

Torrent Pharma

Estimate change



TP change



Rating change



CMP: INR3,249

TP: INR3,410 (+5%)

Neutral

DF, lower interest/tax drive earnings

MR addition/increasing reach to improve outlook of India business

- Torrent Pharma (TRP) delivered largely in line earnings in 3QFY25. The superior performance in domestic formulation (DF) was offset by currency headwinds in Brazil and zero insulin CMO sales. TRP continues to strengthen its presence in DF market through the addition of MRs and enhancing its reach in the consumer health segment. The US business is yet to witness interesting approvals despite having regulatory compliance in place.
- We trim our EPS estimates by 4%/5%/5% for FY25/FY26/FY27, factoring in currency challenges in Brazil business and a subdued outlook for the US market. We value TRP at 38x 12M forward earnings to arrive at a TP of INR3,410.
- TRP continues to focus on profitable growth by outperforming the industry in the branded generics segment of DF/Brazil. Further, the free cash flow is expected to either reduce the financial leverage or provide cushion for inorganic opportunities. Accordingly, we estimate a CAGR of 15%/18%/28% in revenue/EBITDA/PAT over FY25-27. This earnings upside is priced in at the current valuation. Maintain Neutral.

Segmental mix partly offset by higher opex on YoY basis

- Sales grew 2.8% YoY to INR28b (vs our est: INR29b). DF revenue grew 11.7% YoY to INR15.8b (56% of sales). Germany sales grew by 4.4% YoY to INR2.8b (10% of sales). US generics were stable YoY to INR2.7b (USD32m; 10% of sales). LATAM business declined by 6.7% YoY to INR2.9b (10% of sales) as the BRL depreciated by 17%. ROW+CDMO sales declined 16.7% YoY to INR3.8b (14% of sales) due to no insulin CMO sales during the quarter.
- Gross margin expanded 160bp YoY to 76% due to a better product mix.
- EBITDA margin expanded by 70bp to 32.5% YoY due to lower other expenses (down 60bp as % of sales), offset by an increase in employee expenses (up 140bp as % of sales).
- Accordingly, EBITDA grew 5.2% YoY to INR9.1b (vs our est: INR9.6).
- Adj. PAT grew 32% YoY to INR5b (in line).
- In 9MFY25, revenue/EBITDA/PAT grew 7.2%/11.8%/24.6% YoY to INR85.6b/INR27.8b/INR14.3b.

Highlights from the management commentary

- TRP would commence the dispatches of insulin CMO sales in Jan'25. 4QFY25 would witness additional business due to the spillover from the earlier quarter.
- TRP aims to maintain 32.5% EBITDA margin in 4QFY25.
- It has about 20 products under ANVISA review for the Brazil market.
- The company expects high-single-digit YoY growth in Germany revenue in FY25, led by incremental tender wins.

Bloomberg	TRP IN
Equity Shares (m)	338
M.Cap.(INRb)/(USD\$b)	1099.4 / 12.8
52-Week Range (INR)	3591 / 2414
1, 6, 12 Rel. Per (%)	-2/9/22
12M Avg Val (INR M)	1069

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	115.5	132.3	151.9
EBITDA	37.6	44.7	52.1
Adjusted PAT	19.4	25.5	31.9
EBIT Margin (%)	25.7	27.5	28.7
Cons. Adj EPS (INR)	57.3	75.3	94.3
EPS Gr. (%)	21.6	31.4	25.3
BV/Sh. (INR)	477.5	573.8	694.3

Ratios

Net D-E	0.4	0.3	0.2
RoE (%)	26.0	28.7	29.8
RoCE (%)	19.2	22.7	25.1
Payout (%)	36.4	36.1	36.1

Valuation

P/E (x)	56.7	43.1	34.4
EV/EBITDA (x)	29.8	24.5	20.6
Div. Yield (%)	0.5	0.7	0.9
FCF Yield (%)	1.6	3.3	2.9
EV/Sales (x)	9.7	8.3	7.1

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	68.3	71.3	71.3
DII	8.4	7.1	7.2
FII	16.2	14.5	14.1
Others	7.2	7.2	7.5

FII includes depository receipts

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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	2Q	3Q	4QE			3QE	vs Est
Net Revenues	25.9	26.6	27.3	27.5	28.6	28.9	28.1	29.9	107.3	115.5	30.0	-4.2
YoY Change (%)	12.2	16.1	9.7	10.2	10.3	8.6	2.8	9.0	12.0	7.6	12.9	
EBITDA	7.9	8.3	8.7	8.8	9.2	9.4	9.1	9.9	33.7	37.6	9.8	-4.9
YoY Change (%)	17.4	21.5	17.6	19.8	16.8	13.8	5.2	11.9	19.1	11.8	19.4	
Margins (%)	30.5	31.0	31.8	32.2	32.3	32.5	32.5	33.0	31.4	32.6	32.8	
Depreciation	1.9	2.0	2.1	2.0	2.0	2.0	2.0	2.1	8.1	8.0	2.1	
EBIT	6.0	6.2	6.6	6.8	7.3	7.4	7.2	7.8	25.6	29.7	7.7	-5.4
YoY Change (%)	15.6	20.9	20.2	25.7	21.2	18.8	9.0	15.0	20.7	15.8	24.2	
Margins (%)	23.2	23.5	24.0	24.8	25.4	25.6	25.5	26.1	23.9	25.7	25.8	
Interest	1.0	0.9	0.8	0.8	0.8	0.6	0.6	0.6	3.5	2.5	0.7	
Other Income	0.3	0.3	-0.3	0.3	0.2	-0.2	0.3	0.2	0.6	0.7	0.2	
PBT before EO Expense	5.3	5.6	5.4	6.3	6.8	6.6	6.9	7.5	22.6	27.8	7.2	-3.3
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	6.6	6.9	7.5	23.5	27.6	7.2	
Tax	1.5	1.7	1.9	1.8	2.0	2.1	1.9	2.4	7.0	8.3	2.1	
Rate (%)	28.8	30.9	34.6	28.8	29.4	31.5	27.2	31.8	30.7	30.0	29.5	
Reported PAT	3.8	3.9	4.4	4.5	4.6	4.5	5.0	5.1	16.6	19.3	5.1	
Adj PAT	3.8	3.9	3.8	4.5	4.7	4.5	5.0	5.1	15.9	19.4	5.1	0.1
YoY Change (%)	15.0	23.7	19.1	51.0	24.6	17.4	31.9	14.1	26.7	21.6	32.2	
Margins (%)	14.6	14.5	14.0	16.4	16.5	15.7	17.9	17.1	14.9	16.8	17.0	

E: MOFSL Estimates

Key performance Indicators (Consolidated)										(INR b)	
Y/E March	FY24				FY25E				FY24	FY25E	Est.
INRb	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
India formulations	14.3	14.4	14.2	13.8	16.4	16.3	15.8	15.5	56.7	64.0	16.0
YoY Change (%)	14.5	18.0	12.4	9.8	14.7	13.0	11.7	12.7	13.7	13.0	13.0
US generics	2.9	2.5	2.7	2.6	2.6	2.7	2.7	2.8	10.8	10.8	2.6
YoY Change (%)	12.3	-15.1	-5.8	-6.4	-11.6	8.1	-1.1	6.0	-7.2	-0.2	-6.1
Latin America	1.9	2.5	3.1	3.7	2.0	2.6	2.9	3.3	11.3	10.8	3.1
YoY Change (%)	3.3	36.2	25.8	17.0	3.2	4.4	-6.7	-12.2	20.4	-4.4	0.0
Europe	2.6	2.7	2.7	2.8	2.8	2.9	2.8	2.7	10.7	11.3	3.0
YoY Change (%)	20.6	20.9	12.0	10.7	10.1	8.3	4.4	-2.8	15.7	4.9	12.0
Others (ROW+CDMO)	4.2	4.5	4.6	4.5	4.9	4.4	3.8	5.6	17.8	18.7	4.6
YoY Change (%)	19.2	21.6	2.2	17.4	14.4	-2.7	-16.7	24.2	14.3	4.7	0.0
Cost Break-up											
RM Cost (% of Sales)	25.1	24.8	25.5	24.7	24.3	23.5	24.0	25.1	25.0	24.2	23.7
Staff Cost (% of Sales)	19.3	18.9	18.2	17.7	19.2	18.8	19.5	18.1	18.5	18.9	18.4
R&D Expenses(% of Sales)	5.0	5.3	5.1	5.1	4.7	5.0	5.4	5.3	5.1	5.1	4.2
Other Cost (% of Sales)	25.1	25.3	24.5	25.4	24.2	25.2	24.0	23.8	25.1	24.3	25.1
Gross Margins (%)	74.9	75.2	74.5	75.3	75.7	76.5	76.0	74.9	75.0	75.8	76.3
EBITDA Margins (%)	30.5	31.0	31.8	32.2	32.3	32.5	32.5	33.0	31.4	32.6	32.8
EBIT Margins (%)	23.2	23.5	24.0	24.8	25.4	25.6	25.5	26.1	23.9	25.7	25.8

E: MOFSL Estimates

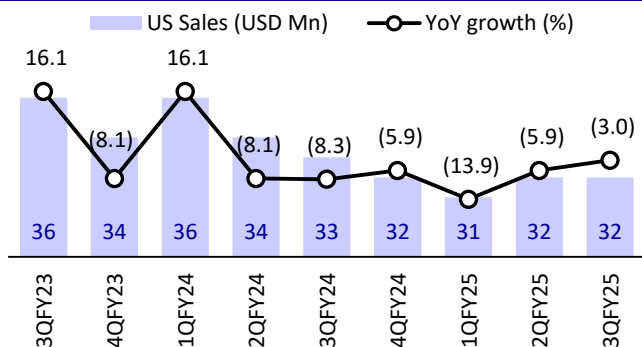


Key takeaways from the management interaction

- DF revenue growth was led by 8%/2.5%/1.5% growth in price/new launches/volume. At the therapy level, cardiac, diabetes and CNS continued to drive overall growth for the company.
- TRP added 200/500 MRs in India during 3QFY25/9MFY25.
- During the quarter, the USFDA has issued an EIR with a VAI classification for the manufacturing facility at Pithampur, Madhya Pradesh.
- TRP has 26 ANDAs pending for approval at the end of 3QFY25.
- From next year, the company is entering the new tax regime, hence the new tax rate will be 25%.

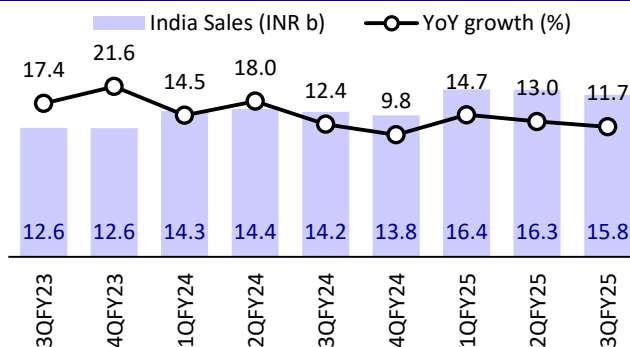
Key exhibits

Exhibit 1: US sales declined 3% YoY in 3QFY25 (CC terms)



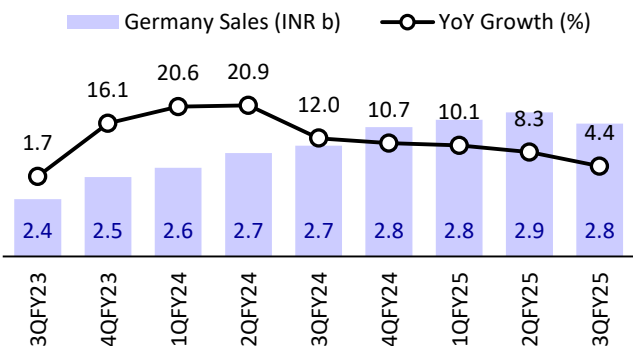
Source: MOFSL, Company

Exhibit 2: India sales grew ~11.7% YoY in 3QFY25



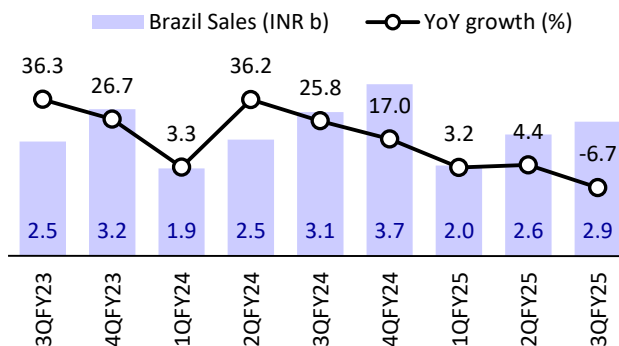
Source: MOFSL, Company

Exhibit 3: Germany sales rose ~4.4% YoY in 3QFY25



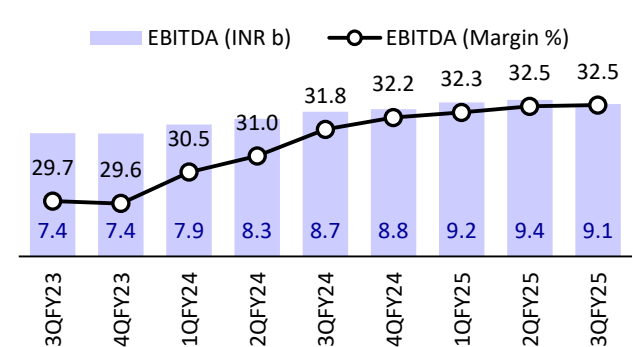
Source: Company, MOFSL

Exhibit 4: Brazil sales declined 6.7% YoY in 3QFY25



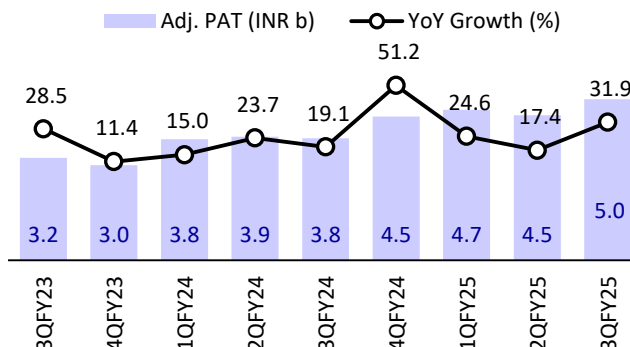
Source: Company, MOFSL

Exhibit 5: EBITDA margin expanded 70bp YoY in 3QFY25



Source: MOFSL, Company

Exhibit 6: Adjusted PAT up ~31.9% YoY in 3QFY25



Source: MOFSL, Company

New launches, increasing penetration to drive growth in branded generics segment

DF – Strategic launches and market expansion in OTC/Rx to drive growth

- In 9MFY25, DF sales grew 13% YoY to INR48.5b, led by chronic therapies outperforming IPM, a revival in the cardiac division, continued traction in new launches, and strong growth in the consumer business. Additionally, the Curatio business is contributing meaningfully as margins are expanding.
- Moreover, products in the Curatio portfolio are delivering robust performance through increased presence in the pediatrician segment, e-commerce, and penetration in the northern and eastern markets.
- TRP plans to launch a new OTC product by year-end to boost consumer health business growth. The company is expanding its reach through increased touchpoints. Shelcal, Unienzyme, and Tedibar are expected to grow strongly, supported by alternate distribution channels and national media campaigns.
- Growth in the prescription business will be driven by a focus on chronic therapies, field force expansion, and improving MR productivity.
- TRP is working on launching GLP-1 products as a day-one launch in FY26.
- Accordingly, we expect a 15% sales CAGR in DF to INR84b over FY25-27.

Brazil – Superior execution to sustain growth momentum in branded business

- In 9MFY25, the Brazilian business declined 1% YoY to INR7.5b. (CC: up 12% YoY), as strong performance of top brands, new launches, and growth in the generic segment were offset by severe floods in the province of Rio Grande do Sul and currency headwinds.
- TRP has ~20 products under ANVISA review. In order to build large brands, TRP focuses 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 a 15% sales CAGR in Brazil to INR14.2b over FY25-27.

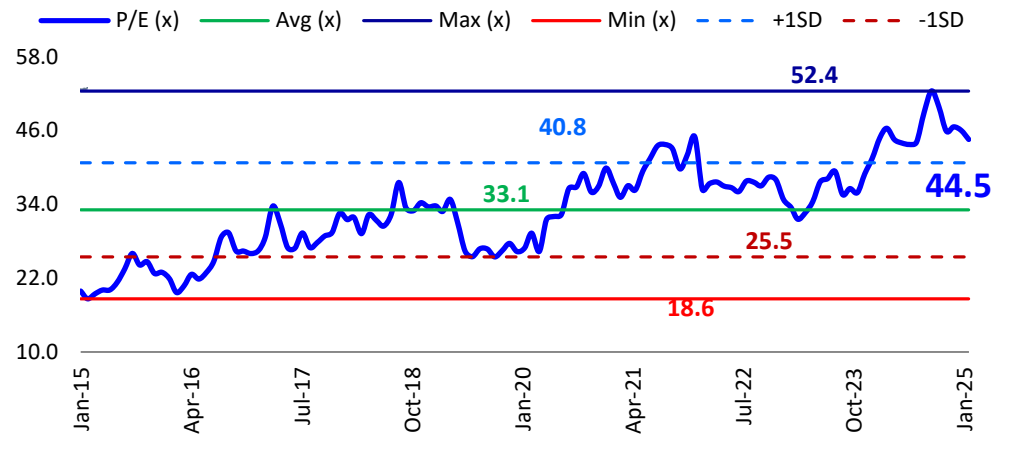
US – Gradual ramp-up

- US sales declined 4% YoY in CC to USD95m in 9MFY25 due to slow approval and ramp-up of the Dahej facility and Indrad plant, offset by new launches.
- It expects overall 7-8 approvals in the US market, which would drive growth in the near term and improve profitability of business.
- Accordingly, we expect a 19% sales CAGR over FY25-27 to INR15.2b.

Reiterate Neutral

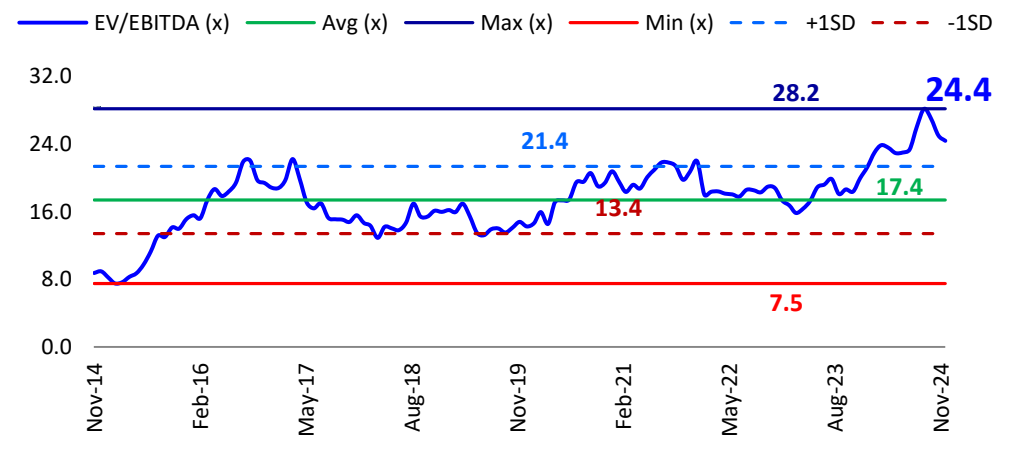
- We trim our EPS estimates by 4%/5%/5% for FY25/FY26/FY27, factoring in currency challenges in Brazil business and a subdued outlook for the US market. We value TRP at 38x 12M forward earnings to arrive at a TP of INR3,410.
- TRP continues to focus on profitable growth by outperforming the industry in branded generics segment of DF/Brazil. Further, the free cash flow is expected to either reduce the financial leverage or provide cushion for inorganic opportunities. Accordingly, we estimate a CAGR of 15%/18%/28% in revenue/EBITDA/PAT over FY25-27. This earnings upside is priced in at the current valuation. Maintain Neutral.

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

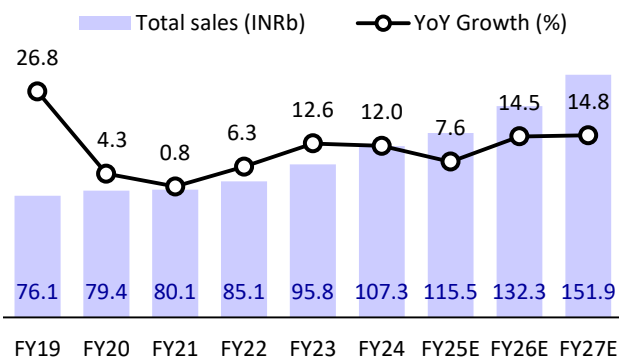
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

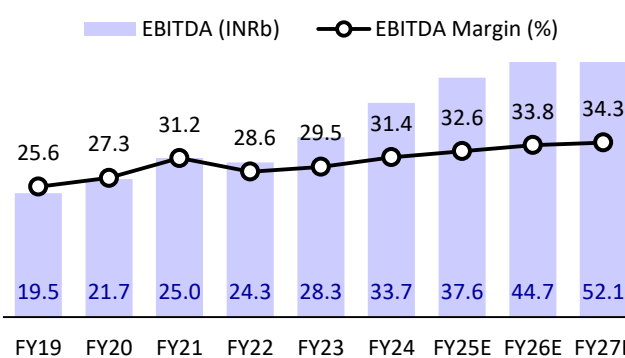
Story in charts

Exhibit 9: Expect total sales CAGR of 14.7% over FY25-27



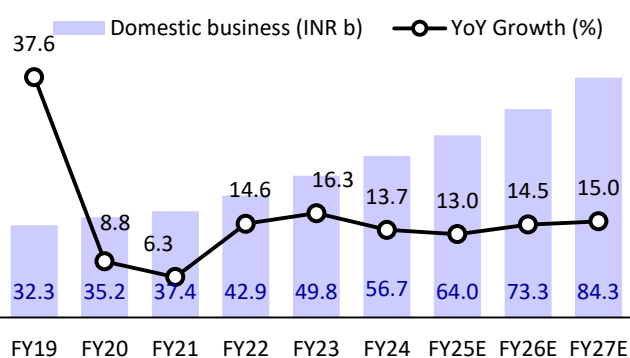
Source: Company, MOFSL

Exhibit 10: EBITDA margin to expand by 170bp over FY25-27



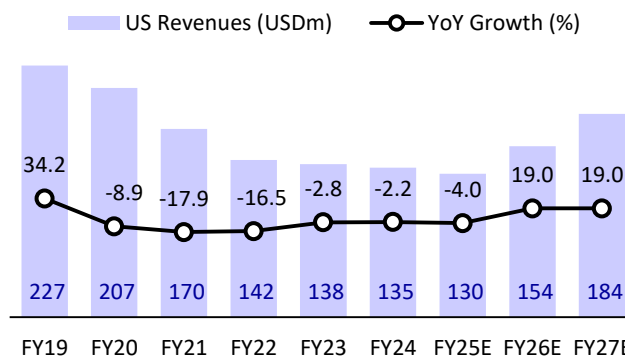
Source: Company, MOFSL

Exhibit 11: Expect 14.7% DF sales CAGR over FY25-27



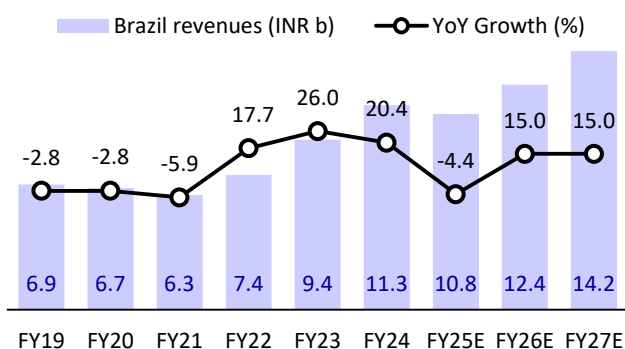
Source: Company, MOFSL

Exhibit 12: US revenue to sustain upward growth trajectory



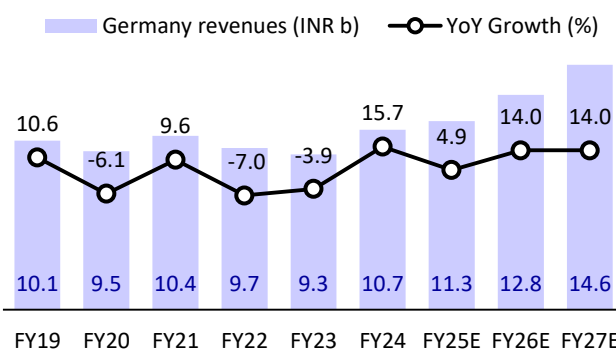
Source: Company, MOFSL

Exhibit 13: Expect ~15% sales CAGR in Brazil over FY25-27



Source: Company, MOFSL

Exhibit 14: Expect 14% sales CAGR in Germany over FY25-27



Source: Company, MOFSL

Financials and valuations

Income Statement									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	76,100	79,390	80,050	85,080	95,820	1,07,280	1,15,482	1,32,257	1,51,883
Change (%)	26.8	4.3	0.8	6.3	12.6	12.0	7.6	14.5	14.8
EBITDA	19,490	21,700	25,010	24,310	28,288	33,680	37,647	44,703	52,096
Margin (%)	25.6	27.3	31.2	28.6	29.5	31.4	32.6	33.8	34.3
Depreciation	1,985	2,346	2,374	6,620	7,070	8,080	7,997	8,273	8,549
EBIT	17,506	19,354	22,636	17,690	21,218	25,600	29,651	36,430	43,547
Int. and Finance Charges	5,040	4,510	3,580	2,550	3,330	3,540	2,512	1,733	761
Other Income - Rec.	570	1,220	570	1,970	850	580	650	700	950
PBT before EO Expense	13,036	16,064	19,626	17,110	18,738	22,640	27,789	35,397	43,735
EO Expense/(Income)	3,220	0	160	4,850	267	-880	200	0	0
PBT after EO Expense	9,816	16,064	19,466	12,260	18,471	23,520	27,589	35,397	43,735
Current Tax	1,260	1,620	2,740	4,490	6,110	6,959	8,335	9,909	11,807
Deferred Tax	0	0	0	0	0	1	2	2	2
Tax	1,260	1,620	2,740	4,490	6,110	6,960	8,337	9,911	11,809
Tax Rate (%)	9.7	10.1	14.0	26.2	32.6	30.7	30.0	28.0	27.0
Reported PAT	8,556	14,444	16,726	7,770	12,361	16,560	19,252	25,486	31,927
Adj PAT	7,228	9,496	12,680	11,617	12,581	15,942	19,392	25,486	31,927

Balance Sheet									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	850	850	850	850	1,692	1,692	1,692	1,692	1,692
Total Reserves	46,390	47,390	57,530	58,680	60,288	66,868	79,118	95,401	1,15,800
Net Worth	47,240	48,240	58,380	59,530	61,980	68,560	80,810	97,094	1,17,492
Deferred liabilities	-3630	-4330	-4210	-4940	-5440	-5550	-5550	-5550	-5550
Total Loans	48,540	44,080	36,450	40,180	52,970	39,380	32,380	25,380	18,380
Capital Employed	92,150	87,990	90,620	94,770	1,09,510	1,02,390	1,07,640	1,16,924	1,30,322
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	1,47,414
Less: Accum. Deprn.	17,558	24,098	30,678	37,298	44,368	52,448	60,444	68,717	77,266
Net Fixed Assets	82,290	78,820	72,170	67,250	82,760	85,957	80,963	75,694	70,148
Capital WIP	4,790	7,120	8,710	6,720	8,330	2,810	2,810	2,810	2,810
Investments	50	40	440	440	450	350	350	350	350
Curr. Assets	50,380	50,070	55,220	51,650	53,140	56,110	65,976	87,175	1,14,301
Inventory	19,350	21,480	26,810	24,620	22,300	22,790	23,595	27,837	32,235
Account Receivables	14,360	16,490	15,230	16,330	19,440	18,440	25,406	22,484	30,377
Cash and Bank Balance	8,160	6,660	6,040	4,030	5,710	8,390	9,795	28,911	42,901
Loans & Advances	8,510	5,440	7,140	6,670	5,690	6,490	7,180	7,943	8,789
Curr. Liability & Prov.	45,360	48,060	45,920	31,290	35,170	42,837	42,459	49,105	57,287
Account Payables	38,330	40,490	37,910	23,490	27,300	34,387	31,747	36,035	41,701
Provisions	7,030	7,570	8,010	7,800	7,870	8,450	10,713	13,070	15,586
Net Current Assets	5,020	2,010	9,300	20,360	17,970	13,273	23,517	38,070	57,015
Appl. of Funds	92,150	87,990	90,620	94,770	1,09,510	1,02,390	1,07,640	1,16,924	1,30,322

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EPS	21.4	28.1	37.5	34.3	37.2	47.1	57.3	75.3	94.3
Cash EPS	31.1	49.6	56.4	42.5	57.4	72.8	161.0	199.5	239.2
BV/Share	139.6	142.5	172.5	175.9	183.1	202.6	477.5	573.8	694.3
DPS	9.0	16.0	11.2	10.3	11.2	14.1	17.2	22.6	28.3
Payout (%)	43.0	45.1	27.4	54.0	36.8	34.8	36.4	36.1	36.1
Valuation (x)									
P/E	152.1	115.8	86.7	94.7	87.4	69.0	56.7	43.1	34.4
Cash P/E	104.3	65.5	57.6	76.4	56.6	44.6	20.2	16.3	13.6
P/BV	23.3	22.8	18.8	18.5	17.7	16.0	6.8	5.7	4.7
EV/Sales	15.0	14.3	14.1	13.3	12.0	10.5	9.7	8.3	7.1
EV/EBITDA	58.5	52.4	45.2	46.7	40.5	33.6	29.8	24.5	20.6
Return Ratios (%)									
RoE	15.5	19.9	23.8	19.7	20.7	24.4	26.0	28.7	29.8
RoCE	16.4	19.7	21.3	14.9	13.9	16.3	19.2	22.7	25.1
RoIC	18.9	22.7	26.0	16.4	16.0	19.1	22.4	29.2	37.6
Working Capital Ratios									
Asset Turnover (x)	0.8	0.9	0.9	0.9	0.9	1.0	1.1	1.1	1.2
Fixed Asset Turnover (x)	0.9	1.0	1.1	1.2	1.3	1.3	1.4	1.7	2.1
Debtor (Days)	65	71	72	68	68	64	69	66	64
Inventory (Days)	93	99	122	106	85	78	75	77	77
Working Capital Turnover (Days)	-15	-21	15	70	47	17	43	25	34
Leverage Ratio (x)									
Interest Cover Ratio	3.5	4.3	6.3	6.9	6.4	7.2	11.8	21.0	57.2
Debt/Equity	1.0	0.9	0.6	0.7	0.9	0.6	0.4	0.3	0.2

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Oper. Profit/(Loss) before Tax	11,794	18,410	17,634	18,880	25,540	31,600	35,786	43,670	52,284
Interest/Dividends Recd.	8,005	2,207	3,400	6,890	2,300	1,860	1,662	1,033	-189
Direct Taxes Paid	-2,812	-2,840	-1,760	-4,210	-3,980	-4,980	-8,337	-9,911	-11,809
(Inc)/Dec in WC	994	-3,858	-3,370	-3,530	-180	4,180	-8,839	4,562	-4,955
CF from Operating incl EO Expense	17,981	13,918	15,904	18,030	23,680	32,660	20,272	39,354	35,333
(inc)/dec in FA	-6,605	-4,028	-3,340	-1,970	-4,150	-2,990	-3,003	-3,003	-3,003
Free Cash Flow	11,376	9,890	12,564	16,060	19,530	29,670	17,269	36,351	32,330
(Pur)/Sale of Investments	4,192	2,513	-1,150	-10	-20,000	1,310	0	0	0
CF from Investments	-2,413	-1,516	-4,490	-1,980	-24,150	-1,680	-3,003	-3,003	-3,003
Issue of shares	0	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	-7,000
Interest Paid	-5,034	-4,854	-3,610	-2,580	-3,030	-3,710	-1,862	-1,033	189
Dividend Paid	-3,097	-7,185	-3,380	-6,770	-8,630	-10,150	-7,002	-9,202	-11,528
CF from Fin. Activity	-13,145	-15,490	-12,354	-13,616	770	-27,790	-15,864	-17,235	-18,340
Inc/Dec of Cash	2,424	-3,088	-940	2,434	300	3,190	1,405	19,116	13,990
Opening Balance	7,020	9,401	6,618	6,040	4,030	5,710	8,390	9,795	28,911
Add/(less) Forex in Cash/Cash eq	-43	306	362	-4,444	1,380	-510	0	0	0
Closing Cash and Cash Eq.	9,401	6,618	6,040	4,030	5,710	8,390	9,795	28,911	42,901
Total Cash and Cash Eq.	8,160	6,660	6,040	4,030	5,710	8,390	9,795	28,911	42,901

(INR m)

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