

BUZZING

STOCK

Torrent Pharmaceuticals Ltd.

CMP – Rs.198

Analyst

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Key Stock Data

Sensex	13399
Nifty	3850
Sector	Pharmaceuticals
Bloomberg	TRP@IN
Reuters	TORP.BO
No. of shares (m)	85
Market Cap (Rs m)	17,415
Market Cap (US\$ m)	389
52-week H/L	Rs.337/158

Shareholding Pattern (%)

Promoters	74.09
Mutual Funds	5.29
FII's	11.98
Corporate Bodies	1.35
Pubic & Others	7.28

Torrent Pharmaceuticals is an Ahamadabad based pharmaceutical company involved in the manufacturing of formulations in different therapeutic areas like cardio-vascular, psychotherapeutics, anti-diabetic, gastrointestinal, anti-infective and pain management. The company is present in 50 countries across globe while having strong domestic market for its products. Its manufacturing plants are located in Gujarat and Baddi at Himachal Pradesh. Tie-up with Dr. Reddy's Lab for Russian territory sales and USFDA approval of its plant are the latest positive developments for the company.

Synergy with Dr. Reddy's Laboratories: An agreement has been signed with Dr. Reddy's Laboratories Ltd. for exclusive commercialization of two of Torrent's cardiovascular brands, Listril (Lisinopril) and Listril Plus (Lisinopril HCTZ), in the Russian market. These drugs are indicated in the treatment of high blood pressure. Torrent will be retaining registration and trademarks while DRL will be exclusively distributing them in Russia. This is a synergistic development that will enable both the players to strengthen their foothold in Russian market in cardiovascular segment. The increasing incidences of cardiovascular diseases in developing pharmaceutical markets like Russia coupled with better than average growth rate of the industry furnish potential growth opportunity.

USFDA Approval: The API and formulation manufacturing facilities located at Chhatral in Gujarat received approval status from USFDA in the mid of November. This excludes the parenterals facility in the same location. This is expected to speed up the process of approving ANDA and DMF filed by Torrent. Presently, Torrent has submitted 3 DMF and 5 ANDA to USFDA while 5 DMF and 26 ANDA are in development pipeline. The Chhatral plant has got a production capacity of 6,000 million tablets, capsules and vials along with 15,000 kg of bulk drugs/API. This facility has already been approved from UK-MHRA, TGA as well as German and South African regulatory authorities.

DMF Details of Torrent Pharmaceuticals Ltd:

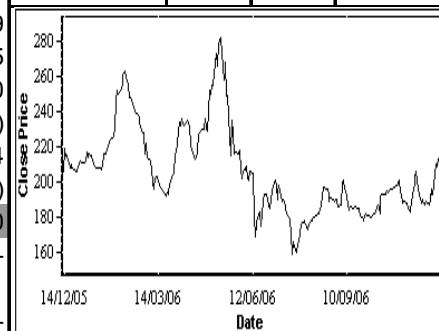
Type of DMF	DMF Number	Submission Date	Subject
II	18311	29 April 2005	Sertraline Hydrochloride
II	18715	30 August 2005	Venlafaxine Hydrochloride
II	18777	14 September 2005	Ropinirole Hydrochloride

Launch of New Divisions: Three new specialty divisions were launched by Torrent to cater the fast growing therapeutic areas of cardio-diabetics, central nervous systems and gastro-intestinal systems. They have been named as Omega, Sensa and Alfa respectively. Omega division is expected to increase Torrent's current market share of 4.8% in cardiovascular segment worth Rs.37.5 b. Sensa is focused on geriatric CNS diseases like Parkinson's, Alzheimer's and depression. Torrent enjoys a market share of 5.5% in the CNS segment that is estimated to be of Rs.12 b in India. The third division, Alfa will compliment existing divisions Prima and Vista that furnished revenue of Rs.2.6 b, which was 8.7% of the total market of Rs.30 b. The launch of these divisions would be adding 300 marketing personnel for healthy market penetration.

Valuation: Torrent put up a robust performance for the second quarter of FY07. The revenue for Q2FY07 increased by 20% YoY at Rs.2.32bn. The EBITDA of Rs.385m however showed a weak improvement of 6% YoY. The EBITDA margins were also down by 356 bps pertaining to heavy purchase of finished goods and increase in the personnel cost due to launch of new divisions. The PAT, Rs.256m grew by 13% YoY. The stock is currently trading at 16x the annualized Q2FY07 EPS of Rs.12.12

Financial Snapshot

Torrent Pharmaceuticals Ltd.							Rs.m		Ratios (%)		
Financial Year End: March	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)	
Net Sales	2302	1788	29	6920	4976	39	Debt -Equity	0.6	0.3	91	
Other Income	0	6	(98)	13	42	(69)	PBIDTM	16	15	1	
Total Income	2302	1794	28	6933	5018	38	PBDTM	14	15	(2)	
Total Expenditure	1916	1431	34	5812	4200	38	RoCE	16	15	4	
PBIDT	385	363	6	1120	818	37	RoNW	18	16	11	
Interest	13	7	84	55	27	99					
PBDT	373	356	5	1066	791	35					
Depreciation	75	53	42	237	182	30					
Tax	0	25	(100)	38	47	(18)					
Reported Profit After Tax	256	226	13	658	529	24					
Extra -ordinary Items	0	0	0	(81)	1	(13,533)					
Adj. Profit After Extra-ordinary item	256	226	13	739	529	40					
No. of shares (m)	85	21	-	85	21	-					
EPS (annualised.) (Rs.)	12.1	42.7	-	7.8	25.0	-					
P/E	16.4	4.6	-	25.4	7.9	-					



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