

Torrent-JBCP deal: High Stakes Synergy Game

Torrent Pharmaceuticals (TRP IN) has announced a major strategic move with the acquisition of a controlling 46.4% stake in JB Chemicals & Pharmaceuticals (JBCP IN, Accumulate, CMP: INR 1,792) for INR 119.2bn at INR 1,600/share from the promoter Tau Investment Holdings, which is ~11% discount to JBCP's CMP of INR 1,792. In addition, the company has launched an open offer for a further 26% at INR 1,639.18/share and intends to merge JBCP with itself through a court-approved scheme. This represents TRP's largest-ever acquisition and positions it as a stronger firm in India's branded generics landscape, with deeper reach across therapeutic areas and geographies. We maintain our ratings on (TRP) and (JBCP) at Reduce and Accumulate, respectively, with target prices of INR 3,382 for [TRP](#) and INR 1,784 for [JBCP](#) based on a 41.6x FY27E core P/E for TRP and 33.2x core P/E for JBCP.

Strategic alignment offers portfolio breadth and market synergy: The acquisition strengthens TRP's chronic-heavy portfolio (cardiac, diabetes, and neuro-psychiatry) by adding JBCP's leading presence in gastrointestinal, anti-infective, and dermatology therapies. JBCP also brings complementary capabilities in emerging markets, such as Russia, South Africa, and the Philippines, adding to TRP's global footprint. The eventual merger is expected to unlock operational synergy, enhance marketing effectiveness, streamline capital allocation, and reduce administrative overhead through consolidation.

Merger to unlock operational efficiency and growth leverage: TRP's ultimate plan is to merge JBCP with itself and it is aimed at creating a single, integrated entity with stronger financials and operating leverage. The merger is likely to streamline decision-making, eliminate redundant compliance & administrative layers, and enhance capital deployment efficiency. Moreover, the consolidation provides a larger platform to scale differentiated products, optimize field force productivity, and rationalize manufacturing capacity. While the long-term synergy potential is material, TRP would need to manage the near-term complexity of integration and higher leverage prudently to unlock full value from the deal.

Execution key as TRP takes a bold leap in scale: While the acquisition strategically enhances TRP's presence and scale in India and overseas, integration risks remain. Total consideration for the promoter stake and full open offer exceeds INR 187bn, and it is likely to be largely funded through internal accruals and debt, which may temporarily elevate leverage ratios. TRP's ability to manage culture alignment, realize merger synergy, and drive incremental growth from the combined entity would determine the long-term success of this transformational deal.

Valuation summary: The acquisition values JBCP at an implied equity value of ~INR 259 bn, translating into ~6.6x FY25 revenue and ~40x FY25 PAT based on consolidated revenue of INR 39.2bn and net profit of ~INR 6. bn. TRP, with FY25 revenue of INR 115.2bn and EBITDA margin of ~29%, trades at ~41.2x FY27E P/E. The combined entity would operate at INR 154bn revenue base with a broader branded portfolio and expanded international presence. While the acquisition premium is steep, long-term value creation hinges on efficient integration, synergy realization, and sustained growth across domestic and global businesses. We maintain our ratings on (TRP) and (JBCP) at Reduce and Accumulate, respectively, with target prices of INR 3,382 for TRP and INR 1,784 for JBCP based on a 41.6x FY27E core P/E for TRP and 33.2x core P/E for JBCP.

Exhibit 1: TRP's consolidated position post-merger

	Torrent Pharma	JB Chemicals	Combined Entity
Revenue (INR bn)	115.2	39.2	154.3
Net Worth (INR bn)??	75.9	34.3	110.2
EBITDA margin (%)	32.0	26.3	30.8
Global presence	India + US, Brazil, EU	India + EM	Enhanced emerging + developed

Source: Company, Elara Securities Research

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