

Torrent Pharma

Steady growth and margin visibility outlook intact

The recent ~9% stock price correction for Torrent Pharma (TRP) was due to a ~3% stake sale by the promoter group (Mehta Family). The proceeds are intended for philanthropic purposes, as the promoter group pledged a donation of ~INR 50 bn over the next five years in Mar'24. We believe TRP is well-positioned for steady growth and its key drivers like strong branded franchise (new launches, consumer wellness, traction in Brazil with new launches and field force expansion in chronic segments) and a gradual turnaround in the generics business in the US (new launches) and Germany (tender wins) are intact. The company expects steady margins of 32-34% over the next few years. TRP achieved a net debt reduction of ~INR 13.5 bn in FY24, lowering net debt to EBITDA to ~0.9x in FY24 from ~2.3x in FY20, driven by strong operating cash flow (OCF) generation. Further debt reduction is expected, with ~INR 9 bn reduced in H1 and guidance to reduce (1) INR 5-6 bn in H2, (2) INR 12-14 bn in FY26, and (3) to turn net cash positive by FY26. ADD stays with a target price of INR 3,680 (42x Q3FY27E EPS), supported by steady earnings, potential M&A (India-focused), healthy return ratios (20%+) and OCF generation.

India business on a steady growth path: TRP continues to focus on (1) chronic and sub-chronic therapies (CVS, CNS, VNM, gastro, anti-diabetic, gynecology, and urology), which are high-growth categories, (2) gaining market share in key sub-therapies, (3) scaling up the Curatio business by expanding coverage among key prescriber segments (pediatricians and dermatologists), (4) scaling up its key brands in the consumer healthcare business—Shelcal (calcium supplement), Ahaglow (face wash gel), Unienzyme (digestive enzymes), and Tedibar (baby bathing bar)—with a focus on gaining traction through new channels and distribution (retail coverage reached 72,000K as of Sep'24) as well as the e-commerce business, and (5) expanding its field force (added ~300 MRs in H1FY25; total count at ~6,000 MRs) in core therapy areas to broaden coverage, prioritize focus brands, and introduce new products. Over FY19-24, TRP delivered a 12% India sales CAGR, and we expect an India sales CAGR of 13% for FY24-27E.

Brazil to maintain growth momentum: TRP saw muted H1FY25 growth at ~4% YoY due to flood impact in Q1 and currency depreciation in Q2 (in cc terms the growth was at ~13% YoY). Going ahead, it expects to outperform the market in the retail sector, driven by new product launches in branded and generic segments. TRP remains focused on expanding its portfolio.

Steady growth in Germany; US to see gradual improvement: TRP's Germany business to see steady growth led by market share gain in the tender segment, new launches, and scale-up in OTC business. US business to see gradual recovery over the next two years; the key focus is to improve profitability.

Outlook: Over FY19-24, TRP delivered a 7% sales CAGR and an 11% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 13% for FY24-27E and an EBITDA margin improvement to ~33.7% in FY27E (from 31.8% in FY24), resulting in an EBITDA CAGR of 14% and an EPS CAGR of 24% over FY24-27E.

Financial Summary

YE March (INR bn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
India sales (INR bn)	37	43	50	57	65	73	82
Net Sales	80	85	96	107	119	134	151
EBITDA	25	24	28	34	39	44	51
APAT	12	11	13	16	21	26	31
Diluted EPS (INR)	36.2	31.1	37.2	47.9	60.6	76.3	91.4
P/E (x)	86.6	100.9	84.4	65.5	51.7	41.1	34.3
EV / EBITDA (x)	44.5	45.1	39.0	32.4	28.1	24.1	20.7
RoCE (%)	18	17	20	22	27	33	37

Source: Company, HSIE Research

ADD

CMP (as on 30 Oct 2024) INR 3,137

Target Price INR 3,680

NIFTY 24,341

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3680	INR 3680
EPS %	FY25E	FY26E
	-	-

KEY STOCK DATA

Bloomberg code	TRP IN
No. of Shares (mn)	338
MCap (INR bn) / (\$ mn)	1,062/12,629
6m avg traded value (INR mn)	951
52 Week high / low	INR 3,591/1,913

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.9	18.7	62.6
Relative (%)	2.7	11.4	37.9

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	71.25	71.25
FIs & Local MFs	7.21	7.26
FPIs	14.09	14.14
Public & Others	7.45	7.35
Pledged Shares	-	-

Source: BSE

Mehul Sheth

mehul.sheth@hdfcsec.com

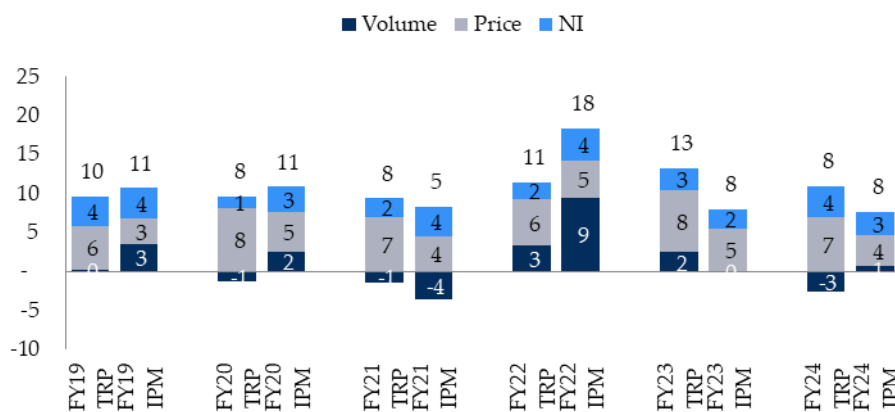
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Exhibit 1: Revenue, EBITDA and PAT assumptions

(INR mn)	% of FY24 sales	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
India	53%	32,340	35,170	37,390	42,860	49,840	56,660	64,592	72,989	82,478
YoY growth		38%	9%	6%	15%	16%	14%	14%	13%	13%
Brazil	10%	6,890	7,150	6,300	7,420	9,350	11,260	12,386	14,120	16,097
YoY growth		-3%	4%	-12%	18%	26%	20%	10%	14%	14%
Other countries	11%	6,900	7,660	8,200	8,810	10,600	11,889	13,078	14,778	16,700
YoY growth		32%	11%	7%	7%	20%	12%	10%	13%	13%
Total branded generics	74%	46,130	49,980	51,890	59,090	69,790	79,809	90,057	1,01,888	1,15,274
YoY growth		29%	8%	4%	14%	18%	14%	13%	13%	13%
US	10%	15,890	15,230	12,610	10,670	11,620	10,780	11,020	11,966	13,617
YoY growth		44%	-4%	-17%	-15%	9%	-7%	2%	9%	14%
US (USD mn)		227	215	170	143	145	130	131	141	160
YoY growth		33%	-5%	-21%	-16%	1%	-10%	1%	7%	14%
Germany	10%	10,090	9,470	10,380	9,660	9,280	10,740	11,707	12,877	14,165
YoY growth		17%	-6%	10%	-7%	-4%	16%	9%	10%	10%
Contract manufacturing	5%	4,603	4,612	5,064	5,472	4,817	5,321	5,480	6,138	6,875
YoY growth		15%	0%	10%	8%	-12%	10%	3%	12%	12%
Others	1%	15	101	102	189	695	628	704	795	899
YoY growth		-81%	581%	1%	85%	268%	-10%	12%	13%	13%
Total revenues	100%	76,728	79,393	80,046	85,080	96,202	1,07,278	1,18,967	1,33,664	1,50,830
YoY growth		29%	3%	1%	6%	13%	12%	11%	12%	13%
Gross profit		54,531	57,724	58,582	60,660	68,850	80,416	90,415	1,01,718	1,14,932
Gross Margin (%)		71.1%	72.7%	73.2%	71.3%	71.6%	75.0%	76.0%	76.1%	76.2%
EBITDA		19,842	21,704	24,801	24,313	28,601	34,068	38,965	44,376	50,830
YoY growth		47%	9%	14%	-2%	18%	19%	14%	14%	15%
EBITDA Margin (%)		25.9%	27.3%	31.0%	28.6%	29.7%	31.8%	32.8%	33.2%	33.7%
Adj PAT		7,145	9,533	12,257	10,526	12,574	16,217	20,522	25,839	30,926
YoY growth		41%	33%	29%	-14%	19%	29%	27%	26%	20%

Source: Company, HSIE Research, EBITDA/ PAT adjusted for forex and one-offs.

Exhibit 2: TRP growth was largely price driven in last few years



Source: IQVIA, HSIE Research

Exhibit 3: Steady growth in key therapies like CVS, gastro, anti-diabetic, and CNS

Torrent Ph. therapy YoY %	% of FY24 sales	FY20	FY21	FY22	FY23	FY24	Q1'25	Q2'25
Cardiac	27%	7%	10%	1%	9%	7%	10%	13%
Gastro Intestinal	17%	13%	9%	21%	16%	7%	11%	13%
Neuro / Cns	15%	6%	13%	12%	18%	9%	8%	9%
Vitamins/Minerals/Nutrients	10%	9%	15%	14%	17%	9%	5%	8%
Pain / Analgesics	8%	7%	2%	14%	17%	8%	5%	7%
Anti Diabetic	9%	19%	14%	9%	15%	13%	13%	16%
Derma	7%	9%	-1%	21%	19%	12%	7%	1%
Anti-Infectives	3%	-4%	-17%	5%	-8%	3%	3%	9%
Gynaec.	2%	16%	8%	27%	31%	-1%	20%	17%
Urology	1%	5%	-1%	9%	4%	1%	-5%	-3%
Torrent Ph. total	100%	8%	8%	11%	14%	8%	8%	10%

Source: IQVIA, HSIE Research

Exhibit 4: Gained share in therapies like gastro, CNS, anti-diabetics, and VMN; lost share in CVS

Torrent Ph. therapy MS %	% of FY24 sales	FY20	FY21	FY22	FY23	FY24	Q1'25	Q2'25
Cardiac	27%	8.5	8.2	7.5	7.5	7.3	7.3	7.3
Gastro Intestinal	17%	5.1	5.3	5.5	5.6	5.6	5.4	5.7
Neuro / Cns	15%	7.6	7.8	7.8	8.3	8.3	8.4	8.3
Vitamins/Minerals/Nutrients	10%	3.8	3.9	3.9	4.4	4.4	4.4	4.2
Pain / Analgesics	8%	3.6	3.7	3.5	3.6	3.6	3.6	3.5
Anti Diabetic	9%	2.7	2.8	2.9	3.1	3.3	3.5	3.6
Derma	7%	2.8	2.6	2.9	3.2	3.3	3.2	3.0
Anti-Infectives	3%	1.2	1.2	0.9	0.8	0.8	0.8	0.8
Gynaec.	2%	1.3	1.3	1.4	1.6	1.5	1.6	1.6
Urology	1%	1.3	1.2	1.1	1.0	0.9	0.7	0.8
Torrent Ph. total	100%	3.3	3.4	3.2	3.4	3.4	3.5	3.4

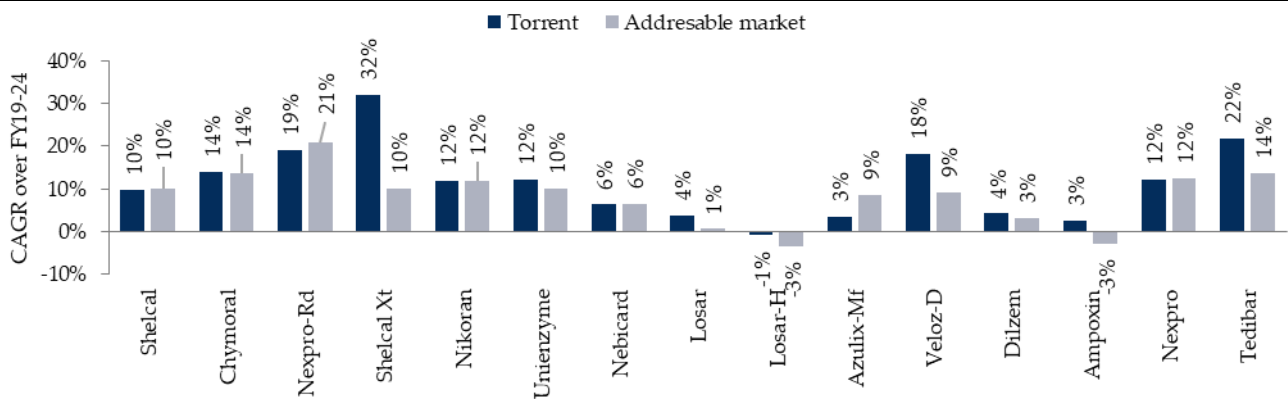
Source: IQVIA, HSIE Research

Exhibit 5: Steady growth in the leading brands

Torrent Ph. brands YoY	Therapy	% of FY24 sales	FY24 sales (Rs bn)	FY20	FY21	FY22	FY23	FY24	Q1'25	Q2'25
Shelcal	Vitamins/Minerals/Nutrients	6%	4.4	5%	18%	7%	15%	5%	5%	10%
Chymoral	Pain / Analgesics	4%	3.1	10%	8%	16%	22%	15%	8%	13%
Nexpro-Rd	Gastro Intestinal	3%	2.1	21%	19%	26%	20%	11%	12%	24%
Shelcal Xt	Vitamins/Minerals/Nutrients	3%	2.2	50%	12%	41%	35%	25%	9%	9%
Nikorán	Cardiac	3%	2.0	6%	15%	10%	15%	14%	10%	11%
Unienzyme	Gastro Intestinal	2%	1.6	9%	17%	3%	13%	7%	18%	17%
Nebicard	Cardiac	2%	1.4	10%	11%	-1%	7%	6%	-1%	3%
Losar	Cardiac	2%	1.3	6%	12%	-9%	6%	6%	6%	16%
Losar-H	Cardiac	2%	1.2	-4%	7%	-6%	0%	0%	-1%	6%
Azulix-Mf	Anti Diabetic	2%	1.1	14%	4%	4%	3%	-6%	-9%	0%
Top 10 brands		28%	20.3	12%	58%	10%	15%	10%	7%	11%
11-25 brands		17%	12.8	13%	14%	10%	11%	8%	9%	11%
26-50 brands		15%	10.7	16%	27%	13%	12%	5%	9%	10%
Above 50 brands		40%	29.8	4%	-17%	12%	15%	8%	8%	9%
Torrent Ph. Total		100%	73.6	8%	8%	11%	14%	8%	8%	10%

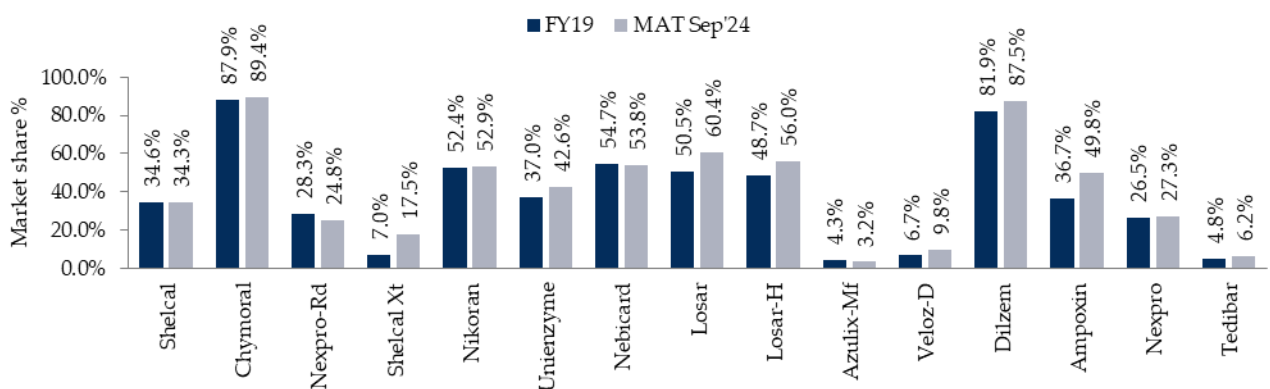
Source: IQVIA, HSIE Research

Exhibit 6: Key brands outperformed addressable market growth



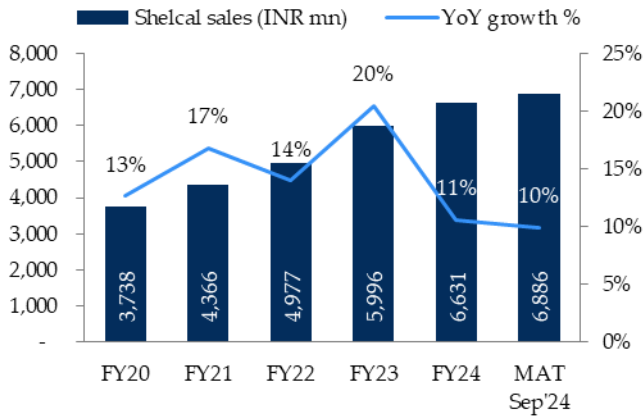
Source: IQVIA, HSIE Research

Exhibit 7: Market share is either steady or improving over last 4-6 years



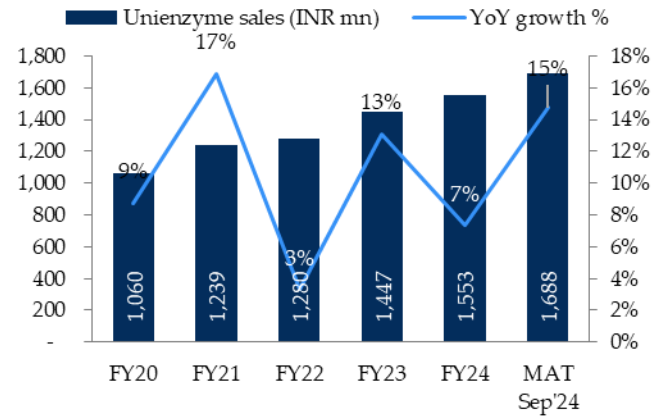
Source: IQVIA, HSIE Research

Exhibit 8: Consumer wellness portfolio – Shelcal saw strong scale-up



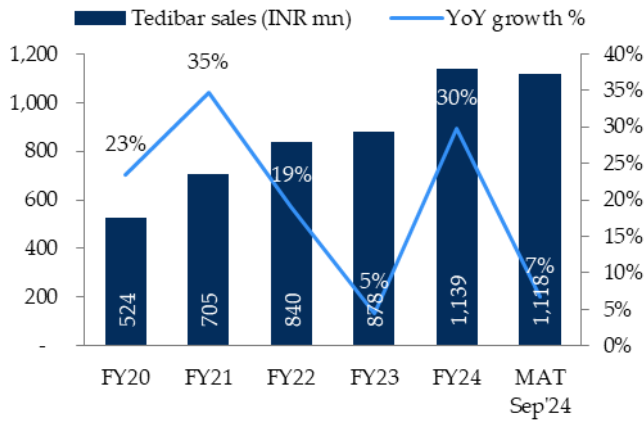
Source: IQVIA, HSIE Research

Exhibit 9: Unienzyme scale-up was steady



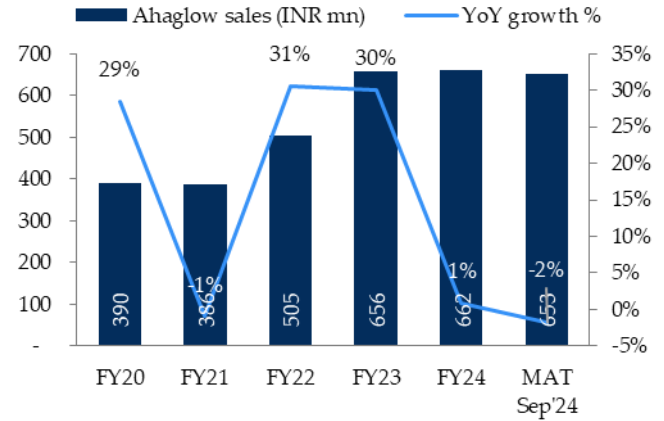
Source: IQVIA, HSIE Research

Exhibit 10: Tedibar saw steady performance



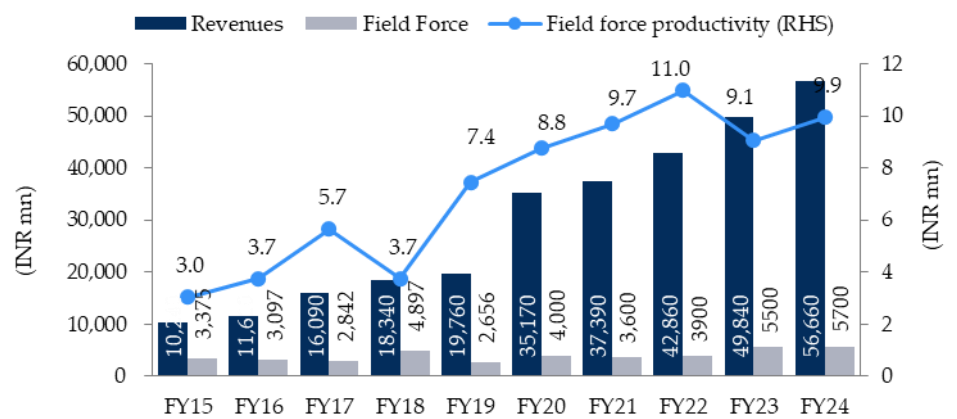
Source: IQVIA, HSIE Research

Exhibit 11: Ahaglow had muted growth in FY24



Source: IQVIA, HSIE Research

Exhibit 12: Focus to improve field force productivity



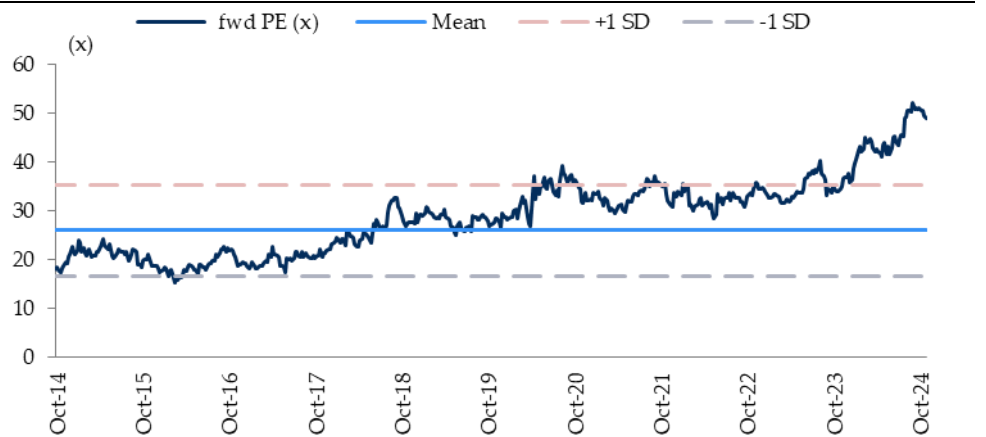
Source: Company, HSIE Research

Exhibit 13: Debt reduction to continue

INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross debt	57,844	48,255	40,181	52,973	39,374	25,474	13,474	7,974
Lease liabilities	-	487	516	713	845	854	862	871
Total debt	57,844	48,741	40,697	53,686	40,219	26,328	14,336	8,845
Cash and bank balance	6,667	6,035	4,034	5,715	8,390	3,173	5,166	15,897
Current investments	0	1,391	1,840	1,561	1,410	1,410	1,410	1,410
Total cash	6,667	7,426	5,874	7,276	9,801	4,583	6,576	17,307
Net debt	51,177	41,316	34,823	46,410	30,419	21,745	7,760	(8,462)
Gross debt to Equity	1.2	0.8	0.7	0.9	0.6	0.3	0.2	0.1
Net debt to Equity	1.1	0.7	0.6	0.7	0.4	0.3	0.1	(0.1)
Gross debt to EBITDA	2.7	2.0	1.7	1.9	1.2	0.7	0.3	0.2
Net debt to EBITDA	2.4	1.7	1.4	1.6	0.9	0.6	0.2	(0.2)

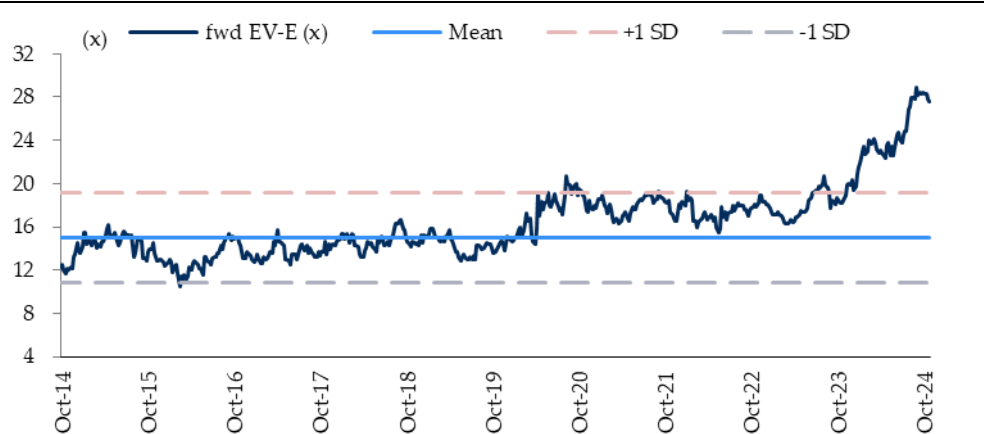
Source: IQVIA, HSIE Research

Exhibit 14: PE chart



Source: Bloomberg, HSIE Research

Exhibit 15: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	77,800	78,862	84,188	94,637	1,05,623	1,18,967	1,33,664	1,50,830
Other operating income	1,593	1,183	892	1,565	1,655	0	0	0
Total operating income	79,393	80,046	85,080	96,202	1,07,278	1,18,967	1,33,664	1,50,830
Cost of goods sold	-21,669	-21,464	-24,420	-27,352	-26,862	-28,552	-31,946	-35,898
Gross profit	57,724	58,582	60,660	68,850	80,416	90,415	1,01,718	1,14,932
Gross margin (%)	73	73	71	72	75	76	76	76
Total operating expenses	-36,020	-33,781	-36,348	-40,429	-46,740	-51,870	-57,342	-64,103
EBITDA	21,704	24,801	24,313	28,421	33,677	38,545	44,376	50,830
EBITDA margin (%)	27.3	31.0	28.6	29.5	31.4	32.4	33.2	33.7
Depreciation	-6,544	-6,578	-6,622	-7,066	-8,083	-8,036	-8,204	-8,380
EBIT	15,160	18,223	17,691	21,355	25,594	30,509	36,172	42,450
Net interest	-4,507	-3,529	-2,551	-3,334	-3,536	-2,264	-1,075	-663
Other income	386	249	270	451	579	652	791	1,167
Profit before tax	11,038	14,943	10,564	18,472	23,521	28,897	35,888	42,953
Total taxation	-1,619	-2,744	-4,487	-6,019	-6,957	-8,669	-10,049	-12,027
Tax rate (%)	15	18	42	33	30	30	28	28
Profit after tax	9,420	12,199	6,076	12,452	16,564	20,228	25,839	30,926
Minorities	0	0	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0	0	0
Adjusted net profit	9,533	12,257	10,526	12,574	16,217	20,522	25,839	30,926
Adj. PAT margin (%)	12	16	13	13	15	17	19	21
Net non-recurring items	715	262	-2,754	-122	347	-294	0	0
Reported net profit	10,247	12,519	7,772	12,452	16,564	20,228	25,839	30,926

Balance sheet (INR mn)

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Paid-up capital	846	846	846	1,692	1,692	1,692	1,692	1,692
Reserves & surplus	47,386	57,526	58,683	60,288	66,869	76,075	89,098	1,04,664
Net worth	48,232	58,372	59,530	61,981	68,562	77,767	90,790	1,06,356
Borrowing	43,661	48,741	40,697	53,686	40,219	26,328	14,336	8,845
Other non-current liabilities	1,539	670	2,445	4,556	8,342	8,427	8,513	8,600
Total liabilities	1,40,097	1,40,747	1,30,998	1,50,119	1,50,606	1,49,611	1,53,998	1,68,051
Gross fixed assets	99,920	1,01,703	1,04,687	1,24,741	1,31,465	1,36,065	1,39,665	1,43,265
Less: Depreciation	-28,010	-34,469	-43,055	-46,902	-53,465	-61,397	-69,505	-77,790
Net fixed assets	71,910	67,234	61,632	77,840	78,001	74,669	70,160	65,476
Add: Capital WIP	7,119	8,894	6,298	7,654	3,605	4,917	4,917	4,917
Total fixed assets	79,030	76,128	67,930	85,494	81,606	79,586	75,077	70,393
Total Investment	21	1,811	2,263	1,988	1,728	1,728	1,728	1,728
Inventory	21,482	26,812	24,623	22,296	22,791	25,776	28,961	32,680
Debtors	16,493	15,234	16,325	19,438	18,443	20,819	23,391	26,395
Cash & bank	6,667	6,035	4,034	5,715	8,390	3,173	5,166	15,897
Loans & advances	59	51	44	42	56	61	66	71
Current liabilities	46,665	32,964	28,327	29,896	33,483	37,088	40,358	44,250
Total current assets	49,832	53,862	51,124	51,756	54,730	55,302	63,732	81,981
Net current assets	3,167	20,898	22,797	21,860	21,246	18,213	23,374	37,731
Other non-current assets	7,794	5,533	7,086	7,506	9,162	9,605	10,070	10,559
Total assets	1,40,097	1,40,747	1,30,998	1,50,119	1,50,606	1,49,611	1,53,998	1,68,051

Source: Company, HSIE Research

Cash flow (INR mn)

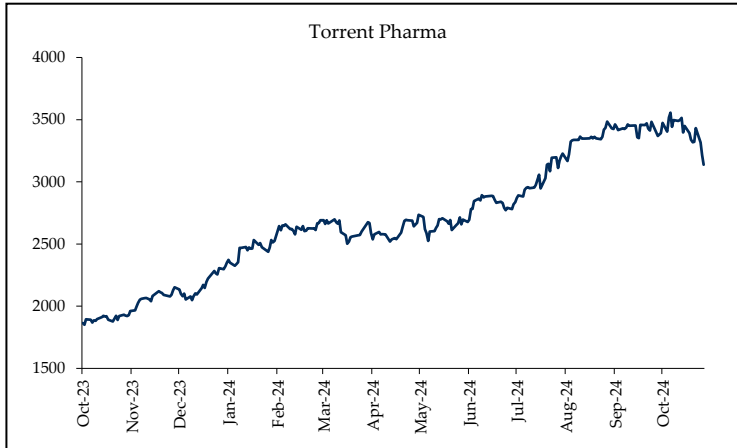
March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	11,038	14,943	10,564	18,472	23,521	28,897	35,888	42,953
Depreciation & Amortisation	-6,544	-6,578	-6,622	-7,066	-8,083	-8,036	-8,204	-8,380
Chg in working capital	-3,858	-3,383	-3,519	-182	4,181	-3,194	-3,626	-4,313
CF from operations	13,929	20,054	18,030	23,681	32,661	26,995	31,046	34,869
Capital expenditure	-4,068	-3,352	-2,026	-25,739	-4,328	-4,600	-3,600	-3,600
CF from investing	1,986	-4,494	-1,966	-24,153	-1,679	-3,278	-3,600	-3,600
Equity raised/ (repaid)	0	0	0	0	0	0	0	0
Debt raised/ (repaid)	-4,510	-5,429	-10,330	4,232	-12,360	-13,892	-11,991	-5,491
Dividend paid	-7,344	-3,385	-6,769	-8,630	-10,153	-11,125	-12,920	-15,463
CF from financing	-15,490	-16,508	-17,811	774	-27,796	-27,281	-25,986	-21,618
Net chg in cash	425	-949	-1,747	302	3,185	-3,564	1,460	9,651

Key ratios

March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPERATIONAL								
FDEPS (INR)	28.2	36.2	31.1	37.2	47.9	60.6	76.3	91.4
CEPS (INR)	49.6	56.4	42.5	57.7	72.8	83.5	100.6	116.1
DPS (INR)	21.7	10.0	20.0	25.5	30.0	32.9	38.2	45.7
Dividend payout ratio (%)	71.7	27.0	87.1	69.3	61.3	55.0	50.0	50.0
GROWTH								
Net sales (%)	4.3	1.4	6.8	12.4	11.6	12.6	12.4	12.8
EBITDA (%)	9.4	14.3	(2.0)	16.9	18.5	14.5	15.1	14.5
Adj net profit (%)	33.4	28.6	(14.1)	19.5	29.0	26.5	25.9	19.7
FDEPS (%)	33.4	28.6	(14.1)	19.5	29.0	26.5	25.9	19.7
PERFORMANCE								
RoE (%)	19.8	23.0	17.9	20.7	24.8	28.0	30.7	31.4
RoCE (%)	16.6	18.4	17.1	19.6	22.1	27.1	32.7	36.7
EFFICIENCY								
Asset turnover (x)	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.1
Sales/ total assets (x)	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.9
Working capital/ sales (x)	(0.1)	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Receivable days	77	71	71	75	64	64	64	64
Inventory days	136	177	148	120	113	117	118	119
Payable days	130	137	101	90	104	108	109	110
FINANCIAL STABILITY								
Total debt/ equity (x)	0.9	0.9	0.7	0.9	0.6	0.4	0.2	0.1
Net debt/ equity (x)	0.8	0.8	0.6	0.8	0.5	0.3	0.1	(0.1)
Current ratio (x)	1.1	1.6	1.8	1.7	1.6	1.5	1.6	1.9
Interest cover (x)	3.4	5.2	6.9	6.4	7.2	13.5	33.6	64.0
VALUATION								
PE (x)	111.4	86.6	100.9	84.4	65.5	51.7	41.1	34.3
EV/ EBITDA (x)	50.6	44.5	45.1	39.0	32.4	28.1	24.1	20.7
EV/ Net sales (x)	14.1	14.0	13.0	11.7	10.3	9.1	8.0	7.0
PB (x)	22.0	18.2	17.8	17.1	15.5	13.7	11.7	10.0
Dividend yield (%)	0.7	0.3	0.6	0.8	1.0	1.0	1.2	1.5
Free cash flow yield (%)	0.9	1.6	1.5	(0.2)	2.7	2.1	2.6	2.9

Source: Company, HSIE Research

Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murlu V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com