Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Torrent Pharmaceuticals (TRP IN)

Rating: BUY | CMP: Rs2,613 | TP: Rs2,900

May 27, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	2,900		2,700	
Sales (Rs. m)	1,20,746	1,36,007	1,21,592	1,36,904
% Chng.	*(0.7)*	*(0.7)*		
EBITDA (Rs. m)	38,803	44,776	39,869	45,973
% Chng.	*(2.7)*	*(2.6)*		
EPS (Rs.)	60.3	77.4	61.9	77.0
% Chng.	*(2.6)*	*0.5*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	96,197	1,07,280	1,20,746	1,36,007
EBITDA (Rs. m)	28,417	33,680	38,803	44,776
Margin (%)	*29.5*	*31.4*	*32.1*	*32.9*
PAT (Rs. m)	12,447	16,560	20,367	26,161
EPS (Rs.)	36.8	46.4	60.3	77.4
Gr. (%)	*(1.2)*	*26.0*	*29.9*	*28.5*
DPS (Rs.)	22.0	28.0	30.0	30.0
Yield (%)	*0.8*	*1.1*	*1.1*	*1.1*
RoE (%)	*20.5*	*24.0*	*28.0*	*31.1*
RoCE (%)	*19.9*	*23.0*	*28.5*	*34.3*
EV/Sales (x)	9.7	8.5	7.5	6.5
EV/EBITDA (x)	32.7	27.1	23.3	19.8
PE (x)	70.9	56.3	43.4	33.8
P/BV (x)	14.2	12.9	11.5	9.7

Key Data	TORP.BO | TRP IN
52-W High / Low	Rs.2,783 / Rs.1,683
Sensex / Nifty	75,410 / 22,957
Market Cap	Rs.884bn/ $ 10,640m
Shares Outstanding	338m
3M Avg. Daily Value	Rs.654.05m

Shareholding Pattern (%)

Promoter's	71.25
Foreign	14.14
Domestic Institution	7.15
Public & Others	7.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.8)	25.0	54.6
Relative	(4.8)	9.3	26.6

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Another quarter of strong margins

Quick Pointers:

- Guided for $250-300mn US revenues in next 3-5 years.
- Management cited 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. Historically TRP has successfully managed to integrate Unichem and Elder acquisition, which gives us comfort. We expect 16% EBITDA CAGR and 30% PAT CAGR over FY24-26E. Maintain 'BUY' rating with revised TP at Rs 2,900 valuing at 22x EV/EBITDA on FY26E.

- **Steady revenue growth across key markets:** Revenues grew by 10% YoY to Rs 27.4bn, vs our estimate of Rs27.8bn mainly driven by double-digit growth in India (+10%), Brazil (+17%) and Germany (+11%) markets. RoW+ CRAMS grew by 5% YoY. US sales witnessed decline by 4% QoQ to $32mn.
- **In line EBITDA, margins further improve QoQ:** TRP reported EBITDA of Rs8.8bn (up 21.5% YoY); in line with our estimates. GMs showed increase QoQ by 70 bps QoQ to 75.3%. Other expenses came at Rs6.9bn; up 12% YoY while staff cost was up 10% YoY. Resultant EBITDA margins stood at 32.2%; up 40 bps QoQ, aided by higher GMs. PAT was in line with our estimates.
- **Key concall takeaways:** India: Growth fueled by new launches in chronic therapies, especially anti-diabetic drugs, and expanded field force. Chronic business saw a 14% growth. Branded generics contributed 73%. Shelcal 500 grew in high teens in FY24 due to advertising and OTC marketing investments. Volume growth was 3%, price growth was 8% and the balance was driven by new product introductions. Field force strength in India at 5700. Plans to add 300-400MR in FY25. Overall consumer health division progressed well aided by new channel activations and increased distribution in newer town. **Brazil**: Benefited from pricing, volume growth, and new launches. Aims to maintain 3-5 branded launches annually. Recent price hike along with new launches will drive revenue growth in FY25. **Germany:** Steady new product launches, increased tender wins will aid sales growth from Q2FY25. Gained market share, at 6% at 2-year high. Launched 8 products in FY24 and targets 10+ launches annually. **US market:** New launches and contracts spur growth. Expect 7- 8 new launches in FY25E of which 2-3 could be meaningful. Guided for $250-300mn US revenues in next 3-5years. **Other highlights:** Focus on securing more licensing deals, aiming to close at least one in the upcoming quarters. Margin expansion expected by 50-100bps. Gross debt at Rs 39bn, with Rs 13bn repayment expected in FY25. Tax rate at 27% from FY26.

Exhibit 1: Q4FY24 Result Overview (Rs mn). In line EBITDA; Performance continues across geographies

Y/e March	Q4FY24	Q4FY23	*YoY gr. (%)*	Q3FY24	*QoQ gr. (%)*	FY24	FY23	*YoY gr. (%)*
Net Sales	**27,450**	**24,910**	***10.2***	**27,320**	***0.5***	**1,07,280**	**96,200**	***11.5***
Raw Material	6,790	7,040	*(3.6)*	6,970	*(2.6)*	26,860	27,350	*(1.8)*
% of Net Sales	*24.7*	*28.3*		*25.5*		*25.0*	*28.4*	
Personnel Cost	4,860	4,410	*10.2*	4,960	*(2.0)*	19,840	16,780	*18.2*
% of Net Sales	*17.7*	*17.7*		*18.2*		*18.5*	*17.4*	
Others	6,970	6,190	*12.6*	6,700	*4.0*	26,900	23,650	*13.7*
% of Net Sales	*25.4*	*24.8*		*24.5*		*25.1*	*24.6*	
Total Expenditure	18,620	17,640	*5.6*	18,630	*(0.1)*	73,600	67,780	*8.6*
EBITDA	**8,830**	**7,270**	***21.5***	**8,690**	***1.6***	**33,680**	**28,420**	***18.5***
Margin (%)	*32.2*	*29.2*		*31.8*		*31.4*	*29.5*	
Depreciation	2,030	1,960	*3.6*	2,130	*(4.7)*	8,080	7,070	*14.3*
EBIT	**6,800**	**5,310**	***28.1***	**6,560**	***3.7***	**25,600**	**21,350**	***19.9***
Other Income	310	90	*244.4*	(330)	*(193.9)*	580	450	*28.9*
Interest	800	1,070	*(25.2)*	800	-	3,540	3,330	*6.3*
PBT	**6,310**	**4,330**	***45.7***	**5,430**	***16.2***	**22,640**	**18,470**	***22.6***
Total Taxes	1,820	1,460	*24.7*	1,880	*(3.2)*	6,960	6,020	*15.6*
ETR (%)	*28.8*	*33.7*		*34.6*		*30.7*	*32.6*	
Minority Interest	-	-		-		-	-	
Reported PAT	**4,490**	**2,870**	***56.4***	**3,550**	***26.5***	**15,680**	**12,450**	***25.9***
Extra-Ord. Inc./Exps.	-	-		880		880	-	
Adjusted PAT	**4,490**	**2,870**		**4,430**		**16,560**	**12,450**	***33.0***

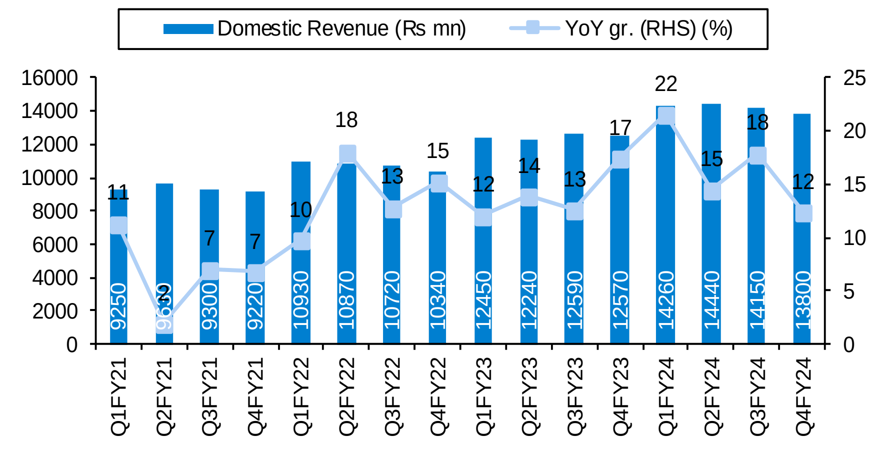
Source: Company, PL

Exhibit 2: Sources of Revenue – Healthy growth from India biz, US down QoQ

Y/e March	Q4FY24	Q4FY23	*YoY gr. (%)*	Q3FY24	*QoQ gr. (%)*	FY24	FY23	*YoY gr. (%)*
Domestic Sales	15,400	13,640	*12.9*	15,750	*(2.2)*	62,860	55,370	*13.5*
Branded Business	13,800	12,570	*9.8*	14,150	*(2.5)*	56,650	49,850	*13.6*
% of sales	*50.3*	*50.5*		*51.8*		*52.8*	*46.5*	
Contract Manufacturing	1,600	1,070	*49.5*	1,600	-	6,210	5,520	*12.5*
% of sales	*5.8*	*4.3*		*5.8*		*5.8*	*5.1*	
Exports	12,050	11,280	*6.8*	11,570	*4.1*	44,426	40,757	*9.0*
% of sales	*43.9*	*45.3*		*42.1*		*41.4*	*38.0*	
Brazil	3,720	3,180	*17.0*	3,120	*19.2*	11,260	9,350	*20.4*
Growth	*13.6*	*12.8*		*11.4*		*10.5*	*8.7*	
USA	2,620	2,800	*(6.4)*	2,740	*(4.4)*	10,770	11,550	*(6.8)*
Growth	*9.5*	*11.2*		*10.0*		*10.0*	*10.8*	
Germany	2,800	2,530	*10.7*	2,700	*3.7*	10,746	9,280	*15.8*
Growth	*10.2*	*10.2*		*9.8*		*10.0*	*8.7*	
RoW	2,910	2,770	*5.1*	3,010	*(3.3)*	11,650	10,577	*10.1*
Growth	*10.6*	*11.1*		*11.0*		*10.9*	*9.9*	
Total Sales	**27,450**	**24,920**	***10.2***	**27,320**	***0.5***	**1,07,286**	**96,127**	***11.6***

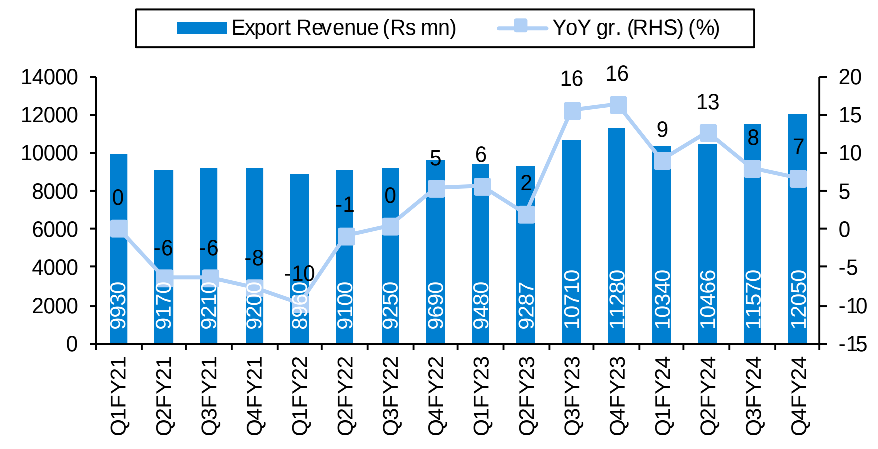
Source: Company, PL

Exhibit 3: Domestic Sales (Rs mn): Growth momentum continues



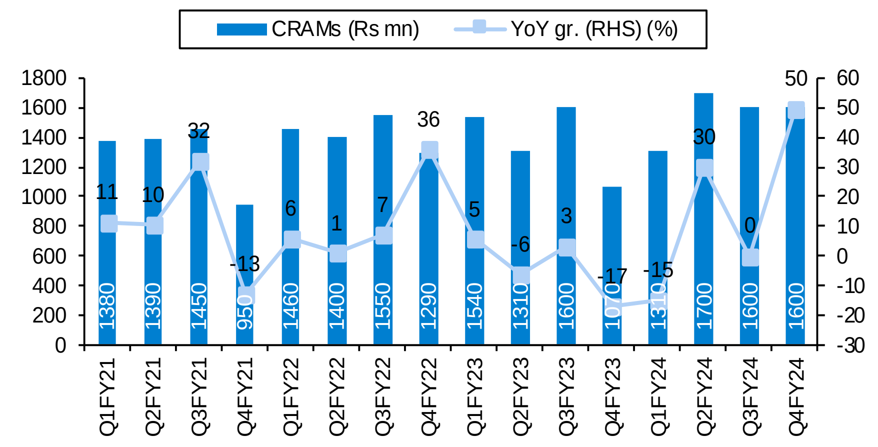
Source: Company, PL

Exhibit 4: Witnessed slowdown in US markets QoQ



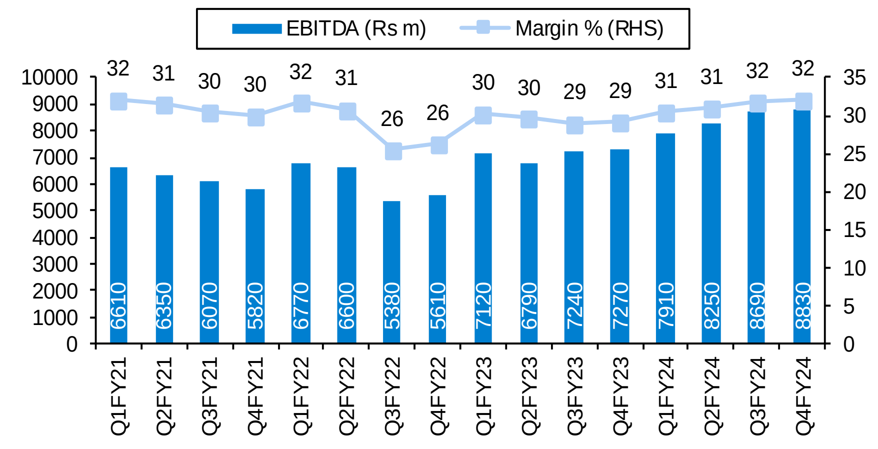
Source: Company, PL

Exhibit 5: Improved revenues YoY



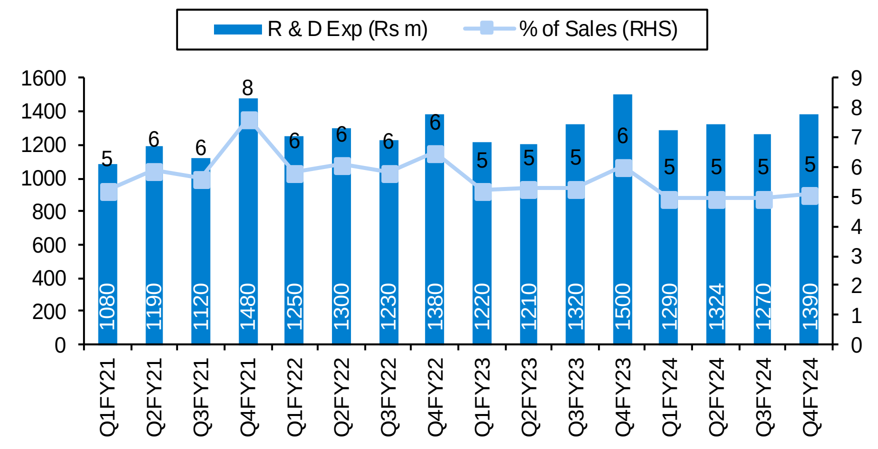
Source: Company, PL

Exhibit 6: Improved product mix delivered higher margins



Source: Company, PL

Exhibit 7: R&D spend continues 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**	**1,20,746**	**1,36,007**
YoY gr. (%)	*13.1*	*11.5*	*12.6*	*12.6*
Cost of Goods Sold	32,715	26,860	30,012	33,589
Gross Profit	63,482	80,420	90,734	1,02,418
Margin (%)	*66.0*	*75.0*	*75.1*	*75.3*
Employee Cost	16,780	19,840	22,221	24,887
Other Expenses	5,250	15,799	17,499	19,384
EBITDA	**28,417**	**33,680**	**38,803**	**44,776**
YoY gr. (%)	*16.9*	*18.5*	*15.2*	*15.4*
Margin (%)	*29.5*	*31.4*	*32.1*	*32.9*
Depreciation and Amortization	7,070	8,080	8,242	8,406
EBIT	**21,347**	**25,600**	**30,561**	**36,369**
Margin (%)	*22.2*	*23.9*	*25.3*	*26.7*
Net Interest	3,330	3,540	2,204	1,079
Other Income	450	580	737	1,044
Profit Before Tax	**18,467**	**22,640**	**29,095**	**36,335**
Margin (%)	*19.2*	*21.1*	*24.1*	*26.7*
Total Tax	6,020	6,960	8,729	10,174
Effective tax rate (%)	*32.6*	*30.7*	*30.0*	*28.0*
Profit after tax	**12,447**	**15,680**	**20,367**	**26,161**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**12,447**	**16,560**	**20,367**	**26,161**
YoY gr. (%)	*60.0*	*33.0*	*23.0*	*28.5*
Margin (%)	*12.9*	*15.4*	*16.9*	*19.2*
Extra Ord. Income / (Exp)	-	(880)	-	-
Reported PAT	**12,447**	**15,680**	**20,367**	**26,161**
YoY gr. (%)	*(1.4)*	*26.0*	*29.9*	*28.5*
Margin (%)	*12.9*	*14.6*	*16.9*	*19.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,447	15,680	20,367	26,161
Equity Shares O/s (m)	**338**	**338**	**338**	**338**
EPS (Rs)	**36.8**	**46.4**	**60.3**	**77.4**

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	20,522	23,965	27,477	31,059
Intangibles	27,638	32,275	37,005	41,829
Net fixed assets	**77,840**	**78,000**	**72,758**	**67,852**
Tangibles	27,358	28,388	26,047	23,829
Intangibles	50,482	49,612	46,712	44,023
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)	(3,629)	(6,681)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,560	1,410	1,410	1,410
Inventories	22,300	22,790	26,466	29,857
Trade receivables	19,440	18,440	23,158	26,125
Cash & Bank Balance	5,710	8,390	8,194	11,604
Other Current Assets	6,330	8,660	9,093	9,548
Total Assets	**1,44,680**	**1,45,060**	**1,48,449**	**1,53,766**
Equity				
Equity Share Capital	1,690	1,690	1,690	1,690
Other Equity	60,290	66,870	75,373	89,670
Total Networth	**61,980**	**68,560**	**77,063**	**91,360**
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	23,158	26,125
Other current liabilities	14,360	15,220	15,220	15,220
Total Equity & Liabilities	**1,44,680**	**1,45,060**	**1,48,449**	**1,53,766**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	18,017	22,060	28,358	35,291
Add. Depreciation	7,070	8,080	8,242	8,406
Add. Interest	3,330	3,540	2,204	1,079
Less Financial Other Income	450	580	737	1,044
Add. Other	-	-	-	-
Op. profit before WC changes	28,417	33,680	38,803	44,776
Net Changes-WC	(760)	4,180	(6,559)	(3,846)
Direct tax	(3,980)	(4,980)	(6,110)	(7,122)
Net cash from Op. activities	**23,677**	**32,880**	**26,134**	**33,808**
Capital expenditures	(24,150)	(5,670)	(3,000)	(3,500)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. 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)	(2,204)	(1,079)
Others	1,463	2,850	737	1,044
Net cash from Fin. activities	**2,153**	**(24,530)**	**(23,330)**	**(26,898)**
Net change in cash	**1,680**	**2,680**	**(196)**	**3,410**
Free Cash Flow	17,937	28,550	23,134	30,308

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	**25,910**	**26,600**	**27,320**	**27,450**
YoY gr. (%)	*10.4*	*16.1*	*9.7*	*10.2*
Raw Material Expenses	6,500	6,600	6,970	6,790
Gross Profit	19,410	20,000	20,350	20,660
Margin (%)	*74.9*	*75.2*	*74.5*	*75.3*
EBITDA	**7,910**	**8,250**	**8,690**	**8,830**
YoY gr. (%)	*11.1*	*21.5*	*20.0*	*21.5*
Margin (%)	*30.5*	*31.0*	*31.8*	*32.2*
Depreciation / Depletion	1,910	2,010	2,130	2,030
EBIT	**6,000**	**6,240**	**6,560**	**6,800**
Margin (%)	*23.2*	*23.5*	*24.0*	*24.8*
Net Interest	1,030	910	800	800
Other Income	340	260	(330)	310
Profit before Tax	**5,310**	**5,590**	**5,430**	**6,310**
Margin (%)	*20.5*	*21.0*	*19.9*	*23.0*
Total Tax	1,530	1,730	1,880	1,820
Effective tax rate (%)	*28.8*	*30.9*	*34.6*	*28.8*
Profit after Tax	**3,780**	**3,860**	**3,550**	**4,490**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**3,780**	**3,860**	**4,430**	**4,490**
YoY gr. (%)	*6.8*	*23.7*	*51.7*	*56.4*
Margin (%)	*14.6*	*14.5*	*16.2*	*16.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**3,780**	**3,860**	**4,430**	**4,490**
YoY gr. (%)	*6.8*	*23.7*	*51.7*	*56.4*
Margin (%)	*14.6*	*14.5*	*16.2*	*16.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**3,780**	**3,860**	**4,430**	**4,490**
Avg. Shares O/s (m)	338	338	338	338
EPS (Rs)	**11.2**	**11.4**	**10.5**	**13.3**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	36.8	46.4	60.3	77.4
CEPS	57.7	72.9	84.6	102.3
BVPS	183.4	202.8	228.0	270.3
FCF	53.1	84.5	68.4	89.7
DPS	22.0	28.0	30.0	30.0
Return Ratio(%)				
RoCE	19.9	23.0	28.5	34.3
ROIC	15.5	18.9	22.0	25.8
RoE	20.5	24.0	28.0	31.1
Balance Sheet				
Net Debt : Equity (x)	0.7	0.4	0.3	0.0
Net Working Capital (Days)	95	69	80	80
Valuation(x)				
PER	70.9	56.3	43.4	33.8
P/B	14.2	12.9	11.5	9.7
P/CEPS	45.2	35.8	30.9	25.5
EV/EBITDA	32.7	27.1	23.3	19.8
EV/Sales	9.7	8.5	7.5	6.5
Dividend Yield (%)	0.8	1.1	1.1	1.1

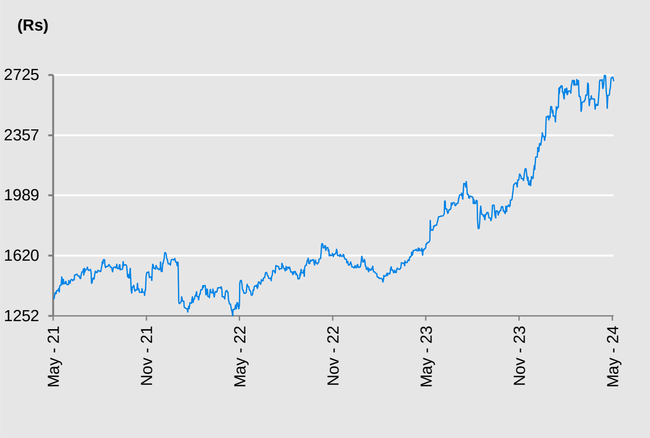
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic	49,850	56,660	63,459	71,074
Export	40,827	44,520	50,821	58,014
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-Apr-24	BUY	2,700	2,577
2	02-Feb-24	BUY	2,700	2,526
3	08-Jan-24	BUY	2,250	2,350
4	23-Oct-23	BUY	2,250	1,877
5	07-Oct-23	BUY	2,250	1,894
6	08-Aug-23	BUY	2,250	2,055
7	06-Jul-23	BUY	1,900	1,899
8	31-May-23	BUY	1,900	1,714

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,120	1,124
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Reduce	3,150	3,748
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	908
8	Fortis Healthcare	BUY	480	437
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,774
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,100	1,950
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	803
18	Narayana Hrudayalaya	BUY	1,435	1,286
19	Sun Pharmaceutical Industries	BUY	1,710	1,539
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,577
22	Zydus Lifesciences	Accumulate	1,130	1,104

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

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