

May 31, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,900		1,820	
Sales (Rs. m)	1,10,121	1,25,819	1,08,043	1,23,464
% Chng.	1.9	1.9		
EBITDA (Rs. m)	32,907	39,190	32,902	39,078
% Chng.	-	0.3		
EPS (Rs.)	46.3	60.0	47.0	60.0
% Chng.	(1.5)	(0.1)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	85,080	96,197	1,10,121	1,25,819
EBITDA (Rs. m)	24,312	28,417	32,907	39,190
Margin (%)	28.6	29.5	29.9	31.1
PAT (Rs. m)	7,778	12,447	15,663	20,265
EPS (Rs.)	37.3	36.8	46.3	60.0
Gr. (%)	1.3	(1.2)	25.8	29.4
DPS (Rs.)	48.0	22.0	24.0	26.0
Yield (%)	2.8	1.3	1.4	1.5
RoE (%)	21.4	20.5	24.1	27.7
RoCE (%)	17.1	19.9	22.3	28.7
EV/Sales (x)	7.2	6.5	5.6	4.8
EV/EBITDA (x)	25.3	22.0	18.8	15.5
PE (x)	46.0	46.5	37.0	28.6
P/BV (x)	9.7	9.3	8.5	7.4

Key Data

TORP.BO | TRP IN

52-W High / Low	Rs.1,750 / Rs.1,344
Sensex / Nifty	62,969 / 18,634
Market Cap	Rs.580bn/ \$ 7,011m
Shares Outstanding	338m
3M Avg. Daily Value	Rs.465.46m

Shareholding Pattern (%)

Promoter's	71.25
Foreign	12.04
Domestic Institution	8.24
Public & Others	8.47
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	3.2	19.4
Relative	0.6	3.4	6.1

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Torrent Pharmaceuticals (TRP IN)

Rating: BUY | CMP: Rs1,714 | TP: Rs1,900

In line operating performance

Quick Pointers:

- Growth momentum to continue in India, Brazil and Row markets.
- Launched consumer healthcare platform in India.

Torrent Pharma's (TRP) 4QFY23 EBITDA was largely in line, however PAT was below our estimate led by higher tax and one-time inventory write off. TRP has Rs 70bn (75% of total sales) worth of highly profitable branded formulation sales spread across India, Brazil and RoW markets. In the near term, Curatio acquisition will increase the company's net debt and we see this acquisition as EPS dilutive. Also historically TRP has successfully managed to integrate Unichem and Elder acquisition which gives us comfort. We expect 17% EBITDA CAGR over FY23-25E. Maintain 'BUY' rating with revised TP of Rs 1,900/share (Rs 1,820 earlier), 17x EV/EBITDA to FY25E.

- Robust performance of branded generics at key markets:** Revenue grew strongly by 17% YoY at Rs 25bn vs our estimate of Rs24.2bn aided by higher India and Brazil sales. Domestic formulation grew strongly by 22% YoY led by base business, new launches and Curatio consolidation. Brazil and ROW market grew strongly by 27% YoY, above our estimate aided by market share gain and new launches. US sales were down 4% QoQ to \$34mn.
- In-line EBIDTA; Higher tax led to PAT miss:** TRP reported EBIDTA of Rs7.2bn; largely in line with our estimate. GM came in at 71.3%; there was one-time impact of 0.4%, due to inventory write off related to COVID products. OPM came in at 29.2% (flat QoQ). Other expenses came in at Rs6.2bn, up 1% QoQ led by higher R&D expenses. Other income was lower due to reducing cash balance. Tax came in higher at 33%. Resultant reported PAT stood at Rs2.8bn; up 14% YoY vs our estimate of Rs3.3bn.
- Key concall takeaways:** (1) **Domestic formulation market:** TRP base business grew 15% led by price hike of 7%, 3% volume and 5% from new launches. TRP expects India business to continue current growth momentum backed by new launches and integration of Curatio. (2) TRP have launched consumer healthcare platform in India with 200-250 field force. On pilot basis started with Shelcal brand in 4 states and expects to expand it at Pan India by end of FY24 (2) **Brazil market:** CC growth was 17% aided by market growth, new launches and CNS franchise. Torrent plan to launch six products in FY24. Added 36 reps in CNS division, bringing total no of reps to 295 (3) **Germany market:** In CC growth was 11% YoY, steady sequential recovery led by new won tenders and incremental growth in OTC. TRP also increased the size of its OTC field force in Germany; launched 10 new products in FY23 and expects to maintain its launch momentum for FY24. (4) **US market:** growth was impacted on price erosion, lack of new launches and pending inspection of facilities. Expects fresh inspection for Indrad facility while launches from Dahej plant may commercialize from FY25 onwards (5) New oncology facility received first approval in Q4 and co. plan to file 2-3 onco products annually (6) Guided for Rs10-12bn of debt reduction in FY24

Exhibit 1: 4QFY23 Result Overview (Rs m). EBITDA in-line; one-time impact of inventory write-off to tune of Rs100mn

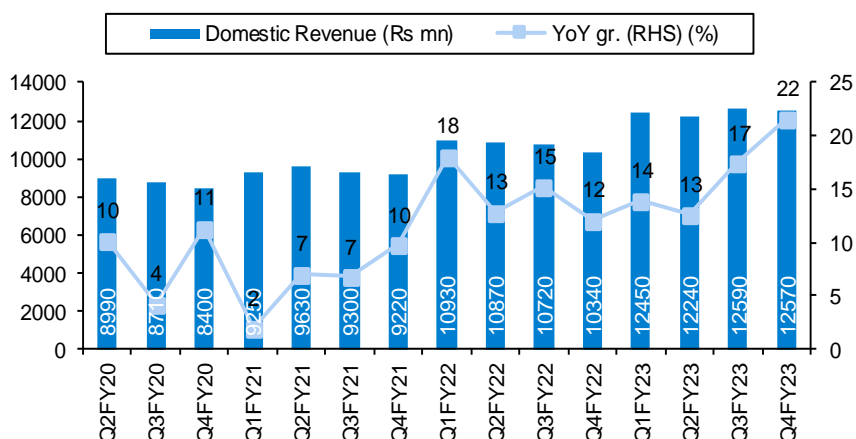
Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	24,910	21,310	16.9	24,910	-	96,200	85,100	13.0
Raw Material	7,040	6,220	13.2	7,300	(3.6)	27,350	24,430	12.0
<i>% of Net Sales</i>	<i>28.3</i>	<i>29.2</i>		<i>29.3</i>		<i>28.4</i>	<i>28.7</i>	
Personnel Cost	4,410	3,640	21.2	4,230	4.3	16,780	15,260	10.0
<i>% of Net Sales</i>	<i>17.7</i>	<i>17.1</i>		<i>17.0</i>		<i>17.4</i>	<i>17.9</i>	
Others	6,190	5,840	6.0	6,140	0.8	23,650	21,050	12.4
<i>% of Net Sales</i>	<i>24.8</i>	<i>27.4</i>		<i>24.6</i>		<i>24.6</i>	<i>24.7</i>	
Total Expenditure	17,640	15,700	12.4	17,670	(0.2)	67,780	60,740	11.6
EBITDA	7,270	5,610	29.6	7,240	0.4	28,420	24,360	16.7
<i>Margin (%)</i>	<i>29.2</i>	<i>26.3</i>		<i>29.1</i>		<i>29.5</i>	<i>28.6</i>	
Depreciation	1,960	1,620	21.0	1,930	1.6	7,070	6,620	6.8
EBIT	5,310	3,990	33.1	5,310	-	21,350	17,740	20.3
Other Income	90	560	(83.9)	(100)	(190.0)	450	1,950	(76.9)
Interest	1,070	570	87.7	1,020	4.9	3,330	2,580	29.1
PBT	4,330	3,980	8.8	4,190	3.3	18,470	17,110	7.9
Total Taxes	1,460	310	371.0	1,270	15.0	6,020	4,490	34.1
<i>ETR (%)</i>	<i>33.7</i>	<i>7.8</i>		<i>30.3</i>		<i>32.6</i>	<i>26.2</i>	
Exceptional item	-	(4,850)		-		-	(4,850)	
Adjusted PAT	2,870	(1,180)		2,920		12,450	7,770	60.2

Source: Company, PL

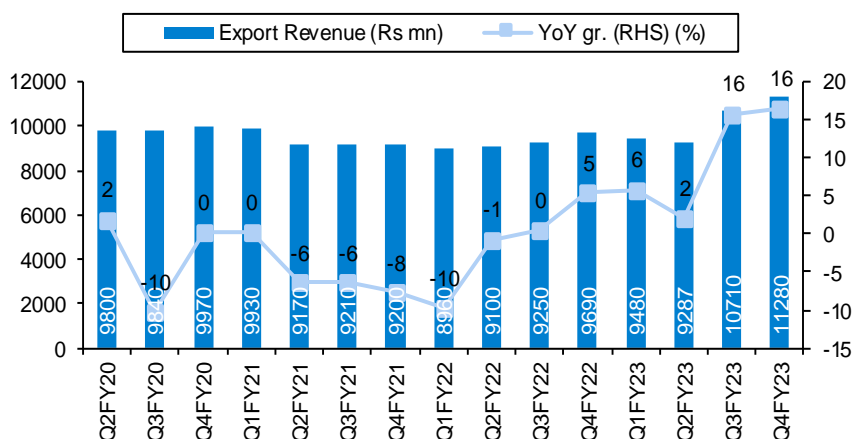
Exhibit 2: Sources of Revenue – Strong revenue growth across key segments; US was steady QoQ

Geographic break up of revenues	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Domestic Sales	13,640	11,630	17.3	14,190	(3.9)	55,370	49,842	11.1
Branded Business	12,570	10,340	21.6	12,590	(0.2)	49,850	44,104	13.0
<i>% of Net Sales</i>	<i>50.5</i>	<i>48.5</i>		<i>50.5</i>		<i>51.8</i>	<i>51.8</i>	
Contract Manufacturing	1,070	1,290	(17.1)	1,600	(33.1)	5,520	5,738	(3.8)
<i>% of Net Sales</i>	<i>4.3</i>	<i>6.1</i>		<i>6.4</i>		<i>5.7</i>	<i>6.7</i>	
Exports	11,280	9,690	16.4	10,710	5.3	40,757	37,374.8	9.0
<i>% of Net Sales</i>	<i>45.3</i>	<i>45.5</i>		<i>43.0</i>		<i>42.4</i>	<i>43.9</i>	
Brazil	3,180	2,510	26.7	2,480	28.2	9,350	7,637	22.4
<i>% of Net Sales</i>	<i>12.8</i>	<i>11.8</i>		<i>10.0</i>		<i>9.7</i>	<i>9.0</i>	
USA	2,800	2,820	(0.7)	2,910	(3.8)	11,550	10,635	8.6
<i>% of Net Sales</i>	<i>11.2</i>	<i>13.2</i>		<i>11.7</i>		<i>12.0</i>	<i>12.5</i>	
Germany	2,530	2,180	16.1	2,410	5.0	9,280	10,010	(7.3)
<i>% of Net Sales</i>	<i>10.2</i>	<i>10.2</i>		<i>9.7</i>		<i>9.6</i>	<i>11.8</i>	
RoW	2,770	2,180	27.1	2,910	(4.8)	10,577	9,093	16.3
<i>% of Net Sales</i>	<i>11.1</i>	<i>10.2</i>		<i>11.7</i>		<i>11.0</i>	<i>10.7</i>	

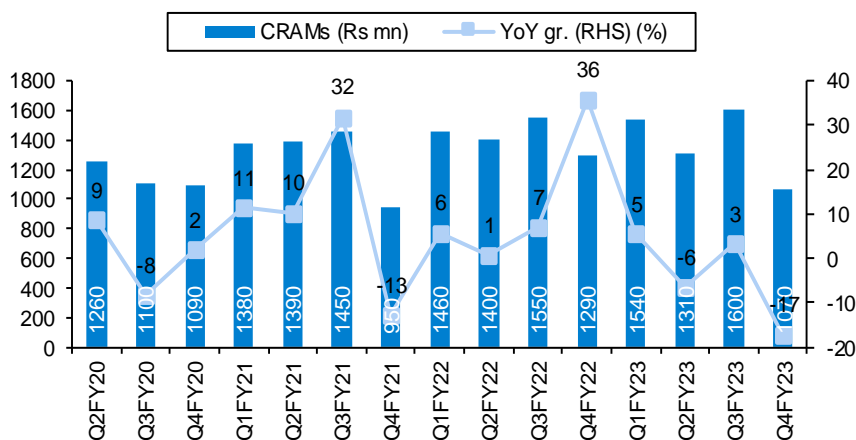
Source: Company, PL

Exhibit 3: Domestic Sales (Rs in mn): beat the IPM growth


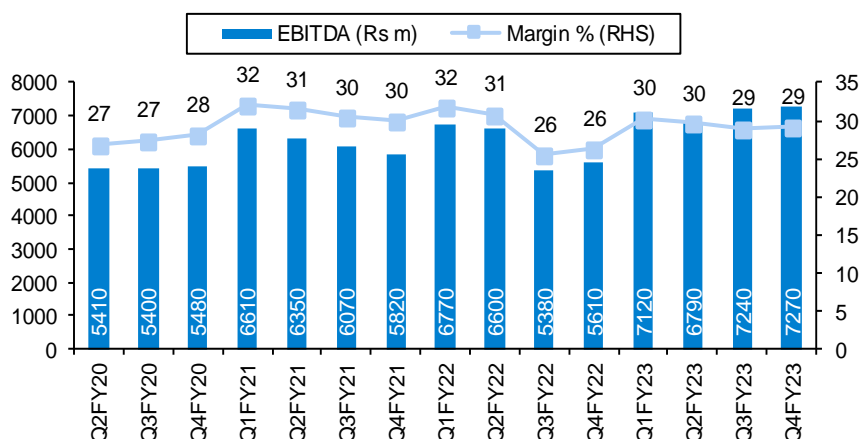
Source: Company, PL

Exhibit 4: Healthy growth in export led by Brazil and RoW markets


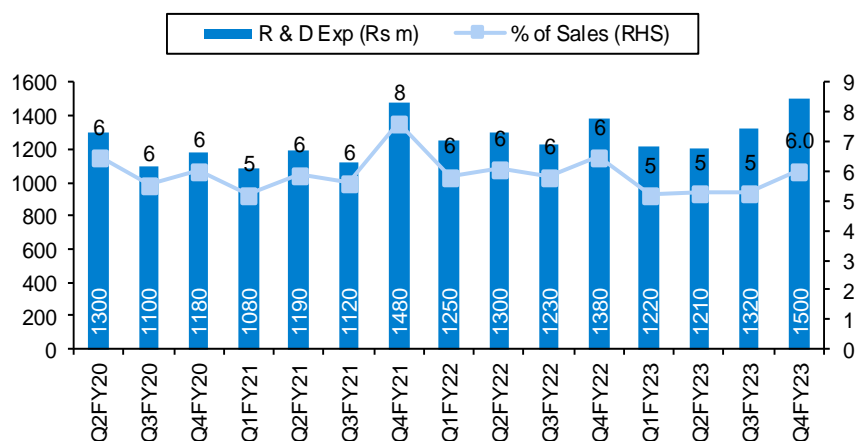
Source: Company, PL

Exhibit 5: Growth was below our estimates


Source: Company, PL

Exhibit 6: EBITDA margin remained constant despite one-off


Source: Company, PL

Exhibit 7: R&D came in higher qoq at 6% of sales


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	85,080	96,197	1,10,121	1,25,819
YoY gr. (%)	6.3	13.1	14.5	14.3
Cost of Goods Sold	29,168	32,715	36,965	41,781
Gross Profit	55,912	63,482	73,156	84,038
Margin (%)	65.7	66.0	66.4	66.8
Employee Cost	15,265	16,780	19,177	21,360
Other Expenses	5,160	5,250	5,775	6,353
EBITDA	24,312	28,417	32,907	39,190
YoY gr. (%)	(2.1)	16.9	15.8	19.1
Margin (%)	28.6	29.5	29.9	31.1
Depreciation and Amortization	6,622	7,070	7,832	7,989
EBIT	17,691	21,347	25,075	31,201
Margin (%)	20.8	22.2	22.8	24.8
Net Interest	2,551	3,330	2,975	2,300
Other Income	1,966	450	600	900
Profit Before Tax	17,106	18,467	22,700	29,801
Margin (%)	20.1	19.2	20.6	23.7
Total Tax	4,488	6,020	7,037	9,536
Effective tax rate (%)	26.2	32.6	31.0	32.0
Profit after tax	12,618	12,447	15,663	20,265
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,778	12,447	15,663	20,265
YoY gr. (%)	(37.8)	60.0	25.8	29.4
Margin (%)	9.1	12.9	14.2	16.1
Extra Ord. Income / (Exp)	4,840	-	-	-
Reported PAT	12,618	12,447	15,663	20,265
YoY gr. (%)	0.9	(1.4)	25.8	29.4
Margin (%)	14.8	12.9	14.2	16.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,618	12,447	15,663	20,265
Equity Shares O/s (m)	338	338	338	338
EPS (Rs)	37.3	36.8	46.3	60.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	1,02,731	1,26,001	1,29,001	1,32,001
Tangibles	44,540	47,880	50,310	51,480
Intangibles	58,191	78,120	78,690	80,520
Acc: Dep / Amortization	41,091	48,161	55,993	63,981
Tangibles	17,510	20,522	23,860	27,264
Intangibles	23,581	27,638	32,133	36,718
Net fixed assets	61,640	77,840	73,008	68,019
Tangibles	27,030	27,358	26,451	24,216
Intangibles	34,610	50,482	46,557	43,803
Capital Work In Progress	8,880	11,030	11,030	11,030
Goodwill	-	-	-	-
Non-Current Investments	420	430	430	430
Net Deferred tax assets	3,000	1,420	1,420	1,420
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,840	1,560	1,560	1,560
Inventories	24,620	22,300	27,886	31,898
Trade receivables	16,330	19,440	21,218	24,270
Cash & Bank Balance	4,030	5,710	1,552	(951)
Other Current Assets	8,250	6,330	6,647	6,979
Total Assets	1,26,060	1,44,680	1,43,371	1,43,275
Equity				
Equity Share Capital	846	1,690	1,690	1,690
Other Equity	58,684	60,290	66,462	76,445
Total Network	59,530	61,980	68,152	78,135
Non-Current Liabilities				
Long Term borrowings	21,230	24,960	13,960	960
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	18,950	28,010	28,010	28,010
Trade payables	16,740	16,790	20,309	23,230
Other current liabilities	12,610	14,360	14,360	14,360
Total Equity & Liabilities	1,26,060	1,44,680	1,43,371	1,43,275

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	15,140	18,017	22,100	28,901
Add. Depreciation	6,622	7,070	7,832	7,989
Add. Interest	2,551	3,330	2,975	2,300
Less Financial Other Income	1,966	450	600	900
Add. Other	-	-	-	-
Op. profit before WC changes	24,312	28,417	32,907	39,190
Net Changes-WC	(3,519)	(760)	(4,162)	(4,475)
Direct tax	(4,210)	(3,980)	(7,037)	(9,536)
Net cash from Op. activities	16,583	23,677	21,708	25,179
Capital expenditures	(2,026)	(25,740)	(3,000)	(3,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(2,026)	(25,740)	(3,000)	(3,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(8,070)	12,650	(11,000)	(13,000)
Dividend paid	(6,769)	(8,630)	(9,491)	(10,282)
Interest paid	(2,551)	(3,330)	(2,975)	(2,300)
Others	822	3,053	600	900
Net cash from Fin. activities	(16,567)	3,743	(22,866)	(24,682)
Net change in cash	(2,010)	1,680	(4,158)	(2,503)
Free Cash Flow	14,557	17,937	18,708	22,179

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	23,470	22,910	24,910	24,910
YoY gr. (%)	10.0	7.2	18.2	16.9
Raw Material Expenses	6,600	6,410	7,300	7,040
Gross Profit	16,870	16,500	17,610	17,870
Margin (%)	71.9	72.0	70.7	71.7
EBITDA	7,120	6,790	7,240	7,270
YoY gr. (%)	5.2	2.9	34.6	29.6
Margin (%)	30.3	29.6	29.1	29.2
Depreciation / Depletion	1,550	1,630	1,930	1,960
EBIT	5,570	5,160	5,310	5,310
Margin (%)	23.7	22.5	21.3	21.3
Net Interest	550	690	1,020	1,070
Other Income	300	160	(100)	90
Profit before Tax	5,320	4,630	4,190	4,330
Margin (%)	22.7	20.2	16.8	17.4
Total Tax	1,780	1,510	1,270	1,460
Effective tax rate (%)	33.5	32.6	30.3	33.7
Profit after Tax	3,540	3,120	2,920	2,870
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,540	3,120	2,920	2,870
YoY gr. (%)	7.3	(1.3)	17.3	(343.2)
Margin (%)	15.1	13.6	11.7	11.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,540	3,120	2,920	2,870
YoY gr. (%)	7.3	(1.3)	17.3	(343.2)
Margin (%)	15.1	13.6	11.7	11.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,540	3,120	2,920	2,870
Avg. Shares O/s (m)	338	338	338	338
EPS (Rs)	10.5	9.2	8.6	8.5

Source: Company Data, PL Research

Key Financial Metrics

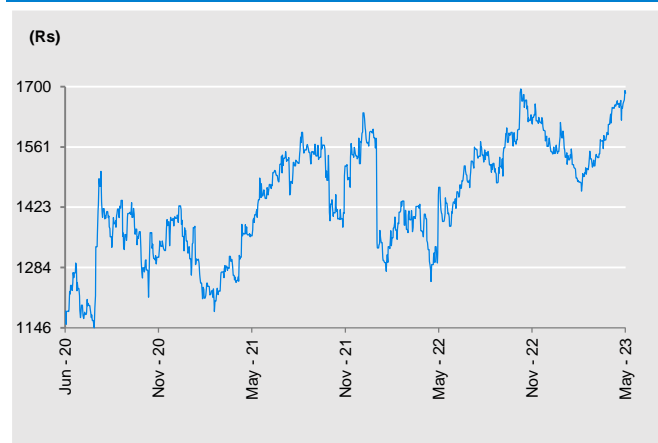
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	37.3	36.8	46.3	60.0
CEPS	42.5	57.7	69.5	83.6
BVPS	175.9	183.4	201.6	231.2
FCF	43.0	53.1	55.3	65.6
DPS	48.0	22.0	24.0	26.0
Return Ratio(%)				
RoCE	17.1	19.9	22.3	28.7
ROIC	14.7	15.5	17.9	21.9
RoE	21.4	20.5	24.1	27.7
Balance Sheet				
Net Debt : Equity (x)	0.6	0.7	0.6	0.4
Net Working Capital (Days)	104	95	95	96
Valuation(x)				
PER	46.0	46.5	37.0	28.6
P/B	9.7	9.3	8.5	7.4
P/CEPS	40.3	29.7	24.7	20.5
EV/EBITDA	25.3	22.0	18.8	15.5
EV/Sales	7.2	6.5	5.6	4.8
Dividend Yield (%)	2.8	1.3	1.4	1.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Domestic	42,860	49,850	59,656	67,328
Export	36,520	40,827	44,558	52,171
Contract Manufacturing	5,700	5,520	5,906	6,320

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-23	BUY	1,820	1,578
2	26-Jan-23	BUY	1,820	1,557
3	06-Jan-23	BUY	1,850	1,561
4	25-Oct-22	BUY	1,850	1,567
5	06-Oct-22	BUY	1,850	1,579
6	28-Sep-22	BUY	1,850	1,535
7	01-Aug-22	BUY	1,750	1,529
8	07-Jul-22	BUY	3,250	2,900

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,201
2	Aster DM Healthcare	BUY	335	270
3	Aurobindo Pharma	BUY	660	611
4	Cipla	BUY	1,070	937
5	Divi's Laboratories	Hold	2,700	3,098
6	Dr. Reddy's Laboratories	Reduce	4,500	4,867
7	Eris Lifesciences	BUY	780	638
8	Fortis Healthcare	BUY	330	288
9	Glenmark Pharmaceuticals	Reduce	570	609
10	HealthCare Global Enterprises	BUY	375	294
11	Indoco Remedies	BUY	400	340
12	Ipca Laboratories	Hold	750	741
13	J.B. Chemicals & Pharmaceuticals	BUY	2,450	2,055
14	Krishna Institute of Medical Sciences	BUY	1,660	1,527
15	Lupin	Hold	730	750
16	Max Healthcare Institute	BUY	565	523
17	Narayana Hrudayalaya	BUY	980	827
18	Sun Pharmaceutical Industries	BUY	1,140	970
19	Torrent Pharmaceuticals	BUY	1,820	1,578
20	Zydus Lifesciences	Accumulate	520	508

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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