

July 24, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		BUY	
Target Price	3,300		2,900	
Sales (Rs. m)	1,19,540	1,35,439	1,20,746	1,36,007
% Chng.	(1.0)	(0.4)		
EBITDA (Rs. m)	38,360	44,670	38,803	44,776
% Chng.	(1.1)	(0.2)		
EPS (Rs.)	59.1	77.5	60.3	77.4
% Chng.	(2.0)	0.1		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	96,197	1,07,280	1,19,540	1,35,439
EBITDA (Rs. m)	28,417	33,680	38,360	44,670
Margin (%)	29.5	31.4	32.1	33.0
PAT (Rs. m)	12,447	16,560	19,964	26,188
EPS (Rs.)	36.8	46.4	59.1	77.5
Gr. (%)	(1.2)	26.0	27.3	31.2
DPS (Rs.)	22.0	28.0	30.0	30.0
Yield (%)	0.7	0.9	0.9	0.9
RoE (%)	20.5	24.0	27.5	31.2
RoCE (%)	19.9	23.0	28.2	34.3
EV/Sales (x)	11.6	10.2	9.1	7.9
EV/EBITDA (x)	39.2	32.6	28.4	24.0
PE (x)	85.9	68.2	53.5	40.8
P/BV (x)	17.2	15.6	13.9	11.7

Key Data

TORP.BO | TRP IN

52-W High / Low	Rs.3,177 / Rs.1,771
Sensex / Nifty	80,429 / 24,479
Market Cap	Rs.1,070bn / \$ 12,786m
Shares Outstanding	338m
3M Avg. Daily Value	Rs.717.7m

Shareholding Pattern (%)

Promoter's	71.25
Foreign	14.22
Domestic Institution	7.07
Public & Others	7.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.7	26.8	63.1
Relative	7.2	11.0	35.2

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In-line quarter; margin improvement continues

Quick Pointers:

- There was Rs200mn one off expenses; Adj OPM came at 32.3%.
- Management reiterates 50-100bps margin expansion in FY25.

Torrent Pharma's (TRP) Q4FY24 EBITDA/PAT was largely in-line. Our FY25/ FY26E EBITDA broadly remains unchanged. TRP reported Rs 80bn (75% of total sales) worth of highly profitable branded formulation sales spread across India, Brazil and RoW markets. Curatio acquisition has been scaling up well with sharp margin improvement since acquisition. We expect 16% EBITDA CAGR and 30% PAT CAGR over FY24-26E with healthy return ratios of +30%. At CMP, stock is trading at 24x EV/EBITDA/41x P/E on FY26E. We recommend Accumulate (Buy earlier) with revised TP of Rs3,300/share, valuing at 25x EV/EBITDA on FY26E. TRP continues to explore inorganic opportunities which will be key for stock performance.

- Revenue growth aided by domestic and RoW markets:** Revenues grew by 10% YoY to Rs 28.6bn, in line with our estimates mainly driven by double-digit growth in India (+15%), and Germany (+10%) markets. RoW+ CRAMS grew by 14% YoY. US sales were flat QoQ at \$31mn. Brazil market grew by 3% impacted by weak primary sales and currency.
- In line EBITDA, Adj OPM at 32.3%:** TRP reported EBITDA of Rs 9bn (up 14.3% YoY); in line with our estimates. There was Rs200mn one off expenses. Adjusted for this EBITDA came in at Rs9.24bn; up 17% YoY. OPM came in at 32.3%; up 180bps YoY and flat QoQ. GMs came in healthy at 75.3% up 50bps QoQ aided by better product mix. Other expenses came at Rs 7.1bn; up 9% YoY while staff cost was up 10% YoY. PAT stood at Rs 4.6bn; up 21% YoY.
- Key concall takeaways:** India: Strong recovery in its cardiac divisions and continued momentum in new anti-diabetes launches aided growth. Chronic business saw a 14% growth. Curatio business delivered 19% growth YoY. Shelcal-500 brand grew in high double digit (17%) YoY in Q1FY25. Witnessed improvement in PCPM in newly added divisions. PCPM stood at Rs 0.94mn/month and expect to cross Rs1mn. Field force strength in India at 5700. Plans to add 300-400MR in FY25. **Brazil:** Growth was on account of secondary sales (+12%) offset by slowdown in primary sales which were impacted due to floods and currency depreciation in Q1FY25. Aims to maintain five branded launches in FY25. Mgmt cited that weak Real currency should not impact margins. **Germany:** Generic business continues to perform well. Receipt of incremental tenders to start contributing from H2FY25. Expects high single digit growth rate. Steady market share, at 6%. **US market:** Mgmt. cited currently products at Dahej facility being launched are site transferred being done from Indrad unit. US business stands breakeven pre R&D expenses. Guided for \$200-250mn US revenues in next 2-3 years. **Other highlights:** GMs were better on account of higher contribution from branded segment. It has entered into non-licensing agreement with Takeda. Focus remains on securing more such deals. R&D expenses to remain stable at 5% levels. Other expenses include Rs 200mn of one off related to potential international opportunity which did not materialize.

Exhibit 1: Q1FY25 Result Overview (Rs mn): In line EBITDA; Momentum continues across geographies

Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	28,590	25,910	10.3	27,450	4.2	107,280	96,200	11.5
Raw Material	6,940	6,500	6.8	6,790	2.2	26,860	27,350	(1.8)
<i>% of Net Sales</i>	<i>24.3</i>	<i>25.1</i>		<i>24.7</i>		<i>25.0</i>	<i>28.4</i>	
Personnel Cost	5,500	4,990	10.2	4,860	13.2	19,840	16,780	18.2
<i>% of Net Sales</i>	<i>19.2</i>	<i>19.3</i>		<i>17.7</i>		<i>18.5</i>	<i>17.4</i>	
Others	7,110	6,510	9.2	6,970	2.0	26,900	23,650	13.7
<i>% of Net Sales</i>	<i>24.9</i>	<i>25.1</i>		<i>25.4</i>		<i>25.1</i>	<i>24.6</i>	
Total Expenditure	19,550	18,000	8.6	18,620	5.0	73,600	67,780	8.6
EBITDA	9,040	7,910	14.3	8,830	2.4	33,680	28,420	18.5
<i>Margin (%)</i>	<i>31.6</i>	<i>30.5</i>		<i>32.2</i>		<i>31.4</i>	<i>29.5</i>	
Depreciation	1,970	1,910	3.1	2,030	(3.0)	8,080	7,070	14.3
EBIT	7,070	6,000	17.8	6,800	4.0	25,600	21,350	19.9
Other Income	240	340	(29.4)	310	(22.6)	580	450	28.9
Interest	750	1,030	(27.2)	800	(6.3)	3,540	3,330	6.3
PBT	6,560	5,310	23.5	6,310	4.0	22,640	18,470	22.6
Total Taxes	1,990	1,530	30.1	1,820	9.3	6,960	6,020	15.6
<i>ETR (%)</i>	<i>30.3</i>	<i>28.8</i>		<i>28.8</i>		<i>30.7</i>	<i>32.6</i>	
Minority Interest	-	-		-		-	-	
Reported PAT	4,570	3,780	20.9	4,490	1.8	15,680	12,450	25.9
Extra-Ord. Inc./Exps.	-	-		-		880	-	
Adjusted PAT	4,570	3,780		4,490		16,560	12,450	33.0

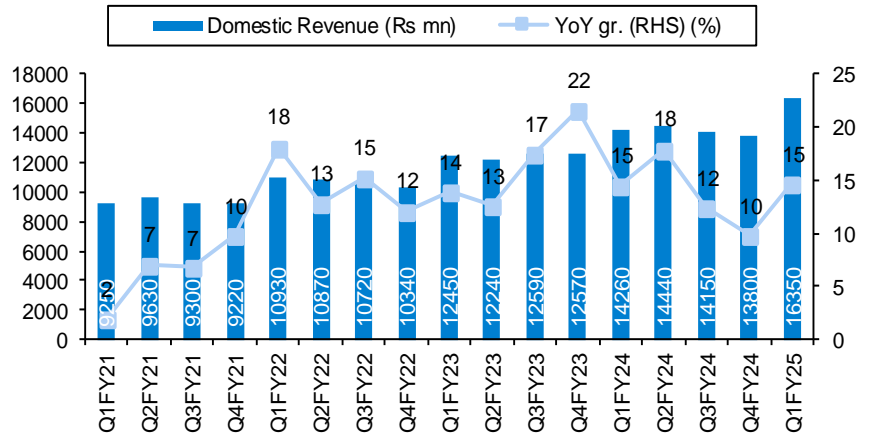
Source: Company, PL

Exhibit 2: Sources of Revenue – India and Germany show robust growth, US flat QoQ

Y/e March (Rs mn)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Domestic Sales	17,950	15,570	15.3	15,400	16.6	62,860	55,370	13.5
Branded Business	16,350	14,260	14.7	13,800	18.5	56,650	49,850	13.6
<i>% of sales</i>	<i>57.2</i>	<i>55.0</i>		<i>50.3</i>		<i>52.8</i>	<i>46.5</i>	
Contract Manufacturing	1,600	1,310	22.1	1,600	-	6,210	5,520	12.5
<i>% of sales</i>	<i>5.6</i>	<i>5.1</i>		<i>5.6</i>		<i>5.8</i>	<i>5.1</i>	
Exports	10,640	10,340	2.9	12,050	(11.7)	44,426	40,757	9.0
<i>% of sales</i>	<i>37.2</i>	<i>39.9</i>		<i>42.1</i>		<i>41.4</i>	<i>38.0</i>	
Brazil	1,960	1,900	3.2	3,720	(47.3)	11,260	9,350	20.4
<i>Growth</i>	<i>6.9</i>	<i>7.3</i>		<i>13.0</i>		<i>10.5</i>	<i>8.7</i>	
USA	2,590	2,930	(11.6)	2,620	(1.1)	10,770	11,550	(6.8)
<i>Growth</i>	<i>9.1</i>	<i>11.3</i>		<i>9.2</i>		<i>10.0</i>	<i>10.8</i>	
Germany	2,840	2,580	10.1	2,800	1.4	10,746	9,280	15.8
<i>Growth</i>	<i>9.9</i>	<i>10.0</i>		<i>9.8</i>		<i>10.0</i>	<i>8.7</i>	
Others	4,850	4,240	14.4	4,510	7.5	17,860	16,097	11.0
<i>Growth</i>	<i>17</i>	<i>16.4</i>		<i>15.8</i>		<i>16.6</i>	<i>15</i>	
Total Sales	28,590	25,910	10.3	27,450	4.2	107,286	96,127	11.6

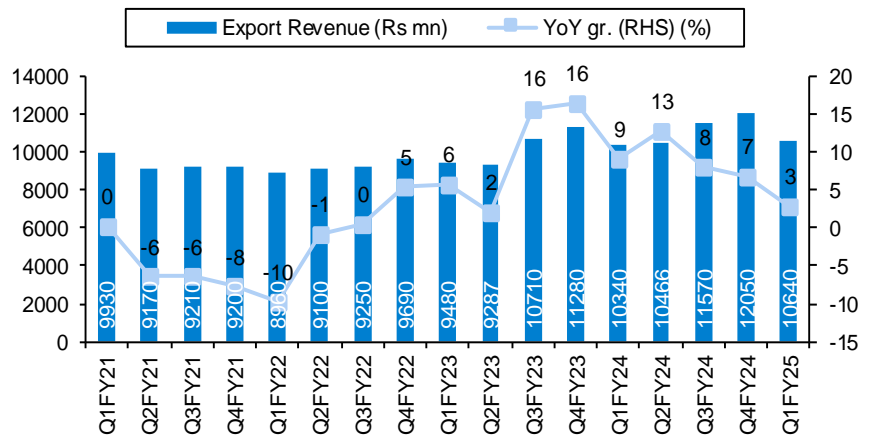
Source: Company, PL

Exhibit 3: Domestic Sales (Rs mn): Growth trend maintained



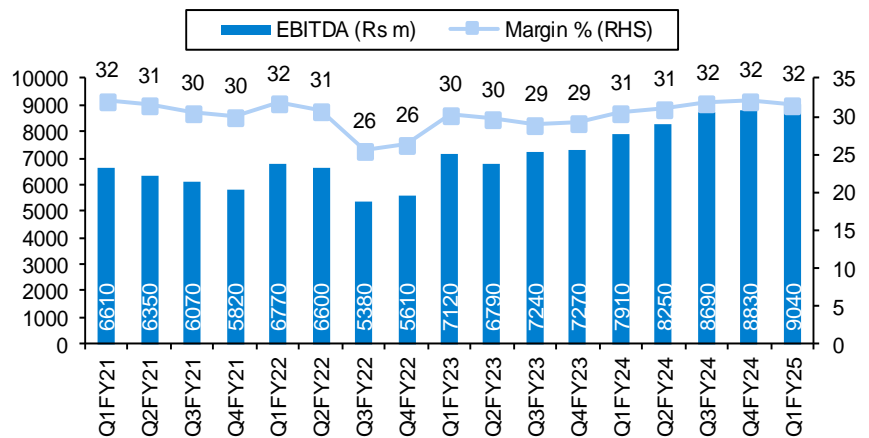
Source: Company, PL

Exhibit 4: US markets delivered flat QoQ performance



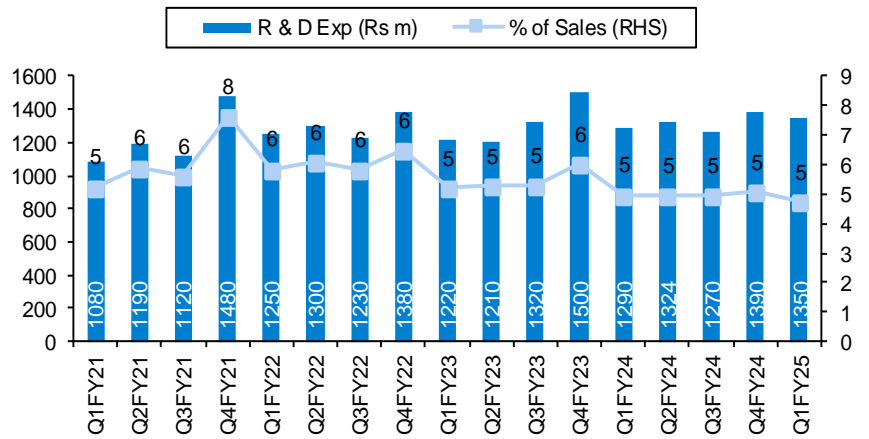
Source: Company, PL

Exhibit 5: Improved product mix delivered higher margins



Source: Company, PL

Exhibit 6: R&D spend remains steady at 5% levels



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	96,197	1,07,280	1,19,540	1,35,439
YoY gr. (%)	13.1	11.5	11.4	13.3
Cost of Goods Sold	32,715	26,860	29,448	33,410
Gross Profit	63,482	80,420	90,093	1,02,029
Margin (%)	66.0	75.0	75.4	75.3
Employee Cost	16,780	19,840	22,022	24,665
Other Expenses	5,250	15,799	17,499	19,384
EBITDA	28,417	33,680	38,360	44,670
YoY gr. (%)	16.9	18.5	13.9	16.5
Margin (%)	29.5	31.4	32.1	33.0
Depreciation and Amortization	7,070	8,080	8,242	8,406
EBIT	21,347	25,600	30,118	36,264
Margin (%)	22.2	23.9	25.2	26.8
Net Interest	3,330	3,540	2,321	1,136
Other Income	450	580	723	746
Profit Before Tax	18,467	22,640	28,520	35,874
Margin (%)	19.2	21.1	23.9	26.5
Total Tax	6,020	6,960	8,556	9,686
Effective tax rate (%)	32.6	30.7	30.0	27.0
Profit after tax	12,447	15,680	19,964	26,188
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,447	16,560	19,964	26,188
YoY gr. (%)	60.0	33.0	20.6	31.2
Margin (%)	12.9	15.4	16.7	19.3
Extra Ord. Income / (Exp)	-	(880)	-	-
Reported PAT	12,447	15,680	19,964	26,188
YoY gr. (%)	(1.4)	26.0	27.3	31.2
Margin (%)	12.9	14.6	16.7	19.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,447	15,680	19,964	26,188
Equity Shares O/s (m)	338	338	338	338
EPS (Rs)	36.8	46.4	59.1	77.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,26,001	1,34,241	1,37,241	1,40,741
Tangibles	47,880	52,354	53,524	54,889
Intangibles	78,120	81,887	83,717	85,852
Acc: Dep / Amortization	48,161	56,241	64,482	72,889
Tangibles	48,161	56,241	64,482	72,889
Intangibles	-	-	-	-
Net fixed assets	77,840	78,000	72,758	67,852
Tangibles	(280)	(3,887)	(10,958)	(18,000)
Intangibles	78,120	81,887	83,717	85,852
Capital Work In Progress	11,030	6,990	6,990	6,990
Goodwill	-	-	-	-
Non-Current Investments	430	320	320	320
Net Deferred tax assets	1,420	(1,010)	(3,577)	(3,577)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,560	1,410	1,410	1,410
Inventories	22,300	22,790	26,176	29,698
Trade receivables	19,440	18,440	22,904	25,985
Cash & Bank Balance	5,710	8,390	8,030	8,284
Other Current Assets	6,330	8,660	9,093	9,548
Total Assets	1,44,680	1,45,060	1,47,741	1,50,146
Equity				
Equity Share Capital	1,690	1,690	1,690	1,690
Other Equity	60,290	66,870	74,970	89,294
Total Networkth	61,980	68,560	76,660	90,984
Non-Current Liabilities				
Long Term borrowings	24,960	16,040	6,040	3,040
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	28,010	23,340	23,340	11,340
Trade payables	16,790	20,890	22,904	25,985
Other current liabilities	14,360	15,220	15,220	15,220
Total Equity & Liabilities	1,44,680	1,45,060	1,47,741	1,50,146

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	18,017	22,060	27,797	35,128
Add. Depreciation	7,070	8,080	8,242	8,406
Add. Interest	3,330	3,540	2,321	1,136
Less Financial Other Income	450	580	723	746
Add. Other	-	-	-	-
Op. profit before WC changes	28,417	33,680	38,360	44,670
Net Changes-WC	(760)	4,180	(6,269)	(3,977)
Direct tax	(3,980)	(4,980)	(5,989)	(9,686)
Net cash from Op. activities	23,677	32,880	26,102	31,008
Capital expenditures	(24,150)	(5,670)	(3,000)	(3,500)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(24,150)	(5,670)	(3,000)	(3,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	12,650	(13,690)	(10,000)	(15,000)
Dividend paid	(8,630)	(10,150)	(11,864)	(11,864)
Interest paid	(3,330)	(3,540)	(2,321)	(1,136)
Others	1,463	2,850	723	746
Net cash from Fin. activities	2,153	(24,530)	(23,462)	(27,254)
Net change in cash	1,680	2,680	(360)	254
Free Cash Flow	17,937	28,550	23,102	27,508

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	26,600	27,320	27,450	28,590
YoY gr. (%)	16.1	9.7	10.2	10.3
Raw Material Expenses	6,600	6,970	6,790	6,940
Gross Profit	20,000	20,350	20,660	21,650
Margin (%)	75.2	74.5	75.3	75.7
EBITDA	8,250	8,690	8,830	9,040
YoY gr. (%)	21.5	20.0	21.5	14.3
Margin (%)	31.0	31.8	32.2	31.6
Depreciation / Depletion	2,010	2,130	2,030	1,970
EBIT	6,240	6,560	6,800	7,070
Margin (%)	23.5	24.0	24.8	24.7
Net Interest	910	800	800	750
Other Income	260	(330)	310	240
Profit before Tax	5,590	5,430	6,310	6,560
Margin (%)	21.0	19.9	23.0	22.9
Total Tax	1,730	1,880	1,820	1,990
Effective tax rate (%)	30.9	34.6	28.8	30.3
Profit after Tax	3,860	3,550	4,490	4,570
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,860	4,430	4,490	4,570
YoY gr. (%)	23.7	51.7	56.4	20.9
Margin (%)	14.5	16.2	16.4	16.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,860	4,430	4,490	4,570
YoY gr. (%)	23.7	51.7	56.4	20.9
Margin (%)	14.5	16.2	16.4	16.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,860	4,430	4,490	4,570
Avg. Shares O/s (m)	338	338	338	338
EPS (Rs)	11.4	10.5	13.3	13.5

Source: Company Data, PL Research

Key Financial Metrics

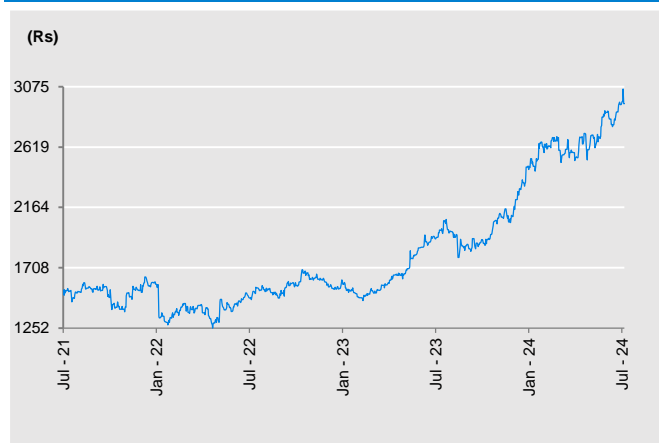
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	36.8	46.4	59.1	77.5
CEPS	57.7	72.9	83.4	102.3
BVPS	183.4	202.8	226.8	269.2
FCF	53.1	84.5	68.3	81.4
DPS	22.0	28.0	30.0	30.0
Return Ratio(%)				
RoCE	19.9	23.0	28.2	34.3
ROIC	15.5	18.9	21.8	25.8
RoE	20.5	24.0	27.5	31.2
Balance Sheet				
Net Debt : Equity (x)	0.7	0.4	0.3	0.1
Net Working Capital (Days)	95	69	80	80
Valuation(x)				
PER	85.9	68.2	53.5	40.8
P/B	17.2	15.6	13.9	11.7
P/CEPS	54.8	43.4	37.9	30.9
EV/EBITDA	39.2	32.6	28.4	24.0
EV/Sales	11.6	10.2	9.1	7.9
Dividend Yield (%)	0.7	0.9	0.9	0.9

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic	49,850	56,660	64,144	71,842
Export	40,827	44,520	48,930	56,679
Contract Manufacturing	5,520	6,100	6,466	6,919

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	BUY	2,900	2,884
2	27-May-24	BUY	2,900	2,613
3	08-Apr-24	BUY	2,700	2,577
4	02-Feb-24	BUY	2,700	2,526
5	08-Jan-24	BUY	2,250	2,350
6	23-Oct-23	BUY	2,250	1,877
7	07-Oct-23	BUY	2,250	1,894
8	08-Aug-23	BUY	2,250	2,055

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	340
3	Aurobindo Pharma	Accumulate	1,300	1,304
4	Cipla	Accumulate	1,405	1,510
5	Divi's Laboratories	Accumulate	4,350	4,626
6	Dr. Reddy's Laboratories	Reduce	5,700	6,520
7	Eris Lifesciences	BUY	1,100	1,012
8	Fortis Healthcare	BUY	515	460
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	377
11	Indoco Remedies	Accumulate	335	348
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,743
14	Jupiter Life Line Hospitals	BUY	1,360	1,330
15	Krishna Institute of Medical Sciences	BUY	2,200	2,135
16	Lupin	Hold	1,675	1,770
17	Max Healthcare Institute	BUY	925	914
18	Narayana Hrudayalaya	BUY	1,335	1,246
19	Sun Pharmaceutical Industries	BUY	1,710	1,568
20	Sunteck Realty	BUY	600	471
21	Torrent Pharmaceuticals	BUY	2,900	2,884
22	Zydus Lifesciences	Accumulate	1,130	1,162

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Param Desai- MBA Finance, Mr. Kushal Shah- CFP, Passed CFA Level I Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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