

Branded business continue to propel numbers..

About the stock: Incorporated in 1959, Torrent remains a key play in branded generics (~73% of sales) with strong India franchise and growing exports traction.

- FY24 Revenues break-up – India (54%), Brazil (11%), US (10%), Germany (10%), Other markets (14%)
- Torrent is the eighth largest domestic player in the IPM. Over the years it has successfully acquired domestic businesses of Elder Pharma, Unichem labs and recently Curatio.

Investment Rationale:

- Q4FY24- Numbers buoyed by India and Brazil, margins solid – Revenues grew 10% YoY to ₹ 2745 crore, mainly driven by growth in India, Brazil and other emerging markets. EBITDA increased ~22% YoY to ₹ 883 crore driven by strong GPM improvement (~353 bps to 75.3%). EBITDA margins expanded by ~298 bps to ~32.2%. PAT grew 56% to ₹ 449 crore. India Business grew by 10% YoY to Rs 1380 crore on the back of performance from top brands (Rx as well as OTC) and new launches. Brazil Business grew 17% YoY to ₹ 372 crore driven by pricing and volume growth besides traction from new launches. Germany Business improved by 11% YoY to ₹ 280 crore complemented by new tenders and 8 new launches. U.S Business de-grew by ~6% YoY ₹ 262 crore as there were no new launches.
- Branded focus, upbeat margins guidance optimum capital allocation to the fore– The Branded business performances of India and Brazil (together account for ~73% of the sales) continue to have strong correlation with the company’s margins (GPM and EBITDAM). India continues to perform well with focus on power brands besides consumer business foray. Brazil numbers were driven by planned focus on branded generics and field force expansion. In Germany, the volatility has reduced due to normalcy in tender allocation. US continues to weigh negative due to lack of new launches, but the situation is set to improve in FY25 as the Dahej plant received EIR from the USFDA last year. The management expects margin improvement momentum (50-100 bps every year) to persist as besides branded generic markets in India and Brazil, the future looks far better generic markets of Germany and now US as well. The acquired business brands continue to thrive for Torrent in India which is evident from the fact that Shelcal (Elder). Unienzyme (Unichem) and Tedibar (Curatio) are already the flagship brands. Torrent remains the best capital allocator among Indian Pharma peers with strong and improving financials.

Rating and Target price

- Our target price is ₹ 3080 based on 24x FY26E EBITDA of ₹ 4310.3 crore.

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24	FY25E	FY26E	3 year CAGR (FY23-26E)
Revenues	7939.0	8005.0	8508.0	9620.0	6.6	10728.0	11995.6	13262.4	11.3
EBITDA	2170.0	2480.0	2431.0	2842.0	9.4	3368.0	3855.7	4310.3	14.9
EBITDA margins (%)	27.3	31.0	28.6	29.5		31.4	32.1	32.5	
Net Profit	1025.0	1252.0	1084.4	1236.0	6.4	1594.0	2090.5	2557.3	27.4
EPS (₹)	30.3	37.0	32.1	36.6		47.2	61.8	75.7	
PE (x)	86.1	70.5	113.6	71.4		53.3	42.2	34.5	
RoNW (%)	21.2	21.4	18.2	19.9		23.3	27.2	26.7	
RoCE (%)	15.4	17.6	19.7	19.0		24.3	30.6	32.6	
Debt / Equity	1.2	0.8	0.7	0.9		0.6	0.4	0.2	

Source: Company, ICICI Direct Research



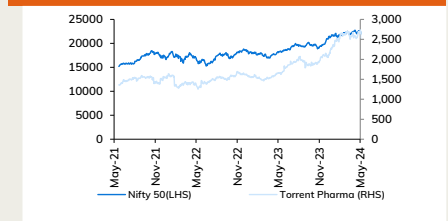
Particulars

Market Capitalisation (Rs crore)	88286
Debt (FY24) (Rs crore)	3938
Cash (FY24) (Rs crore)	889
EV (Rs crore)	91385
52 week H/L (Rs)	2
Equity capital (Rs crore)	169
Face value (Rs)	5

Shareholding pattern

(in %)	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	71.3	71.3	71.3	71.3
FII	12.9	13.2	14.1	14.1
DII	8.2	7.9	7.1	7.2
Others	7.7	7.7	7.6	7.5

Price Chart



Key risks

- Currency volatility in Brazil and other emerging markets
- Failure to maintain the EBITDA margins tempo

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Exhibit 1: Quarterly trend

₹ crore	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Net Sales	1915.0	2120.0	2103.0	2092.0	2104.0	2292.0	2261.0	2459.0	2452.0	2548.0	2628.0	2691.0	2695.0	9.9	0.1
OOI	22.0	14.0	34.0	14.0	27.0	55.0	30.0	32.0	39.0	43.0	32.0	41.0	50.0	28.2	22.0
Revenues	1937.0	2134.0	2137.0	2106.0	2131.0	2347.0	2291.0	2491.0	2491.0	2591.0	2660.0	2732.0	2745.0	10.2	0.5
Total RM cost	496.0	588.0	595.0	638.0	622.0	660.0	641.0	730.0	704.0	650.0	660.0	697.0	679.0	-3.6	-2.6
% sales	25.6	27.6	27.8	30.3	29.2	28.1	28.0	29.3	28.3	25.1	24.8	25.5	24.7	-353 bps	-78 bps
Gross Profit	1441.0	1546.0	1542.0	1468.0	1509.0	1687.0	1650.0	1761.0	1787.0	1941.0	2000.0	2035.0	2066.0	15.6	1.5
GPM (%)	74.4	72.4	72.2	69.7	70.8	71.9	72.0	70.7	71.7	74.9	75.2	74.5	75.3	353 bps	78 bps
Employee cost	341.0	385.0	389.0	388.0	364.0	420.0	394.0	423.0	441.0	499.0	503.0	496.0	486.0	10.2	-2.0
% sales	17.6	18.0	18.2	18.4	17.1	17.9	17.2	17.0	17.7	19.3	18.9	18.2	17.7	0 bps	-45 bps
Other expenditure	518.0	484.0	493.0	544.0	584.0	555.0	577.0	614.0	619.0	651.0	672.0	670.0	697.0	12.6	4.0
% of sales	26.7	22.7	23.1	25.8	27.4	23.6	25.2	24.6	24.8	25.1	25.3	24.5	25.4	54 bps	87 bps
Total Expenditure	1355.0	1457.0	1477.0	1570.0	1570.0	1635.0	1612.0	1767.0	1764.0	1800.0	1835.0	1863.0	1862.0	5.6	-0.1
% of Revenues	70.0	68.3	69.1	74.5	73.7	69.7	70.4	70.9	70.8	69.5	69.0	68.2	67.8	-298 bps	-36 bps
EBITDA	582.0	677.0	660.0	536.0	561.0	712.0	679.0	724.0	727.0	791.0	825.0	869.0	883.0	21.5	1.6
EBITDA Margins (%)	30.0	31.7	30.9	25.5	26.3	30.3	29.6	29.1	29.2	30.5	31.0	31.8	32.2	298 bps	36 bps
Depreciation	165.0	165.0	168.0	167.0	162.0	155.0	163.0	193.0	196.0	191.0	201.0	213.0	203.0	3.6	-4.7
Interest cost	73.0	68.0	71.0	62.0	57.0	55.0	69.0	102.0	107.0	103.0	91.0	80.0	80.0	-25.2	0.0
Other Income	39.0	40.0	51.0	50.0	56.0	30.0	16.0	-10.0	9.0	34.0	26.0	-33.0	31.0	244.4	-193.9
PBT before forex & EO	383.0	484.0	472.0	357.0	398.0	532.0	463.0	419.0	433.0	531.0	559.0	543.0	631.0	45.7	16.2
Forex & EO	0.0	0.0	0.0	0.0	-485.0	0.0	0.0	0.0	0.0	0.0	0.0	88.0	0.0		
PBT	383.0	484.0	472.0	357.0	-87.0	532.0	463.0	419.0	433.0	531.0	559.0	631.0	631.0	45.7	0.0
Tax	59.0	154.0	156.0	108.0	31.0	178.0	151.0	136.0	146.0	153.0	173.0	188.0	182.0	24.7	-3.2
Tax rate (%)	15.4	31.8	33.1	30.3	-35.6	33.5	32.6	32.5	33.7	28.8	30.9	29.8	28.8		
PAT	324.0	330.0	316.0	249.0	-118.0	354.0	312.0	283.0	287.0	378.0	386.0	443.0	449.0	56.4	1.4
PAT after MI	324.0	330.0	316.0	249.0	-118.0	354.0	312.0	283.0	287.0	378.0	386.0	443.0	449.0	56.4	1.4
EPS (₹)	19.1	19.5	18.7	14.7	-7.0	20.9	18.4	16.7	8.5	11.2	11.4	13.1	13.3		

Q4FY24 Results / Conference call highlights

FY25 Guidance-

- EBITDA margins to improve 50-100 bps next year on the back of branded traction and better operating leverage.
- India growth to 200-300 bps above IPM (the management expects IPM growth to be ~9% next year).
- India Trade Generic growth to continue in FY25, FY26 (then could taper down)
- Brazil growth could be ~15%
- Germany growth could be in high single digit
- Other markets could register 12-13% growth

US-

- 8 launches planned next year with 3-4 good launches
- Plan is to make US profitable in 2-3 years.
- Aspirational revenue target could be US\$ 250-300 million 3-4 years down the line

India-

- India growth as per AIOCD – 15% driven by 8% pricing growth, 4% new launches and 3% volumes growth.
- Management believes 7-8% pricing growth sustainable
- MR strength- 5700. Will continue to add 200-300 MRs every year.
- Consumer business accounts for 10-15% of the India business

Brazil

- To launch 4-6 products in Brazill next year
- IQVIA CC growth was ~12%

Germany

- Tenders value has increased over the last five quarters
- 8 products launched in FY24. 10 launches planned in FY25

Financial Tables

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
Revenues	9,620.0	10,728.0	11,995.6	13,262.4
Growth (%)	13.1	11.5	11.8	10.6
Raw Material Expenses	2735.0	2686.0	3118.8	3381.9
Employee Expenses	1678.0	1984.0	2142.1	2387.2
Other Expenses	2365.0	2690.0	2878.9	3183.0
Total Operating Expenc	6778.0	7360.0	8139.8	8952.1
EBITDA	2,842.0	3,368.0	3,855.7	4,310.3
Growth (%)	16.9	18.5	14.5	11.8
Depreciation	707.0	808.0	864.3	880.6
Interest	333.0	354.0	241.2	139.0
Other Income	45.0	58.0	236.2	261.1
PBT	1847.0	2264.0	2986.4	3551.8
Total Tax	611.0	696.0	895.9	994.5
PAT before MI	1236.0	1656.0	2090.5	2557.3
Adjusted PAT	1,236.0	1,594.0	2,090.5	2,557.3
Growth (%)	14.0	29.0	31.1	22.3
EPS (Adjusted)	36.6	47.2	61.8	75.7

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
Equity Capital	169.0	169.0	169.0	169.0
Reserve and Surplus	6,029.0	6,687.0	7,527.5	9,408.8
Total Shareholders func	6,198.0	6,856.0	7,696.5	9,577.8
Total Debt	5,297.0	3,938.0	2,838.0	1,738.0
Deferred Tax Liability	402.0	656.0	721.6	793.8
Other LT Liabilities & LT	469.0	519.0	570.9	628.0
Total Liabilities	12,366.0	11,969.0	11,827.0	12,737.5
Gross Block - Fixed Asse	12,797.0	13,047.0	13,297.0	13,547.0
Accumulated Depreciati	5,013.0	5,821.0	6,685.3	7,565.9
Net Block	7,784.0	7,800.0	6,611.7	5,981.1
Capital WIP	765.0	361.0	461.0	561.0
Total Fixed Assets	8,549.0	8,161.0	7,072.7	6,542.1
Goodwill on Consolidati	338.0	338.0	338.0	338.0
Investments	199.0	173.0	173.0	173.0
Deferred tax assets	544.0	555.0	610.5	671.6
Other non-current asset	209.0	364.0	400.4	440.4
Cash	571.0	839.0	1,275.1	2,442.1
Debtors	1,944.0	1,844.0	2,103.1	2,325.2
Loans and Advances	2.0	3.0	4.1	5.2
Inventory	2,230.0	2,279.0	2,563.4	2,779.6
Other current assets	426.0	505.0	506.1	507.2
Total Current Assets	5,173.0	5,470.0	6,451.9	8,059.4
Creditors	1,679.0	2,089.0	2,136.2	2,316.4
Provisions & other curre	967.0	1,003.0	1,083.3	1,170.6
Total Current Liabilities	2,646.0	3,092.0	3,219.5	3,487.0
Net Current Assets	2,527.0	2,378.0	3,232.4	4,572.4
Application of Funds	12,366.0	11,969.0	11,827.0	12,737.5

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
Profit/(Loss) after taxation	1449.0	1854.0	2090.5	2557.3
Depreciation	707.0	808.0	864.3	880.6
Add: Interest Paid	333.0	354.0	241.2	139.0
Other operational Activitie:	-121.0	251.0	-418.3	-173.0
CF from operation	2,368.0	3,267.0	2,777.7	3,403.9
Purchase/sales of Fixed Ass	-415.0	-299.0	-350.0	-350.0
(Inc)/Dec in Investments	-2000.0	131.0	0.0	0.0
Long Term Provision	0.0	0.0	44.5	49.0
Other Investing Activities	0.0	0.0	-18.9	-20.8
CF from Investing Activities	-2,415.0	-168.0	-324.4	-321.8
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	1243.0	-1393.0	-1100.0	-1100.0
Dividend and dividend tax	-863.0	-1015.0	-676.0	-676.0
Other Financing Activities	-303.0	-371.0	-241.2	-139.0
CF from Financing Activitie	77.0	-2,779.0	-2,017.2	-1,915.0
Cash generation during th	30.0	320.0	436.1	1167.0
Op bal Cash & Cash equivc	403.0	433.0	839.0	1275.1
Adjustments	0.0	0.0	0.0	0.0
Closing Cash/ Cash Equiva	433.0	839.0	1,275.1	2,442.1
Free Cash Flow	1,953.0	2,968.0	2,427.7	3,053.9

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY23	FY24	FY25E	FY26E
Per share data (₹)				
Reported EPS	36.6	49.0	61.8	75.7
BV per share	183.4	202.8	227.7	283.4
Dividend per share	48	28	20	20
Cash Per Share	16.9	24.8	37.7	72.3
Operating Ratios (%)				
Gross Profit Margins	71.6	75.0	74.0	74.5
EBITDA Margins	29.5	31.4	32.1	32.5
PAT Margins	12.8	14.9	17.4	19.3
Inventory days	297.6	309.7	300.0	300.0
Debtor days	73.8	62.7	64.0	64.0
Creditor days	224.1	283.9	250.0	250.0
Asset Turnover	0.8	0.8	0.9	1.0
EBITDA conversion Rate	83.3	97.0	72.0	79.0
Return Ratios (%)				
RoE	19.9	23.3	27.2	26.7
RoCE	19.0	24.3	30.6	32.6
RoIC	21.3	27.1	34.6	42.0
Valuation Ratios (x)				
P/E	71.4	53.3	42.2	34.5
EV / EBITDA	32.7	27.1	23.3	20.3
EV / Net Sales	9.7	8.5	7.5	6.6
Market Cap / Sales	9.2	8.2	7.4	6.7
Price to Book Value	14.2	12.9	11.5	9.2
Solvency Ratios				
Debt / EBITDA	1.9	1.2	0.7	0.4
Debt / Equity	0.9	0.6	0.4	0.2
Current Ratio	1.7	1.5	1.6	1.6
Quick Ratio	0.9	0.8	0.8	0.8
Working Capital Cycle	147.3	88.6	114.0	114.0
Net Debt/Equity	0.8	0.5	0.2	-0.1
Net Debt /EBITDA	1.7	0.9	0.4	-0.2

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

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