

February 2, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	2,700		2,250	
Sales (Rs. m)	1,21,687	1,37,009	1,22,113	1,37,251
% Chng.	(0.3)	(0.2)		
EBITDA (Rs. m)	39,939	46,051	38,709	44,505
% Chng.	3.2	3.5		
EPS (Rs.)	62.0	77.2	61.4	76.7
% Chng.	1.0	0.6		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	96,197	1,07,802	1,21,687	1,37,009
EBITDA (Rs. m)	28,417	33,825	39,939	46,051
Margin (%)	29.5	31.4	32.8	33.6
PAT (Rs. m)	12,447	16,455	20,971	26,087
EPS (Rs.)	36.8	46.1	62.0	77.2
Gr. (%)	(1.2)	25.1	34.6	24.4
DPS (Rs.)	22.0	24.0	26.0	28.0
Yield (%)	0.9	1.0	1.0	1.1
RoE (%)	20.5	23.8	28.2	29.9
RoCE (%)	19.9	22.5	27.9	32.3
EV/Sales (x)	9.3	8.3	7.2	6.3
EV/EBITDA (x)	31.6	26.3	22.0	18.8
PE (x)	68.6	54.8	40.7	32.7
P/BV (x)	13.8	12.4	10.7	9.0

Key Data

TORP.BO | TRP IN

52-W High / Low	Rs.2,576 / Rs.1,446	
Sensex / Nifty	72,086 / 21,854	
Market Cap	Rs.855bn/ \$ 10,307m	
Shares Outstanding	338m	
3M Avg. Daily Value	Rs.630.36m	

Shareholding Pattern (%)

Promoter's	71.25
Foreign	14.08
Domestic Institution	7.21
Public & Others	7.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.8	28.5	63.9
Relative	8.5	17.2	36.3

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Torrent Pharmaceuticals (TRP IN)

Rating: BUY | CMP: Rs2,526 | TP: Rs2,700

Margin improvement continues

Quick Pointers:

- Key markets like India, Brazil and Germany reported double digit growth.
- Guided for 2 big launches in Chronic /sub chronic within domestic segment.

Torrent Pharma's (TRP) Q3FY24 EBITDA/PAT was largely in-line. Our FY25/ FY26E EBITDA stands increased by ~3%. TRP reported Rs 70bn (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 17% EBITDA CAGR and 30% PAT CAGR over FY24-26E. Maintain 'BUY' rating with revised TP at Rs 2,700 valuing at 20x EV/EBITDA as we roll forward.

- Healthy revenue growth across key markets:** Revenues grew by 10% YoY to Rs 27.3bn, mainly driven by double-digit growth in India (+13%), Brazil (+26%) and Germany (+12%) markets. RoW+ CRAMS grew by mere 2% YoY. US sales improved 10% QoQ to \$33mn.
- Margin improvement continues:** TRP reported EBITDA of Rs8.7bn (up 20% YoY vs our estimates of Rs8.55bn). GMs showed a marginal dip; down 80bps QoQ at 74.1%. Other expenses came at Rs6.7bn; up 9% YoY while staff cost was up 17% YoY. Resultant EBITDA margins stood at 31.8%; up 80 bps QoQ, due to change in revenue mix. Other income included forex loss of 330mn. An exceptional item of Rs 880mn relates to gain aided from sale of liquid facility in US. Adjusted for one-offs; PAT was in-line with our estimates.
- Key concall takeaways: Domestic branded:** India business growth was aided by new launches, performance of top brands and positive traction of consumer health business. Field force strength stands at 5700. Intends to add 200-300 reps annually. Currently Torrent has 16 brands contributing more than Rs1bn in sales. **Curatio** portfolio is completely integrated in the base business. Doctor coverage (Derma and pediatric) increased by 20-25% and also managed to strengthen geographical presence. **Trade generics:** Guided for 25-30% growth in the medium term. Overall consumer health division progressed well aided by new channel activations and increased distribution in newer town. **Germany market:** Currently enjoys 5.7% market share in generic market. Launched 7 products in 9MFY24 and targets 10+ launches annually. New tender orders won will help to deliver incremental revenues from Q2FY2 along with sales force expansion. **Brazil:** Plans to launch 5-6 products annually in branded generic segment. Total MR count remains at 318. Further generic is also growing at healthy run-rate and currently contributes 14% of total Brazil revenues. Guided for double digit growth in Q4. **US:** New launches and contracts spur growth. Volume pick up from Dahej facility added fuel in Q3FY24E. Expect 7- 8 new launches in FY25E. Mgmt cited about low single digit price erosion.

Exhibit 1: Q3FY24 Result Overview (Rs mn). In line EBITDA; healthy growth across geographies

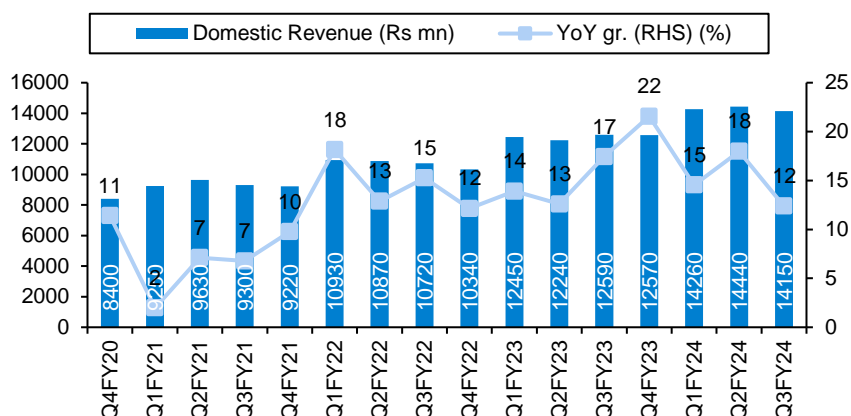
Y/e March	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	27,320	24,910	9.7	26,600	2.7	79,830	71,290	12.0
Raw Material	6,970	7,300	(4.5)	6,600	5.6	20,070	20,310	(1.2)
<i>% of Net Sales</i>	<i>25.5</i>	<i>29.3</i>		<i>24.8</i>		<i>25.1</i>	<i>28.5</i>	
Personnel Cost	4,960	4,230	17.3	5,030	(1.4)	14,980	12,370	21.1
<i>% of Net Sales</i>	<i>18.2</i>	<i>17.0</i>		<i>18.9</i>		<i>18.8</i>	<i>17.4</i>	
Others	6,700	6,140	9.1	6,720	(0.3)	19,930	17,460	14.1
<i>% of Net Sales</i>	<i>24.5</i>	<i>24.6</i>		<i>25.3</i>		<i>25.0</i>	<i>24.5</i>	
Total Expenditure	18,630	17,670	5.4	18,350	1.5	54,980	50,140	9.7
EBITDA	8,690	7,240	20.0	8,250	5.3	24,850	21,150	17.5
<i>Margin (%)</i>	<i>31.8</i>	<i>29.1</i>		<i>31.0</i>		<i>31.1</i>	<i>29.7</i>	
Depreciation	2,130	1,930	10.4	2,010	6.0	6,050	5,110	18.4
EBIT	6,560	5,310	23.5	6,240	5.1	18,800	16,040	17.2
Other Income	(330)	(100)	230.0	260	(226.9)	270	360	(25.0)
Interest	800	1,020	(21.6)	910	(12.1)	2,740	2,260	21.2
PBT	5,430	4,190	29.6	5,590	(2.9)	16,330	14,140	15.5
Total Taxes	1,880	1,270	48.0	1,730	8.7	5,140	4,560	12.7
<i>ETR (%)</i>	<i>34.6</i>	<i>30.3</i>		<i>30.9</i>		<i>31.5</i>	<i>32.2</i>	
Minority Interest	-	-		-		-	-	
Reported PAT	3,550	2,920	21.6	3,860	(8.0)	11,190	9,580	16.8
Extra-Ord. Inc./Exps.	880	-		-		880	-	
Adjusted PAT	4,430	2,920		3,860		12,070	9,580	26.0

Source: Company, PL

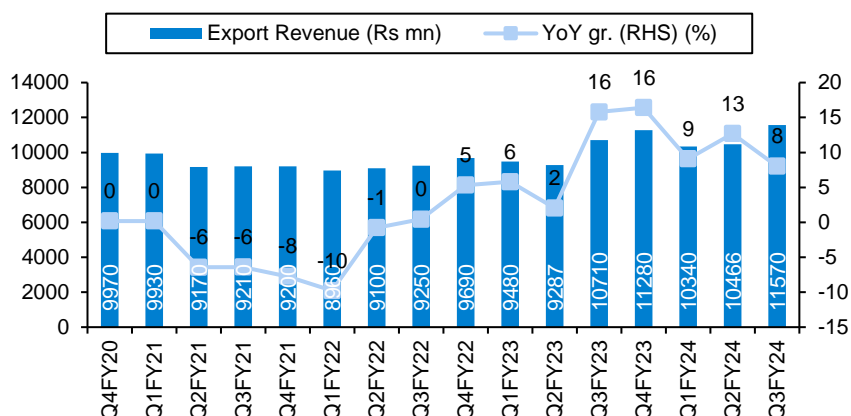
Exhibit 2: Sources of Revenue – Branded generic growth complemented by exports biz

Y/e March (Rs m)	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Domestic Sales	15,750	14,190	11.0	16,140	(2.4)	47,460	41,730	13.7
Branded Business	14,150	12,590	12.4	14,440	(2.0)	42,850	37,280	14.9
<i>% of sales</i>	<i>51.8</i>	<i>50.5</i>		<i>54.3</i>		<i>53.7</i>	<i>46.7</i>	
Contract Manufacturing	1,600	1,600	-	1,700	(5.9)	4,610	4,450	3.6
<i>% of sales</i>	<i>5.9</i>	<i>6.4</i>		<i>6.2</i>		<i>5.8</i>	<i>5.6</i>	
Exports	11,570	10,710	8.0	10,466	10.5	32,376	29,477	9.8
<i>% of sales</i>	<i>42.3</i>	<i>43.0</i>		<i>38.3</i>		<i>40.6</i>	<i>36.9</i>	
Brazil	3,120	2,480	25.8	2,520	23.8	7,540	6,170	22.2
<i>Growth (%)</i>	<i>11.4</i>	<i>10.0</i>		<i>9.2</i>		<i>9.4</i>	<i>7.7</i>	
USA	2,740	2,910	(5.8)	2,480	10.5	8,150	8,750	(6.9)
<i>Growth (%)</i>	<i>10.0</i>	<i>11.7</i>		<i>9.1</i>		<i>10.2</i>	<i>11.0</i>	
Germany	2,700	2,410	12.0	2,666	1.3	7,946	6,750	17.7
<i>Growth (%)</i>	<i>9.9</i>	<i>9.7</i>		<i>9.8</i>		<i>10.0</i>	<i>8.5</i>	
RoW	3,010	2,910	3.4	2,800	7.5	8,740	7,807	12.0
<i>Growth (%)</i>	<i>11.0</i>	<i>11.7</i>		<i>10.2</i>		<i>10.9</i>	<i>9.8</i>	

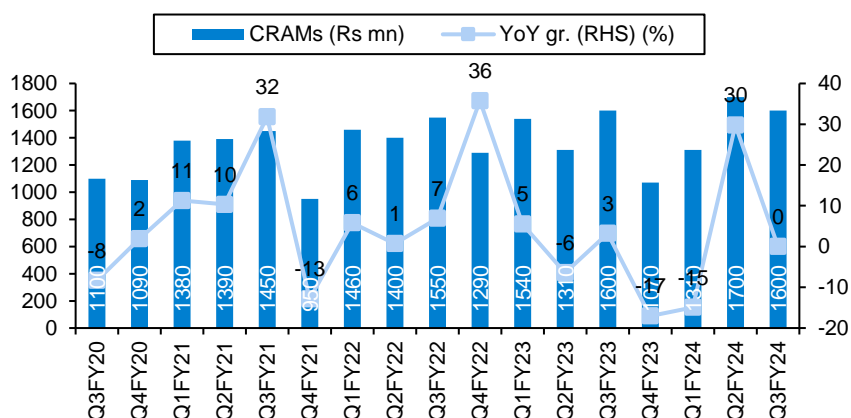
Source: Company, PL

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


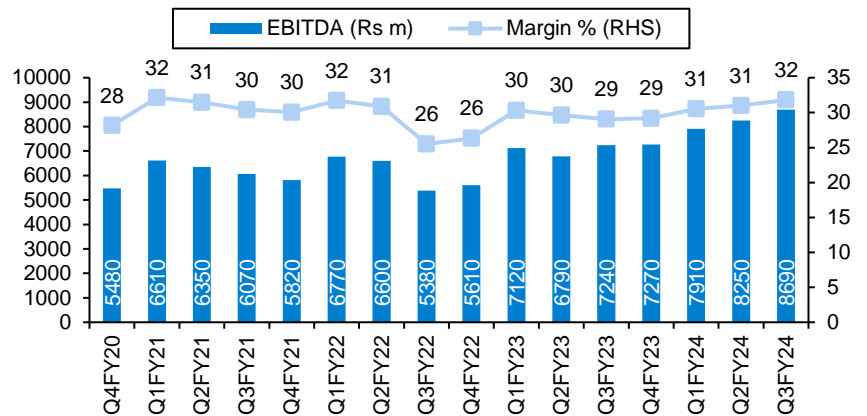
Source: Company, PL

Exhibit 4: US volumes improved QoQ


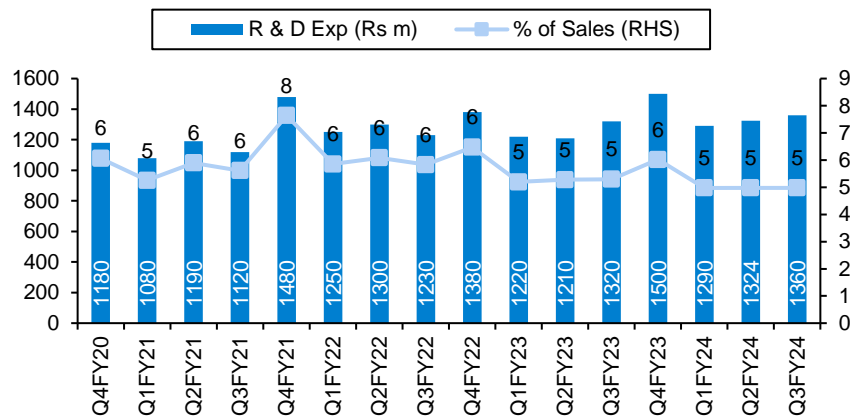
Source: Company, PL

Exhibit 5: Flat revenues YoY


Source: Company, PL

Exhibit 6: Better product mix delivered higher margins


Source: Company, PL

Exhibit 7: Consistent R&D levels- 5% of sales


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	96,197	1,07,802	1,21,687	1,37,009
YoY gr. (%)	13.1	12.1	12.9	12.6
Cost of Goods Sold	32,715	27,092	29,653	33,132
Gross Profit	63,482	80,710	92,034	1,03,877
Margin (%)	66.0	74.9	75.6	75.8
Employee Cost	16,780	20,035	22,440	25,132
Other Expenses	5,250	15,749	17,444	19,323
EBITDA	28,417	33,825	39,939	46,051
YoY gr. (%)	16.9	19.0	18.1	15.3
Margin (%)	29.5	31.4	32.8	33.6
Depreciation and Amortization	7,070	8,165	8,328	8,495
EBIT	21,347	25,660	31,611	37,557
Margin (%)	22.2	23.8	26.0	27.4
Net Interest	3,330	3,474	2,548	1,798
Other Income	450	550	895	1,509
Profit Before Tax	18,467	22,737	29,958	37,268
Margin (%)	19.2	21.1	24.6	27.2
Total Tax	6,020	7,162	8,987	11,180
Effective tax rate (%)	32.6	31.5	30.0	30.0
Profit after tax	12,447	15,575	20,971	26,087
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,447	16,455	20,971	26,087
YoY gr. (%)	60.0	32.2	27.4	24.4
Margin (%)	12.9	15.3	17.2	19.0
Extra Ord. Income / (Exp)	-	(880)	-	-
Reported PAT	12,447	15,575	20,971	26,087
YoY gr. (%)	(1.4)	25.1	34.6	24.4
Margin (%)	12.9	14.4	17.2	19.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,447	15,575	20,971	26,087
Equity Shares O/s (m)	338	338	338	338
EPS (Rs)	36.8	46.1	62.0	77.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	1,26,001	1,29,001	1,32,001	1,36,001
Tangibles	47,880	50,310	51,480	53,040
Intangibles	78,120	78,690	80,520	82,960
Acc: Dep / Amortization	48,161	56,326	64,654	73,148
Tangibles	20,522	24,002	27,550	31,170
Intangibles	27,638	32,324	37,103	41,978
Net fixed assets	77,840	72,675	67,347	62,852
Tangibles	27,358	26,309	23,930	21,870
Intangibles	50,482	46,366	43,417	40,982
Capital Work In Progress	11,030	11,030	11,030	11,030
Goodwill	-	-	-	-
Non-Current Investments	430	430	430	430
Net Deferred tax assets	1,420	1,420	1,420	1,420
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,560	1,560	1,560	1,560
Inventories	22,300	27,151	30,699	34,615
Trade receivables	19,440	20,658	23,358	26,337
Cash & Bank Balance	5,710	5,436	7,456	12,573
Other Current Assets	6,330	6,647	6,979	7,328
Total Assets	1,44,680	1,45,626	1,48,899	1,56,765
Equity				
Equity Share Capital	1,690	1,690	1,690	1,690
Other Equity	60,290	67,254	77,942	92,957
Total Network	61,980	68,944	79,632	94,647
Non-Current Liabilities				
Long Term borrowings	24,960	15,960	5,960	5,960
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	28,010	28,010	28,010	18,010
Trade payables	16,790	19,773	22,357	25,209
Other current liabilities	14,360	14,360	14,360	14,360
Total Equity & Liabilities	1,44,680	1,45,626	1,48,899	1,56,765

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	18,017	22,187	29,063	35,759
Add. Depreciation	7,070	8,165	8,328	8,495
Add. Interest	3,330	3,474	2,548	1,798
Less Financial Other Income	450	550	895	1,509
Add. Other	-	-	-	-
Op. profit before WC changes	28,417	33,825	39,939	46,051
Net Changes-WC	(760)	(3,403)	(3,996)	(4,392)
Direct tax	(3,980)	(7,162)	(8,987)	(11,180)
Net cash from Op. activities	23,677	23,261	26,955	30,479
Capital expenditures	(25,740)	(3,000)	(3,000)	(4,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(25,740)	(3,000)	(3,000)	(4,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	12,650	(9,000)	(10,000)	(10,000)
Dividend paid	(8,630)	(9,491)	(10,282)	(11,073)
Interest paid	(3,330)	(3,474)	(2,548)	(1,798)
Others	3,053	1,430	895	1,509
Net cash from Fin. activities	3,743	(20,535)	(21,935)	(21,362)
Net change in cash	1,680	(274)	2,021	5,117
Free Cash Flow	17,937	20,261	23,955	26,479

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	24,910	25,910	26,600	27,320
YoY gr. (%)	16.9	10.4	16.1	9.7
Raw Material Expenses	7,040	6,500	6,600	6,970
Gross Profit	17,870	19,410	20,000	20,350
Margin (%)	71.7	74.9	75.2	74.5
EBITDA	7,270	7,910	8,250	8,690
YoY gr. (%)	29.6	11.1	21.5	20.0
Margin (%)	29.2	30.5	31.0	31.8
Depreciation / Depletion	1,960	1,910	2,010	2,130
EBIT	5,310	6,000	6,240	6,560
Margin (%)	21.3	23.2	23.5	24.0
Net Interest	1,070	1,030	910	800
Other Income	90	340	260	(330)
Profit before Tax	4,330	5,310	5,590	5,430
Margin (%)	17.4	20.5	21.0	19.9
Total Tax	1,460	1,530	1,730	1,880
Effective tax rate (%)	33.7	28.8	30.9	34.6
Profit after Tax	2,870	3,780	3,860	3,550
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,870	3,780	3,860	4,430
YoY gr. (%)	(343.2)	6.8	23.7	51.7
Margin (%)	11.5	14.6	14.5	16.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,870	3,780	3,860	4,430
YoY gr. (%)	(343.2)	6.8	23.7	51.7
Margin (%)	11.5	14.6	14.5	16.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,870	3,780	3,860	4,430
Avg. Shares O/s (m)	338	338	338	338
EPS (Rs)	8.5	11.2	11.4	10.5

Source: Company Data, PL Research

Key Financial Metrics

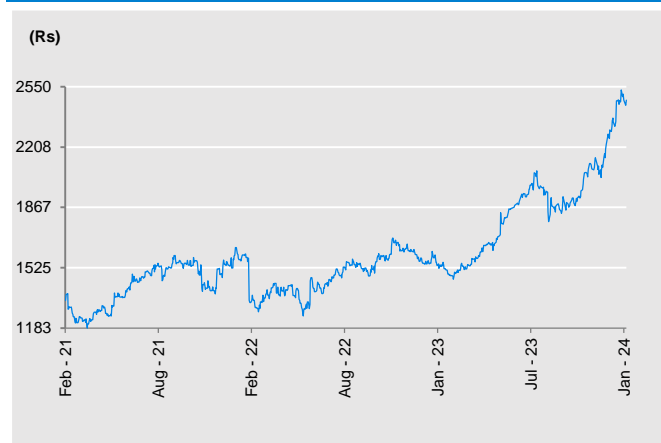
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	36.8	46.1	62.0	77.2
CEPS	57.7	72.8	86.7	102.3
BVPS	183.4	204.0	235.6	280.0
FCF	53.1	59.9	70.9	78.3
DPS	22.0	24.0	26.0	28.0
Return Ratio(%)				
RoCE	19.9	22.5	27.9	32.3
ROIC	15.5	18.5	22.6	26.3
RoE	20.5	23.8	28.2	29.9
Balance Sheet				
Net Debt : Equity (x)	0.7	0.5	0.3	0.1
Net Working Capital (Days)	95	95	95	95
Valuation(x)				
PER	68.6	54.8	40.7	32.7
P/B	13.8	12.4	10.7	9.0
P/CEPS	43.7	34.7	29.1	24.7
EV/EBITDA	31.6	26.3	22.0	18.8
EV/Sales	9.3	8.3	7.2	6.3
Dividend Yield (%)	0.9	1.0	1.0	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Domestic	49,850	57,187	64,201	71,981
Export	40,827	44,515	51,020	58,110
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-Jan-24	BUY	2,250	2,350
2	23-Oct-23	BUY	2,250	1,877
3	07-Oct-23	BUY	2,250	1,894
4	08-Aug-23	BUY	2,250	2,055
5	06-Jul-23	BUY	1,900	1,899
6	31-May-23	BUY	1,900	1,714
7	06-Apr-23	BUY	1,820	1,578

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	6,000	5,754
2	Aster DM Healthcare	BUY	430	417
3	Aurobindo Pharma	Accumulate	1,065	1,124
4	Cipla	Accumulate	1,400	1,375
5	Divi's Laboratories	Reduce	3,150	4,015
6	Dr. Reddy's Laboratories	Reduce	5,650	5,841
7	Eris Lifesciences	BUY	1,050	928
8	Fortis Healthcare	BUY	400	434
9	Glenmark Pharmaceuticals	Reduce	570	893
10	HealthCare Global Enterprises	BUY	420	371
11	Indoco Remedies	Accumulate	380	369
12	Ipca Laboratories	Hold	1,060	1,119
13	J.B. Chemicals & Pharmaceuticals	BUY	1,800	1,682
14	Jupiter Life Line Hospitals	BUY	1,310	1,138
15	Krishna Institute of Medical Sciences	BUY	2,000	2,000
16	Lupin	Hold	1,200	1,390
17	Max Healthcare Institute	BUY	925	799
18	Narayana Hrudayalaya	BUY	1,250	1,212
19	Sun Pharmaceutical Industries	BUY	1,640	1,415
20	Suntech Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,250	2,350
22	Zydus Lifesciences	Accumulate	670	714

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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