

India

**HOLD** (no change)

Consensus ratings\*: Buy 19 Hold 9 Sell 5

Current price: Rs3,242  
 Target price:  Rs3,450  
 Previous target: Rs3,450  
 Up/downside: 6.4%  
 InCred Research / Consensus: -2.7%

Reuters: TORP.NS  
 Bloomberg: TRP IN  
 Market cap: US\$12,810m  
 Rs1,097,022m  
 Average daily turnover: US\$13.3m  
 Rs1142.0m  
 Current shares o/s: 338.4m  
 Free float: 28.7%

\*Source: Bloomberg

**Key changes in this note**

- Cut FY26F EPS by 8%.
- Introduce FY27F estimates and roll forward our valuation to the same.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.4)	6.7	20.9
Relative (%)	(2.6)	(1.1)	10.1

Major shareholders	% held
Promoters	71.3
BlackRock	1.3
Kotak Mahindra MF	1.2

**Research Analyst(s)****Yogesh SONI**

T (91) 22 4161 1566

E yogesh.soni@incredresearch.com

# Torrent Pharmaceuticals Ltd

## Long-term growth story intact

- Healthy 4Q performance, in line with estimates. India biz growth at 12% YoY, US at 9% QoQ; currency depreciation hit an otherwise healthy growth in Brazil.
- Margin to sustain at an elevated level of 32.5%. Higher R&D spending & field force expansion likely to weigh on margin improvement in FY26F.
- We have cut FY26F EPS by 8%. Maintain HOLD rating with a TP of Rs3,450.

**In-line 4QFY25 performance; US biz posts high single-digit growth**

Torrent Pharmaceuticals or TPL posted healthy 4QFY25 results, in line with our/Bloomberg (BB) consensus estimates, with 5% QoQ/8% YoY growth. Growth was driven by India, the US & Brazil markets. India business growth was 12% YoY led by cardiac, gastrointestinal, diabetes & CNS therapies. Growth was driven by volume (4%), price (7%) & new products (2.3%). The consumer healthcare segment continues to see positive traction, particularly in the case of Curatio brand. Brazil business declined by 6% YoY due to currency depreciation (11%). In constant currency or CC terms, Brazil business grew by 5% YoY. TPL expects double-digit growth in Brazil business in CC terms in FY26F and some improvement on the currency front as well. Germany business remained stagnant QoQ and YoY. New tender wins are expected to post high single-digit growth. The US business grew by 9% QoQ (US\$35m) led by high-volume purchases by existing customers. Margin at 32.6% (in line with estimate) was impacted by 50bp due to inventory revaluation. Higher R&D spending (to be up 40bp) and field force expansion may weigh on margin improvement in FY26F.

**India business – going from strength to strength**

With efforts on the divisional expansion and restructuring exercise, the cardiac business (largest contributor) has started to outperform the market (15% growth in 4Q vs. 10% segment growth). Curatio, with relatively sizeable business, delivered 18-19% growth in FY25. Because of the accelerated growth in recent quarters, it is expected to post even higher growth in FY26F. TPL is also expanding its field force strength (from 6,400 in FY25 to 6,900 by FY26F) to provide platforms for new launches, increase territorial reach and gain regional market share. TPL expects to outperform the market growth in FY26F.

**GLP-1 opportunity**

TPL has a partnership for injectables whereas the oral is developed in-house, with adequate manufacturing capacity. The market size in Brazil is BRL880m (as of 2024-end due to the Wegovy launch) vs. BRL500m in 2023. By 2025F end, it is expected to be BRL1bn. There are multiple filers, and the approval is not expected to be straightforward.

**Retain HOLD rating on the stock with an unchanged TP of Rs3,450**

Our FY26F EPS has been cut by 8%. At current valuation, TPL is priced to perfection, reflecting its strong fundamentals and growth outlook. Valuation is likely to remain buoyant, supported by healthy earnings growth and continued operational excellence. Maintain **HOLD** rating on TPL, viewing any near-term correction as an attractive entry point for long-term investors seeking exposure to a high-quality growth story. Downside risk: Slowdown in India. Upside risk: Better-than-expected margin trajectory.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	96,200	107,280	115,160	127,398	141,604
Operating EBITDA (Rsm)	28,420	33,680	37,210	41,539	47,207
Net Profit (Rsm)	12,450	16,560	19,110	23,767	28,167
Core EPS (Rs)	36.8	47.1	57.0	70.2	83.2
Core EPS Growth	14.8%	28.0%	21.0%	23.3%	18.5%
FD Core P/E (x)	88.12	68.82	56.90	46.16	38.95
DPS (Rs)	22.0	30.0	30.0	30.0	20.0
Dividend Yield	0.68%	0.93%	0.93%	0.93%	0.62%
EV/EBITDA (x)	40.19	33.44	30.10	26.59	22.96
P/FCFE (x)	47.27	17.60	23.97	19.22	16.56
Net Gearing	73.7%	43.1%	30.8%	8.7%	(12.0%)
P/BV (x)	17.70	16.00	14.45	12.25	10.20
ROE	20.5%	24.4%	26.7%	28.7%	28.6%
% Change In Core EPS Estimates				(6.13%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	24,910	25,910	26,600	27,320	27,450	28,590	28,890	28,090	29,590	8%	5%
Consumption of raw materials	7,040	6,500	6,600	6,970	6,790	6,940	6,780	6,730	7,310	8%	9%
as % of sales	28.3%	25.1%	24.8%	25.5%	24.7%	24.3%	23.5%	24.0%	24.7%		
Employee costs	4,410	4,990	5,030	4,960	4,860	5,500	5,430	5,490	5,610	15%	2%
as % of sales	17.7%	19.3%	18.9%	18.2%	17.7%	19.2%	18.8%	19.5%	19.0%		
R&D costs	1,500	1,290	1,320	1,300	1,390	1,350	1,450	1,510	1,500	8%	-1%
as % of sales	6.0%	5.0%	5.0%	4.8%	5.1%	4.7%	5.0%	5.4%	5.1%		
Other expenditure	4,690	5,220	5,400	5,400	5,580	5,760	5,840	5,220	5,530	-1%	6%
as % of sales	18.8%	20.1%	20.3%	19.8%	20.3%	20.1%	20.2%	18.6%	18.7%		
EBITDA	7,270	7,910	8,250	8,690	8,830	9,040	9,390	9,140	9,640	9%	5%
Margins (%)	29.2%	30.5%	31.0%	31.8%	32.2%	31.6%	32.5%	32.5%	32.6%		
Depreciation	1,960	1,910	2,010	2,130	2,030	1,970	1,980	1,990	2,010		
Other income	90	340	260	-330	310	240	-160	330	-180		
Interest	1,070	1,030	910	800	800	750	640	570	560		
PBT	4,330	5,310	5,590	5,430	6,310	6,560	6,610	6,910	6,890	9%	0%
Total tax	1,460	1,530	1,730	1,880	1,820	1,990	2,080	1,880	1,670		
Tax rate (%)	33.7%	28.8%	30.9%	34.6%	28.8%	30.3%	31.5%	27.2%	24.2%		
PAT before MI	2,870	3,780	3,860	3,550	4,490	4,570	4,530	5,030	5,220	16%	4%
Minority interest (MI)	0	0	0	0	0	0	0	0	0		
Adj. PAT before extraordinary items	2,870	3,780	3,860	3,550	4,490	4,570	4,530	5,030	5,220	16%	4%
Extraordinary expenses	0	0	0	880	0	0	0	0	-240		
Reported PAT	2,870	3,780	3,860	4,430	4,490	4,570	4,530	5,030	4,980	11%	-1%
No. of shares	338.4	338.5	338.5	338.5	338.5	338.5	338.5	338.5	338.5		
EPS	8.5	11.2	11.4	10.5	13.3	13.5	13.4	14.9	15.4		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

Margins (%)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	72%	75%	75%	74%	75%	76%	77%	76%	75%	3	-75
EBITDA	29%	31%	31%	32%	32%	32%	33%	33%	33%	41	4
Adj. PAT	12%	15%	15%	13%	16%	16%	16%	18%	18%	128	-27
Effective tax rate	34%	29%	31%	35%	29%	30%	31%	27%	24%	-461	-297

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Y-o-Y (%)	Q-o-Q (%)
US formulations	2,800	2,930	2,480	2,740	2,620	2,590	2,680	2,710	3,020	15%	11%
% total revenue	11.2%	11.3%	9.3%	10.0%	9.5%	9.1%	9.3%	9.6%	10.2%		
Europe	2,530	2,580	2,660	2,700	2,800	2,840	2,880	2,820	2,860	2%	1%
% total revenue	10.2%	10.0%	10.0%	9.9%	10.2%	9.9%	10.0%	10.0%	9.7%		
Latin America	3,180	1,900	2,520	3,120	3,720	1,960	2,630	2,910	3,510	-6%	21%
% total revenue	12.8%	7.3%	9.5%	11.4%	13.6%	6.9%	9.1%	10.4%	11.9%		
India formulations	12,570	14,260	14,440	14,150	13,800	16,350	16,320	15,810	15,450	12%	-2%
% total revenue	50.5%	55.0%	54.3%	51.8%	50.3%	57.2%	56.5%	56.3%	52.2%		
ROW, CRAMS & others	3,830	4,240	4,500	4,610	4,510	4,850	4,380	3,840	4,750	5%	24%
% total revenue	15.4%	16.4%	16.9%	16.9%	16.4%	17.0%	15.2%	13.7%	16.1%		
Total revenue	24,910	25,910	26,600	27,320	27,450	28,590	28,890	28,090	29,590	8%	5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actuals	Incred Estimates.	Variance (%)	Bloomberg Estimates	Variance (%)
Revenue (Rsm)	29,590	29,233	1.2	29,878	(1.0)
EBITDA (Rsm)	9,640	9,536	1.1	9,810	(1.7)
Margin (%)	32.6	32.6		32.8	
PAT (Rsm)	4,980	4,970	0.2	5,242	(5.0)

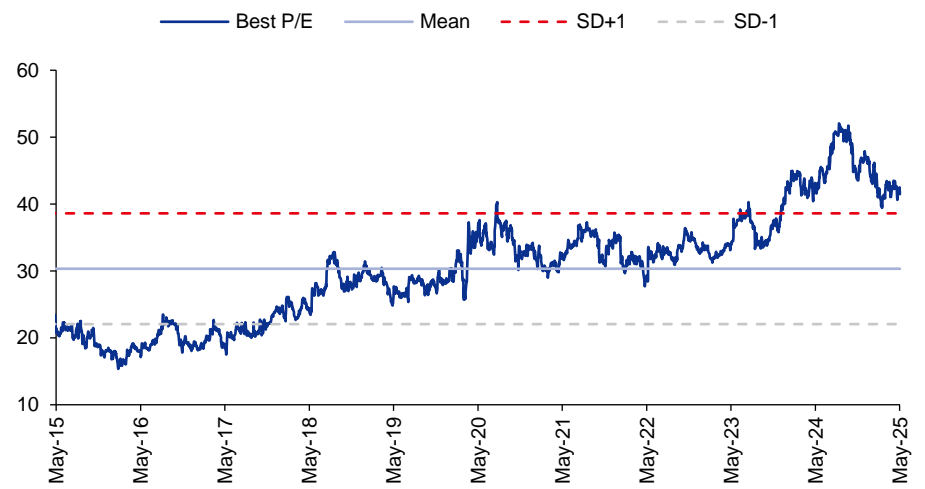
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

	FY26F		
	Old	New	Variance (%)
Revenue (Rsm)	1,31,531	1,27,398	-3.1
EBITDA (Rsm)	44,075	41,539	-5.8
Margin (%)	33.5	32.6	
PAT (Rsm)	25,856	23,767	-8.1

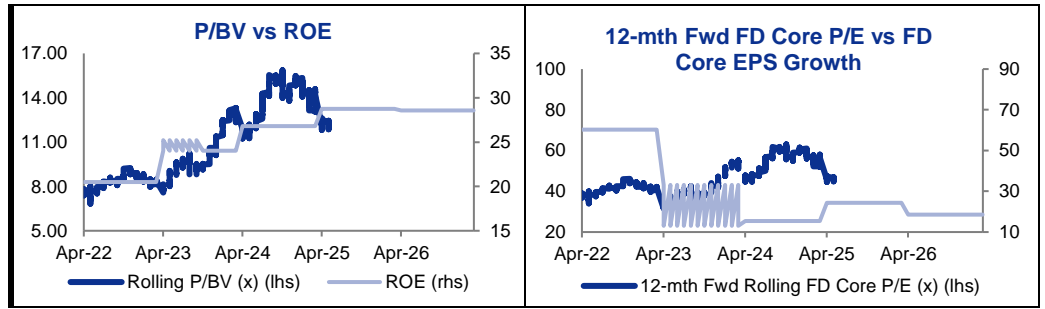
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Despite the recent price correction, Torrent Pharmaceuticals still trades near the SD+1 level**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>96,200</b>	<b>107,280</b>	<b>115,160</b>	<b>127,398</b>	<b>141,604</b>
<b>Gross Profit</b>	<b>68,850</b>	<b>80,420</b>	<b>87,400</b>	<b>97,077</b>	<b>108,327</b>
<b>Operating EBITDA</b>	<b>28,420</b>	<b>33,680</b>	<b>37,210</b>	<b>41,539</b>	<b>47,207</b>
Depreciation And Amortisation	(7,070)	(8,080)	(7,950)	(8,500)	(8,950)
<b>Operating EBIT</b>	<b>21,350</b>	<b>25,600</b>	<b>29,260</b>	<b>33,039</b>	<b>38,257</b>
Financial Income/(Expense)	(3,330)	(3,540)	(2,520)	(1,600)	(1,000)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	450	580	230	250	300
<b>Profit Before Tax (pre-EI)</b>	<b>18,470</b>	<b>22,640</b>	<b>26,970</b>	<b>31,689</b>	<b>37,557</b>
Exceptional Items		880	(240)		
<b>Pre-tax Profit</b>	<b>18,470</b>	<b>23,520</b>	<b>26,730</b>	<b>31,689</b>	<b>37,557</b>
Taxation	(6,020)	(6,960)	(7,620)	(7,922)	(9,389)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>12,450</b>	<b>16,560</b>	<b>19,110</b>	<b>23,767</b>	<b>28,167</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>12,450</b>	<b>16,560</b>	<b>19,110</b>	<b>23,767</b>	<b>28,167</b>
Recurring Net Profit	12,450	15,940	19,282	23,767	28,167
<b>Fully Diluted Recurring Net Profit</b>	<b>12,450</b>	<b>15,940</b>	<b>19,282</b>	<b>23,767</b>	<b>28,167</b>

### Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>28,420</b>	<b>33,680</b>	<b>37,210</b>	<b>41,539</b>	<b>47,207</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(182)	4,180	(4,810)	(3,579)	(3,196)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(4,557)	(5,200)	(6,550)	(7,922)	(9,389)
Net Interest (Paid)/Received	(3,330)	(3,540)	(2,520)	(1,600)	(1,000)
Tax Paid	(1,674)	(3,120)	(4,020)	(6,572)	(8,689)
<b>Cashflow From Operations</b>	<b>23,681</b>	<b>32,660</b>	<b>25,850</b>	<b>30,038</b>	<b>34,622</b>
Capex	(4,152)	(2,990)	(5,930)	(3,000)	(3,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(20,000)				
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(471)</b>	<b>29,670</b>	<b>19,920</b>	<b>27,038</b>	<b>31,622</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(8,630)	(10,150)	(10,830)	(10,153)	(10,153)
Preferred Dividends					
Other Financing Cashflow	10,471	(16,990)	(11,980)	(13,705)	(11,077)
<b>Cash Flow From Financing</b>	<b>1,841</b>	<b>(27,140)</b>	<b>(22,810)</b>	<b>(23,859)</b>	<b>(21,230)</b>
Total Cash Generated	1,370	2,530	(2,890)	3,180	10,391
<b>Free Cashflow To Equity</b>	<b>23,210</b>	<b>62,330</b>	<b>45,770</b>	<b>57,076</b>	<b>66,243</b>
<b>Free Cashflow To Firm</b>	<b>26,540</b>	<b>65,870</b>	<b>48,290</b>	<b>58,676</b>	<b>67,243</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	7,270	9,800	6,910	10,090	20,481
Total Debtors	19,440	18,440	18,670	21,021	22,657
Inventories	22,300	22,790	25,410	26,754	28,321
Total Other Current Assets	4,280	5,080	5,240	6,370	5,664
<b>Total Current Assets</b>	<b>53,290</b>	<b>56,110</b>	<b>56,230</b>	<b>64,234</b>	<b>77,122</b>
Fixed Assets	34,600	35,780	38,220	32,720	26,770
Total Investments	430	320	440	440	440
Intangible Assets	54,270	49,210	46,020	46,020	46,020
Total Other Non-Current Assets	7,530	9,190	8,990	8,990	8,990
<b>Total Non-current Assets</b>	<b>96,830</b>	<b>94,500</b>	<b>93,670</b>	<b>88,170</b>	<b>82,220</b>
Short-term Debt	28,010	23,340	18,340	17,000	7,500
Current Portion of Long-Term Debt					
Total Creditors	16,790	20,890	18,200	19,139	17,986
Other Current Liabilities	9,670	10,030	10,630	10,936	11,391
<b>Total Current Liabilities</b>	<b>54,470</b>	<b>54,260</b>	<b>47,170</b>	<b>47,075</b>	<b>36,877</b>
Total Long-term Debt	24,960	16,040	11,920	905	28
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	8,710	11,750	14,900	14,900	14,900
<b>Total Non-current Liabilities</b>	<b>33,670</b>	<b>27,790</b>	<b>26,820</b>	<b>15,805</b>	<b>14,928</b>
Total Provisions					
<b>Total Liabilities</b>	<b>88,140</b>	<b>82,050</b>	<b>73,990</b>	<b>62,880</b>	<b>51,804</b>
Shareholders Equity	61,980	68,560	75,910	89,524	107,538
Minority Interests					
<b>Total Equity</b>	<b>61,980</b>	<b>68,560</b>	<b>75,910</b>	<b>89,524</b>	<b>107,538</b>

### Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	13.1%	11.5%	7.3%	10.6%	11.2%
Operating EBITDA Growth	16.9%	18.5%	10.5%	11.6%	13.6%
Operating EBITDA Margin	29.5%	31.4%	32.3%	32.6%	33.3%
Net Cash Per Share (Rs)	(135.03)	(87.40)	(68.99)	(23.09)	38.27
BVPS (Rs)	183.13	202.57	224.29	264.51	317.74
Gross Interest Cover	6.41	7.23	11.61	20.65	38.26
Effective Tax Rate	32.6%	29.6%	28.5%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	67.86	64.44	58.81	56.86	56.29
Inventory Days	313.09	306.36	316.88	313.97	302.04
Accounts Payables Days	223.74	256.02	256.99	224.74	203.60
ROIC (%)	13.8%	17.5%	19.2%	22.1%	26.2%
ROCE (%)	19.8%	23.0%	27.3%	30.9%	34.4%
Return On Average Assets	10.6%	12.2%	14.1%	16.5%	18.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535



## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.