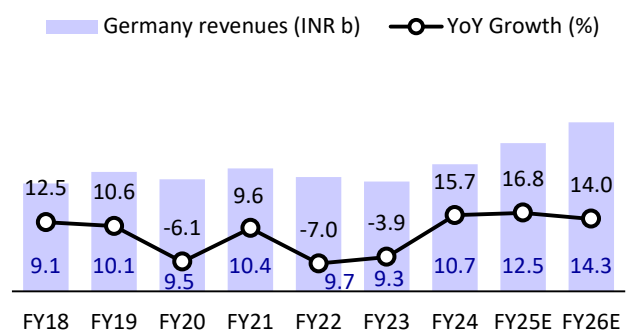
Source: Company, MOFSL

Exhibit 13: Expect ~18% sales CAGR in Brazil over FY24-26



Source: Company, MOFSL

Exhibit 14: Expect ~15.4% sales CAGR in Germany over FY24-26



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Net Sales	76,100	79,390	80,050	85,080	95,820	1,07,280	1,22,979	1,41,241	
Change (%)	26.8	4.3	0.8	6.3	12.6	12.0	14.6	14.8	
EBITDA	19,490	21,700	25,010	24,310	28,288	33,680	40,583	47,598	
Margin (%)	25.6	27.3	31.2	28.6	29.5	31.4	33.0	33.7	
Depreciation	1,985	2,346	2,374	6,620	7,070	8,080	8,518	8,812	
EBIT	17,506	19,354	22,636	17,690	21,218	25,600	32,065	38,786	
Int. and Finance Charges	5,040	4,510	3,580	2,550	3,330	3,540	2,512	1,733	
Other Income - Rec.	570	1,220	570	1,970	850	580	750	950	
PBT before EO Expense	13,036	16,064	19,626	17,110	18,738	22,640	30,303	38,003	
EO Expense/(Income)	3,220	0	160	4,850	267	-880	200	0	
PBT after EO Expense	9,816	16,064	19,466	12,260	18,471	23,520	30,103	38,003	
Current Tax	1,260	1,620	2,740	4,490	6,110	6,959	8,786	10,259	
Deferred Tax	0	0	0	0	0	1	2	2	
Tax	1,260	1,620	2,740	4,490	6,110	6,960	8,788	10,261	
Tax Rate (%)	9.7	10.1	14.0	26.2	32.6	30.7	29.0	27.0	
Reported PAT	8,556	14,444	16,726	7,770	12,361	16,560	21,315	27,742	
Adj PAT	7,228	9,496	12,680	11,617	12,581	15,942	21,455	27,742	

Balance Sheet								(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Equity Share Capital	850	850	850	850	1,692	1,692	1,692	1,692	
Total Reserves	46,390	47,390	57,530	58,680	60,288	66,868	80,436	98,161	
Net Worth	47,240	48,240	58,380	59,530	61,980	68,560	82,128	99,853	
Deferred liabilities	-3630	-4330	-4210	-4940	-5440	-5550	-5550	-5550	
Total Loans	48,540	44,080	36,450	40,180	52,970	39,380	32,380	25,380	
Capital Employed	92,150	87,990	90,620	94,770	1,09,510	1,02,390	1,08,958	1,19,683	
Gross Block	99,848	1,02,918	1,02,848	1,04,548	1,27,128	1,38,405	1,41,408	1,44,411	
Less: Accum. Deprn.	17,558	24,098	30,678	37,298	44,368	52,448	60,966	69,778	
Net Fixed Assets	82,290	78,820	72,170	67,250	82,760	85,957	80,442	74,633	
Capital WIP	4,790	7,120	8,710	6,720	8,330	2,810	2,810	2,810	
Investments	50	40	440	440	450	350	350	350	
Curr. Assets	50,380	50,070	55,220	51,650	53,140	56,110	71,212	96,197	
Inventory	19,350	21,480	26,810	24,620	22,300	22,790	25,542	30,051	
Account Receivables	14,360	16,490	15,230	16,330	19,440	18,440	27,055	31,073	
Cash and Bank Balance	8,160	6,660	6,040	4,030	5,710	8,390	11,434	27,130	
Loans & Advances	8,510	5,440	7,140	6,670	5,690	6,490	7,180	7,943	
Curr. Liability & Prov.	45,360	48,060	45,920	31,290	35,170	42,837	45,855	54,307	
Account Payables	38,330	40,490	37,910	23,490	27,300	34,387	34,353	40,387	
Provisions	7,030	7,570	8,010	7,800	7,870	8,450	11,503	13,920	
Net Current Assets	5,020	2,010	9,300	20,360	17,970	13,273	25,356	41,891	
Appl. of Funds	92,150	87,990	90,620	94,770	1,09,510	1,02,390	1,08,958	1,19,683	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
EPS	21.4	28.1	37.5	34.3	37.2	47.1	63.4	82.0
Cash EPS	31.1	49.6	56.4	42.5	57.4	72.8	176.3	216.0
BV/Share	139.6	142.5	172.5	175.9	183.1	202.6	485.3	590.1
DPS	9.0	16.0	11.2	10.3	11.2	14.1	19.0	24.6
Payout (%)	43.0	45.1	27.4	54.0	36.8	34.8	36.4	36.1
Valuation (x)								
P/E	148.1	112.7	84.4	92.1	85.1	67.1	49.9	38.6
Cash P/E	101.5	63.7	56.0	74.4	55.1	43.4	17.9	14.6
P/BV	22.7	22.2	18.3	18.0	17.3	15.6	6.5	5.4
EV/Sales	14.6	14.0	13.7	13.0	11.7	10.3	8.9	7.6
EV/EBITDA	57.0	51.0	44.0	45.5	39.5	32.7	26.9	22.4
Return Ratios (%)								
RoE	15.5	19.9	23.8	19.7	20.7	24.4	28.5	30.5
RoCE	16.4	19.7	21.3	14.9	13.9	16.3	20.9	24.2
RoIC	18.9	22.7	26.0	16.4	16.0	19.1	24.6	30.8
Working Capital Ratios								
Asset Turnover (x)	0.8	0.9	0.9	0.9	0.9	1.0	1.1	1.2
Fixed Asset Turnover (x)	0.9	1.0	1.1	1.2	1.3	1.3	1.5	1.8
Debtor (Days)	65	71	72	68	68	64	68	75
Inventory (Days)	93	99	122	106	85	78	76	78
Working Capital Turnover (Days)	-15	-21	15	70	47	17	41	38
Leverage Ratio (x)								
Interest Cover Ratio	3.5	4.3	6.3	6.9	6.4	7.2	12.8	22.4
Debt/Equity	1.0	0.9	0.6	0.7	0.9	0.6	0.4	0.3

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Oper. Profit/(Loss) before Tax	11,794	18,410	17,634	18,880	25,540	31,600	38,821	46,815
Interest/Dividends Recd.	8,005	2,207	3,400	6,890	2,300	1,860	1,562	783
Direct Taxes Paid	-2,812	-2,840	-1,760	-4,210	-3,980	-4,980	-8,788	-10,261
(Inc)/Dec in WC	994	-3,858	-3,370	-3,530	-180	4,180	-9,039	-838
CF from Operating incl EO Expense	17,981	13,918	15,904	18,030	23,680	32,660	22,556	36,499
(inc)/dec in FA	-6,605	-4,028	-3,340	-1,970	-4,150	-2,990	-3,003	-3,003
Free Cash Flow	11,376	9,890	12,564	16,060	19,530	29,670	19,553	33,496
(Pur)/Sale of Investments	4,192	2,513	-1,150	-10	-20,000	1,310	0	0
CF from Investments	-2,413	-1,516	-4,490	-1,980	-24,150	-1,680	-3,003	-3,003
Issue of shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-5,013	-3,129	-9,220	-8,140	12,430	-13,930	-7,000	-7,000
Interest Paid	-5,034	-4,854	-3,610	-2,580	-3,030	-3,710	-1,762	-783
Dividend Paid	-3,097	-7,185	-3,380	-6,770	-8,630	-10,150	-7,747	-10,017
CF from Fin. Activity	-13,145	-15,490	-12,354	-13,616	770	-27,790	-16,509	-17,800
Inc/Dec of Cash	2,424	-3,088	-940	2,434	300	3,190	3,044	15,696
Opening Balance	7,020	9,401	6,618	6,040	4,030	5,710	8,390	11,434
Add/(less) Forex in Cash/Cash eq	-43	306	362	-4,444	1,380	-510	0	0
Closing Cash and Cash Eq.	9,401	6,618	6,040	4,030	5,710	8,390	11,434	27,130
Total Cash and Cash Eq.	8,160	6,660	6,040	4,030	5,710	8,390	11,434	27,130

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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