

**Torrent Pharma Ltd.****₹ 1617****Dahej - Just Approvals awaited !****Buy**

Aug 28, 2015

**Company Background**

Torrent Pharma, the flagship company of Torrent Group, is ranked amongst the top pharma companies of India. It is a dominant player in the therapeutic areas of cardiovascular and central nervous system and has achieved significant presence in gastro-intestinal, diabetology, anti-infective and pain management segments. It has also forayed into the therapeutic segments of nephrology and oncology while also strengthening its focus on gynecology and pediatric segments. It has three world-class manufacturing facilities at Indrad (Gujarat), Baddi (Himachal Pradesh) and Sikkim. The facilities are approved by USFDA, WHO, MHRA, TGA and other global regulatory bodies. A new facility is coming up at Dahej SEZ in Gujarat, which will cater to the international markets. From pioneering niche marketing in India to earning the fame of 'Company with most first launches', Torrent Pharma has always remained ahead of competition.

**Key Highlights**

- ➔ Spread across 70 acres at Dahej SEZ, Torrent Pharma's new manufacturing facility with a scale of 14.5bn tablets and 81 tn of API is set to redefine the manufacturing scale of the Indian manufacturing industry. Once commissioned it would double Torrent Pharmas capacity and would be one of the largest pharma manufacturing facilities in India at a single location. The strategic location to port will help it abely cater to the US & EU markets.
- ➔ Torrent, despite being a late entrant in the US pharma market is ranked No 8 amongst the US generic Indian Companies and has a market share of around 10% in its covered market. It has received 6 ANDA approvals in 2014-15. The Company has 53 ANDA approvals and its pipeline consists of 19 pending approvals and 40 products under development. So the US will contribute to international business in a significant way.
- ➔ The company is planning key capex over the next two years, it has initiated an expansion of its current manufacturing facility at Sikkim. It is also planning to enter critical care therapy segment for international markets by establishing integrated manufacturing facility for drug substances and drug products (API & formulations) in oncology.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	28,959.1	34,340.1	37,832.0
Rev. growth (%)	31.1	18.6	10.2
EBITDA (INR mn)	8,003.8	11,537.1	11,371.4
Net profit (INR mn)	5,464.2	7,623.4	6,231.8
Shares outstanding (mn)	84.6	169.2	169.2
EPS (INR)	64.6	45.1	36.8
EPS growth (%)	707.3	(30.2)	(18.3)
P/E (x)	5.4	11.6	31.5
RONW (%)	37.1	37.0	24.6
ROCE (%)	25.7	25.2	14.2

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**Info Codes**

Reuters	: TORP.BO
Bloomberg	: TRP@IN
NSE	: TORNTPHARM
BSE	: 500420

**Market Data**

52 Wk Range (₹)	: 810 / 1675
Shares in Issue (mn)	: 169.2
Mkt. Cap (₹ bn)	: 272.95
BSE 2 Wk Avg Vol	: 16000

**Share Holding Pattern (%)**

Promoters	: 71.25
FII's	: 12.37
DII's	: 6.72
Others	: 9.66

**Investment Theme**

The pharmaceutical business model is witnessing a paradigm shift, moving from a fully integrated structure towards a future where companies will start to use outsourcing, contracts and partnerships to create a network of collaboration for manufacturing and discovery. Investing in India will be a vital component of this networked future. Taking all this into account, Torrent Pharma has already initiated action. Torrent is one of the front runners in the Indian Pharma Industry having presence in India as well as International Markets. The Company's revenues are mainly from manufacture and sale of branded as well as unbranded generic pharma products. With its state of the art manufacturing and research facilities recent expansions and a global presence, is all poised to carve a niche for itself in international pharma arena. It is well set on an exciting growth phase in all directions.

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## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	27672.3	33586.0	21.37	34811.8	3.65
Other Income	1356.9	829.2	(38.89)	3161.2	281.23
Change in Stocks	1104.3	(306.1)	(127.72)	855.7	(379.55)
Raw Material Con.	7135.5	7806.0	9.40	8708.3	11.56
Employee Exp.	3126.3	3610.8	15.50	4404.1	21.97
Indirect Taxes	243.6	343.2	40.89	402.2	17.19
Other Exp.	11624.3	10812.0	(6.99)	13976.0	29.26
Operating Exp.	21025.4	22878.1	8.81	26634.9	16.42
Operating Profit	6646.9	10707.9	61.10	8176.9	(23.64)
Total Interest	360.5	1070.0	196.81	1725.5	61.26
Gross Profit	7643.3	10467.1	36.94	9612.6	(8.16)
Net Dep.	972.9	879.9	(9.56)	1655.0	88.09
Total Taxation	1206.2	1963.8	62.81	1725.8	(12.12)
Net Profit/Loss	5464.2	7623.4	39.52	6231.8	(18.25)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>18,943.6</b>	<b>23,687.7</b>	<b>34,256.5</b>	<b>52,384.4</b>
Equity Share capital	423.1	423.1	846.2	846.2
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	12,621.9	16,087.8	22,051.9	26,209.7
Long Term Loans	4,406.1	5,683.5	9,213.3	24,212.8
Short Term Loans	1,492.5	1,493.3	2,145.1	1,115.7
<b>USES OF FUNDS</b>	<b>18,943.6</b>	<b>23,687.7</b>	<b>34,256.5</b>	<b>52,384.4</b>
Gross Block	9,871.1	12,038.8	13,212.9	34,160.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	3,508.0	4,125.0	4,851.3	6,525.5
Net Block	6,363.1	7,913.8	8,361.6	27,635.0
Capital Work in Progress	268.7	2,763.1	5,075.8	6,277.8
Investments	4,930.1	1,902.6	3,218.6	4,376.7
Current Assets	14,401.0	21,223.6	27,202.2	27,350.0
Less : Current Liabilities	7,019.3	10,115.4	9,601.7	13,255.1
Total Net Current Assets	7,381.7	11,108.2	17,600.5	14,094.9
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	4,534.9	1,745.0	1,493.8	1,541.9
Mkt Val. Quoted Investments	396.2	157.9	1,728.5	2,841.9
Contingent Liabilities	542.3	3,466.8	1,797.4	2,195.7
Dividend (%)	170	460	200	225

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Sep 14	Dec 14	Mar 15	Jun 15
Net Sales	5560.0	5120.0	4810.0	6560.0
Cost Of Sales	6850.0	6530.0	7510.0	6930.0
Operating Profit	(1290.0)	(1410.0)	(2700.0)	(370.0)
Other Income	3760.0	3660.0	5170.0	12860.0
Adjusted PBDIT	2470.0	2250.0	2470.0	12490.0
Financial Expenses	520.0	500.0	470.0	560.0
Depreciation	530.0	530.0	550.0	540.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	1420.0	1220.0	1450.0	11390.0
Tax Charges	300.0	190.0	420.0	3090.0
Adjusted PAT	1120.0	1030.0	1030.0	8300.0
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	1120.0	1030.0	1030.0	8300.0

**52 Week Index Relative Percentage Appreciation**

**Torrent Pharma vs SENSEX**
**Risks Associated**

- The Company has operations in many countries around the world. Each such country poses its own challenges in terms of the economic and political conditions of that country. Any adverse political and/or economic development in these countries may affect the business of the Company in those countries.
- The Company is present in the generics segment of pharmaceutical markets in different countries. The generics market is characterized by the presence of a large number of players who compete with each other continuously to increase their respective market shares. This competition puts constant pressure on the prices which the Company charges to its customers. Apart from this, the governments of different countries apply periodic price cuts on the pharmaceutical products so as to keep the healthcare cost under control.
- Stringent regulations and quality standards are prescribed by the regulatory authorities across the globe for the pharmaceutical products and their manufacturing and supply chain processes in order to protect the interests of the patients. Any deviation from the prescribed regulations or any variation in the quality from the prescribed standards may lead to punitive actions by the regulatory authorities.
- Competitors and innovator pharmaceutical companies holding patents for products and processes may sue the Company if the Company's products or processes are claimed to be infringing upon their intellectual property rights.

## Torrent Pharma

### In a Nutshell

Torrent Pharma is one of the leading Pharma Companies in India. It has a strong international presence spanning over 40 countries with over 1200 product registrations. It has wholly owned subsidiaries in USA, UK, Germany, Brazil, Russia, Mexico, Philippines and other major markets. These wholly owned subsidiaries spearheads the company's entry into several new regulated and semi regulated international markets. It is also amongst the few Indian pharma majors to recognize the importance of research and development in the post 2005 GATT era. Its modern and well-equipped R&D Centre is ranked amongst the best in the country and has a team of highly qualified scientists working on various Drug Discovery and Development projects. The R&D Centre has been approved by USFDA and various other regulatory authorities. The Company is now among the top 15 companies in the domestic market and has 9 brands in top 500 brands of the Indian Pharma market. The company ranks among the top 5 in Cardiology & CNS therapies and among the top 10 in Nutraceuticals and Gastrointestinal therapies. It also is among the fastest growing companies in therapies like Dermatology, Pain/Woundcare and Diabetes which are identified future growth drivers for the India Business. Understanding the paradigm shift in the Pharma business Torrent Pharma has already started expansions its new Facility in Dahej is amongst the most largest pharma facilities in India and the closeness to the ports speak out an added advantage. The company has designed it in such a way that it will cater to the Export market. Everything is in place, just the Approvals are awaited.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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