

Torrent Pharmaceuticals

India segment continues to drive growth

TRP 1QFY25 Revenue/EBITDA were in-line while PAT was a miss on our estimates. Overall sales were Rs28.6bn (+10% YoY) for the quarter. This was led by India/Germany segments delivering 15%/10% YoY growth respectively. However, Brazil grew a modest 3% YoY and US declined 12% YoY (CC: -9% YoY). Adjusting for a one-off expense of Rs0.2bn, EBITDA was Rs9.2bn (+17% YoY) with margins expanding 180bp YoY to 32.3% (our est 31.6%), due to better GM (+80bp YoY) and lower opex (down ~100bp YoY as % of sales). Adj. PAT grew 26% YoY to INR4.8b (our est INR5.2b) driven by lower finance costs (down 25% YoY) offset by lower other income (down 29% YoY) and higher tax rate of 29.4% (v/s 28.8% in 1QFY24). Over FY24-26E, we expect India sales to witness 16% CAGR led by continued outperformance over IPM. Also, we expect Brazil/Germany/US segment to witness 13%/10%/9% CAGR. Additionally, we expect EBITDA margins to expand 220 bp to reach 33.6% in FY26. The ETR in FY25/FY26 is expected to be 30%/26% respectively. Accordingly, we have revised our FY25/FY26 earnings estimates by -4%/8%. We value TRP at 37x FY26E EPS to arrive at a TP of Rs3,350. However, we see majority of the positives being already factored in the current price. Downgrade to ADD.

DF to continue outperforming IPM led by improving chronic market share

In 1QFY25, DF sales grew 15% YoY (v/s IPM growth of 8% YoY) to Rs16.4b, led by robust demand for chronic therapies. The chronic business grew at 14% YoY (vs IPM growth of 8% YoY), driven by strong revival in cardiac divisions and continued traction in anti-diabetes (OAD) new launches. TRP continues to focus on improving market share in chronic therapies, improving field force productivity in the expanded divisions and regions. Moreover, the focus is also on Tedibar franchise and other products of the Curatio portfolio which are expected to continue to deliver robust performance with margins expanding meaningfully. Accordingly, we expect a 16% sales CAGR in this segment to reach ~Rs77bn over FY24-26E.

Tender wins in Germany/New launches to drive Brazil segment

In 1QFY25, Germany sales increased 10% YoY (CC: 9% YoY) to Rs2.8bn led by continued growth momentum. We expect Germany sales to post 10% CAGR reaching Rs13b over FY24-26, led by the recent tender wins. Moreover, Brazil sales grew at a modest 3% YoY (CC: 8% YoY) to Rs2b. It outperformed the local market by 100bp. This was led by new product launches as well as robust performance of top brands. During 1QFY25, TRP received Anvisa approval for three new products including Lisdexanfetamine. It expects to be in the first wave of branded generic launches in 2QFY25. TRP has currently nineteen products under ANVISA review. We expect Brazil segment to witness 13% sales CAGR to reach Rs14.4b over FY24-26.

Downgrade to ADD

We have revised our FY25/FY26 earnings estimates by -4%/8%. **We value TRP at 37x FY26E EPS to arrive at a TP of Rs3,350.** We remain positive on TRP on the back of a) sustained outperformance of DF business led by robust growth in key brands such as Shelcal/Tedibar, increased MR productivity and scale-up of consumer health portfolio b) growth in Brazil/Germany segment, and c) US ramping-up meaningfully over the next 2-3 years. We expect revenue/EBITDA/EPS CAGR of 14%/18%/39% with margins expanding 220bp to 33.6% over FY24-26. However, we see majority of the positives being already factored in the current price. Downgrade to ADD.

Financial and valuation summary

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24A	FY25E	FY26E
Revenues	28,590	25,910	10.3	27,450	4.2	1,07,280	1,22,196	1,39,686
EBITDA	9,240	7,910	16.8	8,830	4.6	33,680	39,714	46,935
EBITDA margin (%)	32.3	30.5	5.9	32.2	0.5	31.4	32.5	33.6
Adj. Net profit	4,770	3,780	26.2	4,490	6.2	15,680	22,154	30,240
Adj. EPS (Rs)	14.1	11.2	26.2	13.3	6.2	46.3	65.5	89.3
EPS growth (%)						24.7	41.3	36.5
PE (x)						67.8	48.0	35.1
EV/EBITDA (x)						32.5	27.1	22.4
PBV (x)						15.5	13.2	10.5
RoE (%)						24.0	29.7	33.3
RoCE (%)						16.3	22.3	27.5

Source: Company, Centrum Broking

Result Update

India I Pharma & Healthcare

23 July, 2024

ADD

Price: Rs3,139
Target Price: Rs3,350
Forecast return: 7%

Institutional Research

Market Data

Bloomberg:	TRP IN
52 week H/L:	3,177/1,771
Market cap:	Rs1062.2bn
Shares Outstanding:	338.4mn
Free float:	28.8%
Avg. daily vol. 3mth:	2,58,760

Source: Bloomberg

Changes in the report

Rating:	Downgrade from BUY to ADD
Target price:	From Rs3,020 to Rs 3,350

Source: Centrum Broking

Shareholding pattern

	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	71.3	71.3	71.3	71.3
FIIIs	14.2	14.1	14.1	13.2
DIIIs	7.3	7.3	7.2	8.0
Public/other	7.3	7.4	7.5	7.6

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs b)	Centrum Q1FY25	Actual Q1FY25	Variance (%)
Revenue	29,044	28,590	-2
EBITDA	9,178	9,240	1
EBITDA margin	31.6%	32.3%	72bp
Adj. PAT	5,244	4,770	-9

Source: Bloomberg, Centrum Broking

Pharma & Healthcare



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Thesis Snapshot

Estimate revision

YE Mar (Rs m)	FY25E		% chg	FY26E		% chg
	Old	New		Old	New	
Revenue	1,22,528	1,22,196	(0.3)	1,39,544	1,39,686	0.1
EBITDA	39,454	39,714	0.7	46,398	46,935	1.2
EBITDA margin	32.2	32.5	30.0	33.3	33.6	35.0
Adj. PAT	23,032	22,154	(3.8)	27,977	30,240	8.1

Source: Centrum Broking

Torrent Pharmaceuticals versus NIFTY 50

	1m	6m	1 year
TRP in equity	10.9	25.9	61.9
NIFTY 50	4.0	14.1	24.4

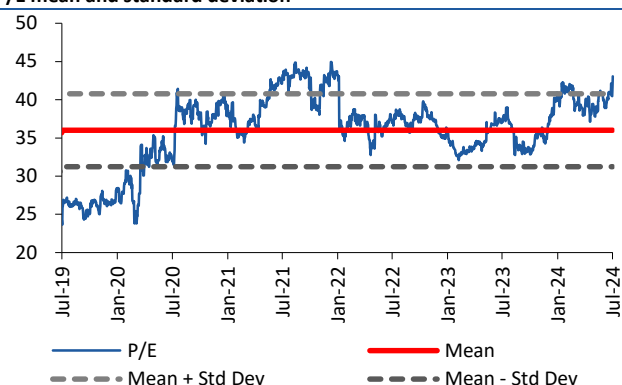
Source: Bloomberg, NSE

Valuations

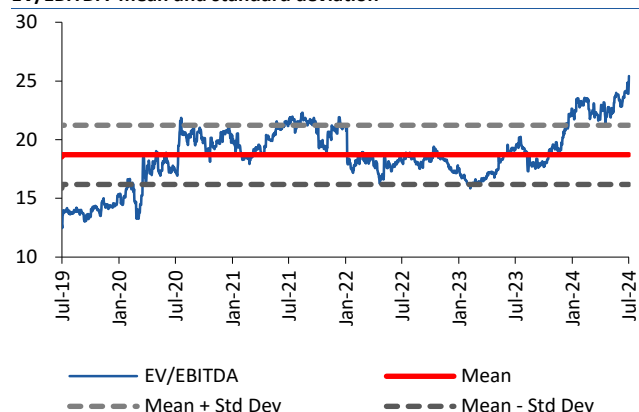
We have revised our FY25/FY26 earnings estimates by -4%/8%. We value TRP at 37x FY26 EPS to arrive at a **TP of INR3,350**.

Valuations	Rs/share
FY26E EPS	89
PE Multiple	37
TP	INR 3,350

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY24-26E)			P/E (x)			EV/EBITDA (x)			RoE (%)		
		Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
SUN PHARMA	3,841	11	17	15	39	34	29	26	23	20	17	16	16
CIPLA LTD	1,210	9	10	9	28	28	24	19	18	16	16	16	16
DR REDDY'S	1,146	16	10	3	21	22	20	13	13	11	21	17	16
TORRENT PHARMA	1,063	14	18	39	68	48	35	33	27	22	24	30	33
JB CHEM & PHARMA	283	15	18	25	51	40	33	32	27	23	21	22	23

Source: Company, Centrum Broking

Exhibit 1: Quarterly earnings update

Y/E March	FY24				FY25	FY24	FY25E	Estimates	
Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25			Q1FY25E	%var
Net Sales	25,910	26,600	27,320	27,450	28,590	1,07,280	1,22,196	29,044	-2
YoY Change(%)	12	16	10	10	10		14		
Gross Margin(%)	74.9	75.2	74.5	75.3	75.7	75.0	75.0	74.6	113
EBITDA	7,910	8,250	8,690	8,830	9,240	33,680	39,714	9178	1
EBITDA Margin(%)	30.5	31.0	31.8	32.2	32.3	31.4	32.5	31.6	72
YoY Change(%)	17	22	18	20	17		18		
Adj PBT	5,310	5,590	5,430	6,310	6,760	22,640	31,648	6,992	
Adjusted PAT	3,780	3,860	3,812	4,490	4,770	15,680	22,154	5,244	-9
Net Margin(%)	14.6	14.5	14.0	16.4	16.7	14.6	18.1	18.1	-137
YoY Change(%)	15	24	19	51	26		41		

Source: Centrum Broking, Company Data

Exhibit 2: Segment Data

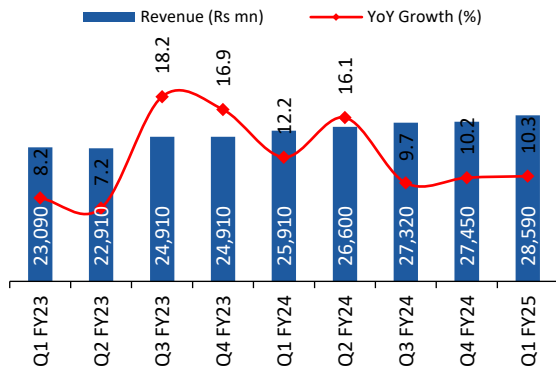
Segments	FY24				FY25	FY24	FY25E
Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25		
India Formulations	14,260	14,440	14,150	13,800	16,350	56,660	65,682
YoY Change(%)	15	18	12	10	15		16
US Generics	2,930	2,480	2,740	2,620	2,590	10,780	11,795
YoY Change(%)	12	-15	-6	-6	-12		9
Latin America	1,900	2,520	3,120	3,720	1,960	11,260	12,724
YoY Change(%)	3	36	26	17	3		13
Europe	2,580	2,660	2,700	2,800	2,840	10,740	11,707
YoY Change(%)	21	21	12	11	10		9
Others(ROW+CDMO)	4,240	4,500	4,610	4,510	4,850	17860	20288
YoY Change(%)	14	22	2	17	14		14

Source: Centrum Broking, Company Data

US segment expected to witness gradual growth

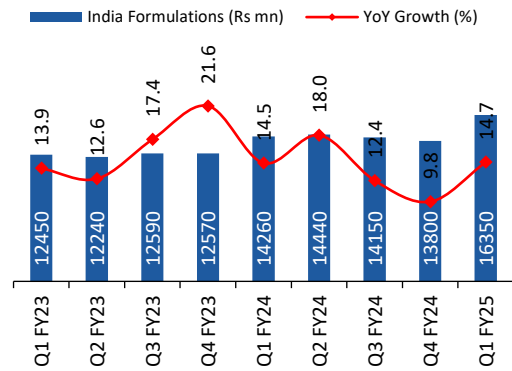
- In 1QFY25, US sales were USD31m (adjusted for one-off, down 9% YoY in CC terms) due to lack of new launches. Sequentially, US business delivered stable revenues backed by new contracts.
- The US business is breakeven (pre-R&D). It expects to be profitable (post-R&D) over the medium term.
- During the quarter, TRP received form-483 with five observations for the Indrad facility. It has responded to the USFDA and expects a reply in the next 90 days. However, the business was not impacted as the volumes have remained at ~4bn pills per year. This is because the mix is changing as Dahej is picking up and Indrad going down.
- We expect US segment to witness 7% CAGR reaching USD156m over FY24-26E

Exhibit 3: Revenue grew 10% YoY to Rs28.5bn



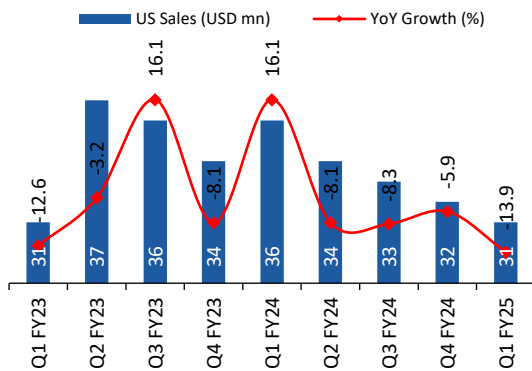
Source: Centrum Broking, Company Data

Exhibit 4: India Sales grew 15% YoY to Rs16bn



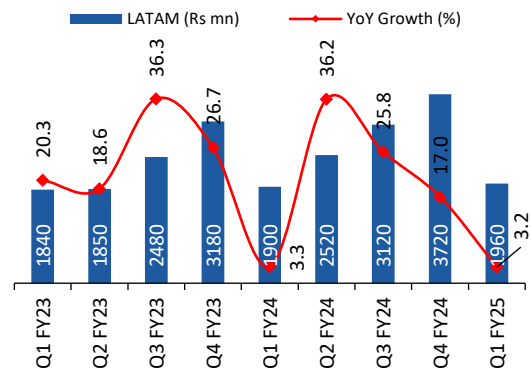
Source: Centrum Broking, Company Data

Exhibit 5: US Sales declined 14% YoY to USD31mn



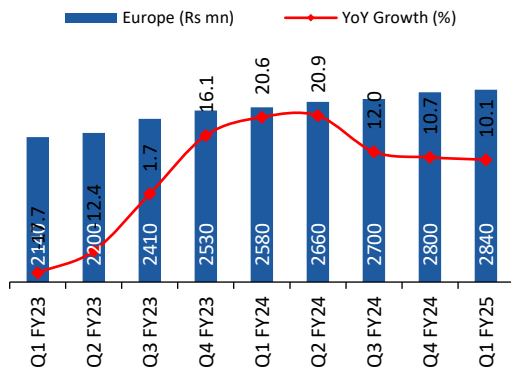
Source: Centrum Broking, Company Data

Exhibit 6: LATAM Sales grew 3% YoY to Rs2bn



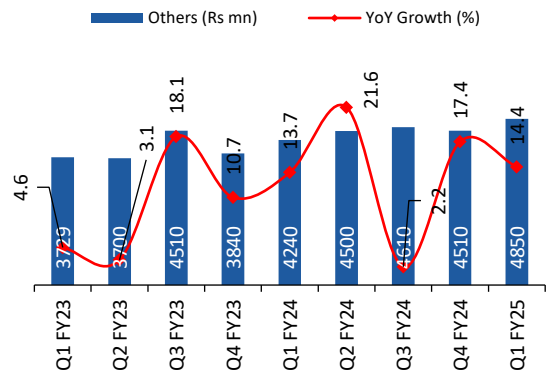
Source: Centrum Broking, Company Data

Exhibit 7: Europe Sales grew 10% YoY to Rs2.8bn



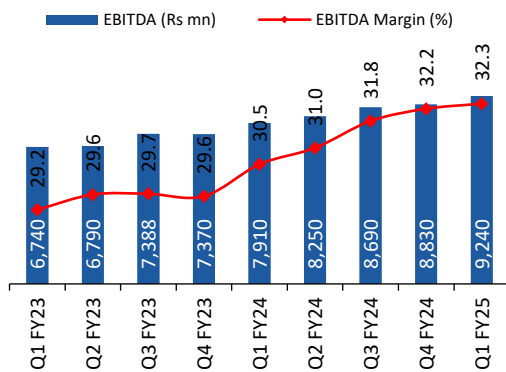
Source: Centrum Broking, Company Data

Exhibit 8: Others grew 14% YoY to Rs4.9bn



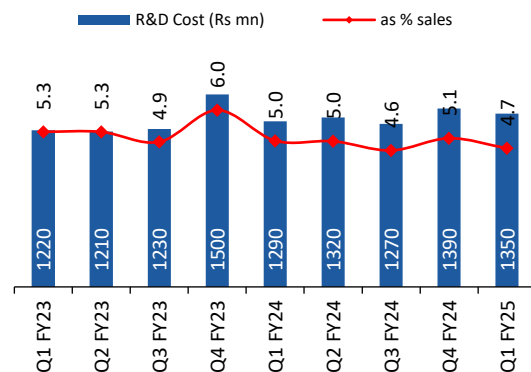
Source: Centrum Broking, Company Data

Exhibit 9: EBITDA Margin expanded 180bp YoY to 32%



Source: Centrum Broking, Company Data

Exhibit 10: R&D Cost was 5% of sales at Rs1.4bn



Source: Centrum Broking, Company Data

Operational Highlights – 1QFY25

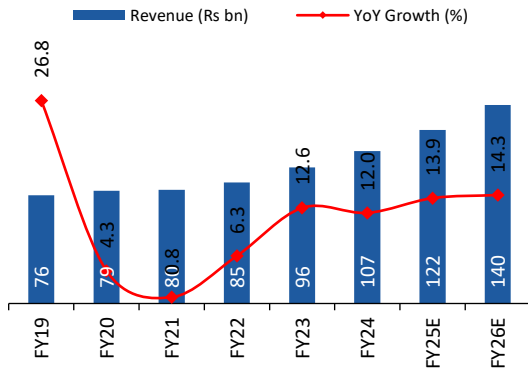
- Adjusted for one-off expenses of Rs200mn the operating EBITDA came at Rs9.2b and EBITDA margin was 32.3%
- R&D cost came at INR1.4b (+5% YoY; 5% of sales)
- **India:** Chronic business grew 14% outperforming IPM (8% growth). Growth was driven by cardiac and from new launches in anti-diabetes (OAD)
- **Licensing deal:** Signed a non-exclusive licensing agreement with Takeda and commercialised Vonoprazan during the quarter, received good response and is currently the number 1 player in the market as of 1QFY25.
- **Brazil:** TRP received ANVISA approval for 3 new products including Lisdexanfetamine which is a BRL760m market
- **Germany:** Momentum in incremental tender wins continue with incremental sales expected to start kicking in from 2QFY25 onwards

Concall Highlights

- **Gross margin:** Expect gross margin to sustain 75% in FY25
- **India business outlook:** Expected to grow ~13% in FY25 (price growth of 7.5-8%)
- Shelcal 500 grew 17% YoY during the quarter and is expected to grow in high-teens in the future.
- It witnessed improving profitability in Curatio business and is likely to improve further going forward.
- During the quarter, MR count in DF segment was 5700. It expects to add 300-400 MRs in FY25.
- The MR productivity for DF business was Rs9.4lkhs. TRP expects to cross Rs10lkhs by FY26.
- TRP expects to add one more product in DF portfolio.
- **Germany:** Expect mid to HSD growth in FY25 supported by new tender wins.
- **LATAM:** Expect 12-13% CC growth in FY25. TRP plans to deepen presence in Brazil, Mexico.
- The US business is breakeven (pre-R&D). It expects to be profitable (post-R&D) over the medium term.
- The volumes have remained ~4b pills per year. However, the mix is changing as Dahej is picking up and Indrad going down. Once approvals from Indrad come, the supplies will increase.
- It expects 5-10 approvals (incl. oncology) in US segment in FY25.
- It expects to be net cash in FY26.
- ETR in FY25 is expected to be 30%. However, in FY26, ETR is expected to be 26-27% due to new tax regime.

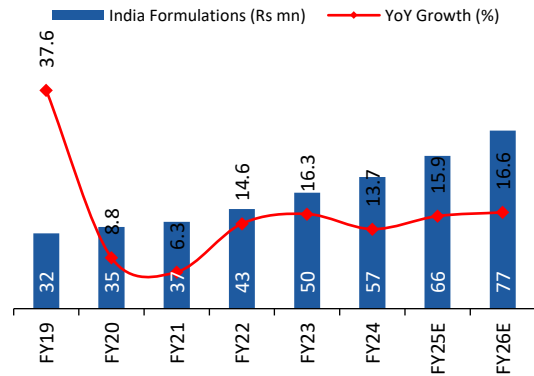
Story in charts

Exhibit 11: Revenues to exhibit 14% CAGR over FY24-26E



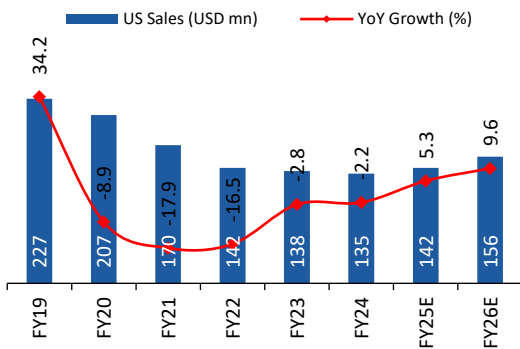
Source: Company Data, Centrum Broking

Exhibit 12: India Sales to exhibit 16% CAGR over FY24-26E



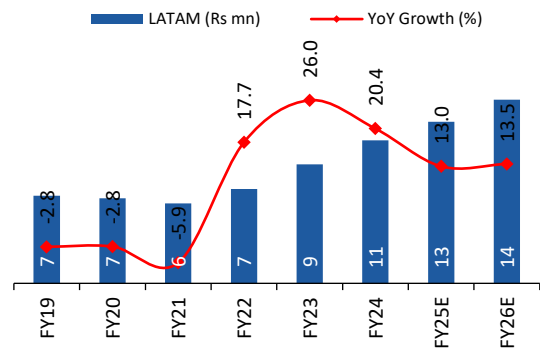
Source: Company Data, Centrum Broking

Exhibit 13: US Sales to exhibit 7% CAGR over FY24-26E



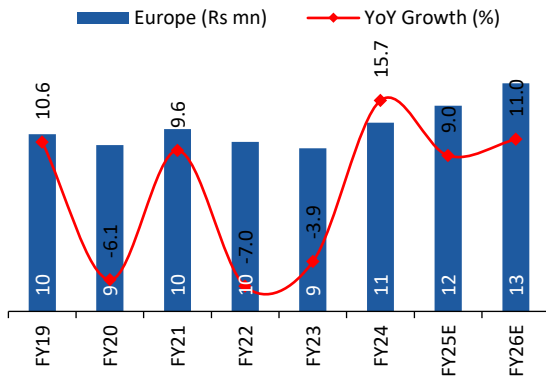
Source: Company Data, Centrum Broking

Exhibit 14: LATAM to exhibit 13% CAGR over FY24-26E



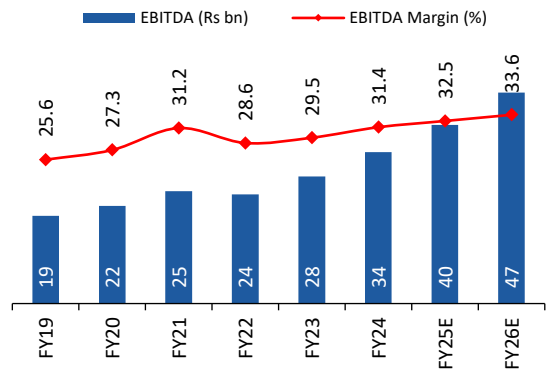
Source: Company Data, Centrum Broking

Exhibit 15: Europe Sales to exhibit 10% CAGR over FY24-26E



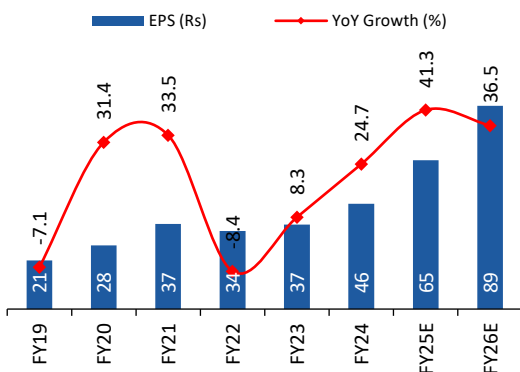
Source: Centrum Broking, Company Data

Exhibit 16: EBITDA Margin to expand 220bp over FY24-26E



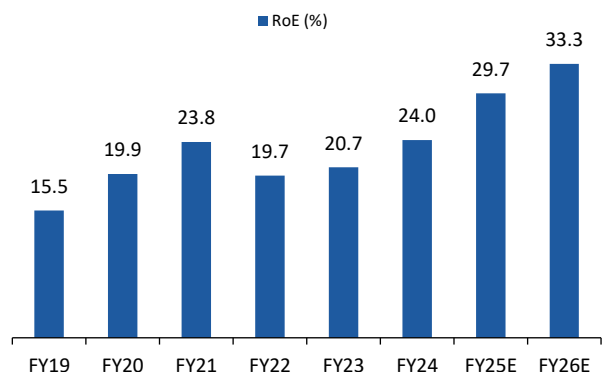
Source: Centrum Broking, Company Data

Exhibit 17: EPS to exhibit 39% CAGR over FY24-26E



Source: Centrum Broking, Company Data

Exhibit 18: RoE to reach 33% by FY26



Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenues	85,080	95,820	1,07,280	1,22,196	1,39,686
Operating Expense	24,430	27,102	26,860	30,549	35,061
Employee cost	15,260	16,780	19,840	21,873	24,445
Others	21,080	23,650	26,900	30,060	33,245
EBITDA	24,310	28,288	33,680	39,714	46,935
Depreciation & Amortisation	6,620	7,070	8,080	7,091	7,376
EBIT	17,690	21,218	25,600	32,623	39,559
Interest expenses	2,550	3,330	3,540	2,197	1,209
Other income	1,970	850	580	1,222	2,514
PBT	17,110	18,738	22,640	31,648	40,865
Taxes	4,490	6,110	6,960	9,494	10,625
Effective tax rate (%)	26.2	32.6	30.7	30.0	26.0
PAT	12,620	12,628	15,680	22,154	30,240
Minority/Associates	0	0	0	0	0
Recurring PAT	11,617	12,579	15,680	22,154	30,240
Extraordinary items	(4,850)	(267)	880	0	0
Reported PAT	7,770	12,361	16,560	22,154	30,240

Ratios					
YE Mar	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (%)					
Revenue	6.3	12.6	12.0	13.9	14.3
EBITDA	(2.8)	16.4	19.1	17.9	18.2
Adj. EPS	(8.4)	8.3	24.7	41.3	36.5
Margins (%)					
Gross	71.3	71.7	75.0	75.0	74.9
EBITDA	28.6	29.5	31.4	32.5	33.6
EBIT	20.8	22.1	23.9	26.7	28.3
Adjusted PAT	9.1	12.9	15.4	18.1	21.6
Returns (%)					
ROE	19.7	20.7	24.0	29.7	33.3
ROCE	14.9	13.9	16.3	22.3	27.5
ROIC	13.6	13.1	17.8	24.3	32.7
Turnover (days)					
Gross block turnover ratio (x)	1.3	1.4	1.5	1.6	1.8
Debtors	68	68	64	70	79
Inventory	384	316	306	303	312
Creditors	459	342	418	487	529
Net working capital	87	68	46	41	95
Solvency (x)					
Net debt-equity	0.6	0.8	0.5	0.2	(0.1)
Interest coverage ratio	9.5	8.5	9.5	18.1	38.8
Net debt/EBITDA	1.5	1.7	0.9	0.3	(0.2)
Per share (Rs)					
Adjusted EPS	34.3	37.2	46.3	65.5	89.3
BVPS	175.9	183.1	202.6	238.5	298.3
CEPS	53.9	58.1	70.2	86.4	111.1
DPS	48.0	22.0	28.0	20.2	24.5
Dividend payout (%)	105.0	60.0	57.0	37.2	33.0
Valuation (x)					
P/E	91.5	84.5	67.8	48.0	35.1
P/BV	17.8	17.1	15.5	13.2	10.5
EV/EBITDA	45.2	39.2	32.5	27.1	22.4
Dividend yield (%)	1.5	0.7	0.9	0.6	0.8

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Equity share capital	850	1,692	1,692	1,692	1,692
Reserves & surplus	58,680	60,288	66,868	79,027	99,282
Shareholders fund	59,530	61,980	68,560	80,719	1,00,974
Minority Interest	0	0	0	0	0
Total debt	40,180	52,970	39,380	23,380	21,380
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	0	0	0	0	0
Total liabilities	99,710	1,14,950	1,07,940	1,04,099	1,22,354
Gross block	63,048	70,638	73,138	76,138	79,138
Less: acc. Depreciation	30,578	36,038	37,358	44,448	51,824
Net block	32,470	34,600	35,780	31,689	27,314
Capital WIP	0	0	0	0	0
Net fixed assets	70,520	88,870	84,990	80,899	76,524
Non Current Assets	8,390	7,660	9,160	9,160	9,160
Investments	440	450	350	350	350
Inventories	24,620	22,300	22,790	27,931	32,056
Sundry debtors	16,330	19,440	18,440	28,105	32,128
Cash & Cash Equivalents	4,030	5,710	8,390	10,027	32,747
Loans & advances	1,710	1,100	2,040	2,244	2,468
Other current assets	4,960	4,590	4,450	4,806	5,190
Trade payables	23,490	27,300	34,220	47,351	54,345
Other current liab.	0	0	0	0	0
Provisions	7,800	7,870	8,450	12,071	13,925
Net current assets	20,360	17,970	13,440	13,690	36,320
Total assets	99,710	1,14,950	1,07,940	1,04,099	1,22,354

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Profit Before Tax	12,260	18,470	23,520	31,648	40,865
Depreciation & Amortisation	6,620	7,070	8,080	7,091	7,376
Net Interest	2,550	3,330	3,530	2,197	1,209
Net Change – WC	(3,530)	(180)	4,180	1,387	90
Direct taxes	(4,210)	(3,980)	(4,980)	(9,494)	(10,625)
Net cash from operations	18,030	23,680	32,660	31,606	36,400
Capital expenditure	(1,970)	(4,150)	(2,990)	(3,000)	(3,000)
Acquisitions, net	0	(20,000)	0	0	0
Investments	(350)	(130)	1,180	0	0
Others	340	130	130	0	0
Net cash from investing	(1,980)	(24,150)	(1,680)	(3,000)	(3,000)
FCF	16,050	(470)	30,980	28,606	33,400
Issue of share capital	0	0	0	(1,749)	0
Increase/(decrease) in debt	(8,140)	12,430	(13,930)	(16,000)	(2,000)
Dividend paid	(6,770)	(8,630)	(10,150)	(8,245)	(9,986)
Interest paid	(2,580)	(3,030)	(3,710)	(975)	1,306
Others	(570)	800	80	0	0
Net cash from financing	(18,060)	1,570	(27,710)	(26,969)	(10,680)
Net change in Cash	(2,010)	1,100	3,270	1,637	22,720

Source: Company, Centrum Broking

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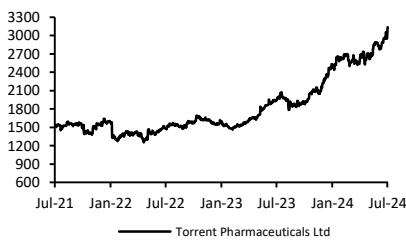
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Torrent Pharmaceuticals



Source: Bloomberg

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