

Data Matrix as on 20.08.10 (BSE)

CMP (Rs)	542
52 Week High (Rs)	600
52 Week Low (Rs)	215.1
Market Cap (Rs Cr)	4,586.36
Share Issued (Cr)	8.46
Equity Cap (Rs Cr)	42.31
P/E x TTM	16.9
EPS TTM(Rs)	32.07
P/BVx	4.76
Face Value (Rs)	5
Book Value (Rs)	113.93
Dividend Yield (%)	1.11
BSE Code	500420
BETA-Sensex	0.50
Industry PE	20.11

Torrent Pharma, a flagship company of Torrent group is dominant player in cardiovascular (CV) and central nervous system segments (CNS). It also has presence in gastro-intestinal, diabetology, anti-infective and pain management segments. With the manufacturing facility at Indrad, Gujarat and formulation facility at Baddi, Himachal Pradesh, company has a capacity to manufacture 3600 million tablets, 400 million capsules and 18 million Oral Liquid bottles, per annum. Torrent Pharma is fifth in terms of market reach as it has six marketing divisions & 2300 strong field force to cater defined therapeutic segment and 2,00,000 doctors across the country. Company also exports to more than 50 countries around the world with over 1000 product registrations. The international business has been broadly divided into five zones- USA, Latin America, Russia and CIS, Western Europe and CEE and Rest of the World.

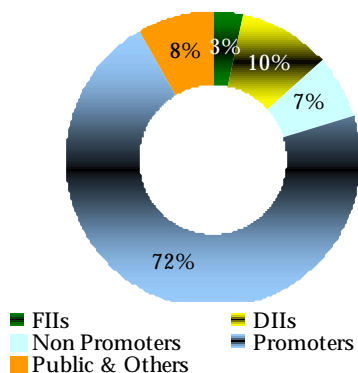
INVESTMENT RATIONALE

Industry Outlook

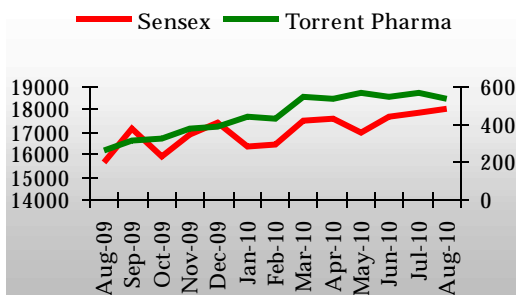
The Indian pharma market is widely spread all over the country and despite a diversified products & services in the sector pharma companies are facing a stiff competition & sharing a very tight market share. The Growing population, increasing reach of healthcare, rising income levels and increasing government spend on healthcare are driving the pharma market. The India formulations market valued at Rs. 417 billion has grown at CAGR of 14% over last 4 years. New product introductions contributed to 44% of the sales growth while volume growth contributed to 51% of the sales growth. The Indian pharma market is witnessing gradual evolution from acute diseases to lifestyle diseases and chronic therapies like Cardiology, Neurology, Psychiatry and Diabetes. With current demographic profile and growth prospects of the economy, Indian Pharmaceutical market could see continuing trend of transition towards chronic and super specialty therapies, with acute therapies like Anti Infectives retaining their market size.

On account of government's effort over the coming years, patent laws will provide an impetus to the launch of patent protected products. The market for patented products is likely to be concentrated in therapeutic segments like Neuro-Psychiatry, Oncology, Anti-Infective, Gastro-Intestinal and Cardiovascular. Such products have the potential to capture 10% of the overall market in the coming years. However, outlook for generic products looks positive due to several factors. The current pipeline of the generic products that are either undergoing new process development or have been recently launched is strong. In addition, domestic players have the opportunity to develop new combinations and formulations of the products that are already in the market. Generics players continue to have a wide range of options for new generic launches from the basket of pre 1995 products.

Shareholdings 30.06.10

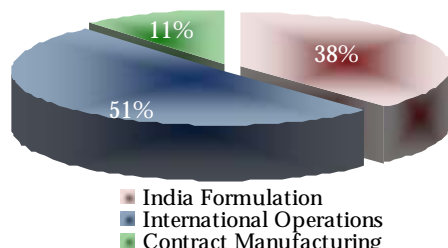


Share Price Movement



Vikram Singh +91-11-30211872
vikram_research@moneysukh.com

Segmentwise Revenue FY10

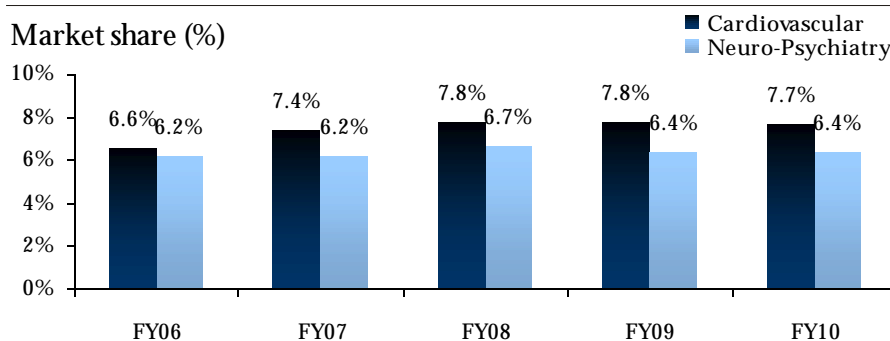


Torrent Pharma is a Market leader in Cardiovascular and Neuro-Psychiatry segments...

Enjoying Market Leadership in Cardiovascular and Neuro-Psychiatry

Torrent Pharma is enjoying top leadership in Indian Pharmaceuticals market, In Indian pharma market it is maintaining leadership position in some of the key chronic therapies of Cardiovascular and Neuro-Psychiatry. The Company is ranked No. 2 in cardiovascular segment and No. 3 in NeuroPsychiatry therapies. The Company is ranked 16th by turnover in the domestic market, has 6 brands in top 300 brands and has 37 brands in leadership positions in their respective molecule segments. The graph sets forth the market share movement of the Company in the key therapeutic segments of Cardiovascular and Neuro-Psychiatry over a period of 5 years.

Market share (%)



Source : Company, Mansukh Research

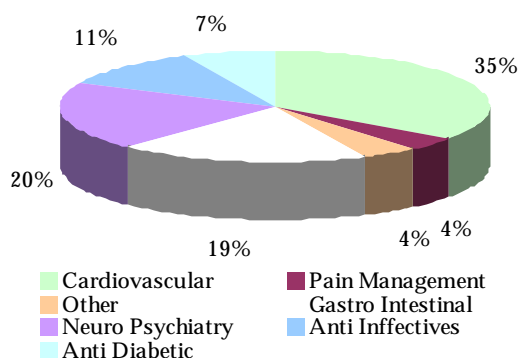
Exploring Other Markets

Torrent Pharma is now looking to pierce in new-fangled growing markets of generic business. Company has identified new markets like Mexico, Thailand and some other European countries to expand its generic business. Mexico has market size of USD 9 billion in branded generic business and Company has plan to launch marketing operations during FY11 with a product basket of 6 products in the Neuro-Psychiatry segment, while to enter in Thailand, company has incorporated a subsidiary here. Thailand is the second largest pharmaceutical market in South East Asia with a market size of USD 2 billion and is growing at 16%. Company is also planning to enter UK, Romania and Canada with direct marketing operation. The Company has identified a set of 45 molecules in Cardiovascular, Neuro-Psychiatry and Anti Diabetic segment for potential launch in the market. The key success factors besides product development capabilities, innovative abilities, low cost high quality manufacturing would be the early mover advantage.

Entered with new Partner

Torrent Pharma has entered into an agreement with AstraZeneca to supply a portfolio of generic medicines for which Torrent already has licenses in a range of countries. The new partner of Torrent will initially purchase licenses and market authorizations for 18 products in nine countries. AstraZeneca has intends to brand and market these products in many of its emerging markets, where it already has a strong commercial footprint. The agreement will also allow the flexibility to add further products and new countries where AstraZeneca sees opportunities for growth.

Therapeutic Segments Revenue



Having a investment plan of R s 643 crore to expand its formulation business in 2011-13...

Augmented Capacity to boost Volume Growth

To cater the growing demand of domestic market company has successfully commissioned many new formulation manufacturing units in FY10. Company has established new injectible formulation manufacturing facility for Human Insulin's with a capacity of 26 million vials per annum at Indrad and Company had also initiated construction of a new formulation manufacturing facility at Sikkim, which is expected to commence commercial production during the third quarter of FY11. This facility will provide fiscal incentives under new industrial policy announced for the region by Central Government in 2007.

New Drug Approvals & Launches will boost Top Line

Torrent Pharma has received approvals of its several drugs in US from US Food & Drug Administration (USFDA). Company has got the approval for its generic version as well as some new abbreviated drugs like hypertension & asthma. In generic version it got approval of Merck's Hyzaar tablets used for treating hypertension and in asthma to manufacture and market on prescription basis, Montelukast Sodium Tablet in multiple strengths. Torrent's Dubai arm has also received tentative approval from USFDA to market on over the counter basis, Cetirizine Hydrochloride Allergy tablets, in strengths of 5 mg and 10 mg. These approvals will give an opportunity to expand volume growth in these product portfolios.

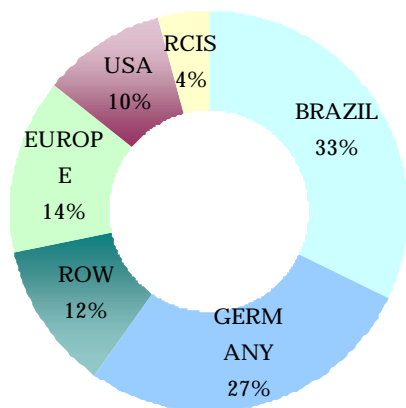
Investment Plans to Expand Operations

To facilitate the increasing requirements of the international markets, the Company is planning to expand capacity of its formulation business with the total proposed investment of Rs 643 crore in various stages during 2011-13. The Company will build a new formulations and API manufacturing facility at cost of Rs 339 crore at Dahej SEZ in Gujarat. At Dahej it has planned to increase capacity 15 TPA plus 4000 million tablets / capsules p.a. by the time period of 2012-13. It has also undertaken a substantial expansion of formulation and API manufacturing capacities at US FDA Indrad and various other Plants, which is expected to be completed during the FY11.

Valuation & Recommendation

The stock price of Torrent Pharma is trading at P/E of 16x of its FY11E earnings and we expect that with the proposed investment plans for capacity expansion of its formulation segment, the top line and bottom line of the company will improve in FY11. Apart from this the new launches & approvals of drugs will also enhance its margins in FY11-FY12. On account of its past performance and future earning prospects we initiated the coverage and also recommend to "Buy" the stock at current price for the target price of Rs 635 within time period of 12 to 18 months. The upside potential of the stock is around 17.36% up to the target price.

FY10 Revenue Spread



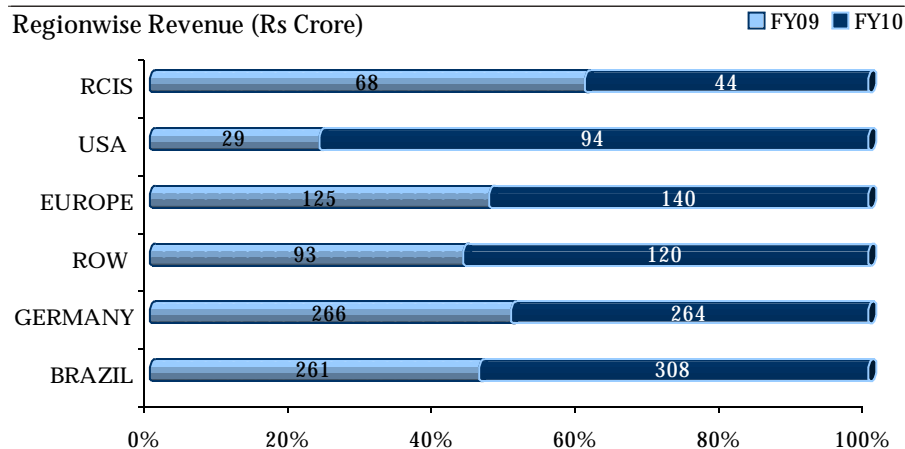
During FY06-FY10, maintained CAGR growth of 24% in its Topline and 31% in Bottom line...

FINANCIAL ANALYSIS

Region & Segment wise Revenue Sharing: Region wise from overseas market company gets 32% income from Brazilian market, it has contributed around Rs 308 crore to its revenue in FY10. After Brazil, Germany is the second largest market for it, it accounts 27%, Europe, ROW & USA contributes 14%, 12% & 10% respectively and RCIS contributes merely 4% to its total revenue.

Segment wise, Under Key Therapeutic segment cardiovascular segment of the company contributes around 35%. After cardiovascular it gets major revenue from Neuro Psychiatry segment, it contributes around 20% of the revenue, Gastro Intestinal also contributes 19% while Anti Infectionives & Anti Diabetic Contributes 11% & 7% respectively, company's 4% revenue comes from each Pain Management & Other segments.

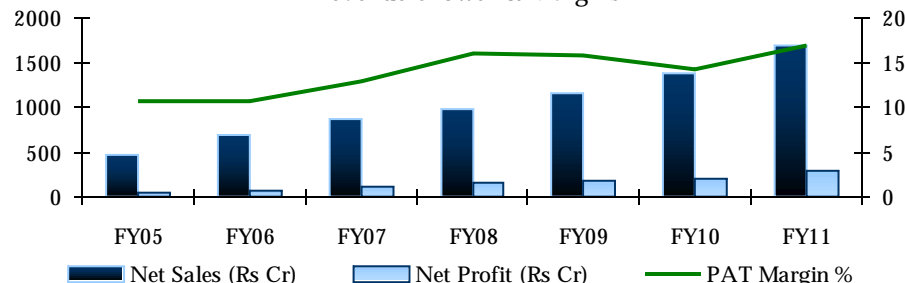
Regionwise Revenue (Rs Crore)



Source : Company, Mansukh Research

Revenue Growth: During FY06-FY10, Company has posted phenomenal CAGR growth of 24% in its Topline and 31% in Bottom line. In FY10 the Net Sales of the company grew by 21.11% to Rs 1,386.10 crore, the Operating Profit of the company grew by 64.43% while PAT grew by 11.05% to Rs 207.37 crore. In Q1FY11 the company has posted growth of 16.2% in Net Sales to Rs 418.38 crore and Operating Profit of the company grew by 17.70% and on account of high realization in the same period the Net Profit of the company surged by 334.55% to Rs 83.13 crore.

Revenue Growth & Margins



Source : Ace Equity

Margins: During FY10, the Operating Profit Margin (OPM) of the company swell by 665 basis points (bps) to 25.26% while on account of higher tax liability the Net Profit Margin (NPM) of the company during the same period also surged by 145 bps to 14.31%. In Q1FY11 OPM of the company marginally down by 45bps at 25.9%. The PAT Margin of the company surged by 1457 bps to 19.87% from 5.30% for the same period.

FINANCIALS

During FY11 the PAT margin is going to remain around 17%...

Yearly Performance	FY07	FY08	FY09	FY10	FY11
Net Sales	866.25	969.5	1,144.45	1,386.10	1691.04
Other operating income	16.65	0	40.44	62.85	10.13
Net Sales & Other Operating Income	882.9	969.5	1,184.89	1,448.95	1701.17
Total Expenditure	717.78	783.57	931.49	1,035.93	1236.25
PBIDT (Excl OI)	165.12	185.93	253.4	413.02	464.92
Other Income	2.37	31.05	3.36	9	3.15
Operating Profit	167.49	216.98	256.76	422.02	468.07
Interest	13.15	18.4	19.44	16.79	19.31
Exceptional Items	0	0	-8.76	-37.09	0
PBDT	154.34	198.58	228.56	368.14	448.76
Depreciation	30.24	32.74	37.39	54.42	73.48
PBT	124.1	165.84	191.17	313.72	375.27
Tax	11.14	10.32	4.44	106.35	90.35
Profit After Tax	112.96	155.52	186.73	207.37	284.92
Extraordinary Items	0	0	0	0	
Net Profit	112.96	155.52	186.73	207.37	284.92
EPS Annualised (Rs)	13.35	18.38	22.07	24.51	33.68
PBIDT Margin% (Excl OI)	18.7	19.18	21.39	28.5	27.49
PAT Margin %	12.79	16.04	15.76	14.31	16.85

Quarterly Result	Q1FY11	Q1FY10	% Chng	Q4FY10	% Chng
Net Revenues	418.38	360.62	16.02	357.49	17.03
Total Expenses	300.42	261.62	14.83	261.98	14.67
EBIDTA	117.96	99	19.15	95.51	23.51
EBIDTAM%	28.19	27.45	2.7	26.72	5.5
Other Income	2.23	2.13	4.69	3.91	-42.97
PBDIT	120.19	101.13	18.85	99.42	20.89
Depreciation	13.38	10.2	31.18	22.69	-41.03
Interest	2.79	0	-	4.71	-40.76
PBT	104.02	87.78	18.5	48.93	112.59
Tax	20.89	68.65	-69.57	4.23	393.85
PAT	83.13	19.13	334.55	44.7	85.97
Adjusted PAT	83.13	19.13	334.55	44.7	85.97
Adjusted NPM (%)	19.87	5.3	274.91	12.5	58.96
Equity Capital	42.31	42.31	0	42.31	0
EPS	0.98	0.23	326.09	0.53	84.91

Resource: ACE Equity

Rs Crore

Maintained growth of around 12% in ROCE & 9.5% in RONW in last five years...

Key Ratios	FY06	FY07	FY08	FY09	FY10
Financial Stability Ratios					
Total Debt/Equity(x)	0.63	0.62	0.59	0.62	0.62
Current Ratio(x)	2.97	3.01	2.91	3.67	4.06
Interest Cover(x)	11.34	7.10	8.95	6.00	11.86
Total Debt/Mcap(x)	0.13	0.17	0.29	0.43	0.11
Performance Ratios					
ROA (%)	12.54	16.49	18.62	17.44	15.84
ROE (%)	20.43	26.68	29.63	28.34	25.70
ROCE (%)	16.94	21.09	22.36	21.42	26.17

Balance Sheet	FY06	FY07	FY08	FY09	FY10
SOURCES OF FUNDS					
Share Capital	42.31	42.31	42.31	42.31	42.31
Total Reserves	340.22	422.07	542.94	690.37	838.54
Shareholder's Funds	382.52	464.38	585.25	732.68	880.85
Secured Loans	244.09	263.98	336.65	318.27	364.64
Unsecured Loans	0	15	4.96	163.79	157.75
Total Debts	244.09	278.98	341.61	482.06	522.4
Total Liabilities	626.61	743.36	926.86	1,214.74	1,403.25

APPLICATION OF FUNDS					
Gross Block	464.74	543.32	612.3	680.78	771.79
Less: Accumulated Depreciation	113.17	140.2	164.78	193.55	246.16
Less: Impairment of Assets		0			
Net Block	351.57	403.12	447.51	487.23	525.63
Lease Adjustment A/c					
Capital Work in Progress	33.93	39.78	78.6	45.73	105.38
Pre-operative Expenses pending					
Assets in transit					
Investments	73.78	94.97	158.05	244.96	231.48
Current Assets, Loans & Advances					
Inventories	163.37	185.89	166.53	191.84	227.88
Sundry Debtors	111.1	165.61	198.48	240.81	259.79
Cash and Bank	60.96	10.25	97.67	183.31	346.79
Other Current Assets	12.2	14.63	18.98	26.24	38.52
Loans and Advances	36.1	49.27	70.14	366.27	343.44
Total Current Assets	383.72	425.65	551.8	1,008.47	1,216.41
Less: Current Liabilities and Provisions					
Current Liabilities	129	141.43	189.73	274.46	299.92
Provisions	31.9	15.42	49.9	228.85	313.65
Total Current Liabilities	160.9	156.85	239.63	503.31	613.57
Net Current Assets	222.82	268.79	312.17	505.16	602.84
Miscellaneous Expenses not written off					
Deferred Tax Assets / Liabilities	-55.49	-63.31	-69.47	-68.33	-62.07
Total Assets	626.61	743.36	926.86	1,214.74	1,403.25
Contingent Liabilities	19.55	23.58	29.85	14.04	11.94
Book Value	45.21	54.88	69.17	86.59	104.11

Source: Ace Equity

Rs Crore

Research Desk	Phone: 011-30211872/73	Email: research@moneysukh.com
NAME	DESIGNATION	E-MAIL
<i>Varun Gupta</i>	Head - Research	varungupta@moneysukh.com
<i>Pashupati Nath Jha</i>	Research Analyst	pashupatinathjha@moneysukh.com
<i>Vikram Singh</i>	Research Analyst	vikram_research@moneysukh.com



Mansukh hai to money sukh hai

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Mansukh Securities and Finance Ltd (hereinafter referred as MSFL) is not soliciting any action based on it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any person in any form.

The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete. MSFL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MSFL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

MSFL and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. This information is subject to change without any prior notice. MSFL reserves the right to make modifications and alterations to this statement as may be required from time to time. Nevertheless, MSFL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.