

India

HOLD (no change)

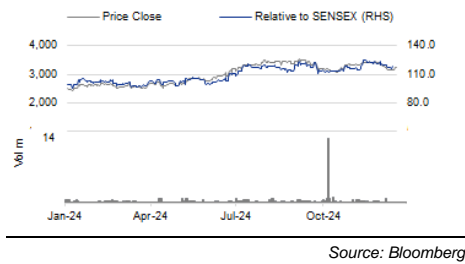
Consensus ratings*: Buy 19 Hold 8 Sell 5

Current price: Rs3,248
 Target price:  Rs3,450
 Previous target: Rs3,450
 Up/downside: 6.2%
 InCred Research / Consensus: -4.6%

Reuters:
 Bloomberg: TRP IN
 Market cap: US\$15,140m
 Rs1,099,357m
 Average daily turnover: US\$19.4m
 Rs1411.6m
 Current shares o/s: 338.4m
 Free float: 28.7%
 *Source: Bloomberg

Key changes in this note

- Revise FY25F/26F EPS by -4%/2%.



Price performance	1M	3M	12M
Absolute (%)	(4.4)	(2.2)	29.6
Relative (%)	(1.6)	2.8	20.8

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

Research Analyst(s)



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Torrent Pharmaceuticals Ltd

Weak quarter; long-term story intact

- Muted 3Q performance, with a 3% YoY growth. India growth at 12% was healthy; currency depreciation hit an otherwise healthy growth in Brazil.
- Margin continues to sustain at an elevated level of 32.5%. Margin, in our view, should continue to expand by 50-100bp for the next few years.
- Revise our FY25F/26F estimates by -4%/2%, respectively. Maintain HOLD rating on the stock with an unchanged target price of Rs3,450.

Muted performance; Brazil real depreciation dents growth

Torrent Pharmaceuticals or TPL posted a muted 3QFY25 performance, with a 3% YoY growth, 6% below our/Bloomberg consensus estimates. Growth was impacted due to dismal performance in Brazil and RoW markets. India business growth was 12% YoY led by cardiac, gastrointestinal and diabetes therapies which was partly offset by slow CNS market. Growth was driven by volume (1.5%), price (8%) and new products (2.5%). The consumer segment grew its reach to touch 75,000 outlets (72,000 in 2QFY25). Brazil business declined by 7% YoY due to currency depreciation. In CC terms, Brazil business grew by 10% YoY. TPL expects a high level of price hike (in double digits) in Brazil in FY26F to compensate for the currency-related loss. Germany business grew by 4% YoY in CC terms led by incremental tender wins. The US business was flat at US\$32m. Revenue was impacted by the scheduled shutdown of its insulin plant (Rs750-800m impact). The facility resumed dispatches from Jan 2025 and will continue the above-mentioned run-rate, recouping previous supplies as well.

Consistent strong performance on the margin front

TPL's 3QFY25 margin remained stable at an elevated level of 32.5% (as guided earlier), despite a 50bp QoQ decline in gross margin due to lower SG&A expenses. In 9MFY25, TPL expanded its margin by 110bp YoY and has already achieved its guidance of 50-100bp annual improvement. Margin in 4QFY25F is expected to sustain at the current level as TPL, with its sizeable presence in the branded generics market, can consistently take price hikes and sustain its above-industry margin. Further, with the US likely to turn profitable in FY26F and the insulin business back on track, we believe the 50-100bp margin expansion shouldn't be an issue.

All set for GLP-1 opportunity

TPL expects to be in the first wave of launch of GLP-1 drugs in India and Brazil. In Brazil, it expects to be present in Semaglutide when the market opens up in 1QCY26F.

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

Our FY25F/26F EPS estimates stand revised by -4%/2%, respectively. Despite the recent price correction, the risk-reward ratio is still not in favour (43x FY26F EPS). We retain our HOLD rating on the stock with an unchanged target price of Rs3,450. Slowdown in India is a downside risk while better-than-expected margin trajectory is an upside risk.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	85,080	96,200	107,280	115,969	131,515
Operating EBITDA (Rsm)	24,310	28,420	33,680	37,609	44,064
Net Profit (Rsm)	7,770	12,450	16,560	19,312	25,848
Core EPS (Rs)	32.0	36.8	47.1	57.1	76.4
Core EPS Growth	(13.4%)	14.8%	28.0%	21.2%	33.8%
FD Core P/E (x)	101.39	88.31	68.97	56.93	42.53
DPS (Rs)	24.0	22.0	30.0	30.0	30.0
Dividend Yield	0.74%	0.68%	0.92%	0.92%	0.92%
EV/EBITDA (x)	46.64	40.28	33.51	30.03	25.26
P/FCFE (x)	32.25	47.37	17.64	41.82	18.91
Net Gearing	58.5%	73.7%	43.1%	38.8%	14.8%
P/BV (x)	18.47	17.74	16.04	14.15	11.77
ROE	18.4%	20.5%	24.4%	26.4%	30.2%
% Change In Core EPS Estimates				(4.24%)	2.09%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	24,910	24,910	25,910	26,600	27,320	27,450	28,590	28,890	28,090	3%	-3%
Consumption of raw materials	7,300	7,040	6,500	6,600	6,970	6,790	6,940	6,780	6,730	-3%	-1%
as % of sales	29.3%	28.3%	25.1%	24.8%	25.5%	24.7%	24.3%	23.5%	24.0%		
Employee costs	4,230	4,410	4,990	5,030	4,960	4,860	5,500	5,430	5,490	11%	1%
as % of sales	17.0%	17.7%	19.3%	18.9%	18.2%	17.7%	19.2%	18.8%	19.5%		
R&D costs	1,230	1,500	1,290	1,320	1,300	1,390	1,350	1,450	1,510	16%	4%
as % of sales	4.9%	6.0%	5.0%	5.0%	4.8%	5.1%	4.7%	5.0%	5.4%		
Other expenditure	4910	4690	5220	5400	5400	5580	5760	5840	5220	-3%	-11%
as % of sales	19.7%	18.8%	20.1%	20.3%	19.8%	20.3%					
EBITDA	7,240	7,270	7,910	8,250	8,690	8,830	9,040	9,390	9,140	5%	-3%
Margin (%)	29.1%	29.2%	30.5%	31.0%	31.8%	32.2%	31.6%	32.5%	32.5%		
Depreciation	1,930	1,960	1,910	2,010	2,130	2,030	1,970	1,980	1,990		
Other income	-100	90	340	260	-330	310	240	-160	330		
Interest	1,020	1,070	1,030	910	800	800	750	640	570		
PBT	4,190	4,330	5,310	5,590	5,430	6,310	6,560	6,610	6,910	27%	5%
Total tax	1,360	1,460	1,530	1,730	1,880	1,820	1,990	2,080	1,880		
Tax rate (%)	32.5%	33.7%	28.8%	30.9%	34.6%	28.8%	30.3%	31.5%	27.2%		
PAT before MI	2,830	2,870	3,780	3,860	3,550	4,490	4,570	4,530	5,030	42%	11%
Minority interest (MI)	0	0	0	0	0	0	0	0	0		
Adj. PAT before extraordinary items	2,830	2,870	3,780	3,860	3,550	4,490	4,570	4,530	5,030	42%	11%
Extraordinary expenses	0	0	0	0	880	0	0	0	0		
Reported PAT	2,830	2,870	3,780	3,860	4,430	4,490	4,570	4,530	5,030	14%	11%
No. of shares	338.4	338.4	338.5	338.5	338.5	338.5	338.5	338.5	338.5		
EPS	8.4	8.5	11.2	11.4	10.5	13.3	13.5	13.4	14.9		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin profile

Margins (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	71%	72%	75%	75%	74%	75%	76%	77%	76%	155	-49
EBITDA	29%	29%	31%	31%	32%	32%	32%	33%	33%	73	4
Adj. PAT	11%	12%	15%	15%	13%	16%	16%	16%	18%	491	223
Effective tax rate	32%	34%	29%	31%	35%	29%	30%	31%	27%	-742	-426

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
US formulations	2,910	2,800	2,930	2,480	2,740	2,620	2,590	2,680	2,710	-1%	1%
% total revenue	11.7%	11.2%	11.3%	9.3%	10.0%	9.5%	9.1%	9.3%	9.6%		
Europe	2,410	2,530	2,580	2,660	2,700	2,800	2,840	2,880	2,820	4%	-2%
% total revenue	9.7%	10.2%	10.0%	10.0%	9.9%	10.2%	9.9%	10.0%	10.0%		
Latin America	2,480	3,180	1,900	2,520	3,120	3,720	1,960	2,630	2,910	-7%	11%
% total revenue	10.0%	12.8%	7.3%	9.5%	11.4%	13.6%	6.9%	9.1%	10.4%		
India formulations	12,590	12,570	14,260	14,440	14,150	13,800	16,350	16,320	15,810	12%	-3%
% total revenue	50.5%	50.5%	55.0%	54.3%	51.8%	50.3%	57.2%	56.5%	56.3%		
ROW, CRAMS & others	4,520	3,830	4,240	4,500	4,610	4,510	4,850	4,380	3,840	-17%	-12%
% total revenue	18.1%	15.4%	16.4%	16.9%	16.9%	16.4%	17.0%	15.2%	13.7%		
Total revenue	24,910	24,910	25,910	26,600	27,320	27,450	28,590	28,890	28,090	3%	-3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

	Actuals	Incred Est.	Variance (%)	Bloomberg Est.	Variance (%)
Revenue (Rs m)	28,090	29,929	(6.1)	30,028	(6.5)
EBITDA (Rs m)	9,140	9,796	(6.7)	9,764	(6.4)
Margin (%)	32.5	32.7		32.5	
PAT (Rs m)	5,030	5,153	(2.4)	5,137	(2.1)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: : Our revised earnings estimates

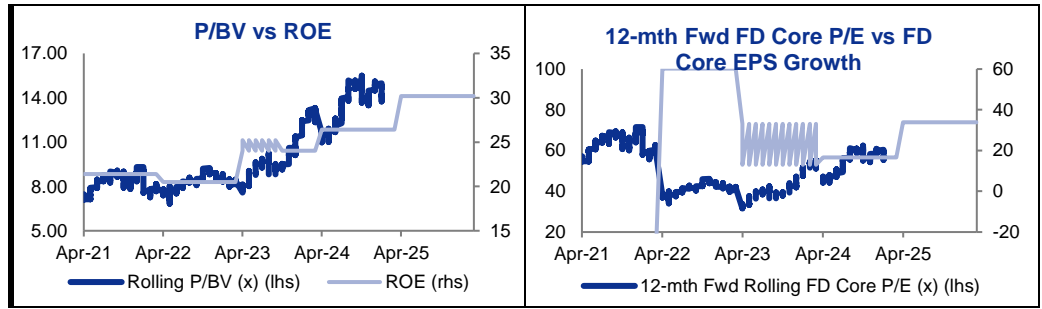
	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rsm)	1,19,422	1,15,969	-2.9	1,33,191	1,31,515	-1.3
EBITDA (Rsm)	38,981	37,609	-3.5	44,283	44,064	-0.5
Margin (%)	32.6	32.4		33.2	33.5	
PAT (Rsm)	20,168	19,312	-4.2	25,319	25,848	2.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	85,080	96,200	107,280	115,969	131,515
Gross Profit	60,650	68,850	80,420	88,127	100,707
Operating EBITDA	24,310	28,420	33,680	37,609	44,064
Depreciation And Amortisation	(6,620)	(7,070)	(8,080)	(7,950)	(8,500)
Operating EBIT	17,690	21,350	25,600	29,659	35,564
Financial Income/(Expense)	(2,550)	(3,330)	(3,540)	(2,670)	(2,100)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,970	450	580	600	1,000
Profit Before Tax (pre-EI)	17,110	18,470	22,640	27,589	34,464
Exceptional Items	(4,850)		880		
Pre-tax Profit	12,260	18,470	23,520	27,589	34,464
Taxation	(4,490)	(6,020)	(6,960)	(8,277)	(8,616)
Exceptional Income - post-tax					
Profit After Tax	7,770	12,450	16,560	19,312	25,848
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7,770	12,450	16,560	19,312	25,848
Recurring Net Profit	10,844	12,450	15,940	19,312	25,848
Fully Diluted Recurring Net Profit	10,844	12,450	15,940	19,312	25,848

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	24,310	28,420	33,680	37,609	44,064
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,519)	(182)	4,180	(14,689)	(4,882)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(2,762)	(4,557)	(5,200)	(8,277)	(8,616)
Net Interest (Paid)/Received	(2,550)	(3,330)	(3,540)	(2,670)	(2,100)
Tax Paid	2,669	(1,674)	(3,120)	(6,207)	(7,516)
Cashflow From Operations	18,030	23,681	32,660	14,643	30,565
Capex	(1,970)	(4,152)	(2,990)	(3,000)	(3,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments		(20,000)			
Other Investing Cashflow					
Cash Flow From Investing	16,060	(471)	29,670	11,643	27,565
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(6,770)	(8,630)	(10,150)	(10,153)	(10,153)
Preferred Dividends					
Other Financing Cashflow	(9,430)	10,471	(16,990)	(10,362)	(4,164)
Cash Flow From Financing	(16,200)	1,841	(27,140)	(20,516)	(14,317)
Total Cash Generated	(140)	1,370	2,530	(8,872)	13,248
Free Cashflow To Equity	34,090	23,210	62,330	26,287	58,131
Free Cashflow To Firm	36,640	26,540	65,870	28,957	60,231

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	5,900	7,270	9,800	928	14,176
Total Debtors	16,330	19,440	18,440	23,194	26,303
Inventories	24,620	22,300	22,790	28,992	32,879
Total Other Current Assets	4,800	4,280	5,080	5,798	6,576
Total Current Assets	51,650	53,290	56,110	58,912	79,934
Fixed Assets	32,470	34,600	35,780	30,830	25,330
Total Investments	420	430	320	320	320
Intangible Assets	38,050	54,270	49,210	49,210	49,210
Total Other Non-Current Assets	8,410	7,530	9,190	9,190	9,190
Total Non-current Assets	79,350	96,830	94,500	89,550	84,050
Short-term Debt	19,100	28,010	23,340	23,340	23,340
Current Portion of Long-Term Debt					
Total Creditors	16,740	16,790	20,890	17,758	19,598
Other Current Liabilities	8,310	9,670	10,030	10,147	11,199
Total Current Liabilities	44,150	54,470	54,260	51,246	54,136
Total Long-term Debt	21,600	24,960	16,040	7,748	4,684
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	5,720	8,710	11,750	11,750	11,750
Total Non-current Liabilities	27,320	33,670	27,790	19,498	16,434
Total Provisions					
Total Liabilities	71,470	88,140	82,050	70,743	70,570
Shareholders Equity	59,530	61,980	68,560	77,719	93,413
Minority Interests					
Total Equity	59,530	61,980	68,560	77,719	93,413

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	6.3%	13.1%	11.5%	8.1%	13.4%
Operating EBITDA Growth	(2.2%)	16.9%	18.5%	11.7%	17.2%
Operating EBITDA Margin	28.6%	29.5%	31.4%	32.4%	33.5%
Net Cash Per Share (Rs)	(102.82)	(135.03)	(87.40)	(89.11)	(40.92)
BVPS (Rs)	175.89	183.13	202.57	229.63	276.01
Gross Interest Cover	6.94	6.41	7.23	11.11	16.94
Effective Tax Rate	36.6%	32.6%	29.6%	30.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	67.70	67.86	64.44	65.52	68.69
Inventory Days	384.20	313.09	306.36	339.43	366.51
Accounts Payables Days	278.12	223.74	256.02	253.34	221.29
ROIC (%)	13.3%	13.8%	17.5%	18.6%	22.4%
ROCE (%)	18.1%	19.8%	23.0%	27.4%	30.9%
Return On Average Assets	10.7%	10.6%	12.2%	14.3%	17.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.