

Torrent Pharmaceuticals

India | Pharmaceuticals | Result Update



India steady, glitches else where

25 January 2025

Torrent Pharma (TRP IN) reported Q3FY25 revenue, EBITDA and PAT 6%-8% below our estimates. Domestic business continued with strong double-digit growth despite the slowdown in the overall market. Growth in the US business is yet to pick up and currency depreciation continued to hurt Brazil business growth (INR). RoW/other business was down YoY. We believe the business will show growth for the full year. We lower our core FY25E-27E EPS by ~3%. Trading at 47.2x FY26E core earnings, we see little upside to the stock. Neither do we see significant downside as the balance sheet de-leveraging and reducing interest expense (and consequently, faster EPS growth) should sustain the high valuation. We retain Reduce with TP unchanged at INR 3,382.

Strong growth in domestic business continues: TRP continues to grow ahead of the industry in the domestic market, owing to high exposure to the fast-growing segments. Overall growth at 11.7% YoY in Q3 was significantly better than overall market growth at 6-7%. We expect TRP to continue growing faster than the market, and build in full-year FY25E revenue growth estimate at 12.4%. With balance sheet de-leveraging underway, there are possibilities of inorganic upsides here as well.

LatAm – Currency continues to impact: Revenue from the LatAm markets grew 8% in BRL terms, a bit lower than expected. However, BRL depreciation against INR impacted INR growth, which declined 6.7% YoY. The currency impact will continue to impact INR growth for 2-3 more quarters at current exchange rates, beyond which the base will normalize.

US yet to revive; insulin revenue down: US revenue at USD 32mn was down 2.5% YoY in Q3, but remained at similar levels in the recent quarters. The management has indicated some pick-up in growth in FY26, with 6-7 launches planned. The recent clearance of the Dahej facility, a pick-up at the Indrad facility and the overall upcycle in the US market should help. TRP had reduced its focus on the US market during the height of pricing pressure in that market. With competitive scenario improving in the past two years, TRP is contemplating further R&D investments for that market. RoW and contract manufacturing revenues declined 17% YoY, mainly due to temporary shut-down in domestic insulin manufacturing facility – TRP has indicated revival in Q4.

Retain Reduce; TP raised to INR 3,382: We lower our core FY25E-27E EPS by ~3%, as we build in slightly lower growth rate. TRP currently trades at 47.2x FY26E core earnings. We see little upside to the stock at these valuations. Neither do we see significant downside as the balance sheet de-leveraging and reducing interest expense (and consequent faster EPS growth) will sustain the high valuation. We retain Reduce and maintain our TP at INR 3,382, which is 40.4x FY27E core P/E plus cash per share. Slowdown in domestic business growth and currency fluctuations in the LatAm market are key downside risks. Value-accretive acquisitions in the domestic market will be key upside risks.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	96,200	107,280	115,196	126,820	140,000
YoY (%)	13.1	11.5	7.4	10.1	10.4
EBITDA (INR mn)	28,420	33,680	37,251	41,055	45,539
EBITDA margin (%)	29.5	31.4	32.3	32.4	32.5
Adj PAT (INR mn)	12,450	15,680	19,300	23,583	27,345
YoY (%)	(1.3)	25.9	23.1	22.2	16.0
Fully DEPS (INR)	36.8	46.3	57.0	69.7	80.8
RoE (%)	20.9	25.3	25.3	28.2	30.1
RoCE (%)	21.3	22.1	22.1	27.1	29.8
P/E (x)	88.3	70.1	57.0	46.6	40.2
EV/EBITDA (x)	39.5	33.4	30.2	27.4	24.7

Note: Pricing as on 24 January 2025; Source: Company, Elara Securities Estimate

Rating: **Reduce**

Target Price: **INR 3,382**

Upside: **4%**

CMP: **INR 3,248**

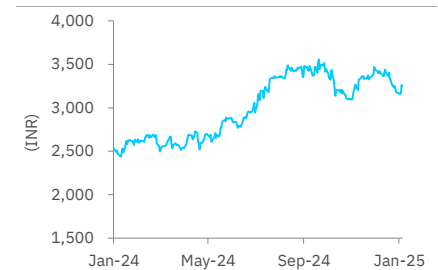
As on 24 January 2025

Key data

Bloomberg	TRP IN
Reuters Code	TORP.NS
Shares outstanding (mn)	338
Market cap (INR bn/USD mn)	1099/12750
Enterprise Value (INR bn/USD mn)	1118/12972
Avg daily volume 3M (INR mn/USD mn)	1454/17
52 week high/low	3591/2414
Free float (%)	29

Note: as on 24 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	71.3	71.3	71.3	68.3
% Pledged	-	-	-	-
FII	14.1	14.2	14.5	16.2
DII	7.3	7.3	7.1	8.4
Others	7.3	7.3	7.2	7.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(5.4)	(5.4)	7.6
Torrent Pharmaceuticals	(2.2)	3.3	29.6
NSE Mid-cap	(5.5)	(6.3)	12.3
NSE Small-cap	(7.1)	(9.4)	10.6

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	96,200	107,280	115,196	126,820	140,000
EBITDA	28,420	33,680	37,251	41,055	45,539
Add:- Non operating Income	450	580	610	610	610
OPBIDTA	28,870	34,260	37,861	41,665	46,149
Less :- Depreciation & Amortization	7,070	8,080	7,990	8,340	8,690
EBIT	21,800	26,180	29,871	33,325	37,459
Less:- Interest Expenses	3,330	3,540	2,610	1,881	999
PBT	18,470	22,640	27,261	31,443	36,460
Less :- Taxes	6,020	6,960	7,961	7,861	9,115
Add/Less: - Extra-ordinaries	-	880	-	-	-
Reported PAT	12,450	16,560	19,300	23,583	27,345
Adjusted PAT	12,450	15,680	19,300	23,583	27,345
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Shareholder's Equity	61,980	68,560	78,384	92,490	110,358
Borrowings	53,680	39,380	31,353	16,648	2,207
Other Non-current Liabilities	8,180	11,750	11,750	11,750	11,750
Total Liabilities	123,840	119,690	121,487	120,888	124,315
Net Fixed Assets	34,600	35,780	34,790	34,850	36,240
Intangibles and Goodwill	54,270	49,210	49,210	49,210	49,210
Investments	430	320	320	320	320
Cash and Cash Equivalents	7,290	9,830	7,520	4,778	4,384
Net Working Capital	19,570	15,360	20,457	22,539	24,971
Other Non-current Assets	7,680	9,190	9,190	9,190	9,190
Total Assets	123,840	119,690	121,487	120,888	124,315
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	23,860	28,480	29,290	33,194	36,424
Add/Less : Working Capital Changes	(180)	4,180	(5,097)	(2,083)	(2,432)
Operating Cash Flow	23,680	32,660	24,193	31,111	33,992
Less:- Capex	(4,150)	(2,990)	(7,000)	(8,400)	(10,080)
Free Cash Flow	19,530	29,670	17,193	22,711	23,912
Financing Cash Flow	1,860	(27,130)	(19,503)	(25,453)	(24,306)
Investing Cash Flow	(20,000)	-	-	-	-
Net change in Cash	1,390	2,540	(2,310)	(2,742)	(394)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	13.1	11.5	7.4	10.1	10.4
EBITDA Growth	16.9	18.5	10.6	10.2	10.9
PAT Growth	60.2	-	16.5	22.2	16.0
EBITDA Margin	29.5	31.4	32.3	32.4	32.5
Net Margin	12.9	14.6	16.8	18.6	19.5
Return & Liquidity Ratios					
Net Debt/Equity (x)	0.7	0.4	0.3	0.1	(0.0)
ROE (%)	20.9	25.3	25.3	28.2	30.1
ROCE (%)	21.3	22.1	22.1	27.1	29.8
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	36.8	46.3	57.0	69.7	80.8
EPS Growth (%)	(1.3)	25.9	25.9	23.1	22.2
DPS (INR/Share)	22.0	28.0	28.0	28.0	28.0
P/E Ratio (x)	88.3	70.1	57.0	46.6	40.2
EV/EBITDA (x)	39.5	33.4	30.2	27.4	24.7
EV/Sales (x)	11.7	10.5	9.8	8.9	8.0
Price/Book (x)	17.7	16.0	14.0	11.9	10.0
Dividend Yield (%)	0.7	0.9	0.9	0.9	0.9

Note: Pricing as on 24 January 2025; Source: Company, Elara Securities Estimate

Quarterly financials

Y/E Mar (INR mn)	Q3FY25	Q3FY24	YoY(%)	Q2FY25	QoQ (%)	FY24	FY23	YoY(%)
Net sales	28,090	27,320	2.8	28,890	(2.8)	107,280	96,200	11.5
Gross profit	21,360	20,350	5.0	22,110	(3.4)	80,420	68,850	16.8
Gross margins (%)	76.0	74.5	155.4	76.5	(49.0)	75.0	71.6	339.3
EBITDA	9,140	8,690	5.2	9,390	(2.7)	33,680	28,420	18.5
EBITDA margins (%)	32.5	31.8	73.0	32.5	3.6	31.4	29.5	185.2
Other Income	330	(330)	(200.0)	(160)	(306.3)	580	450	28.9
Interest	570	800	(28.8)	640	(10.9)	3,540	3,330	6.3
Depreciation	1,990	2,130	(6.6)	1,980	0.5	8,080	7,070	14.3
PBT	6,910	5,430	27.3	6,610	4.5	22,640	18,470	22.6
Tax	1,880	1,880	-	2,080	(9.6)	6,960	6,020	15.6
Tax Rate (%)	27.2	34.6	(741.6)	31.5	(426.1)	30.7	32.6	(185.1)
PAT	5,030	3,550	41.7	4,530	11.0	15,680	12,450	25.9
PAT	5,030	3,550	41.7	4,530	11.0	15,680	12,450	25.9
Adjusted Net Income	5,030	4,430	13.5	4,530	11.0	15,278	12,147	25.8
NPM (%)	17.9	16.2	169.2	15.7	222.7	14.2	12.6	161.5

Source: Company, Elara Securities Research

Exhibit 1: Valuation based on core earnings

	FY23	FY24	FY25E	FY26E	FY27E
Core EPS (INR)	35.9	45.1	55.7	68.3	79.4
Core EPS growth (%)	8.8	25.8	23.5	22.6	16.3
Cash per share (INR)	21.5	29.0	22.2	14.1	13.0
Current core P/E (x)	89.7	71.3	57.7	47.1	40.5
Core ROIC (%)	22.6	23.6	29.8	32.0	35.3

Source: Company, Elara Securities Estimate

Conference call highlights
Financial highlights

- ▶ Revenue for the quarter was INR 28.1 bn, reflecting a 3% YoY growth. Gross margin stood at 76.0%, while EBITDA margin was 32.5%. Absolute EBITDA increased by 5% YoY to INR 9.1bn.
- ▶ The branded business contributed 76% to the company's total revenue for the quarter.
- ▶ The revenue growth impact from insulin business is 2%. BRL depreciation impact for the quarter on the topline is 2%. Normalizing for both, the underlying revenue growth for the quarter is 7% and operating EBITDA growth is 12%.
- ▶ There were no insulin CMO sales in the quarter, as dispatches resumed only in January 2025. Consequently, insulin revenue for the quarter was nil.
- ▶ On a quarterly basis, the insulin business typically generates INR 75-80mn in revenue. Typically, gross margin for the insulin business is lower than the company's average gross margin.
- ▶ The Brazilian Real (BRL) depreciated by 17% YoY in the quarter. Adjusting for this impact, the underlying revenue growth was 7%, while operating EBITDA growth was 12%.
- ▶ The net debt-to-EBITDA ratio at the end of the December quarter stood at 0.51x.
- ▶ Cardiac is TRP's largest business contributor, which has grown by 16% in the quarter versus market growth of 10% due to restructuring that was undertaken last year along with divisional expansion.

India business

- ▶ India revenues stood at INR 15.8bn, up 12% YoY, driven by outperformance in focus therapies.
- ▶ According to AIOCD secondary market data, the Indian Pharmaceuticals Market (IPM) grew by 8% during the quarter.

- ▶ TRP's chronic business grew by 14% compared with IPM growth of 10%, led by strong performance in the Cardiac, Gastrointestinal (GI), and Diabetes segments.
- ▶ On a MAT basis, TRP outperformed the market across focus therapies, supported by robust new launch performance. The company has 20 brands in the top-500 brands in IPM, with 13 brands exceeding INR 1bn in revenue.
- ▶ TRP ranks seventh in the Indian Pharmaceuticals Market and is among the top-five in therapeutic segments such as Cardiovascular (CV), Gastrointestinal (GI), Central Nervous System (CNS), and Cosmo-Dermatology.
- ▶ Approximately 75% of TRP's India revenues come from chronic and sub-chronic therapies.
- ▶ The total field force strength was 6,200 at the end of the quarter, with 200 medical representatives (MRs) added in the quarter, primarily in the Cardiac, Diabetes, and Gastrointestinal segments.
- ▶ TRP's Q3FY25 growth of 12% surpassed the IPM growth of 10%, with 1.5% contributed by volume, 8% by price hikes, and 2.5% from new product development.
- ▶ TRP has expanded its coverage to 75,000 from 72,000 outlets in Q2 in Consumer business, and its contribution remained steady at ~10–15% of the total India business.
- ▶ The CNS market has shown slower growth in FY25.

Brazil

- ▶ Brazil revenues stood at INR 2.9bn, reflecting a 7% decline due to significant depreciation of the Brazilian Real (BRL).
- ▶ BRL depreciation for the quarter has been ~INR 100-110mn for the quarter.
- ▶ In constant currency terms, revenues were BRL 203mn, marking a 10% growth.
- ▶ According to IQVIA QTD Nov 2024 data, TRP recorded a 14% growth compared with the market's 12%.
- ▶ Growth was driven by the strong performance of top brands and recent product launches.
- ▶ In Q3, growth was aided by five recent launches, especially two drugs, ADHD drug, Ulis-Beta-Metaphene, and combination of Rosolatine with Evitinine.
- ▶ TRP currently has 20 products under review with ANVISA.

Germany

- ▶ Germany revenues stood at INR 2.8bn, reflecting a 4% growth YoY.
- ▶ In constant currency terms, revenues were EUR 31mn, also up by 4%.
- ▶ The growth was supported by incremental tender wins and improved conversion rates for existing tenders. In the quarter, TRP has won incrementally new tenders, which will start delivering incremental sales from Q2 of next year.

North America

- ▶ US revenues stood at INR 2.7bn, down 1% QoQ.
- ▶ In constant currency terms, revenues were USD 32mn, reflecting a 3% decline compared with the same period last year.
- ▶ In the quarter, the USFDA issued an Establishment Inspection Report (EIR) with a Voluntary Action Indicated (VAI) classification for the Pithampur manufacturing facility in Madhya Pradesh, successfully closing the inspection.
- ▶ As of December 31, 2024, 26 Abbreviated New Drug Applications (ANDAs) were pending approval with the USFDA, and six tentative approvals were received. Additionally, two ANDAs were approved during the quarter.

Consumer and GLP-1 business

- ▶ For the India market, TRP plans to launch its GLP-1 product on Day 1, anticipating this wave to present a larger opportunity than the previous GLP wave.
- ▶ Clinical trials for TRP’s GLP-1 product are currently underway. Injectable GLP-1 will be produced by a partner and sold by TRP, while oral GLP-1 will be manufactured in-house.

Guidance

- ▶ Insulin revenue from this quarter will spill over to Q4FY25.
- ▶ The impact of BRL depreciation is expected to persist for the next 2–3 quarters. Q4, typically the strongest quarter for the region, is expected to maintain strong performance in Q4FY25.
- ▶ For Brazil, management forecasts market growth of 10%, with TRP expected to grow in mid-teens for FY26.
- ▶ The India business is expected to continue outperforming the Indian Pharmaceuticals Market (IPM).
- ▶ The US business is anticipated to experience a slow pickup in the short term.
- ▶ Year-to-date spending in the consumer business is higher than the previous year, a trend expected to continue in FY26.
- ▶ Interest expenses are expected to decline QoQ, and TRP aims to become net cash positive by H1FY27.
- ▶ From FY26, the company will adopt a new tax regime, resulting in a tax rate of 25%.
- ▶ EBITDA margins are expected to remain at 32.5% for Q4FY25 and FY25, with a margin improvement of 50-100 bps anticipated in FY26, driven by higher contributions from the US and branded businesses.
- ▶ The company’s capital allocation priority will remain focused on the Indian market, followed by branded generics.

Exhibit 2: On rolling P/E basis TRP is trading at ~50.9x



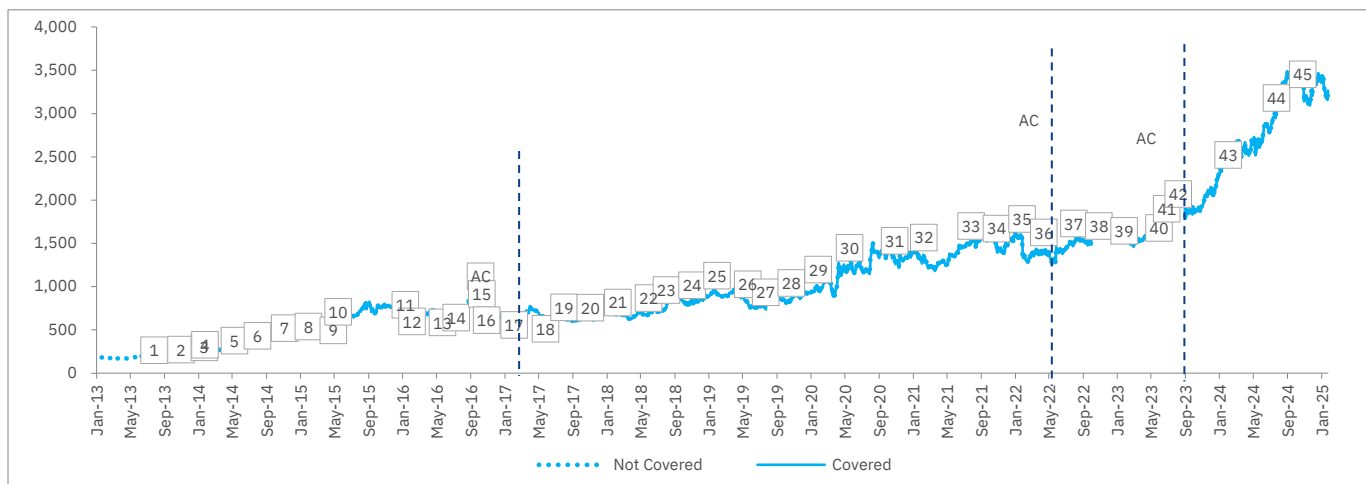
Source: Company, Elara Securities Research

Exhibit 3: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	117,170	128,943	142,331	115,196	126,820	140,000	(1.7)	(1.6)	(1.6)
EBITDA	38,191	42,053	46,634	37,251	41,055	45,539	(2.5)	(2.4)	(2.3)
PAT	19,728	23,375	28,022	19,300	23,583	27,345	(2.2)	0.9	(2.4)
EPS (INR)	58.3	69.1	82.8	57.0	69.7	80.8	(2.2)	0.9	(2.4)

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
39	25-Jan-2023	Reduce	INR 1,630	INR 1,557
40	30-May-2023	Accumulate	INR 1,897	INR 1,714
41	27-Jun-2023	Accumulate	INR 2,080	INR 1,873
42	7-Aug-2023	Accumulate	INR 2,225	INR 2,055
43	2-Feb-2024	Accumulate	INR 2,798	INR 2,526
44	23-Jul-2024	Reduce	INR 3,248	INR 3,139
45	25-Oct-2024	Reduce	INR 3,382	INR 3,433

AC=Analyst change

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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