

# Retail Equity Research

## Torrent Pharmaceuticals Limited

Pharmaceuticals

BSE CODE: 500420

NSE CODE: TORNTPHARM

Bloomberg CODE: TRP:IN

SENSEX: 81,868

**BUY**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 3,215 TARGET Rs. 3,590 RETURN 12%  
(Closing: 01-08-24)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↑

**EARNINGS** ↑

### Strong performance across key parameters

Torrent Pharmaceuticals Ltd (TPL) is engaged in the research, development, manufacture and marketing of generic pharmaceutical formulations in India, the US, Germany, Brazil and other countries. The company offers products in various therapeutic areas.

- Consolidated revenue grew 10.3% YoY to Rs. 2,859cr in Q1FY25, driven by strong growth in India and Germany markets.
- EBITDA increased 14.3% YoY to Rs. 904cr, and the margin expanded 110bps to 31.6%, led by the company's cost optimisation efforts.
- TPL reported a strong set of numbers with outperformance in its domestic business, led by price hikes and product launches. With its international operations also gaining traction, the launch of products in the pipeline is expected to boost revenue. Margin is expected to remain healthy owing to cost efficiency measures. Hence, we upgrade BUY rating on the stock with a revised target price of Rs. 3,590 based on 47x FY26E adjusted EPS.

#### Sustained revenue growth on robust domestic business

TPL's consolidated revenue grew 10.3% YoY to Rs. 2,859cr in Q1FY25, driven by robust growth in India and Germany operations. Domestic revenue increased 15% YoY to Rs. 1,635cr, outpacing the Indian pharmaceutical market's (IPM's) 8% growth on the back of the company's outperformance in focus therapies. Revenue from Germany grew 10% YoY to Rs. 284cr owing to the execution of tenders won over the last five quarters. In addition, the company won new tenders in Q1FY25, which would start contributing to revenue from the next quarter. That said, TPL's Brazil business grew just 3% YoY to Rs. 196cr as severe floods in one of the provinces impacted primary sales, offsetting strong growth in secondary sales. Moreover, the US business dipped 12% YoY owing to the high base of last year, although sequentially, it remained stable on the back of new contracts.

#### Margin expands on higher revenue and controlled costs

Gross margin widened 80bps YoY to 75.7% in Q1FY25, aided by a better product mix. EBITDA grew 14.3% YoY to Rs. 904cr, with EBITDA margin expanding 110bps YoY to 31.6% as cost of materials consumed narrowed 240bps YoY to 14.4% of total revenue. Consequently, adjusted PAT grew 20.9% YoY to Rs. 457cr on lower interest expense.

#### Key concall highlights

- The company is expected to launch 5 products in Brazil within FY25 and intends to bring out 3 to 6 products every year.
- TPL's domestic chronic business grew 14% versus IPM's 8% expansion, driven by a revival in the cardiac division and continued traction in anti-diabetic drug launches.
- The company announced that it has entered a non-exclusive patent licensing agreement with Japanese firm Takeda to commercialise anti-ulcer drug Vonoprazan in India, which will be marketed under its own trademark 'Kabvie.'

#### Valuation

TPL's topline is expected to report steady growth driven by improving market share in chronic therapies in its India business and a growing product portfolio. In addition, the upcoming product launches in Brazil and the US operations should significantly boost revenue. Its German business, too, should continue to add to the topline on the back of new tender wins. Moreover, margin is expected to remain healthy, given consistent cost-efficiency measures and falling raw material prices. Hence, we upgrade BUY rating on the stock with a revised target price of Rs. 3,590 based on 47x FY26E adjusted EPS.

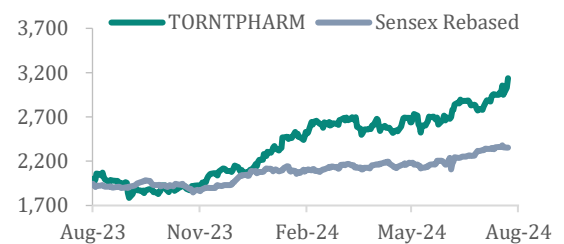
#### Company Data

Market Cap (cr)	Rs. 107,650
Enterprise Value (cr)	Rs. 110,650
Outstanding Shares (cr)	33.8
Free Float	27.0%
Dividend Yield	0.7%
52 week high	Rs. 3256
52 week low	Rs. 1771
6m average volume (lacs)	2.8
Beta	0.3
Face value	Rs. 5

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	71.3	71.3	71.3
FII's	14.1	14.1	14.2
MFs/Insti	7.2	7.3	7.3
Public	6.2	6.2	6.1
Others	1.2	1.2	1.2
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	14.7%	24.8%	56.6%
Absolute Sensex	7.7%	13.2%	20.6%
Relative Return*	7.0%	11.6%	36.0%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	10,728	12,109	13,646
Growth (%)	11.5	12.9	12.7
EBITDA	3,368	3,929	4,564
EBITDA Margin (%)	31.4	32.4	33.4
Adj. PAT	1,568	2,074	2,586
Growth (%)	25.9	32.3	24.7
Adj. EPS	46.3	61.3	76.4
Growth (%)	25.9	32.3	24.7
P/E	66.7	50.4	40.4
P/B	15.2	13.3	11.5
EV/EBITDA	32.0	27.4	23.5
ROE (%)	24.2	26.5	28.5
D/E	0.6	0.5	0.4

## Quarterly Financials (Consolidated)

### Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	2,859	2,591	10.3	2,745	4.2
<b>EBITDA</b>	<b>904</b>	<b>791</b>	<b>14.3</b>	<b>883</b>	<b>2.4</b>
EBITDA margins	31.6	30.5	110bps	32.2	(60bps)
Depreciation	197	191	3.1	203	(3.0)
<b>EBIT</b>	<b>707</b>	<b>600</b>	<b>17.8</b>	<b>680</b>	<b>4.0</b>
Interest	75	103	(27.2)	80	(6.3)
Other Income	24	34	(29.4)	31	(22.6)
Exceptional Items	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-
<b>PBT</b>	<b>656</b>	<b>531</b>	<b>23.5</b>	<b>631</b>	<b>4.0</b>
Tax	199	153	30.1	182	9.3
<b>Reported PAT</b>	<b>457</b>	<b>378</b>	<b>20.9</b>	<b>449</b>	<b>1.8</b>
Minority Interest	-	-	-	-	-
<b>PAT att. to shareholders</b>	<b>457</b>	<b>378</b>	<b>20.9</b>	<b>449</b>	<b>1.8</b>
Adjustments	-	-	-	-	-
<b>Adj. PAT</b>	<b>457</b>	<b>378</b>	<b>20.9</b>	<b>449</b>	<b>1.8</b>
No. of shares	33.8	33.8	0.1	33.8	-
<b>Adj. EPS (Rs.)</b>	<b>13.5</b>	<b>11.2</b>	<b>20.8</b>	<b>13.3</b>	<b>1.8</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	12,416	13,955	12,109	13,646	(2.5)	(2.2)
EBITDA	3,967	4,570	3,929	4,564	(1)	(0.1)
Margins (%)	32.0	32.8	32.4	33.4	40bps	60bps
Adj. PAT	2,042	2,510	2,074	2,586	1.6	3
Adj. EPS	60.3	74.2	61.3	76.4	1.6	3

## PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>8,508</b>	<b>9,620</b>	<b>10,728</b>	<b>12,109</b>	<b>13,646</b>
% change	6.3	13.1	11.5	12.9	12.7
<b>EBITDA</b>	<b>2,431</b>	<b>2,842</b>	<b>3,368</b>	<b>3,929</b>	<b>4,564</b>
% change	(2.2)	16.9	18.5	16.7	16.2
Depreciation	662	707	808	816	825
<b>EBIT</b>	<b>1,769</b>	<b>2,135</b>	<b>2,560</b>	<b>3,113</b>	<b>3,738</b>
Interest	255	333	354	230	195
Other Income	(288)	45	146	93	167
<b>PBT</b>	<b>1,226</b>	<b>1,847</b>	<b>2,352</b>	<b>2,976</b>	<b>3,710</b>
% change	(19.7)	50.7	27.3	26.5	24.7
Tax	449	602	696	901	1,124
Tax Rate (%)	36.6	32.6	29.6	30.3	30.3
<b>Reported PAT</b>	<b>777</b>	<b>1,245</b>	<b>1,656</b>	<b>2,074</b>	<b>2,586</b>
<b>PAT att. to common shareholders</b>	<b>777</b>	<b>1,245</b>	<b>1,656</b>	<b>2,074</b>	<b>2,586</b>
Adj*	485	-	(88)	-	-
<b>Adj PAT</b>	<b>1,262</b>	<b>1,245</b>	<b>1,568</b>	<b>2,074</b>	<b>2,586</b>
% change	0.8	(1.3)	25.9	32.3	24.7
No. of shares (cr)	33.8	33.8	33.8	33.8	33.8
<b>Adj EPS (Rs.)</b>	<b>37.3</b>	<b>36.8</b>	<b>46.3</b>	<b>61.3</b>	<b>76.4</b>
% change	0.8	(1.3)	25.9	32.3	24.7
DPS (Rs.)	24.0	22.0	22.0	30.6	38.2

## CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>1,439</b>	<b>1,952</b>	<b>2,464</b>	<b>2,890</b>	<b>3,412</b>
Non-cash adj.	717	434	384	53	24
Changes in W.C	(353)	(18)	418	(986)	(1,060)
<b>C.F. Operation</b>	<b>1,803</b>	<b>2,368</b>	<b>3,266</b>	<b>1,957</b>	<b>2,375</b>
Capital exp.	(197)	(415)	(299)	(424)	(478)
Change in inv.	(8)	(2,013)	118	(29)	(35)
Other invest.CF	7	13	13	(0)	0
<b>C.F - Investment</b>	<b>(198)</b>	<b>(2,415)</b>	<b>(168)</b>	<b>(453)</b>	<b>(512)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	(846)	1,243	(1,393)	(84)	(54)
Dividends paid	(677)	(863)	(1,015)	(1,089)	(1,358)
Other finance.CF	(258)	(303)	(371)	(230)	(195)
<b>C.F - Finance</b>	<b>(1,781)</b>	<b>77</b>	<b>(2,779)</b>	<b>(1,402)</b>	<b>(1,607)</b>
Chg. in cash	(176)	30	319	102	256
Closing cash	403	571	839	941	1,197

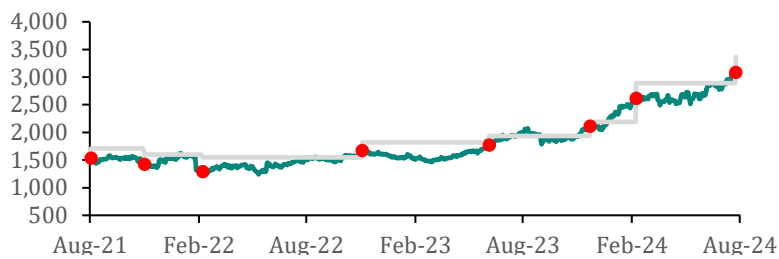
## BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	403	571	839	941	1,197
Accounts Receivable	1,633	1,944	1,844	2,180	2,797
Inventories	2,462	2,230	2,279	2,588	2,940
Other Cur. Assets	797	584	649	708	776
Investments	42	43	32	32	32
Gross Fixed Assets	5,094	5,297	5,871	6,304	6,728
Net Fixed Assets	2,703	2,772	2,993	2,659	2,364
CWIP	544	688	585	526	474
Intangible Assets	3,805	5,427	4,921	5,013	5,106
Def. Tax (Net)	494	544	555	583	612
Other Assets	217	209	364	364	364
<b>Total Assets</b>	<b>13,100</b>	<b>15,012</b>	<b>15,061</b>	<b>15,594</b>	<b>16,663</b>
Current Liabilities	2,505	2,628	3,072	2,769	2,722
Provisions	369	393	445	445	445
Debt Funds	4,075	5,389	4,031	3,947	3,894
Other Liabilities	198	404	657	591	532
Equity Capital	85	169	169	169	169
Reserves & Surplus	5,868	6,029	6,687	7,672	8,901
Shareholder's Fund	5,953	6,198	6,856	7,841	9,070
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>13,100</b>	<b>15,012</b>	<b>15,061</b>	<b>15,594</b>	<b>16,663</b>
<b>BVPS (Rs.)</b>	<b>176</b>	<b>183</b>	<b>203</b>	<b>232</b>	<b>268</b>

## RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	28.6	29.5	31.4	32.4	33.4
EBIT margin (%)	20.8	22.2	23.9	25.7	27.4
Net profit mgn.(%)	9.1	12.9	15.4	17.1	19.0
ROE (%)	13.1	20.1	24.2	26.5	28.5
ROCE (%)	17.6	18.4	23.5	26.4	28.8
<b>W.C &amp; Liquidity</b>					
Receivables (days)	70.1	73.8	62.7	65.7	74.8
Inventory (days)	367.8	297.6	309.7	313.9	313.9
Payables (days)	250.1	224.1	283.9	219.0	189.8
Current ratio (x)	1.2	1.0	1.0	1.2	1.5
Quick ratio (x)	0.5	0.5	0.5	0.6	0.8
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	1.7	1.9	1.9	2.0	2.1
Total asset T.O (x)	0.6	0.7	0.7	0.8	0.8
Int. coverage ratio (x)	6.9	6.4	7.2	13.5	19.1
Adj. debt/equity (x)	0.7	0.9	0.6	0.5	0.4
<b>Valuation</b>					
EV/Sales (x)	6.0	6.1	10.0	8.9	7.9
EV/EBITDA (x)	21.0	20.5	32.0	27.4	23.5
P/E (x)	37.6	43.0	66.7	50.4	40.4
P/BV (x)	8.0	8.6	15.2	13.3	11.5

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
3-Aug-21	BUY	1,708
1-Nov-21	BUY	1,600
7-Feb-22	BUY	1,548
3-Nov-22	HOLD	1,819
5-Jun-23	HOLD	1,933
22-Nov-23	BUY	2,189
8-Feb-24	HOLD	2,893
01-Aug-24	BUY	3,590

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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