Torrent Pharmaceuticals Limited

Instrument	Amount (Rs. Crore)	Rating Action November 2016
Non-Convertible Debenture	500.0	[ICRA]AA assigned (Positive)

ICRA has assigned a long term rating of [ICRA]AA (pronounced as ICRA double A) to the Rs. 500 crore Non-Convertible Debenture programme of Torrent Pharmaceuticals Limited. ICRA also has an outstanding rating of has [ICRA]AA (pronounced as ICRA double A) to the Rs. 1,795 crore Cash Credit, Rs. 1,171 crore term loans and to Rs. 1,000 crore existing NCD programme of Torrent Pharmaceuticals Limited. ICRA also has an outstanding rating of [ICRA]A1+(pronounced as ICRA A one plus) ratings to the Rs. 60 crore Commercial Paper programme of the company. The long term rating carries Positive outlook.

The rating takes into account TPL's established market position in the Indian domestic pharmaceutical market, strengthened by the acquisition of the identified domestic branded formulations business of Elder Pharma. The rating is supported by TPL's profitable and expanding international operations and healthy cash flow generation ability of existing and acquired business. The recent acquisition provides TPL a strong foothold in the nutraceuticals/women's healthcare segment with market leading brands such as *Shelcal*, and *Chymoral*. TPL's existing domestic branded business also enjoys strong market position and is ranked amongst the top 10 Companies in CVS (CardioVascular), CNS (Central Nervous System) and GI (Gastro Intestinal) therapeutic areas. Further, recent acquisition of Zyg Pharma comprising of its USFDA approved manufacturing facility will enable Torrent Pharma to diversify into niche Dermatology segment especially in the developed markets like US and Europe and emerging markets of India and Brazil. To build pipeline for future launches in both domestic and international business, TPL is also investing into R&D.

Its international operations that are in scale up mode have shown consistent profitability at an aggregate level, although ICRA notes that TPL's position in certain individual international markets is yet to achieve meaningful size with consistent profitability track record for each of these markets. The US operations has shown strong growth over the last few years and with planned launches over the next few years, ICRA expects the same to contribute significantly to its International operations profitability. TPL has established itself as a quality CRAMS partner through various tie-ups with global pharma majors that will also aid revenue growth and profitability. The company's ability to sustain its performance across multiple geographies and its ability to scale up the acquired business would remain critical to sustaining its financial profile.

The debt funded acquisition has led to higher debt levels and interest outgo, although the capital structure and coverage indicators remain comfortable by virtue of strong operating margins and healthy net cash accruals. The company has surplus cash and liquid investments to the tune of Rs. 825 crore against total debt of Rs. 2,365 crore as on March 2016.The revision of outlook to positive reflects ICRA's expectation that the financial profile will further improve owing to healthy cash flow generation and moderate capex plans. Furthermore, while ICRA expects TPL to sustain its credit profile through its future investment plans, any significant investment / acquisition would be evaluated by ICRA on a case-by-case basis for its impact on the credit profile

Company Profile

Torrent Pharmaceuticals Limited (TPL) is a strong player in the domestic market with a strong presence in the fast growing, lifestyle related therapeutic segments like Cardiovascular (CVS) and Central Nervous System (CNS). The company has an arrangement for the manufacture and supply of insulin for the Indian market with Novo Nordisk. The export business of TPL is carried out both by its foreign subsidiaries as well as directly by the parent company.

In FY 2006, TPL acquired Heumann Pharma GmbH & Co. Generica KG (Heumann), a Pfizer group company, engaged in generic medicines marketing in Germany. In June 2014, TPL acquired Elder Pharma's branded domestic formulation business in India and Nepal for a consideration of Rs. 2004 crore. Elder's acquired business comprises a portfolio of 30 brands including leading brands for women's healthcare (WHC), pain management, wound care and neutraceuticals therapeutic segment. The acquisition has complemented TPL's existing therapies and will provide a strong foothold in the neutraceuticals/WHC segment.

With the acquisition of ZYG Pharma's US FDA approved facility, the company will embark into the niche dermatological segment, especially in the developed markets of North America and Europe, as well as in the emerging markets of India and Brazil. TPL markets both branded (to semi-regulated markets) and unbranded generics (to regulated markets), and also participates in the institutional segment of export markets. Among its key branded generics markets are India and Brazil, while its generic generics business spans Germany and USA. The company has USFDA and EU approved formulations and API facilities. It is vertically integrated to manage costs.

Recent Results

TPL recorded Operating Income of Rs. 6676.4 crore and Rs. 2,980.0 crore and PAT margin of 25.8% and 16.7% during FY 2016 and H1 FY2017 respectively.

November 2016

For further details, please contact:
Analyst Contacts:
Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Mr. Gaurav Jain (Tel. No. +91 22 66069922)
gaurav.jain@icraindia.com

Relationship Contacts:
Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	