

CMP: ₹ 3176

Target: ₹ 3670(16%)

Target Period: 12 months

May 23, 2025

BUY

Branded business continue to propel numbers...

About the stock: Incorporated in 1959, Torrent remains a key play in branded generics (~75% of sales) with strong India franchise and growing exports traction. While Branded franchisee comprises of India, Brazil and some export markets, the generics business comprises of businesses of the US and Germany.

- FY25 Revenues break-up – India (55%), Brazil (10%), US (10%), Germany (10%), Other markets (15%)
- Torrent is the seventh largest domestic player in the IPM. Over the years it has successfully acquired domestic businesses of Elder Pharma, Unichem labs and Curatio.

Investment Rationale:

- Q4FY24- Numbers buoyed by India and US, margins solid – Revenues from operations grew ~8% YoY to ₹2,909 crore, mainly driven by 12% growth in India (52% of the business) and 15% growth in the US (10% of the business). Growth was tepid in Germany (~10% of the business) and other markets, where the company witnessed a growth of ~2% and 5%, respectively. Brazil (12% of the business) on the other hand de-grew 5.6% YoY. EBITDA grew ~9% YoY to ₹964 crore, whereas margins sustained at 32.6% (41 bps improvement). PAT grew at 11% YoY to ₹498 crore.
- Branded focus, optimum capital allocation to the fore– Despite overall slowdown on account of planned shut-down and currency issues (Brazil), company's margins (GPM and EBITDAM) remained strong due to branded focus. India continues to perform well with focus on power brands besides consumer business foray. The company has added 200 MRs during the quarter. Brazil constant currency numbers were driven by new launches and better generics performance. The currency issue is likely to persist in the next one-two quarters. In Germany, the volatility has reduced due to normalcy in tender allocation. US situation is set to improve in FY25 on the back of new launches from fresh filings. 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 for generic markets of Germany and now US as well. Torrent stands out among Indian peers with a firm focus on branded generics business which is apparent from its business strategy over the years. It's capital allocation over the last ten years has been predominantly towards acquisition of India branded portfolios (Elder, Unichem, Curatio) which has fetched good returns. We continue to have faith in the management's capability, execution prowess and guidance achievement track record.

Rating and Target price

- Our target price is ₹ 3670 based on 25x FY27E EBITDA of ₹ 4857.6 crore.

Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	9620.0	10728.0	11516.0	9.4	13012.7	14500.3	12.2
EBITDA	2842.0	3368.0	3721.0	14.4	4231.9	4857.6	14.3
EBITDA margins (%)	29.5	31.4	32.3		32.5	33.5	
Net Profit	1236.0	1594.0	1928.2	24.9	2476.8	3007.3	24.9
EPS (₹)	36.6	47.2	57.0		73.3	89.0	
PE (x)	87.8	65.5	56.8		43.8	36.1	
RoNW (%)	19.9	23.3	25.4		26.4	25.7	
RoCE (%)	19.0	24.3	27.8		31.3	33.4	
Debt / Equity	0.9	0.6	0.4		0.2	0.1	

Source: Company, ICICI Direct Research



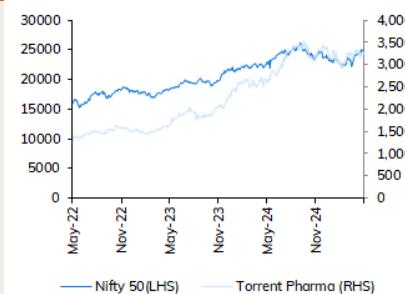
Particulars

Particular	Amount
Market Capitalisation	₹ 107349 crore
Debt (FY25)	₹ 3026 crore
Cash (FY25)	₹ 579 crore
EV	₹ 109796 crore
52 week H/L (₹)	3590/2570
Equity capital	₹ 169.0 crore
Face value	₹ 5

Shareholding pattern

(in %)	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	71.3	71.3	68.3	68.3
FII	14.2	14.5	16.2	16.3
DII	7.2	7.0	8.3	8.3
Others	7.4	7.3	7.3	7.1

Price Chart



Key risks

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

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Vedant Nilekar
vedant.nilekar@icicisecurities.com

Exhibit 1: Quarterly trend

₹ crore	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Net Sales	2104.0	2292.0	2261.0	2459.0	2452.0	2548.0	2628.0	2691.0	2695.0	2815.0	2831.0	2762.0	2909.0	7.9	5.3
OOI	27.0	55.0	30.0	32.0	39.0	43.0	32.0	41.0	50.0	44.0	58.0	47.0	50.0	0.0	6.4
Revenues	2131.0	2347.0	2291.0	2491.0	2491.0	2591.0	2660.0	2732.0	2745.0	2859.0	2889.0	2809.0	2959.0	7.8	5.3
Total RM cost	622.0	660.0	641.0	730.0	704.0	650.0	660.0	697.0	679.0	694.0	678.0	673.0	731.0	7.7	8.6
% sales	29.2	28.1	28.0	29.3	28.3	25.1	24.8	25.5	24.7	24.3	23.5	24.0	24.7	-3 bps	75 bps
Gross Profit	1509.0	1687.0	1650.0	1761.0	1787.0	1941.0	2000.0	2035.0	2066.0	2165.0	2211.0	2136.0	2228.0	7.8	4.3
GPM (%)	70.8	71.9	72.0	70.7	71.7	74.9	75.2	74.5	75.3	75.7	76.5	76.0	75.3	3 bps	-75 bps
Employee cost	364.0	420.0	394.0	423.0	441.0	499.0	503.0	496.0	486.0	550.0	543.0	549.0	561.0	15.4	2.2
% sales	17.1	17.9	17.2	17.0	17.7	19.3	18.9	18.2	17.7	19.2	18.8	19.5	19.0	125 bps	-59 bps
Other expenditure	584.0	555.0	577.0	614.0	619.0	651.0	672.0	670.0	697.0	711.0	729.0	673.0	703.0	0.9	4.5
% of sales	27.4	23.6	25.2	24.6	24.8	25.1	25.3	24.5	25.4	24.9	25.2	24.0	23.8	-163 bps	-20 bps
Total Expenditure	1570.0	1635.0	1612.0	1767.0	1764.0	1800.0	1835.0	1863.0	1862.0	1955.0	1950.0	1895.0	1995.0	7.1	5.3
% of Revenues	73.7	69.7	70.4	70.9	70.8	69.5	69.0	68.2	67.8	68.4	67.5	67.5	67.4	-41 bps	-4 bps
EBITDA	561.0	712.0	679.0	724.0	727.0	791.0	825.0	869.0	883.0	904.0	939.0	914.0	964.0	9.2	5.5
EBITDA Margins (%)	26.3	30.3	29.6	29.1	29.2	30.5	31.0	31.8	32.2	31.6	32.5	32.5	32.6	41 bps	4 bps
Depreciation	162.0	155.0	163.0	193.0	196.0	191.0	201.0	213.0	203.0	197.0	198.0	199.0	201.0	-1.0	1.0
Interest cost	57.0	55.0	69.0	102.0	107.0	103.0	91.0	80.0	80.0	75.0	64.0	57.0	56.0	-30.0	-1.8
Other Income	56.0	30.0	16.0	-10.0	9.0	34.0	26.0	-33.0	31.0	24.0	-16.0	33.0	-18.0	-158.1	-154.5
PBT before forex & EO	398.0	532.0	463.0	419.0	433.0	531.0	559.0	543.0	631.0	656.0	661.0	691.0	689.0	9.2	-0.3
Forex & EO	-485.0	0.0	0.0	0.0	0.0	0.0	0.0	88.0	0.0	0.0	0.0	0.0	0.0	-24.0	
PBT	-87.0	532.0	463.0	419.0	433.0	531.0	559.0	631.0	631.0	656.0	661.0	691.0	665.0	5.4	-3.8
Tax	31.0	178.0	151.0	136.0	146.0	153.0	173.0	188.0	182.0	199.0	208.0	188.0	167.0	-8.2	-11.2
Tax rate (%)	-35.6	33.5	32.6	32.5	33.7	28.8	30.9	29.8	28.8	30.3	31.5	27.2	25.1		
PAT	-118.0	354.0	312.0	283.0	287.0	378.0	386.0	443.0	449.0	457.0	453.0	503.0	498.0	10.9	-1.0
PAT (%)	-5.5	15.1	13.6	11.4	11.5	14.6	14.5	16.2	16.4	16.0	15.7	17.9	16.8	2.9	-6.0
EPS (₹)	-7.0	20.9	18.4	16.7	8.5	11.2	11.4	13.1	13.3	13.5	13.4	14.9	14.7		

Q4FY25 Results / Conference call highlights**US-**

- Company plans to launch ~10 products every year. While immediate launches are not expected to be high value launches as facilities has recently cleared regulatory issues, the company expects meaningful launches starting from FY27.
- Entresto Launch is delayed and is now expected by July this year.

India-

- Company expects India business to outperform going forward and improve market share.
- India growth as per AIOCD 14%- driven by 7.4% pricing growth, 2.3% new launches and the remaining from volumes.
- Cardiac (largest segment) witnessed 15% growth due to restructuring and divisional expansion.
- Current MR strength stands at 6400 vs 6200 in previous quarter. Torrent plans to take MR toll to 6900 by FY26E majorly across chronic segment.
- Curatio portfolio continues to witness 18-19% growth and Torrent expects ever higher growth in the portfolio going forward (currently contributes ~205 of domestic sales).
- Company plans to launch semaglutide in first wave across Oral (In House) and Injectable (Partnered Launch) form.

Brazil

- In CC terms Brazil witnessed growth of 5% for the quarter however Brazilian Real depreciated by 11% impacted overall sales.
- Torrent witnessed channel destocking in Q4 due to low price increase in FY26 which impacted the sales of current quarter.
- Company at present has 330MR strength in Brazil (120 recently added) majorly across two segment i.e. Cardio and CNS.
- Company has 63 pending filings in Brazil.
- PCPM for Brazil MR stands at Brazilian Reai 200K.
- Company plans to launch GLP1 products in first wave company is cautious as approval process is stringent and might take longer than expected.

Germany

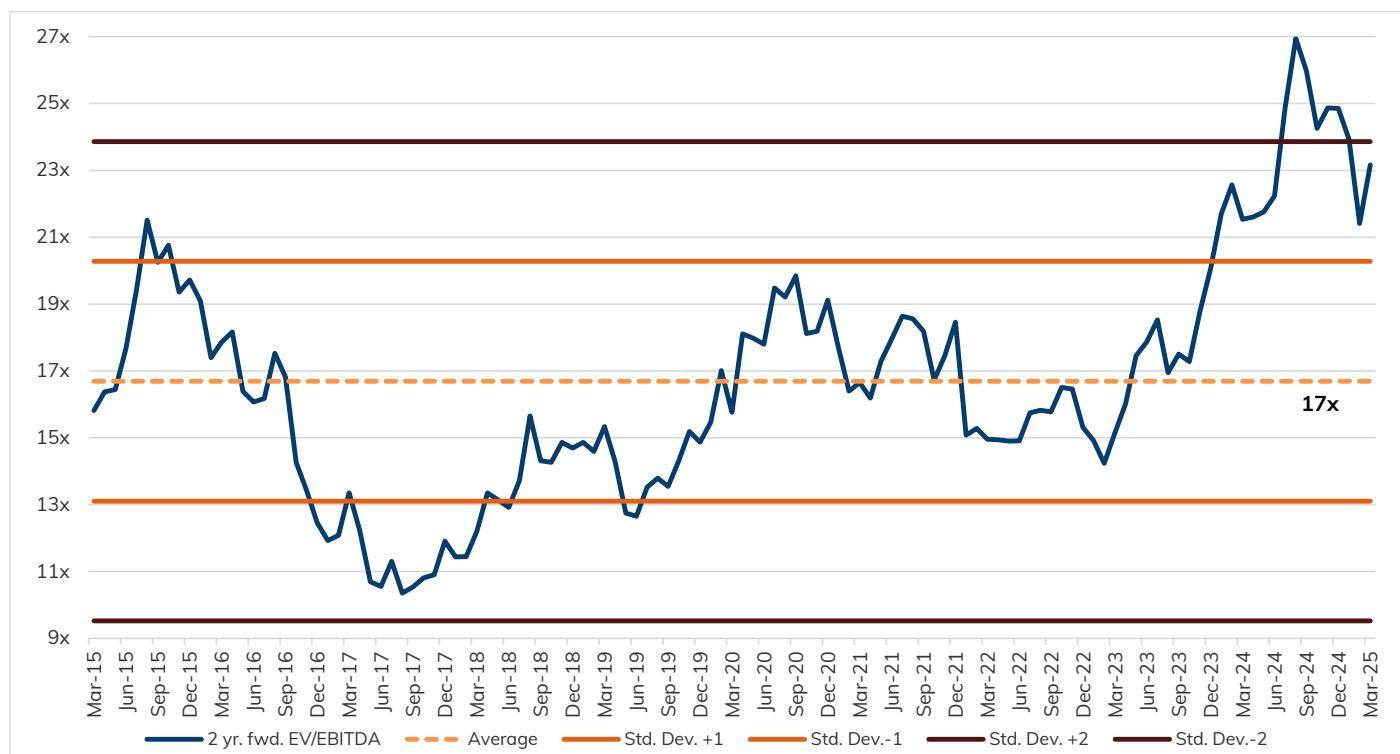
- Management expects to grow high single digit in coming quarters.

- Torrent has won tender in the market and is expected to contribute from Q3FY26.

Other -

- Insulin CMO business witnessed sales of around ₹75 crore and management expects it to be stable business as company manufactures vials for Novo and Novo has discontinued Insulin Pens. There was some destocking by Novo in previous quarters and management anticipate to recoup the lost sales in H1FY26.
- Company plans to jack up R&D to +5% in FY26 mainly towards India and US complex products.

Exhibit 2: 2-year forward EV/EBITDA band



Source: Bloomberg, Company Estimates, ICICI Direct Research

Financial Tables

Exhibit 4: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Revenues	10,728.0	11,516.0	13,012.7	14,500.3	
Growth (%)	11.5	7.3	13.0	11.4	
Raw Material Expenses	2686.0	2776.0	3253.2	3625.1	
Employee Expenses	1984.0	2203.0	2404.6	2610.1	
Other Expenses	2690.0	2816.0	3123.1	3407.6	
Total Operating Expenses	7360.0	7795.0	8780.9	9642.7	
EBITDA	3,368.0	3,721.0	4,231.9	4,857.6	
Growth (%)	18.5	10.5	13.7	14.8	
Depreciation	808.0	795.0	940.7	957.0	
Interest	354.0	252.0	154.1	66.1	
Other Income	58.0	23.0	255.8	285.0	
PBT	2264.0	2697.0	3392.8	4119.5	
Total Tax	696.0	762.0	916.1	1112.3	
PAT before MI	1656.0	1911.0	2476.8	3007.3	
Adjusted PAT	1,594.0	1,928.2	2,476.8	3007.3	
Growth (%)	29.0	21.0	28.5	21.4	
EPS (Adjusted)	47.2	57.0	73.3	89.0	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Profit/(Loss) after taxation	1854.0	2070.0	2476.8	3007.3	
Depreciation	808.0	795.0	940.7	957.0	
Add: Interest Paid	354.0	252.0	154.1	66.1	
Other operational Activities	251.0	-532.0	-51.2	-220.0	
CF from operation	3,267.0	2,585.0	3,520.3	3,810.3	
Purchase/sales of Fixed Ass	-299.0	-593.0	-350.0	-350.0	
(Inc)/Dec in Investments	131.0	63.0	0.0	0.0	
Long Term Provision	0.0	0.0	50.1	55.1	
Other Investing Activities	0.0	-10.0	9.0	9.9	
CF from Investing Activities	-168.0	-540.0	-290.9	-285.0	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	-1393.0	-953.0	-1100.0	-1100.0	
Dividend and dividend tax	-1015.0	-1083.0	-676.0	-676.0	
Other Financing Activities	-371.0	-262.0	-154.1	-66.1	
CF from Financing Activities	-2,779.0	-2,298.0	-1,930.1	-1,842.1	
Cash generation during the year	320.0	-253.0	1299.4	1683.3	
Op bal Cash & Cash equivc	433.0	839.0	579.0	1878.4	
Adjustments	0.0	0.0	0.0	0.0	
Closing Cash/ Cash Equiva	839.0	586.0	1,878.4	3,561.6	
Free Cash Flow	2,968.0	1,992.0	3,170.3	3,460.3	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Equity Capital	169.0	169.0	169.0	169.0	
Reserve and Surplus	6,687.0	7,422.0	9,222.8	11,554.0	
Total Shareholders fund	6,856.0	7,591.0	9,391.8	11,723.0	
Total Debt	3,938.0	3,026.0	1,926.0	826.0	
Deferred Tax Liability	656.0	829.0	911.9	1,003.1	
Other LT Liabilities & LT	519.0	661.0	727.1	799.8	
Total Liabilities	11,969.0	12,107.0	12,956.8	14,351.9	
Gross Block - Fixed Assets	13,621.0	14,223.0	14,473.0	14,723.0	
Accumulated Depreciation	5,821.0	6,616.0	7,556.7	8,513.7	
Net Block	7,800.0	7,607.0	6,916.3	6,209.3	
Capital WIP	361.0	478.0	578.0	678.0	
Total Fixed Assets	8,161.0	8,085.0	7,494.3	6,887.3	
Goodwill on Consolidation	338.0	339.0	339.0	339.0	
Investments	173.0	156.0	156.0	156.0	
Deferred tax assets	555.0	595.0	654.5	720.0	
Other non-current asset	364.0	304.0	334.4	367.8	
Cash	839.0	579.0	1,878.4	3,561.6	
Debtors	1,844.0	1,867.0	2,277.3	2,537.6	
Loans and Advances	3.0	5.0	6.1	7.2	
Inventory	2,279.0	2,541.0	2,673.8	2,979.5	
Other current assets	505.0	519.0	520.1	521.2	
Total Current Assets	5,470.0	5,511.0	7,355.7	9,607.2	
Creditors	2,089.0	1,820.0	2,228.2	2,482.9	
Provisions & other current	1,003.0	1,063.0	1,148.9	1,242.4	
Total Current Liabilities	3,092.0	2,883.0	3,377.1	3,725.3	
Net Current Assets	2,378.0	2,628.0	3,978.6	5,881.9	
Application of Funds	11,969.0	12,107.0	12,956.8	14,351.9	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Reported EPS	49.0	56.5	73.3	89.0
BV per share	202.8	224.6	277.9	346.8
Dividend per share	28	20	20	20.0
Cash Per Share	24.8	17.1	55.6	105.4
Operating Ratios (%)				
Gross Profit Margins	75.0	75.9	75.0	75.0
EBITDA Margins	31.4	32.3	32.5	33.5
PAT Margins	14.9	16.7	19.0	20.7
Inventory days	309.7	334.1	300.0	300.0
Debtor days	62.7	59.2	63.9	63.9
Creditor days	283.9	239.3	250.0	250.0
Asset Turnover	0.8	0.8	0.9	1.0
EBITDA conversion Rate	97.0	69.5	83.2	78.4
Return Ratios (%)				
RoE	23.3	25.4	26.4	25.7
RoCE	24.3	27.8	31.3	33.4
RoIC	27.1	31.0	37.6	47.6
Valuation Ratios (x)				
P/E	64.8	56.2	43.3	35.7
EV / EBITDA	32.8	29.5	25.4	21.5
EV / Net Sales	10.3	9.5	8.2	7.2
Market Cap / Sales	10.0	9.3	8.2	7.4
Price to Book Value	15.7	14.1	11.4	9.2
Solvency Ratios				
Debt / EBITDA	1.2	0.8	0.5	0.2
Debt / Equity	0.6	0.4	0.2	0.1
Current Ratio	1.5	1.7	1.6	1.6

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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