



# “Torrent Pharmaceuticals Limited Q1 FY'26 Earnings Conference Call”

**July 28, 2025**



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**Moderator:** Ladies and gentlemen, good day and welcome to Q1 FY'26 Earnings Conference Call of Torrent Pharma.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudhir Menon – Executive Director, Finance & CFO. Thank you and over to you, sir.

**Sudhir Menon:** Thank you. Good evening and welcome to the 1<sup>st</sup> Quarter Earnings Call for FY'26.

We continue to see strong performance in our branded markets, which accounted for 72% this quarter. Our two largest branded markets, India and Brazil, each delivered healthy double digit growth. India business grew at 11% and Brazil grew at 16% in constant currency. On the generic side, US business grew at 19% and Germany grew at 9%. The Euro growth for Germany was 1% mainly due to supply disruption at the third party supplier this quarter.

Coming to the key highlights for Quarter 1:

Revenue is at Rs. 3,178 crores grew by 11%. Operating EBITDA at Rs. 1,032 crores grew by 14%. This quarter, other expenses include acquisition related one-off expenses of Rs. 15 crores. Adjusted for this one-off, the underlying operating margin for the quarter stands at 32.9%. Net leverage stands at 0.45.

I will now hand over the call to Aman for India Business.

**Aman Mehta:** Thanks, Sudhir. India revenues at Rs. 1,811 crores registered a growth of 11%. As per the AIOCD PharmaTrac secondary market data, the IPM growth for the quarter stands at 8%. Torrent's chronic business grew at 13% versus the IPM growth of 9% driven by outperformance in cardiac, diabetes, gastro and CNS divisions. We continue to see positive traction in our consumer health business, particularly in the Curatio brands. On a MAT basis, Torrent has 21 brands in the top 500 of the IPM with 14 brands more than Rs. 100 crore sales as of MAT June 2025. Field force strength at the end of the quarter stands at 6,600 compared to 6,400 in the previous quarter. We are encouraged by the performance in the recently expanded divisions and headquarters. This expansion will help us to provide a platform for new launches and increase our territorial reach and gaining regional market share in previously untapped areas.

We expect the India business to continue outperforming the market growth. Our focus during the year will be to continue to improve the market share in focus therapies, new launch performance, improve field force productivity in expanded divisions and regions and continue the investments and scale-up of the consumer health portfolio.

I will now hand over to Mr. Sanjay Gupta for the International Business.

**Sanjay Gupta:**

Thank you, Aman. We will start with our branded generic market of Brazil. Based on internal sales, Q1 constant currency revenue was BRL 143 million, registering a 16% Y-on-Y growth. As per IQVIA, market growth was at 5% for Q1. Secondary sales for Torrent as per IQVIA also grew by 14%. Growth was aided by the performance of top brands and new launches. In Brazil, we have a rich pipeline of 62 molecules filed and waiting for end-user approval.

Moving on to Germany, our German registered a constant currency revenue of €32 million, up by 1%. Growth was impacted due to supply disruption at a third-party supplier. In the US, we registered constant currency revenues of US \$36 million, up by 16%. Growth is coming from increased purchasing on existing contracts and achieving targeted market shares in recent launches.

Operator, we can open the call to questions now. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:**

Hi, thank you for the opportunity. My first question is, can you explain the Forex loss which you have booked in other income? So, that's my first question. And how much is the number?

**Sudhir Menon:**

So, Rs. 48 crores is the Forex loss which we have booked in other income and a major part is on the EURO-USD pair, I would say, where the euro has appreciated almost by 10% this quarter. So, it's more of translation losses, which I believe going forward, you should start seeing some of them reversing.

**Damayanti Kerai:**

Okay. So, it should reverse in coming quarters. And in Brazil, I understand the currency situation is not as, I think, severe as what we had seen in the previous quarter, right? So, compared to the constant currency growth and reported growth, I understand that difference has come down.

**Sudhir Menon:**

So, Damayanti, if you see last full year, the currency depreciation was around 15%. And since then, I think it's appreciated by almost 10%. So, still there's a depreciation of 5%. So, you see that 5% difference between constant currency growth and INR growth.

**Damayanti Kerai:**

Okay, got it. Coming to India, I have a few questions. So, first, if you can break down the India growth into the components, volume, price, and new launches? And also, if you can talk a bit more on like your MR expansion plans.

**Aman Mehta:**

Yes. So, our growth reflected in the AIOCD Pharma Trac data is 12.2%. The breakup of that is 3.5% volume, 6% price, and 2.5% new products. And this is against, I think, 8% growth of the market for the quarter. And in terms of expansion, I think nothing really new from the last quarter that we shared. Essentially, it's the same expansion that's been executed in the chronic segment. We have added 200 MRs this quarter. I think a similar number may be added by the end of Q3

this year. So, give or take, the plans remain the same. That may be 6,900 to 7,000 MRs should be onboarded by the end of the financial year.

**Damayanti Kerai:** Okay, that's helpful. And my last question is in Brazil. So, you mentioned there are 62 products awaiting for approval. So, can you update, a few years back, I believe the approval cycle in Brazil were very lengthy. So, have you seen improvement in the approval cycle? And when do you expect these 62 approvals to come, say over 3-4 years, or it could be even further?

**Sanjay Gupta:** So, it depends upon the type of submission, right. So, some of these are clone submissions from other company's approved products. Hence, the clone submissions in Brazil generally take 6-9 months. Some of these will take between 30-36 months. So, essentially, what we are looking forward in Brazil is we have three divisions, and we are looking at 2-3 product launches per division per year.

**Damayanti Kerai:** So, around 8-10 launches we can expect per year, right?

**Sanjay Gupta:** Correct.

**Damayanti Kerai:** Okay, that's helpful. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Neha Manpuria from Bank of America. Please go ahead.

**Neha Manpuria:** Yes, thanks for taking my question. My first question is on the margin, the adjusted margin of 32.9%. Sudhir, you didn't really give us a margin guidance last time. So, based on the performance of the first quarter, would it be fair to assume that this is the run rate or slightly better probably as we go through the year given the branded growth?

**Sudhir Menon:** Yes, that's what we expect, Neha. Minimum what we have reported in quarter one should continue for the rest of the quarters.

**Neha Manpuria:** And my second question is on Germany. The supply disruption that we mentioned, if you could give some color on when this would normalize, or do we expect this to continue to impact us for a couple of quarters?

**Sanjay Gupta:** Neha, unfortunately, I won't make a prediction, at least a couple of quarters.

**Neha Manpuria:** And what is this related to exactly, Sanjay?

**Sanjay Gupta:** So, in Germany, 75% of our business comes from third-party products, right? So, we have a lot of partnerships. And so, one of our partners has had some supply issues linked to regulatory requirements. Hence, it has a major impact on growth. And so, well, we are kind of a little bit hostage to the situation in the sense it's not within our direct control. And some products we are

sourcing through other places, or we're bringing them in-house, but it will take some time before it normalizes.

**Neha Manpuria:** Okay. So, this year, we shouldn't assume any improvement in Germany?

**Sanjay Gupta:** Well, it would be good news if we can show some improvement in subsequent quarters, but I don't know. I will just keep my fingers crossed.

**Neha Manpuria:** Understood. And my last question on US, now that the facilities are improved, we started seeing, contract wins and new product launches gaining share. How should we look at the traction in that? I mean, if you could give us some color on the number of launches we should be building, and what's the sort of growth that, Torrent can see in the US market?

**Sanjay Gupta:** So, I would say that in the course of this fiscal year, we should see about 10 launches. Some of them are matured products, and a couple of them are day one launches. So, in the first quarter, we launched about 4 or 5 products. And the biggest launch for us so far was the Esomeprazole granules, which we launched at the start of the fiscal year. And we have had other few smaller launches of products which are already genericized. And then last week, we launched Sacuval also. So, going forward, we expect another 5-6 launches for the rest of the fiscal year.

**Neha Manpuria:** And with these launches, it's fair to assume that US is now profitable for us. And with every subsequent launch, that profit margin improves?

**Sanjay Gupta:** Sudhir will answer that.

**Sudhir Menon:** Yes, Neha, it's still not profitable. It'll take some while before we get into the profitable zone post R&D. But the progress is looking positive. So, I think quarter on quarter, you'll see the losses coming down for the US. And therefore, a positive contribution to the overall performance.

**Neha Manpuria:** Got it. Thank you so much.

**Moderator:** Thank you. Our next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

**Tushar Manudhane:** Thanks for the opportunity, sir. So, just on MR count, again, we have increased the MR base by almost 1000 over the last one year. And probably, from 5,700, we are reaching to almost 7,000 by the end of FY'26. But somehow the growth rate, or let me put it other way, the MR productivity is still then lower or the growth is still not catching up with the addition of MRs, if you could elaborate on this.

**Aman Mehta:** I would not look at it in that way. Generally, the MR additions take at least 12 months to 18 months to onboard and kind of get familiarized. So, if you see last year's full growth, we were at 13%, which was significantly higher than the market growth. And that was a result of the

expansion done in the previous kind of two years, right? So, that is the time and impact that it takes. So, anything that gets done today won't have an impact on positive growth in the next quarter or two quarters, it may be seen in the next one year and two years. So, I think the numbers that we are seeing in the places that we have expanded and divisions we have expanded, certainly there is a positive, meaningful, positive uplift, otherwise, we won't continue doing it. So, I would say that it's best to look at it from a two year horizon rather than anything shorter than that. And just to kind of add one more point is, that last year's Q1 growth in India was actually 15% and this year is 11%. So, in a 2-year CAGR, it's about 13. So, which is still significantly higher than our previous CAGR before the expansion started. So, these are all signals together that add up and give us confidence that the expansion is certainly helping increase our growth.

**Tushar Manudhane:** Got it. So, should we break the growth into consumer healthcare, I mean consumer piece and prescription piece for India business?

**Aman Mehta:** We don't really look at it that way. We see every brand separately, every division separately rather than kind of looking at consumer versus prescription. But I would say that the investments being made in the brands like Tedibar, for example, are certainly giving very, very positive results, way more than the prescription growth. And we believe that should continue for the next couple of quarters at least. It's at a base which is growing rapidly. And till we reach a certain level of market share saturation, I don't think that should slow down. And partly that's aided by the consumer spend that we have been making for the last say one, two years. So, definitely there is a positive correlation that we're seeing. And as we mentioned earlier also in brands that we see, whether the results are not really coming in expectation to what we thought, we cut down the spends. So, it's all kind of measured at a portfolio level.

**Tushar Manudhane:** Got it, sir. This at least, if not the growth rates, but if you could share what has been the composition of India business into prescription and consumer?

**Aman Mehta:** Composition of the sales contribution or?

**Tushar Manudhane:** Yes, India business into prescription and consumer.

**Aman Mehta:** Yes, I mean, we have generally shared that the consumer brands are between 10% to 15% of the total portfolio.

**Tushar Manudhane:** Got it, sir. And just one more on Germany, as such for last couple of years, there has been unfortunately some or the other reasons which has been keeping the growth under check. So, any re-thought on the geography per se, or you think that we will be able to do better in next 3 to 4 years?

**Sanjay Gupta:** No, so there's no re-thought on the business in terms of geography. We are trying to improve and every time we improve, something else goes wrong. But that doesn't mean that we are giving up on Germany. We are the fifth largest generic company with about 6% of the German generic

market. We have an aggressive growth strategy in terms of new launches and cost improvements of existing portfolios. So, all that work continues.

**Tushar Manudhane:** Got it. And just lastly, one more if I may, on India business, like how many launches we would have done over the last 12 months out of that? How many line extensions and how much cost to market?

**Aman Mehta:** Meaningful launches would have been maybe 4 or 5. Line extensions would have been more, maybe say 9 or 10. And the contribution of the new products is about 2.5%, which may increase slightly in the coming quarters, because the brands would start increasing in size.

**Tushar Manudhane:** Thanks a lot, sir.

**Moderator:** Thank you. Our next question comes from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

**Shyam Srinivasan:** Good evening. Thank you for taking my question. Just on the JB Pharma acquisition, just it's a month since we made the announcement. So, any update? I know you talked about all the approvals take six months, but anything that has passed in the last 30 days?

**Sudhir Menon:** No. So, Shyam, there were some filings which were required in terms of public offer and merger schemes, including the CCI application. All those have been done now. Now, what we believe, I mean, we have to wait for the CCI revert to come back and see if there are incremental things to be done.

**Shyam Srinivasan:** So, largely on track, right? Nothing changes?

**Sudhir Menon:** Absolutely.

**Shyam Srinivasan:** Understood. Just a second question is on, we are getting about, maybe I missed asking this last time, but we are getting another field force of over 2,100 once the deal closes with JB Pharma, once you do the merger as well. So, is there a rethink then when we look at our 6,400 plus 2100? So, do we think that is, I know you have not called out synergies and stuff, but should we look at us going slow and then consolidating and that is how we should look at field force?

**Aman Mehta:** No, I do not think so, because where we are expanding is in non-overlap areas. So, regardless of the acquisition, we would like to go ahead. We did review this, but it is definitely a kind of the more appropriate call to continue the expansion rather than wait for the merger.

**Shyam Srinivasan:** Okay, that is helpful. Last question is on the ETR tax rate, came in 24%-25% for the quarter, how should we look at for the full year? Thank you.

**Sudhir Menon:** So, we are already in the new tax regime, Shyam. So, at least standalone India, you should see 25% playing out and considering subsidiaries 1% here or there. So, maybe 25%-26% max.

- Moderator:** Thank you. The next question comes from the line of Saion Mukherjee from Nomura Securities. Please go ahead.
- Saion Mukherjee:** Yes, thanks. Good evening. Sanjay, on Brazil, we had good growth, but I remember you had some low base and also last quarter you mentioned about some destocking in the channel. So, the constant currency growth is pretty strong this quarter, but there is a fair bit of volatility. So, how should we think about growth in the coming quarters because it is much higher than the market growth rate at this point?
- Sanjay Gupta:** Saion, Brazil is a funny market because it is highly concentrated in terms of distributors, right? And they pretty much decide how much inventory they want, destocking, stocking. So, volatility of primary sales is there quarter-on-quarter. But I have always kind of guided that it is the best to follow the IQVIA data because that kind of normalizes that and it is more related to the demand. So, I would say that IQVIA is currently running at about 14% for us and that is actually a better reflection than the primary sales.
- Saion Mukherjee:** Got it. And also, Sanjay, on the Semaglutide launch in Brazil, so, what is your expectation at this point in terms of timing for approval? And how do you see when you get the approval for Torrent, how the market evolves or the market share evolves, how many companies you expect to be ahead of you? So, if you can, you know, sort of paint a picture for us for this opportunity in Brazil in particular?
- Sanjay Gupta:** Sure. So, what I will do is I will actually not talk too much specifically about Torrent, I will just give you a brief on the market. Because, I mean, for competitive reasons, I do not want to tell you which month we would file, which month we would get approved, etc. But let me just give you a macro picture of where we are in Brazil. So, Semaglutide is two products, right? Ozempic and Wegovy, right? Ozempic has been in the market for a while in Brazil. But since Wegovy launched in middle of 2024, Ozempic has been in a decline. So, it has been going at -15%, -17%. And current size of Ozempic is pretty come down a lot. So, it is about \$350 million. So, Ozempic, by the time it goes off-patent would be smaller. And we have seen that due to changes in regulation, it is losing the obesity patients to Wegovy. And Wegovy is currently running at \$150 million a quarter. So, in the space of one year, it has reached a run rate of \$150 million. And let us see how the growth continues. But it is already a \$600 million product on an annualized basis. And so, Wegovy, generics would come to the market a little later because people have not started filing as yet. So moving, Brazil would be, let us say, a couple of years behind the Ozempic launch. So, the dynamics would be different. And so, we are working on both the products without giving you more specificities. And we are trying to be in the wave one of launches. So, as of today, I cannot go into more detail. I think it will be a little bit detrimental to our business interest to reveal more. But we are working on both with partners. And we intend very much to be there.
- Saion Mukherjee:** So, Sanjay, so what you are saying is that, first, you will get Ozempic and then Wegovy couple of years down the line. But given the size of Ozempic, it will not be a meaningful contributor for Torrent, at least in the near term. Would that be a fair assessment?



- Sanjay Gupta:** I do not know what you mean by meaningful. It depends where the market is. The market is going down -14, -15 and if 10 people show up, then I do not think it will be a meaningful contributor. On the other hand, I would be much more gung-ho about Wegovy because of where the market is going and the fact that it is a little bit down the line. So, I would probably have better chances of being on day one. So, yes, that would be my general sentiment.
- Saion Mukherjee:** Understood. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Vivek Agarwal from Citigroup. Please go ahead.
- Vivek Agarwal:** Hi, thanks for taking the question. Sudhir sir, just some clarifications on the margins. As you commented that margins are expected to remain stable at current level throughout FY'26. So if you look at the branded markets continuously doing well, there can be some operating leverages there while we are looking for some improvement in the profitability of the US. So, shouldn't you expect margins to move up in the coming quarters or is there anything particular that is pulling down the margins? Thank you.
- Sudhir Menon:** So, I think, Vivek, what I said, minimum, this margin should sustain for FY'26. That's point number one. Point number two, I think in the last quarter's earnings call, I did indicate that there will be a pickup as far as R&D spend is concerned, plus certain re-investments which are happening in each of the businesses. So, for now, I feel confident that basically 32.9% minimum is something we should achieve. But quarter-on-quarter, let's see whether there's a further improvement which is possible or not.
- Vivek Agarwal:** Understood. Thank you. And just one question for Sanjay sir. You said that Wegovy is taking market from Ozempic and Ozempic is consistently coming down. But don't you think that once the generics come, there can be some off-level use, etc. And even the weight loss some generics, Ozempic can also get some kind of share. So, your thoughts would be super helpful. Thank you.
- Sanjay Gupta:** So, in theory, yes. But in reality, what is happening in Brazil is, ANVISA has put in place very strict rules. So, each prescription for Semaglutide has to be issued in two copies. And with the indication on the prescription and the pharmacy is required to maintain extensive records, including a copy of each prescription. So, I've never seen that draconian measures put in place by ANVISA to prevent misuse of the drugs. Hence, my submission would be that the off-level use would be minimalistic.
- Vivek Agarwal:** Thanks, sir. That is from my side.
- Aman Mehta:** I will just add one more point to the margin, especially on the India side. So, just to supplement what Sudhir said is, that while directionally what you're saying is correct, would also just want to point out that the margin expansion has happened even after the kind of expansion in field force and increase in marketing spend that we have made for the last, say, 2 to 3 years in a row. So, once that reaches a kind of stable level where we maybe don't expand as much or just kind

of don't need to expand beyond what the optimal level is, that should hopefully, if the topline keeps growing at the same level, that should also bring some leverage. But we don't know when that could be. We right now don't foresee any slowdown in expansion. But as a direction, that's what we wanted to point out.

**Vivek Agarwal:** Thanks. That's from my side.

**Moderator:** Thank you. Our next question comes from the line of Rahul Jeewani from IIFL. Please go ahead.

**Rahul Jeewani:** Yes. Thanks for taking my question, sir. Just a clarification, did we indicate that we have launched Sacubitril and Valsartan in the US?

**Sanjay Gupta:** Yes, it got launched last week.

**Rahul Jeewani:** Okay. And sir, how are you seeing competitive intensity on this product? At least, let's say, for the initial few months, do you think it could be a sizable opportunity for us?

**Sanjay Gupta:** I would say it's a little bit early to give you a prediction. We saw 10 people launch on day one. So, that's quite a lot of people. And what I don't know is how much is the product available on the market, if it's an excess supply, who's targeting what market shares. So, I think it's better to wait. It's just been a few days, right? So, actually our invoicing started on Thursday, Friday of last week. So, I would give it some time.

**Rahul Jeewani:** Okay. So, around 10 players have already launched in the market.

**Sanjay Gupta:** Correct.

**Rahul Jeewani:** Sure, sir. And just on the India business, I missed the split of this 12% growth across volume, price and new launches. So, if you can repeat that? Thank you.

**Aman Mehta:** Sure. It's 12% as per the PharmaTrac data. And the breakup is 3.5% volume, 6% price and 2.5% new products.

**Rahul Jeewani:** Thanks Aman. So, versus market, what would have been the volume growth? So, our volume growth has been 3.5, what is it the market?

**Aman Mehta:** So, the market overall was 8% out of which volume is 0.3% for the quarter.

**Rahul Jeewani:** Okay. So, on volumes as well now, let's say we are outperforming market growth by 250-300, basis points.

**Aman Mehta:** Yes, certainly in this quarter, it appears so. And I would say that the expansion has contributed meaningfully in this volume growth.

**Rahul Jeewani:** Okay. Thank you. That's it for my side.

- Moderator:** Thank you. Our next question comes from the line of Bino Pathiparampil from Elara Capital. Please go ahead.
- Bino Pathiparampil:** Hi. Good evening. You mentioned your thoughts around the Semaglutide market in Brazil. Do you also mind sharing your thoughts around the market in India as it opens up and your plans?
- Aman Mehta:** Yes, again, so there's a lot of moving parts here. So, would refrain from giving any specifics at this stage. But certainly, a large opportunity is ahead of us and the market overall. We believe that the injectable will be the large part of the market and the oral will also have a kind of fair share over time. Both have a kind of separate use and kind of patient pool. So, we believe that both will be important opportunities for us. We are conducting the phase III clinical trials as of now for the oral product and then partnered for the injectable and as of now, it looks like we could be in the first wave. And again, I would kind of not want to make any speculation on how large the market could be, but it's certainly going to be a reasonable addition to our chronic portfolio in the next 1-2 years.
- Bino Pathiparampil:** Okay, got it. Thank you.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Sanjay Gupta, Executive Director of International Business, for closing comments.
- Sanjay Gupta:** Yes, I'd just like to close this call. Thank you very much for your interest in Torrent Pharma today. And we look forward to talking to you soon. Thank you. Bye-bye.
- Moderator:** Thank you. On behalf of Torrent Pharma that concludes this conference. Thank you all for joining us. You may now disconnect your lines.