

July 1, 2025

## Event update

■ Change in Estimates |  Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	ACCUMULATE		ACCUMULATE	
<b>Target Price</b>	3,850		3,670	
Sales (Rs. m)	1,29,624	1,45,058	1,29,624	1,45,058
% Chng.	-	-	-	-
EBITDA (Rs. m)	43,094	49,352	43,094	49,352
% Chng.	-	-	-	-
EPS (Rs.)	75.3	91.9	75.3	91.9
% Chng.	-	-	-	-

### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	1,07,280	1,15,160	1,29,624	1,45,058
EBITDA (Rs. m)	33,680	37,210	43,094	49,352
Margin (%)	31.4	32.3	33.2	34.0
PAT (Rs. m)	16,560	19,110	25,436	31,074
EPS (Rs.)	46.4	57.2	75.3	91.9
Gr. (%)	26.0	23.4	31.5	22.2
DPS (Rs.)	28.0	32.0	30.0	40.0
Yield (%)	0.8	0.9	0.9	1.2
RoE (%)	24.0	26.8	30.8	32.0
RoCE (%)	23.0	27.3	33.3	37.9
EV/Sales (x)	11.0	10.2	9.0	7.9
EV/EBITDA (x)	35.1	31.6	26.9	23.2
PE (x)	73.5	59.5	45.3	37.1
P/BV (x)	16.8	15.2	12.9	11.0

### Key Data

TORP.BO | TRP IN

52-W High / Low	Rs.3,591 / Rs.2,758
Sensex / Nifty	83,606 / 25,517
Market Cap	Rs.1,153bn/ \$ 13,449m
Shares Outstanding	338m
3M Avg. Daily Value	Rs.1252.2m

### Shareholding Pattern (%)

Promoter's	68.31
Foreign	16.31
Domestic Institution	8.25
Public & Others	7.13
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.4	1.4	22.1
Relative	4.6	(5.2)	15.4

### Param Desai

paramdesai@plindia.com | 91-22-66322259

### Kushal Shah

kushalshah@plindia.com | 91-22-66322490

## Acquires JB Chem, Strengthening its branded generic business

*Torrent Pharma's (TRP) acquisition of JB Chemicals & Pharma (JBCP) appears strategically compelling, making it the 5<sup>th</sup> largest player in the domestic pharma market. This will further be strengthening its position in high-margin chronic therapies and opens up many newer therapeutic areas. The deal also adds JBCP's CDMO vertical, offering diversification and growth optionality.*

*The acquisition is likely to be debt-funded requiring Rs 122bn to fund acquisition upfront. We see JBCP current OPM of 27-28% to scale to 31-32% (similar to current TRP margins) via sourcing efficiencies, cost rationalization, and pricing actions on keys brands. Historically TRP have managed to integrate successfully Unichem, Elder and Curatio acquisition which gives us comfort.*

*JBCP is trading at 25x P/E and 16.7x EV/EBITDA on FY27E. This represents a ~25-28% valuation discount to TRP's current trading multiples. The deal is considered financially attractive and strategically sound with long-term earnings accretion. TRP trades at 40x P/E and 21.5x EV/EBITDA on FY27E for the combined business. We maintain our Accumulate with TP of Rs3,850/share, valuing at 25x EV/EBITDA on FY27E for combined entity.*

### Contours of the Transaction:

- Primary Stake Acquisition:**

TRP will acquire 46.4% controlling stake in JB Chemical (JBCP) from Tau Investment Holdings Pte Ltd (KKR entity) at a price of Rs1,600/share, amounting to a total consideration of Rs ~119 bn (11% discount to friday's closing price).

- Employee Share Purchase:**

TRP has also expressed its intent to acquire an additional 2.8% stake from JBCP employees at the same price of Rs 1,600/share.

- Open Offer:**

TRP will have to launch a mandatory open offer to acquire up to 26% stake at Rs 1,639/share (9% discount to friday's closing price).

- Merger Ratio:**

TRP has proposed a merger with JBCP with a swap ratio of 100 JBCP shares for 51 TRP shares, implying a valuation of Rs 1,703/share (5.4% discount to friday's closing price)

- Regulatory Approvals:**

The completion of the transaction is subject to clearances from SEBI, Stock Exchanges, the Competition Commission of India (CCI), National Company Law Tribunal (NCLT), and other relevant authorities.

**Strategic Rationale:**

- Post-merger, the combined entity is expected to derive approximately 56% of its revenues from domestic formulation and 80% of revenues from high-margin branded generics and CDMO businesses, strengthening TRP profitability profile.
- Acquisition of JBCP provides access to high growth therapeutic area of domestic business, particularly in chronic therapies, which constitute around 65% of JBCP's revenues.
- Additionally, the deal marks TRP's entry into new therapies like ophthalmology, IVF and Nephrology. In addition, although there is an overlap in cardiac, gastro-intestinal and gynaecology, most of their domestic portfolios are complementary to each other.
- Post-merger, the combined entity is expected to become the 5th largest player with ~4.6% market share in the domestic market, underlining the scale and competitive advantage derived from this consolidation
- JBCP's CDMO segment further enhances the strategic appeal of the transaction, a high-margin vertical that supports business diversification and long-term scalability.

**Financial Metrics:**

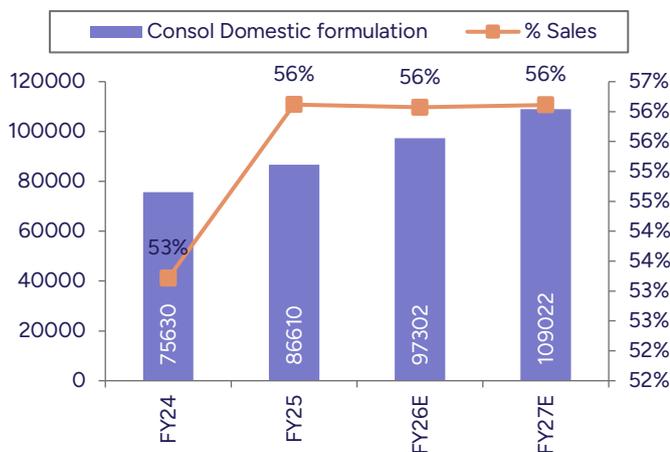
The deal appears EPS dilutive with an expected EPS hit of 15% in FY27E, however will turn EPS neutral in FY28E. The deal will be cash accretive adjusted for amortization expenses from year 1 itself. TRP will require Rs125bn of debt to fund acquisition. The combined entity will have +Rs14bn of net debt. with net debt/EBITDA at 2.6x. Assuming remaining 51% stake of JBCP gets merged with TRP, equity dilution for TRP will be to tune of ~12%.

**Concall highlights:**

- TRP's Rx rank to improve from 10<sup>th</sup> to 4<sup>th</sup> in India for combined entity.
- Continued strong performance of mature brands like Cilacar and Nocardia is essential. TRP believes these have +5 years of growth runway.
- TRP will have access to GPs and nephrologist where JB has strong presence
- TRP sees potential to build presence in Russia, South Africa, and US, where JBCP already has a base.
- CDMO business is attractive and scalable, JBCP has already built a robust platform with sticky customers and stable volumes.
- Minor overlap risk (e.g, probiotics); no major divestments expected.
- It also brings in strong brand portfolio, and high MR productivity (~Rs0.8 mn/month).
- Merger contingent on majority of minority shareholder approval from JBCP shareholders.
- Integration to follow the model used in earlier acquisitions like Unichem.
- Completion timeline: 15–18 months (including CCI & NCLT approvals). CCI approval will take 4-5 months post that one month to complete tender offer.
- TRP will fund the transaction with debt; no equity dilution expected.

- Pro forma net debt/EBITDA expected at 1.8x and 2.8x including tender offer in FY27, reducing to below 0.5x within 2–3 years. Expected cost of debt <8%. Company should bring down a substantial portion of debt over next 3 years.
- TRP does not have any ESOP policy and hence intend to buyback JBCP ESOP shares.
- Mgmt cited deal to be EPS accretive by FY28E.
- ROCE is expected to return to 28% by FY28E.

**Exhibit 1: Combined entity will be fifth largest player and generate 56% of revs from domestic formulation (Rs Mn)**



Source: Company, PL

**Exhibit 2: Therapy concentration post-merger (Rs Mn)**

Therapy	Mar-25
CARDIAC	33,992
GASTRO INTESTINAL	21,049
NEURO / CNS	11,774
VITAMINS/MINERALS/NUTRIENTS	8,100
ANTI DIABETIC	7,399
PAIN / ANALGESICS	6,683
DERMA	5,810
GYNAEC.	3,038
ANTI-INFECTIVES	2,354
OPHTHAL / OTOLOGICALS	2,212
<b>Top Therapies</b>	<b>1,02,411</b>
<b>Total IQVIA Sales</b>	<b>1,07,306</b>

Source: IQVIA, PL

**Exhibit 3: TRP's top 10 therapy contributors (Rs Mn)**

Therapy	Mar-25
CARDIAC	21,852
GASTRO INTESTINAL	14,190
NEURO / CNS	11,774
VITAMINS/MINERALS/NUTRIENTS	7,717
ANTI DIABETIC	7,399
PAIN / ANALGESICS	6,416
DERMA	5,108
ANTI-INFECTIVES	1,920
GYNAEC.	1,898
ANTINEOPLAST/IMMUNOMODULATOR	426
<b>Top Therapies</b>	<b>78,700</b>
<b>Total IQVIA Sales</b>	<b>79,817</b>

Source: IQVIA, PL

**Exhibit 4: JBCP's top 10 therapy contributors (Rs Mn)**

Therapy	Mar-25
CARDIAC	12,140
GASTRO INTESTINAL	6,859
OPHTHAL / OTOLOGICALS	2,212
ANTI-PARASITIC	2,154
GYNAEC.	1,140
DERMA	702
ANTI-INFECTIVES	434
RESPIRATORY	402
VITAMINS/MINERALS/NUTRIENTS	383
PAIN / ANALGESICS	267
<b>Top Therapies</b>	<b>26,693</b>
<b>Total IQVIA Sales</b>	<b>27,489</b>

Source: IQVIA, PL

**Exhibit 5: Proforma Financials-Merged entity**

Rs mn	FY25	FY26E	FY27E	FY28E
<b>Revenues</b>	<b>154340</b>	<b>173537</b>	<b>194301</b>	<b>217754</b>
% YoY growth	9%	12%	12%	12%
<b>COGS</b>	<b>47656</b>	<b>53174</b>	<b>58776</b>	<b>64891</b>
% revenue	30.9%	30.6%	30.3%	30%
<b>Gross Profit</b>	<b>106684</b>	<b>120364</b>	<b>135525</b>	<b>152864</b>
% gross margin	69.1%	69.4%	69.8%	70.2%
Employee	28906	32305	35785	39363
% YoY growth	13%	11.76%	10.77%	10%
Other operating expenses	30250.2	32958	35759	38262
% YoY	8.5%	9.0%	8.5%	7%
<b>EBITDA</b>	<b>47528</b>	<b>55101</b>	<b>63981</b>	<b>75238</b>
% YoY growth	11%	16%	16%	18%
% OPM	30.8%	31.8%	32.9%	34.6%
<b>Diluted equity shares- Mn</b>	<b>380</b>			
<b>Mkt cap- Rs mn</b>	<b>1292000</b>			
<b>Net debt- Rsmn</b>	<b>142000</b>			
<b>EV</b>	<b>1434000</b>			
<b>EV/EBITDA (x)</b>	<b>30.2</b>	<b>26.0</b>	<b>22.4</b>	<b>19.1</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>1,07,280</b>	<b>1,15,160</b>	<b>1,29,624</b>	<b>1,45,058</b>
YoY gr. (%)	11.5	7.3	12.6	11.9
Cost of Goods Sold	26,860	27,760	30,885	34,334
Gross Profit	80,420	87,400	98,739	1,10,724
Margin (%)	75.0	75.9	76.2	76.3
Employee Cost	19,840	22,030	24,674	27,388
Other Expenses	13,250	14,237	15,795	17,443
<b>EBITDA</b>	<b>33,680</b>	<b>37,210</b>	<b>43,094</b>	<b>49,352</b>
YoY gr. (%)	18.5	10.5	15.8	14.5
Margin (%)	31.4	32.3	33.2	34.0
Depreciation and Amortization	8,080	7,950	8,030	8,110
<b>EBIT</b>	<b>25,600</b>	<b>29,260</b>	<b>35,065</b>	<b>41,242</b>
Margin (%)	23.9	25.4	27.1	28.4
Net Interest	3,540	2,520	1,297	702
Other Income	580	230	605	1,171
<b>Profit Before Tax</b>	<b>22,640</b>	<b>26,970</b>	<b>34,373</b>	<b>41,710</b>
Margin (%)	21.1	23.4	26.5	28.8
Total Tax	6,960	7,620	8,937	10,636
Effective tax rate (%)	30.7	28.3	26.0	25.5
<b>Profit after tax</b>	<b>15,680</b>	<b>19,350</b>	<b>25,436</b>	<b>31,074</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>16,560</b>	<b>19,110</b>	<b>25,436</b>	<b>31,074</b>
YoY gr. (%)	33.0	15.4	33.1	22.2
Margin (%)	15.4	16.6	19.6	21.4
Extra Ord. Income / (Exp)	(880)	240	-	-
<b>Reported PAT</b>	<b>15,680</b>	<b>19,350</b>	<b>25,436</b>	<b>31,074</b>
YoY gr. (%)	26.0	23.4	31.5	22.2
Margin (%)	14.6	16.8	19.6	21.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,680	19,350	25,436	31,074
<b>Equity Shares O/s (m)</b>	<b>338</b>	<b>338</b>	<b>338</b>	<b>338</b>
<b>EPS (Rs)</b>	<b>46.4</b>	<b>57.2</b>	<b>75.3</b>	<b>91.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,34,241</b>	<b>1,40,261</b>	<b>1,44,261</b>	<b>1,49,261</b>
Tangibles	52,354	54,702	56,262	58,212
Intangibles	81,887	85,559	87,999	91,049
<b>Acc: Dep / Amortization</b>	<b>56,241</b>	<b>64,191</b>	<b>72,220</b>	<b>80,330</b>
Tangibles	56,241	64,191	72,220	80,330
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>78,000</b>	<b>76,070</b>	<b>72,041</b>	<b>68,931</b>
Tangibles	(3,887)	(9,489)	(15,958)	(22,118)
Intangibles	81,887	85,559	87,999	91,049
Capital Work In Progress	6,990	8,170	8,170	8,170
Goodwill	-	-	-	-
Non-Current Investments	320	440	440	440
Net Deferred tax assets	(1,010)	(2,340)	(2,340)	(2,340)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	1,410	1,120	1,120	1,120
Inventories	22,790	25,410	28,361	31,791
Trade receivables	18,440	18,670	21,271	23,843
Cash & Bank Balance	8,390	5,790	5,500	13,006
Other Current Assets	8,660	8,200	8,610	9,041
<b>Total Assets</b>	<b>1,45,060</b>	<b>1,43,950</b>	<b>1,45,593</b>	<b>1,56,421</b>
<b>Equity</b>				
Equity Share Capital	1,690	1,690	1,690	1,690
Other Equity	66,870	74,220	87,792	1,03,048
<b>Total Network</b>	<b>68,560</b>	<b>75,910</b>	<b>89,482</b>	<b>1,04,738</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	16,040	11,920	8,920	5,920
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	23,340	18,340	6,340	2,340
Trade payables	20,890	18,200	21,271	23,843
Other current liabilities	15,220	17,240	17,240	17,240
<b>Total Equity &amp; Liabilities</b>	<b>1,45,060</b>	<b>1,43,950</b>	<b>1,45,593</b>	<b>1,56,421</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	22,060	26,740	33,768	40,540
Add. Depreciation	8,080	7,950	8,030	8,110
Add. Interest	3,540	2,520	1,297	702
Less Financial Other Income	580	230	605	1,171
Add. Other	-	-	-	-
Op. profit before WC changes	33,680	37,210	43,094	49,352
Net Changes-WC	4,180	(4,810)	(2,891)	(3,860)
Direct tax	(4,980)	(6,030)	(8,937)	(10,636)
<b>Net cash from Op. activities</b>	<b>32,880</b>	<b>26,370</b>	<b>31,266</b>	<b>34,855</b>
Capital expenditures	(5,670)	(6,290)	(4,000)	(5,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(5,670)</b>	<b>(6,290)</b>	<b>(4,000)</b>	<b>(5,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(13,690)	(9,260)	(15,000)	(7,000)
Dividend paid	(10,150)	(10,830)	(11,864)	(15,818)
Interest paid	(3,540)	(2,520)	(1,297)	(702)
Others	2,850	(70)	605	1,171
<b>Net cash from Fin. activities</b>	<b>(24,530)</b>	<b>(22,680)</b>	<b>(27,556)</b>	<b>(22,350)</b>
<b>Net change in cash</b>	<b>2,680</b>	<b>(2,600)</b>	<b>(290)</b>	<b>7,505</b>
Free Cash Flow	28,550	20,260	27,266	29,855

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Net Revenue</b>	<b>28,590</b>	<b>28,890</b>	<b>28,090</b>	<b>29,590</b>
YoY gr. (%)	10.3	8.6	2.8	7.8
Raw Material Expenses	6,940	6,780	6,730	7,310
Gross Profit	21,650	22,110	21,360	22,280
Margin (%)	75.7	76.5	76.0	75.3
<b>EBITDA</b>	<b>9,040</b>	<b>9,390</b>	<b>9,140</b>	<b>9,640</b>
YoY gr. (%)	14.3	13.8	5.2	9.2
Margin (%)	31.6	32.5	32.5	32.6
Depreciation / Depletion	1,970	1,980	1,990	2,010
<b>EBIT</b>	<b>7,070</b>	<b>7,410</b>	<b>7,150</b>	<b>7,630</b>
Margin (%)	24.7	25.6	25.5	25.8
Net Interest	750	640	570	560
Other Income	240	(160)	330	(180)
<b>Profit before Tax</b>	<b>6,560</b>	<b>6,610</b>	<b>6,910</b>	<b>6,890</b>
Margin (%)	22.9	22.9	24.6	23.3
Total Tax	1,990	2,080	1,880	1,670
Effective tax rate (%)	30.3	31.5	27.2	24.2
<b>Profit after Tax</b>	<b>4,570</b>	<b>4,530</b>	<b>5,030</b>	<b>5,220</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>4,570</b>	<b>4,530</b>	<b>5,030</b>	<b>5,460</b>
YoY gr. (%)	20.9	17.4	13.5	21.6
Margin (%)	16.0	15.7	17.9	18.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,570</b>	<b>4,530</b>	<b>5,030</b>	<b>5,460</b>
YoY gr. (%)	20.9	17.4	13.5	21.6
Margin (%)	16.0	15.7	17.9	18.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>4,570</b>	<b>4,530</b>	<b>5,030</b>	<b>5,460</b>
Avg. Shares O/s (m)	338	338	338	338
<b>EPS (Rs)</b>	<b>13.5</b>	<b>13.4</b>	<b>14.9</b>	<b>15.4</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	46.4	57.2	75.3	91.9
CEPS	72.9	80.1	99.0	115.9
BVPS	202.8	224.6	264.7	309.9
FCF	84.5	59.9	80.7	88.3
DPS	28.0	32.0	30.0	40.0
<b>Return Ratio(%)</b>				
RoCE	23.0	27.3	33.3	37.9
ROIC	18.9	21.4	25.2	29.0
RoE	24.0	26.8	30.8	32.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.4	0.3	0.1	(0.1)
Net Working Capital (Days)	69	82	80	80
<b>Valuation(x)</b>				
PER	73.5	59.5	45.3	37.1
P/B	16.8	15.2	12.9	11.0
P/CEPS	46.8	42.6	34.4	29.4
EV/EBITDA	35.1	31.6	26.9	23.2
EV/Sales	11.0	10.2	9.0	7.9
Dividend Yield (%)	0.8	0.9	0.9	1.2

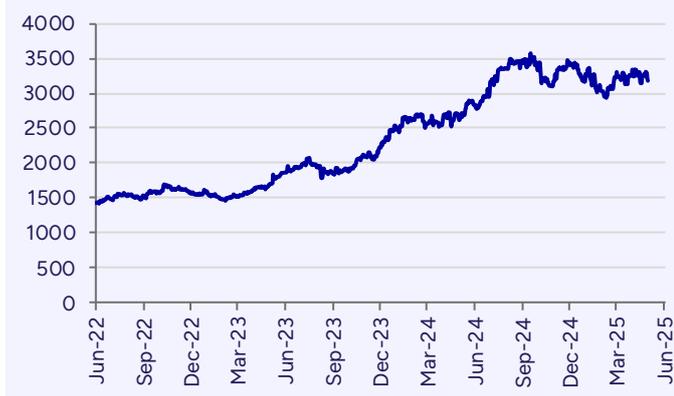
Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
Domestic	56,660	63,930	71,871	80,496
Export	44,520	48,230	54,543	61,128
Contract Manufacturing	6,100	3,000	3,210	3,435

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	21-May-25	Accumulate	3,670	3,233
2	08-Apr-25	Accumulate	3,750	3,234
3	27-Jan-25	Accumulate	3,750	3,248
4	08-Jan-25	Accumulate	3,600	3,404
5	28-Oct-24	Accumulate	3,600	3,433
6	07-Oct-24	Accumulate	3,300	3,474
7	24-Jul-24	Accumulate	3,300	3,162
8	08-Jul-24	BUY	2,900	2,884

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,881
2	Aster DM Healthcare	BUY	620	551
3	Aurobindo Pharma	BUY	1,440	1,191
4	Cipla	BUY	1,730	1,520
5	Divi's Laboratories	Accumulate	6,800	6,280
6	Dr. Reddy's Laboratories	Reduce	1,225	1,156
7	Eris Lifesciences	BUY	1,740	1,444
8	Fortis Healthcare	BUY	785	672
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	233
11	Ipca Laboratories	Accumulate	1,525	1,425
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,641
13	Jupiter Life Line Hospitals	BUY	1,720	1,422
14	Krishna Institute of Medical Sciences	BUY	725	656
15	Lupin	BUY	2,400	2,073
16	Max Healthcare Institute	BUY	1,300	1,142
17	Narayana Hrudayalaya	BUY	1,950	1,743
18	Rainbow Children's Medicare	BUY	1,725	1,358
19	Sun Pharmaceutical Industries	BUY	2,000	1,719
20	Sunteck Realty	BUY	650	401
21	Torrent Pharmaceuticals	Accumulate	3,670	3,233
22	Zydus Lifesciences	Accumulate	970	884

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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