

Torrent Pharma

BSE SENSEX 82,055 S&P CNX 25,044



Bloomberg	TRP IN
Equity Shares (m)	338
M.Cap.(INRb)/(USDb)	1130.8 / 13.2
52-Week Range (INR)	3591 / 2755
1, 6, 12 Rel. Per (%)	2/-10/14
12M Avg Val (INR M)	1286

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	115.2	131.5	151.1
EBITDA	37.6	43.9	51.1
Adjusted PAT	19.6	24.1	30.5
EBIT Margin (%)	25.7	26.6	27.7
Cons. Adj EPS (INR)	57.8	71.3	90.2
EPS Gr. (%)	22.7	23.5	26.4
BV/Sh. (INR)	448.6	539.7	655.0

Ratios

Net D-E	0.4	0.3	0.2
RoE (%)	27.1	28.9	30.2
RoCE (%)	20.1	23.1	25.4
Payout (%)	37.0	36.1	36.1

Valuation

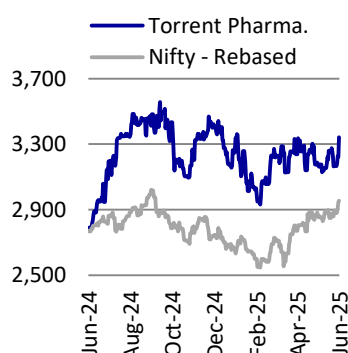
P/E (x)	57.9	47.6	38.3
EV/EBITDA (x)	30.8	26.3	22.6
Div. Yield (%)	0.5	0.6	0.8
FCF Yield (%)	1.8	2.4	3.4
EV/Sales (x)	10.0	8.8	7.7

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	68.3	68.3	71.3
DII	8.4	8.4	7.3
FII	16.3	16.2	14.1
Others	7.0	7.2	7.4

FII includes depository receipts

Stock performance (one-year)



CMP: INR3,341 TP: INR3,430 (+3%) Neutral

JB Chem deal enhances domestic formulation offerings

Valuation supports strategic rationale

- Torrent Pharma (TRP) is set to acquire a controlling stake in JB Chemicals and Pharmaceuticals (JBCP).
- The deal is at an equity valuation of INR256b (on a fully diluted basis).
- With this acquisition, TRP would have access to a fast-growing domestic formulation (DF) business with a healthy share of the chronic portfolio. In addition, TRP would garner the international CDMO business of JBCP.
- The valuation of JBCP would be 30.7x FY26E earnings and 27x FY27E earnings, assuming an 18% earnings CAGR over FY25-27. On an EV/EBITDA basis, it would be at 22x FY26E EBITDA and 19x FY27E EBITDA.
- Considering the strong brand franchise of JBCP with an established 2,800+ field force and lower valuation of JBCP compared to that of TRP (47x FY26 earnings/38x FY27 earnings), we believe the acquisition to be value accretive for TRP over the medium to long term.
- We await clarity on the debt/equity composition to pay cash consideration of INR126b to acquire a 46.4% stake in KKR and 2.8% of equity shares from certain JBCP employees.

Deal background

- TRP has entered into a definitive agreement to acquire a controlling stake in JBCP at an equity valuation of INR256b (on a fully diluted basis), followed by the merger of the two entities.
- The transaction will be executed in two phases. TRP will acquire a 46.39% equity stake through a share purchase agreement at a consideration of INR119b (INR1,600 per share), followed by a mandatory open offer to acquire up to 26% of JB Pharma from public shareholders at an open offer price of INR1,639. TRP has expressed its intent to acquire up to 2.8% of equity shares from certain employees of JBCP at the same price per share as KKR. To merge JBCP with TRP, every shareholder holding 100 shares of JBCP would receive 51 shares of TRP.
- The transaction is subject to shareholder and Competition Commission of India (CCI) approval. The overall process is expected to be completed within the 6-month timeframe.

JBCP: Sizable business with robust growth in the DF segment

- JBCP has delivered a 17%/24%/19% sales/EBITDA/PAT CAGR over FY22-25 to reach INR39b/INR10b/INR6.6b. Over the past three years, it has delivered a consistent RoCE of 19-20%.
- JBCP has 58% of business from the DF segment, 29% from the international formulation segment, and 11% from the CDMO segment.
- JBCP has consistently outperformed the industry over the past five years and derives about 47% of DF revenue from the chronic portfolio.
- It has a leading global position in the lozenges CDMO opportunity, driving the international business of JBCP.
- JBCP has an INR7b cash surplus on the balance sheet.

Scope for building synergy post-integration

- TRP adds INR23b of domestic formulation business of JBCP to its current sales of INR64b (FY25). While cardiac is the top therapy for both companies, the focus products are different and thus can aid synergy post-acquisition.
- JBCP has a healthy mix of price/volume (4.8%/6.5%) for the past 12M vs. price-driven growth for TRP.
- This acquisition would also enable TRP to make inroads into ophthalmology therapy.

Await clarity on funding for the cash part of the payment

- KKR (46.4% stake in JBCP) is expected to be paid cash consideration of INR119b. TRP intends to pay certain employees holding a cumulative position of 2.8% of JBCP at a similar price to that of KKR.
- TRP has a current net debt of ~INR22.5b with a net debt:EBITDA ratio of 0.6x. TRP garnered EBITDA of INR37.6b in FY25 and is expected to deliver INR43b/INR49b in FY26/FY27.
- If the entire amount is funded using debt, then it may dilute the earnings in FY27 by 10.5%. While 50% of the requirement is funded using equity raise, it would marginally dilute the earnings.

Strategically positive for TRP

- We believe acquiring JBCP to be value accretive for TRP backed by 1) diversified branded portfolio comprising multiple potential mega brands, 2) pan-India presence through a strong MR field force of 2,800, 3) manufacturing capabilities/capacities for diversified dosage forms, and d) lozenges-led CDMO business.
- Ex-JBCP, we expect TRP to deliver 12%/14%/23% revenue/EBITDA/PAT CAGR over FY25-27. We value TRP at 38x 12M forward earnings to arrive at a price target of INR3,430. While the deal is positive, we reiterate our **Neutral** rating on the stock due to limited upside from the current levels.



JB Chemicals and Pharmaceuticals

Exhibit 1: Top 10 drugs

Drug	Therapy	MAT May'25			Growth (%)	
		Value (INR m)	Growth (%)	Market share (%)	Last 3M	May'25
Total		28045	11.8	100.0	13.7	11.6
Cilacar	Cardiac	4699	15.7	54.6	10.9	9.2
Rantac	Gastro Intestinal	3537	-3.3	39.7	0.0	-1.2
Cilacar-T	Cardiac	2339	27.2	37.2	28.5	21.5
Metrogyl	Anti-Parasitic	2289	8.0	78.5	10.6	15.3
Nicardia	Cardiac	2092	17.0	92.8	14.3	14.9
Sporlac	Gastro Intestinal	1215	22.3	61.1	42.0	20.5
Azmarda	Cardiac	738	5.3	9.8	41.2	37.9
Vigamox	Ophthal / Otologicals	693	15.2	28.0	11.1	10.0
Cilacar-M	Cardiac	448	15.6	41.2	17.3	14.6
Lobun	Gastro Intestinal	389	22.4	4.1	71.0	76.3

* Three-months: Mar-May'25

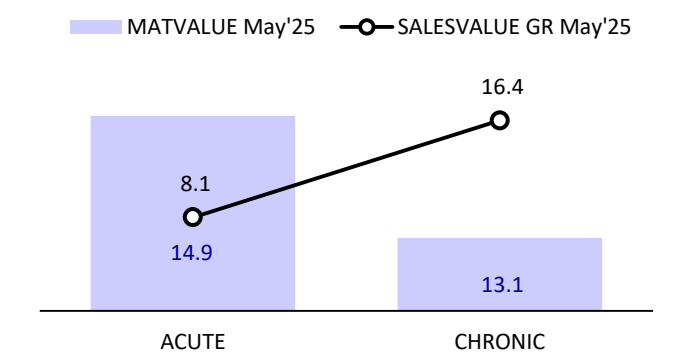
Source: IQVIA, MOFSL

Exhibit 2: Therapy mix (%)

	Share	MAT growth (%)	3M*	May'25
Total	100.0	11.8	13.7	11.6
Cardiac	44.4	17.1	17.0	14.2
Gastro Intestinal	24.8	5.0	11.1	6.1
Ophthal / Otologicals	8.1	16.3	15.9	19.2
Anti-Parasitic	7.8	7.8	10.5	15.2
Gynaec.	4.1	6.7	9.2	9.7
Derma	2.5	15.7	6.0	3.9

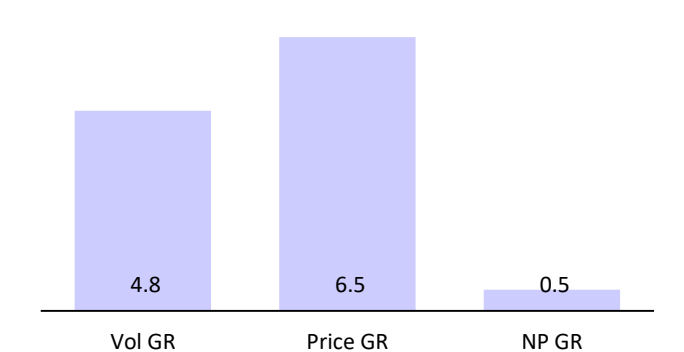
Source: IQVIA, MOFSL

Exhibit 3: Acute vs. Chronic (MAT growth)



Source: IQVIA, MOFSL

Exhibit 4: Growth distribution (%; MAT May'25)



Source: IQVIA, MOFSL



Torrent Pharma

Exhibit 5: Top 10 drugs

Drug	Therapy	MAT May'25			Growth (%)	
		Value (INR m)	Growth (%)	Market share (%)	Last 3M	May'25
Total		80,980	8.2	100.0	8.9	6.5
Shelcal	Vitamins/Minerals/Nutrients	3,340	-4.4	33.7	-4.8	-6.0
Chymoral	Pain / Analgesics	3,233	4.1	88.8	0.1	-2.1
Nexpro-Rd	Gastro Intestinal	2,486	18.1	25.2	19.6	16.5
Shelcal Xt	Vitamins/Minerals/Nutrients	2,357	5.1	21.2	4.7	0.3
Nikoran	Cardiac	2,214	10.4	52.8	13.0	9.9
Unienzyme	Gastro Intestinal	1,651	3.0	41.3	1.9	-1.8
Nebicard	Cardiac	1,428	2.3	53.2	6.5	9.5
Losar	Cardiac	1,388	6.1	61.5	0.3	-2.3
Nexpro	Gastro Intestinal	1,304	22.3	29.1	25.8	24.1
Veloz-D	Gastro Intestinal	1,278	3.7	10.2	4.6	1.9

* Three-months: Mar-May'25

Source: IQVIA, MOFSL

Secondary sales grew 6.5% YoY in May'25 vs. 10.6% in Apr'25. Decline in Shelcal/Chymoral/Losar was offset by Double-digit growth in Nexpro-Rd/Nexpro May'25.

Except VMN/Pain, all other therapies witnessed positive single-digit growth in May'25.

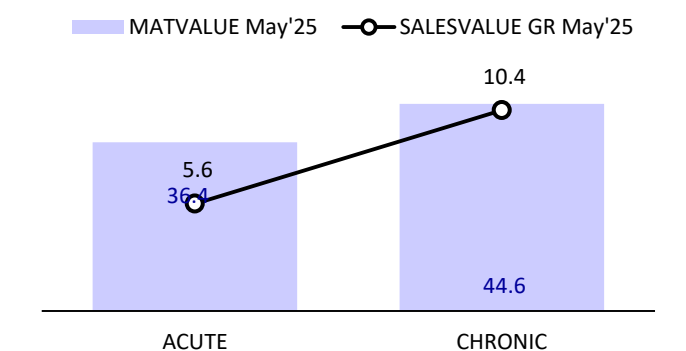
Price/New launches growth on MAT May'25 basis.

Exhibit 6: Therapy mix (%)

	Share	MAT growth (%)	3M*	May'25
Total	100.0	8.2	8.9	6.5
Cardiac	27.5	11.3	10.7	8.6
Gastro Intestinal	17.9	10.6	11.7	7.0
Neuro / Cns	14.8	9.9	12.3	11.5
Vitamins/Minerals/Nutrients	9.6	2.0	2.3	0.7
Anti-Diabetic	9.3	15.8	17.0	10.1
Pain / Analgesics	7.9	2.7	2.0	-0.2

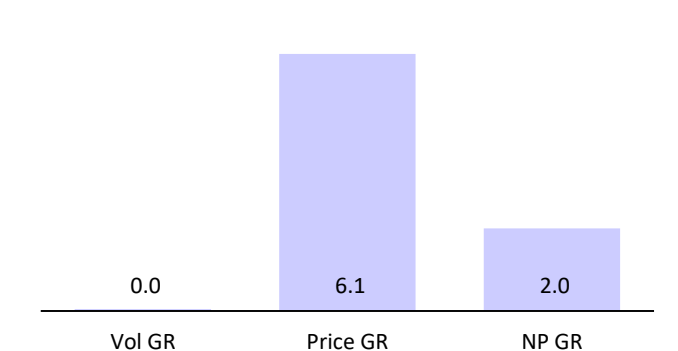
Source: IQVIA, MOFSL

Exhibit 7: Acute vs. Chronic (MAT growth)



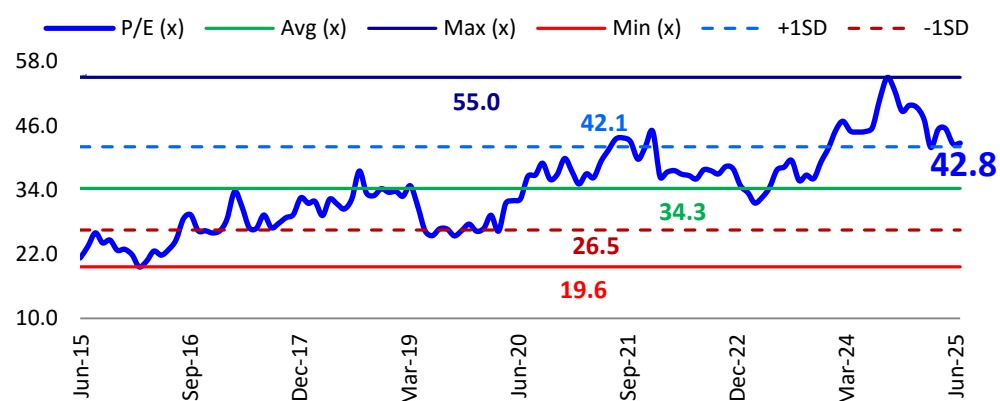
Source: IQVIA, MOFSL

Exhibit 8: Growth distribution (%; MAT May'25)



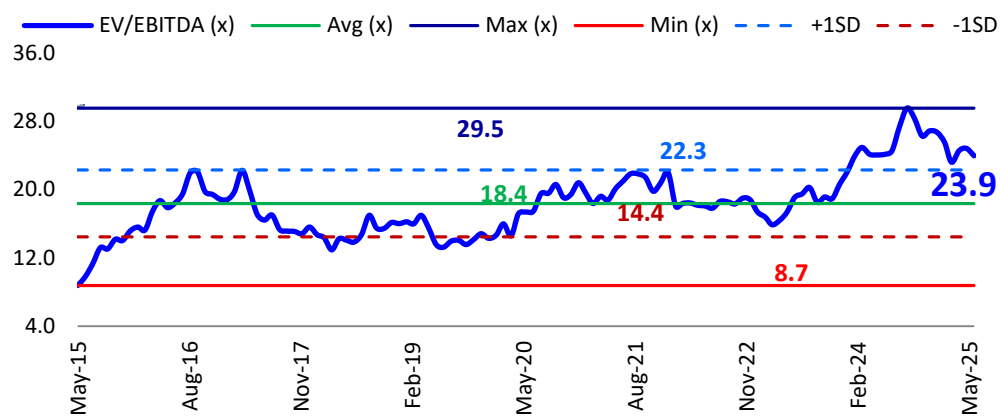
Source: IQVIA, MOFSL

Exhibit 9: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 10: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

Financials and valuations

Income Statement									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	76,100	79,390	80,050	85,080	95,820	1,07,280	1,15,160	1,30,041	1,43,617
Change (%)	26.8	4.3	0.8	6.3	12.6	12.0	7.3	12.9	10.4
EBITDA	19,490	21,700	25,010	24,310	28,288	33,680	37,580	43,434	49,261
Margin (%)	25.6	27.3	31.2	28.6	29.5	31.4	32.6	33.4	34.3
Depreciation	1,985	2,346	2,374	6,620	7,070	8,080	7,950	8,896	8,796
EBIT	17,506	19,354	22,636	17,690	21,218	25,600	29,630	34,537	40,465
Int. and Finance Charges	5,040	4,510	3,580	2,550	3,330	3,540	2,520	2,198	1,003
Other Income - Rec.	570	1,220	570	1,970	850	580	230	700	1,050
PBT before EO Expense	13,036	16,064	19,626	17,110	18,738	22,640	27,340	33,040	40,513
EO Expense/(Income)	3,220	0	160	4,850	267	-880	610	0	0
PBT after EO Expense	9,816	16,064	19,466	12,260	18,471	23,520	26,730	33,040	40,513
Current Tax	1,260	1,620	2,740	4,490	6,110	6,959	7,620	9,249	10,936
Deferred Tax	0	0	0	0	0	1		2	2
Tax	1,260	1,620	2,740	4,490	6,110	6,960	7,620	9,251	10,938
Tax Rate (%)	9.7	10.1	14.0	26.2	32.6	30.7	27.9	28.0	27.0
Reported PAT	8,556	14,444	16,726	7,770	12,361	16,560	19,110	23,789	29,574
Adj PAT	7,228	9,496	12,680	11,617	12,581	15,942	19,556	23,789	29,574

Balance Sheet									(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	850	850	850	850	1,692	1,692	1,692	1,692	1,692
Total Reserves	46,390	47,390	57,530	58,680	60,288	66,868	74,218	89,414	1,08,306
Net Worth	47,240	48,240	58,380	59,530	61,980	68,560	75,910	91,106	1,09,999
Deferred liabilities	-3630	-4330	-4210	-4940	-5440	-5550	2340	2340	2340
Total Loans	48,540	44,080	36,450	40,180	52,970	39,380	30,260	25,380	18,380
Capital Employed	92,150	87,990	90,620	94,770	1,09,510	1,02,390	1,08,510	1,18,826	1,30,719
Gross Block	99,848	1,02,918	1,02,848	1,04,548	1,27,128	1,38,405	1,43,978	1,47,478	1,50,481
Less: Accum. Deprn.	17,558	24,098	30,678	37,298	44,368	52,448	60,398	69,294	78,089
Net Fixed Assets	82,290	78,820	72,170	67,250	82,760	85,957	83,580	78,184	72,391
Capital WIP	4,790	7,120	8,710	6,720	8,330	2,810	3,670	3,670	3,670
Investments	50	40	440	440	450	350	470	470	470
Curr. Assets	50,380	50,070	55,220	51,650	53,140	56,110	56,230	74,273	1,05,401
Inventory	19,350	21,480	26,810	24,620	22,300	22,790	25,410	28,307	31,523
Account Receivables	14,360	16,490	15,230	16,330	19,440	18,440	18,670	22,107	28,723
Cash and Bank Balance	8,160	6,660	6,040	4,030	5,710	8,390	5,790	16,825	37,375
Loans & Advances	8,510	5,440	7,140	6,670	5,690	6,490	6,360	7,034	7,779
Curr. Liability & Prov.	45,360	48,060	45,920	31,290	35,170	42,837	35,440	37,770	51,213
Account Payables	38,330	40,490	37,910	23,490	27,300	34,387	26,350	28,256	39,441
Provisions	7,030	7,570	8,010	7,800	7,870	8,450	9,090	9,515	11,772
Net Current Assets	5,020	2,010	9,300	20,360	17,970	13,273	20,790	36,503	54,188
Appl. of Funds	92,150	87,990	90,620	94,770	1,09,510	1,02,390	1,08,510	1,18,826	1,30,719

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
EPS	21.4	28.1	37.5	34.3	37.2	47.1	57.8	70.3	87.4
Cash EPS	31.1	49.6	56.4	42.5	57.4	72.8	159.9	193.1	226.7
BV/Share	139.6	142.5	172.5	175.9	183.1	202.6	448.6	538.4	650.0
DPS	9.0	16.0	11.2	10.3	11.2	14.1	17.3	21.1	26.2
Payout (%)	43.0	45.1	27.4	54.0	36.8	34.8	37.0	36.1	36.1
Valuation (x)									
P/E	156.6	119.2	89.3	97.4	90.0	71.0	57.9	47.6	38.3
Cash P/E	107.4	67.4	59.3	78.6	58.2	45.9	20.9	17.3	14.7
P/BV	24.0	23.5	19.4	19.0	18.3	16.5	7.5	6.2	5.1
EV/Sales	15.4	14.7	14.5	13.7	12.3	10.8	10.0	8.8	7.7
EV/EBITDA	60.1	53.9	46.5	48.0	41.7	34.5	30.8	26.3	22.6
Return Ratios (%)									
RoE	15.5	19.9	23.8	19.7	20.7	24.4	27.1	28.5	29.4
RoCE	16.4	19.7	21.3	14.9	13.9	16.3	20.1	22.8	24.8
RoIC	18.9	22.7	26.0	16.4	16.0	19.1	22.6	25.3	31.6
Working Capital Ratios									
Asset Turnover (x)	0.8	0.9	0.9	0.9	0.9	1.0	1.1	1.1	1.1
Fixed Asset Turnover (x)	0.9	1.0	1.1	1.2	1.3	1.3	1.4	1.6	1.9
Debtor (Days)	65	71	72	68	68	64	59	57	65
Inventory (Days)	93	99	122	106	85	78	81	79	80
Working Capital Turnover (Days)	-15	-21	15	70	47	17	48	55	43
Leverage Ratio (x)									
Interest Cover Ratio	3.5	4.3	6.3	6.9	6.4	7.2	11.8	15.7	40.4
Debt/Equity	1.0	0.9	0.6	0.7	0.9	0.6	0.4	0.3	0.2

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Oper. Profit/(Loss) before Tax	5,617	11,866	15,263	12,259	18,472	23,521	26,730	33,040	40,513
Depreciation/Amorisation	6,177	6,544	6,578	6,622	7,066	8,083	7,950	8,896	8,796
Interest/Dividends Recd.	4,873	4,428	3,479	2,479	3,187	3,421	2,320	1,498	-47
Direct Taxes Paid	-2,812	-2,840	-1,755	-4,210	-3,981	-4,981	-6,030	-9,249	-10,936
(Inc)/Dec in WC	994	-3,858	-3,383	-3,519	-182	4,181	-2,710	-4,428	1,352
CF from Operations	14,849	16,138	20,182	13,631	24,561	34,224	28,260	29,756	39,677
Others Items	3,132	-2,209	-128	4,399	-880	-1,564	-2,410	425	2,258
CF from Operating incl EO Expense	17,981	13,929	20,054	18,030	23,681	32,661	25,850	30,181	41,934
(inc)/dec in FA	-6,605	-4,028	-3,340	-1,958	-4,152	-2,991	-5,930	-3,500	-3,003
Free Cash Flow	11,376	9,901	16,713	16,072	19,529	29,670	19,920	26,681	38,931
(Pur)/Sale of Investments	589	3,805	-1,635	-348	474	331	350	0	0
Others Items	3,561	2,515	537	345	-19,675	1,062	180	-674	-745
CF from Investments	-2,456	2,292	-4,438	-1,961	-23,354	-1,598	-5,400	-4,174	-3,748
Issue of shares	0	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-5,013	-3,452	-9,563	-8,464	12,434	-13,933	-9,530	-4,880	-7,000
Interest Paid	-5,034	-4,854	-3,561	-2,577	-3,030	-3,710	-2,620	-1,498	47
Dividend Paid	-3,097	-7,185	-3,385	-6,769	-8,630	-10,153	-10,830	-8,590	-10,679
Others Items	0	0	0	0	0	0	0	-5	-5
CF from Fin. Activity	-13,145	-15,490	-16,508	-17,811	774	-27,796	-22,980	-14,972	-17,636
Inc/Dec of Cash	2,380	731	-893	-1,742	1,101	3,266	-2,530	11,035	20,550
Opening Balance	7,020	5,888	6,618	5,726	3,984	5,085	8,351	5,730	16,765
Add/(less) Forex in Cash/Cash eq							-91	0	0
Closing Cash and Cash Eq.	9,401	6,618	5,726	3,984	5,085	8,351	5,730	16,765	37,315
Bank balances*	-1,240	40	310	50	630	40	60	60	60
Total Cash and Cash Eq.	8,161	6,658	6,036	4,034	5,715	8,391	5,790	16,825	37,375

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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