March 19, 2025

Torrent Pharmaceuticals Limited: Ratings reaffirmed; rated amount enhanced for commercial paper programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture (NCD) programme	285.71	142.84	[ICRA]AA+ (Stable); reaffirmed
Commercial paper (CP) programme	200.00	700.00	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Long-term fund-based term loan	342.86	228.57	[ICRA]AA+ (Stable); reaffirmed
Long term fund-based working capital facilities	2,745.00	2,745.00	[ICRA]AA+ (Stable); reaffirmed
Long-term – unallocated limits	307.14	421.43	[ICRA]AA+ (Stable); reaffirmed
Total	**3,880.71**	**4,237.84**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmed ratings for Torrent Pharmaceuticals Limited (TPL) factor in its leading position in the domestic formulations market and its diversified international operations. TPL is the fifth largest[1] player in the Indian pharmaceutical market (IPM), with a strong presence in chronic and sub-chronic therapies that drove ~75% of its FY2024 revenues. It is among the top five players in key therapeutic areas of cardiovascular (CVS), central nervous system (CNS), vitamins, minerals and nutrients (VMN), and gastrointestinal (GI). In Brazil, TPL has witnessed continued double-digit growth in its business over the last few years. While performance moderated in 9M FY2025 due to a flood in a major province in Q1 FY2025 and currency depreciation, the business continued to grow on a constant currency basis. Among the generic markets, TPL continues to perform well in Germany supported by a consistent increase in the overall tender value. Moreover, incremental tender wins shall help sustain its performance over the near to medium term.

The ratings also positively factor in TPL's strong financial profile characterised by healthy profitability indicators, robust credit metrics and strong liquidity, which are expected to be sustained over the near to medium term. TPL's revenues registered a year-on-year growth of 11.5% to Rs. 10,728 crore in FY2024, supported by double-digit growth across key branded markets and Germany. In 9M FY2025, its revenues grew by 7.2% YoY to Rs. 8,557 crore, supported by the healthy growth in India and Germany. Furthermore, TPL's operating profit margins (OPM) improved to 32.2% in 9M FY2025 and 31.4% in FY2024 from 29.5% in FY2023 on account of increased operating leverage and higher contribution from the branded generics markets. This, coupled with reduction in its debt following scheduled repayments of long-term debt, has resulted in an improvement in its debt protection metrics with a net debt/OPBDITA of 0.5 times as on September 30, 2024, interest coverage of 13.3 times in H1 FY2025 and gearing of 0.4 times as on September 30, 2024.

TPL's US business continues to be impacted by price erosion, ageing abbreviated new drug applications (ANDAs) and low single digit new filings. ICRA notes the issuance of an establishment inspection report (EIR) by the USFDA to TPL's Indrad, Gujarat facility in August 2024. Meaningful revenue growth in the US business is expected to be achieved gradually with the increase in new filings by the company. Moreover, with the company focusing on the domestic and branded generics business, the impact of the US business on TPL's overall performance shall remain moderate owing to a relatively low revenue contribution

[1] *As per AIOCD Pharma softtech AWACS Pvt. Ltd. (AIOCD) and company data*

from the US business (9% in 9M FY2025). Moreover, the lower operating performance in the US business is offset by the robust performance in other geographies.

The operations also remain exposed to regulatory risks, including scrutiny by regulatory agencies (like the USFDA) and other litigations, such as product liability and other commercial matters, especially in the US. Any developments in this regard shall be evaluated on a case-to-case basis. Akin to its peers in the pharmaceutical industry, TPL's operations continue to be exposed to the risk of price controls in the domestic markets, including the addition of more products to the national list of essential medicines (NLEM). Further, inorganic growth fueled by acquisitions, if any, and the impact of such events, shall be analysed on a case-to-case basis.

The Stable outlook on the long-term rating reflects ICRA's opinion that TPL shall continue to benefit from its established business position in the domestic market and higher contribution from branded generics markets, which shall continue to support its healthy internal accrual generation and overall credit profile.

Key rating drivers and their description

Credit strengths

One of the leading players in the domestic formulations market with strong presence in chronic and sub-chronic therapeutic segments – TPL has maintained strong growth in its domestic portfolio, Supported by a strong presence in the chronic and sub-chronic therapies (contributed ~75% to domestic revenues and showed healthy growth). In FY2024 and 9M FY2025, the portfolio grew by 14% and 13% YoY, respectively. This has resulted in an overall improvement in TPL's position within the domestic market, with the company being ranked fifth in the IPM in FY2024, improving from the sixth position in FY2023. Moreover, it is positioned fourth in the combined chronic and sub-chronic therapies in the domestic market. Its market position continues to be supported by a leading position[2] in therapies like cardiac (second), CNS (third), VMN (fourth) and GI (fourth). Going forward, the performance of the domestic portfolio is expected to remain strong, supported by the growth in the base business, strong performance of in-licensed products, growing consumer healthcare business, and a healthy pace of new product launches.

Diversified international operations with focus on regulated/semi-regulated generics market through consistent R&D spend – TPL has a well-diversified global presence with the domestic market contributing 58% to its consolidated revenues in 9M FY2025, and international business operations in key markets of USA (9%), Brazil (9%), Germany (10%), others (including other countries and business segment, 14%). TPL is expected to sustain its robust performance in the domestic market. The portfolio in Brazil continues to be exposed to volatility in Brazilian Real, however, the underlying pharmaceutical industry is expected to maintain a strong growth momentum over the near to medium term. TPL's revenues are also expected to continue to grow on a constant currency basis. The company's growth strategy in these markets is focused on maintaining a healthy launch momentum, gaining market share through speciality focus, and by enhancing its sales force productivity and reach. Generic generics are primarily supplied to the US and Germany. The Germany business is expected to continue growing, supported by incremental tender wins by TPL. The company has witnessed a consistent growth in tender value over the last seven quarters and new tender wins are expected to drive growth from Q2 FY2025. TPL recorded R&D spend of ~4.7% in FY2024, which is expected to continue going forward with a focus on global R&D.

Healthy operating profitability led by profitable domestic business and select international businesses; operating leverage and cost control further boost profitability – TPL's profitability continues to improve on the back of increasing operating leverage, higher contribution from branded generics markets and successful implementation of cost efficiency measures. In FY2024, it registered operating and net margins of 31.4% and 15.4%, respectively, against 29.5% and 12.9%, respectively, in FY2023. Operating and net margins for 9M FY2025 were 32.2% and 16.5%, respectively. TPL's margins are likely to be sustained, supported by its growing branded generics business.

[2] *As per AIOCD and company data*

Healthy financial profile characterised by strong credit metrics and liquidity position – TPL maintains a healthy financial profile with strong credit metrics and liquidity position. In FY2024, it registered consolidated revenues of Rs. 10,728 crore with a growth of 11.5% and an OPM of 31.4%. In 9M FY2025, it registered revenues of Rs. 8,557 crore and OPM of 32.2%. This, coupled with gradual reduction in its overall debt levels in FY2024 and FY2025 (after the increase in debt in FY2023 owing to the acquisition of Curatio), has led to strengthening of its debt protection metrics with net debt/OPBDITA of 0.5 times for H1 FY2025 (0.9 times for FY2024) and TOL/TNW of 0.9 times (1.2 times for FY2024). Moreover, TPL's debt protection metrics are expected to improve further over the medium term, given the expectation of continued strong internal accrual generation and no material increase in debt levels.

Credit challenges

Performance of US generics pharmaceutical business remains moderated – TPL's US business remains impacted by the muted new product launches and contraction in the base business due to price erosion. New product launches remained low over the years (two launches per year in FY2023 and FY2024) on account of regulatory observation by the USFDA on TPL's key manufacturing facilities at Dahej and Indrad, which impacted its revenues and profitability. However, TPL achieved breakeven status (before accounting for R&D expenses) in the US business, with the rationalisation of its portfolio and cost optimisation initiatives. Moreover, TPL's Dahej and Indrad facilities received EIR with a voluntary action indicated (VAI) classification from the USFDA in August 2023 and August 2024, respectively. Any meaningful revenue growth is expected with the gradual increase in new launches.

Exposure to regulatory risks and litigations, including product liability matters – Akin to its peers in the pharmaceutical industry, TPL's operations remain exposed to regulatory risks, including the scrutiny by regulatory agencies like USFDA, pricing controls in the domestic market and the possibility of inclusion of more products in the NLEM. Moreover, it is also exposed to product liability matters, and any developments in this regard shall be evaluated on a case-to-case basis.

Environmental and Social Risks

Environmental concerns – TPL does not face any major physical climate risk. To minimise the impact of environmental risks on its operations TPL has identified three key areas to enhance its positive impact on the environment, namely, carbon emissions and energy management, water stewardship, and waste management.

Social concerns – TPL, in line with the industry, faces social risks related to product safety and the associated litigation risks, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards. Further, Government intervention related to price caps/control also remains a social risk faced by entities in the pharmaceutical industry.

To address the associated environmental, social and governance (ESG) risks, TPL has adopted a sustainable growth framework with four core pillars of responsible consumption, responsible practices, responsible communication and responsible supply chain. It has also instituted suitable governance processes to monitor progression and mitigation of ESG risks on a regular basis.

Liquidity position: Strong

TPL's liquidity position is strong, supported by healthy internal accrual generation and cash and cash equivalents of Rs. 720.0 crore as on December 31, 2024 on a consolidated basis. The liquidity profile is further supported by sizeable undrawn working capital limits of ~Rs. 1,600 crore as on December 31, 2024. TPL has also issued commercial papers (CP) to raise short term funds in recent times. However, ICRA does not expect the total utilisation of CPs and working capital facilities to go beyond the available working capital limits/ drawing power. Further, the company has modest capex plans of ~Rs. 200-300 crore per year during FY2025–FY2027, which are expected to be funded through internal accruals. Its strong operating cash flows and surplus liquidity are expected to remain comfortable for servicing its debt repayments over the near to medium term.

Rating sensitivities

Positive factors – TPL's rating might be upgraded if there is significant growth across all key geographies leading to significant increase in scale, higher market share and strengthening of its business profile, while maintaining strong credit metrics and liquidity position on a sustained basis.

Negative factors – TPL's rating may be downgraded if there is any significant weakening in the company's earnings profile on a sustained basis and/or increase in debt levels due to any capex/inorganic investments, leading to an increase in net debt/OPBDITA above 1.0x on a sustained basis. Any further regulatory non-compliances issued to TPL for its products and/or manufacturing facilities, thereby impacting its product launches and, thus, revenues and profitability, would also be a negative trigger. Adverse outcomes of ongoing litigations would also remain an event risk, and their impact on the company's business and credit profile would be monitored on a case-by-case basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating methodology for entities in pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TPL. As on December 31, 2024, the company had 15 subsidiaries and three step-down subsidiaries, which are listed in Annexure-II.

About the company

TPL is the fifth largest player in the domestic pharmaceutical market with a presence in therapeutic segments like CVS, GI, CNS and VMN. The company has an arrangement with Novo Nordisk for manufacturing and supplying insulin for the Indian market. Its exports business is carried out by its foreign subsidiaries as well as by TPL directly. TPL markets both branded generics and generic-generics and participates in the institutional segment of export markets. Among its key branded generics markets are India (53% share of FY2024 revenues) and Brazil (10%), while its generic-generics business spans the US (10%) and Germany (10%). It also caters to other countries that generated 11% of its FY2024 revenues and other business segments that brought in 6%.

TPL has eight manufacturing facilities in India. Its facilities are approved by various regulatory authorities, including the USFDA, UK MHRA, MCC (South Africa), TGA (Australia), Health Canada and ANVISA (Brazil).

Key financial indicators (audited)

TPL - Consolidated	FY2023	FY2024	9M FY2025
Operating income	9,620.2	10,727.8	8,557.0
PAT	1,245.2	1,656.4	1,413.0
OPBDIT/OI	29.5%	31.4%	32.2%
PAT/OI	12.9%	15.4%	16.5%
Total outside liabilities/Tangible net worth (times)	1.4	1.2	-
Total debt/OPBDIT (times)	1.9	1.2	-
Interest coverage (times)	8.5	9.5	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)			Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	19-Mar-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCDs	Long Term	142.84	[ICRA]AA+ (Stable)	23-AUG-2024	[ICRA]AA+ (Stable)	24-AUG-2023	[ICRA]AA+ (Stable)	25-AUG-2022	[ICRA]AA+ (Stable)	30-AUG-2021	[ICRA]AA (Positive)
				-	-	-	-	25-AUG-2022	[ICRA]AA+ (Stable)*; withdrawn	-	-
				-	-	-	-	04-OCT-2022	[ICRA]AA+ (Stable)	-	-
Term loan	Long Term	228.57	[ICRA]AA+ (Stable)	23-AUG-2024	[ICRA]AA+ (Stable)	24-AUG-2023	[ICRA]AA+ (Stable)	25-AUG-2022	[ICRA]AA+ (Stable)	30-AUG-2021	[ICRA]AA (Positive)
				-	-	-	-	04-OCT-2022	[ICRA]AA+ (Stable)	-	-
Working capital	Long Term	2,745.00	[ICRA]AA+ (Stable)	23-AUG-2024	[ICRA]AA+ (Stable)	24-AUG-2023	[ICRA]AA+ (Stable)	25-AUG-2022	[ICRA]AA+ (Stable)	30-AUG-2021	[ICRA]AA (Positive)
				-	-	-	-	04-OCT-2022	[ICRA]AA+ (Stable)	-	-
Unallocated	Long Term	421.43	[ICRA]AA+ (Stable)	23-AUG-2024	[ICRA]AA+ (Stable)	24-AUG-2023	[ICRA]AA+ (Stable)	25-AUG-2022	[ICRA]AA+ (Stable)	30-AUG-2021	[ICRA]AA (Positive)
				-	-	-	-	04-OCT-2022	[ICRA]AA+ (Stable)	-	-
CPs	Short Term	700.00	[ICRA]A1+	23-AUG-2024	[ICRA]A1+	24-AUG-2023	[ICRA]A1+	25-AUG-2022	[ICRA]A1+	30-AUG-2021	[ICRA]A1+
				-	-	-	-	04-OCT-2022	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture (NCD) programme	Very simple
Commercial paper	Very simple
Fund-based term loan	Simple
Fund-based working capital facilities	Simple
Long term- Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE685A07082	NCD	Dec. 14, 2017	8.33%*	Dec. 13, 2019 Dec. 14, 2020 Dec. 14, 2021 Dec. 14, 2022 Dec. 14, 2023 Dec. 13, 2024 Dec. 12, 2025	142.84	[ICRA]AA+ (Stable)
INE685A14112	Commercial paper	Dec. 26, 2024	7.1%	Mar. 26, 2025	200.00	[ICRA]A1+
NA	Commercial paper	Yet to be placed	NA	NA	500.00	[ICRA]A1+
NA	Term Loan 1	Dec. 2017	NA	Dec. 12, 2025	142.86	[ICRA]AA+ (Stable)
NA	Term loan 2	Dec. 2017	NA	Sep. 14, 2025	85.71	[ICRA]AA+ (Stable)
NA	Working capital facility	NA	NA	NA	2,745.00	[ICRA]AA+ (Stable)
NA	Unallocated	NA	NA	NA	421.43	[ICRA]AA+ (Stable)

*Source: Company; *linked to 6 month Indian Treasury bill rate*

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis

Company Name	TPL's Ownership	Consolidation Approach
SUBSIDIARIES		
Zao Torrent Pharma	100.00%	Full Consolidation
Torrent Do Brasil Ltda.	100.00%	Full Consolidation
Torrent Pharma Gmbh (TPG)	100.00%	Full Consolidation
Torrent Pharma Inc.	100.00%	Full Consolidation
Torrent Pharma Philippines Inc.	100.00%	Full Consolidation
Laboratorios Torrent S.A. de C.V.	100.00%	Full Consolidation
Torrent Australasia Pty Ltd.	100.00%	Full Consolidation
Torrent Pharma (Thailand) Co. Limited	100.00%	Full Consolidation
TPL (Malta) Limited	100.00%	Full Consolidation
Torrent Pharma (UK) Limited	100.00%	Full Consolidation
Laboratories Torrent (Malaysia) SDN.BHD.	100.00%	Full Consolidation
Curatio Inc, Philippines	100.00%	Full Consolidation
Torrent International Lanka (PVT) Ltd.	100.00%	Full Consolidation
Farmacéutica Torrent Colombia SAS	100.00%	Full Consolidation
Torrent Pharmaceuticals Chile SPA	100.00%	Full Consolidation
STEP-DOWN SUBSIDIARIES		
Heumann Pharma Gmbh & Co. Generica KG	100.00%	Full Consolidation
Heunet Pharma Gmbh	100.00%	Full Consolidation

Company Name	TPL’s Ownership	Consolidation Approach
Torrent Pharma (Malta) Limited	100.00%	Full Consolidation

Source: FY2024 Annual report

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3400
kinjal.shah@icraindia.com

Deepak Jotwani
+91 124 4545 870
Deepak.jotwani@icraindia.com

Gaurav Kushwaha
+91 40 4547 4829
gaurav.kushwaha@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

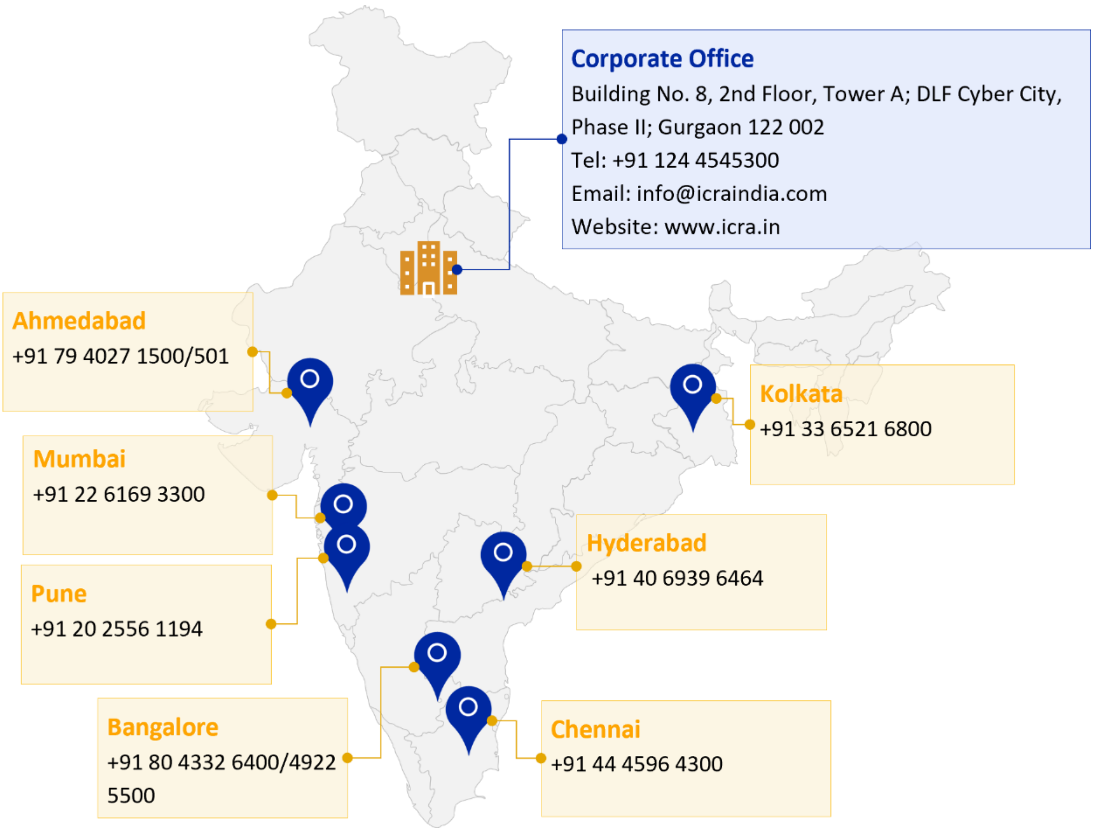
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.