

01 July 2025

India | Equity Research | Company Update

Torrent Pharma

Pharma

Acquisition of JB Pharma to aid scale in India; watchful of synergies

Torrent Pharma (Torrent) is acquiring 49.2% stake in JB Pharma from KKR (46.4%) and employees (2.8%) at INR 1,600/share (aggregate value of INR 119.2bn, to be funded through debt). Post the open offer (up to 26% stake at INR 1,639), Torrent may also look to merge JB Chemicals and may offer 51 shares of Torrent for every 100 shares held in JB Chemicals. Post this deal, Torrent's market share in IPM may rise to 4.6%, making it the fifth-largest pharma company in India. At the initial price of INR 1,600/share, the deal is sweetly priced at 17x FY27E EV/EBITDA and 28x P/E. While the deal may be EBITDA accretive in FY27E, we believe it may be EPS dilutive in the initial years due to amortisation, interest charges and equity dilution. We lower our rating to **HOLD** (from *Add*), though maintain our TP of INR 3,500 on 23x FY27E EV/EBITDA (24x earlier).

JB Pharma acquisition sweetly priced at 17x FY27E EV/EBITDA

Torrent has entered into a binding agreement to acquire 46.39% stake from KKR and 2.8% stake from certain employees of JB Pharma at INR 1,600/share in cash (likely through debt issuance). Further, Torrent would initiate a mandated open offer for acquiring up to 26% stake at INR 1,639.18/share. The process of acquiring 49.2% stake is likely to be completed in Q3FY26, post which Torrent intends to merge JB Pharma, and will likely issue 51 shares for every 100 shares held in JB Pharma. The aggregate value of the entire deal is likely to be ~INR 245bn. Torrent shall require approval from CCI to close the share purchase deal with KKR and shareholder approval to increase borrowing and investments limits. Further, the merger deal shall also require approval from NCLT, shareholders and creditors.

Torrent set to become fifth-largest company in IPM

Post this deal, Torrent's market share in IPM may rise by 120bps to 4.6%, making it the fifth-largest (two notches higher) pharma company in India; its share of India business, in overall revenues of Torrent, may rise a minor 50bps to ~57%. Torrent's market share for certain therapies such as cardiac will likely rise by 410bps to 11.3% and gastrointestinal could rise by 270bps to 8.4%. Besides, it helps Torrent to foray into the ophthalmology segment (JB had in-licensed Novartis brands, complete ownership transfer in Jan'27, post payment of USD 116mn) and strengthen its paediatric portfolio. India portfolio of both the companies have minimum direct molecule overlap. As per IQVIA, these brands account for a mere 3% of combined sales of both the entities.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,07,280	1,15,160	1,39,755	1,87,331
EBITDA	33,680	37,410	46,408	61,019
EBITDA Margin (%)	31.4	32.5	33.2	32.6
Net Profit	15,940	19,425	23,319	27,390
EPS (INR)	47.2	57.5	69.0	74.1
EPS % Chg YoY	28.2	21.9	20.0	7.4
P/E (x)	69.6	60.3	49.4	46.0
EV/EBITDA (x)	38.6	34.5	30.1	22.5
RoCE (%)	15.3	18.9	12.4	10.3
RoE (%)	24.4	26.9	17.1	13.3

Abdulkader Puranwala

abdulkader.puranwala@icicisecurities.com
+91 22 6807 7339

Nisha Shetty

nisha.shetty@icicisecurities.com

Market Data

Market Cap (INR)	1,153bn
Market Cap (USD)	13,445mn
Bloomberg Code	TRP IN
Reuters Code	TORP.BO
52-week Range (INR)	3,591 / 2,758
Free Float (%)	31.0
ADTV-3M (mn) (USD)	14.6

Price Performance (%)	3m	6m	12m
Absolute	5.6	1.4	22.1
Relative to Sensex	(2.4)	(5.6)	16.3

ESG Score	2023	2024	Change
ESG score	70.0	68.7	(1.3)
Environment	62.9	70.6	7.7
Social	57.8	55.1	(2.7)
Governance	82.0	80.9	(1.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

21-05-2025: [Q4FY25 results review](#)

25-01-2025: [Q3FY25 results review](#)

Acquisition synergies – a key monitorable ahead

Management believes that the acquisition of JB Chemicals holds scope for synergies shall be akin to those done by the company in the past. Management would share details of it post acquiring the majority stake in the company in Q3FY26. Besides, management will have a retention plan to ensure lower retention and business continuity. It will likely look for a creeping acquisition of balance stake, should the open offer and merger process fail to attract the targeted stake.

View and valuation

Torrent has a credible track record of acquiring and integrating India-centric business. Though JB Pharma's India business is a like-minded business (chronic-heavy and good scope to take price hikes), we believe the previous management of JB Pharma had already cultivated most of the available synergies. Post KKR taking over JB Pharma, its India revenue has grown at a CAGR of 23.3% driven through organic initiatives and M&A while EBITDA margins of the company have scaled up from 18.6% in FY19 to 26.3% in FY25.

Besides, Torrent may have to pay USD 116mn to Novartis for acquiring the ophthalmology brands in Jan'27. In the near-term, curtailing ESOP cost and better margins in ophthalmology brands post-acquisition are the few triggers for margin improvement for JB Pharma's business. Separately, Torrent may also get an entry into contract manufacturing of lozenges and strengthen its presence in key export markets of US, Russia and South Africa.

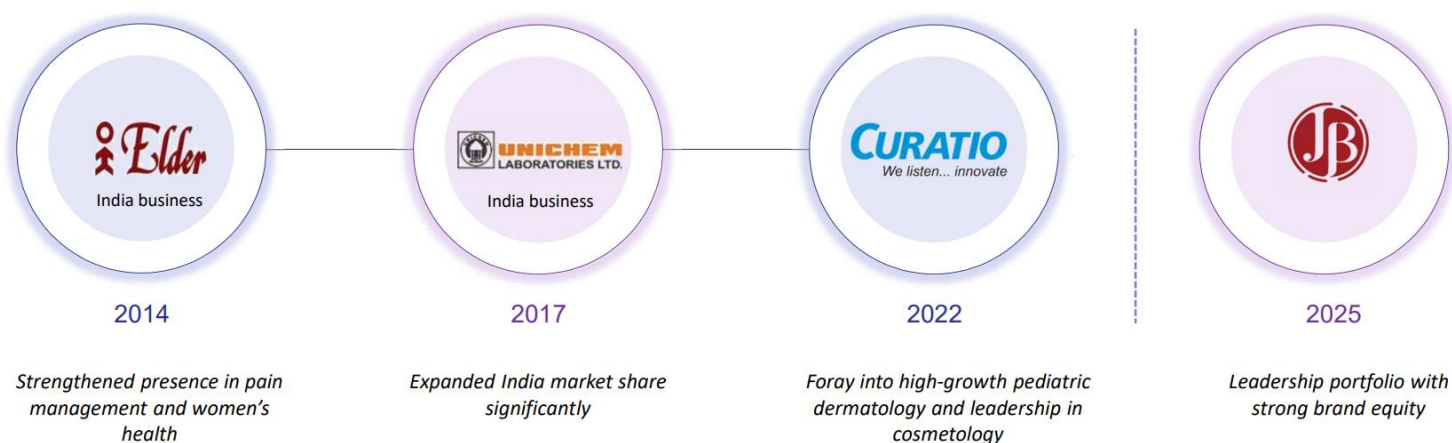
Synergies from this acquisition are likely to be fully-realised upon completion of the integration of JB Chemical's business; however, we remain watchful considering the open offer and share swap were 9% and 5%, respectively, below the price on the date of acquisition. The acquisition of the initial 49.2% stake at INR 119.2bn is likely to be funded through debt, which management may repay in 3–4 years post the deal. RoCE/RoE shall drop to 10.3%/13.3% in FY27E due to this deal.

We factor in the acquisition of JB Pharma into Q4FY26; hence, we raise our FY26E/FY27E revenue/EBITDA estimates by 9.9%/7.3% and 34.1%/25.9%, respectively. Further, as we envisage the deal to be PAT dilutive in the initial years, we cut our EPS estimate by 7.8%/8.4% for FY26E/FY27E. We lower our rating to **HOLD**, though maintain our target price of INR 3,500, valuing the company on 23x FY27E combined entity EV/EBITDA (24x earlier for Torrent's biz).

Key upside risks: Earlier-than-anticipated synergies and debt repayment; and better pricing in India

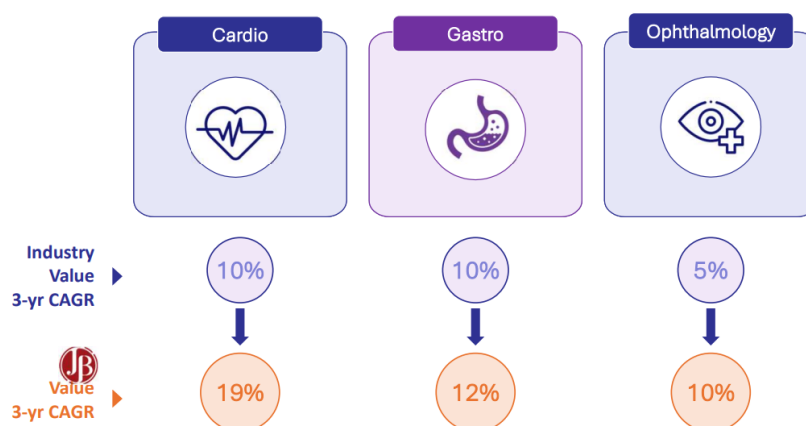
Key downside risks: More products under price control in India; regulatory issues at plants; and currency fluctuations.

Exhibit 1: Torrent has a strong track record of integration of India centric businesses



Source: Company data, I-Sec research

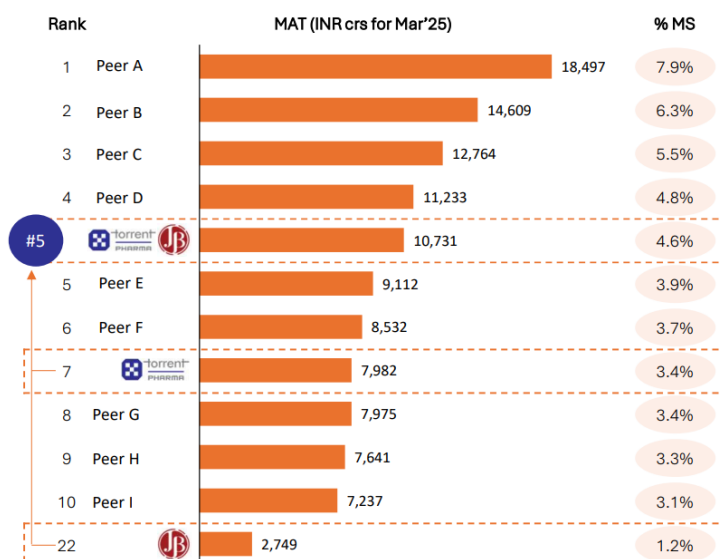
Exhibit 2: Acquired portfolio of JB has outperformed market growth in the last 3 years



Source: Company data, I-Sec research

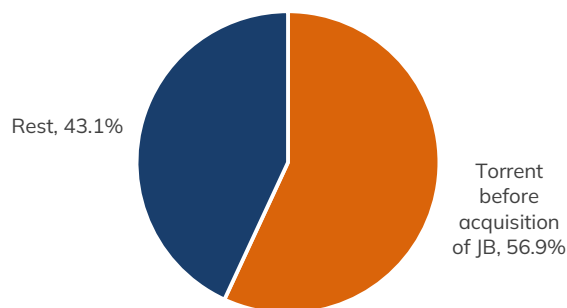
Exhibit 3: Acquisition of JB makes Torrent the fifth-largest company

Ranking based on IQVIA Secondary Sales dataset as on MAT Mar'25

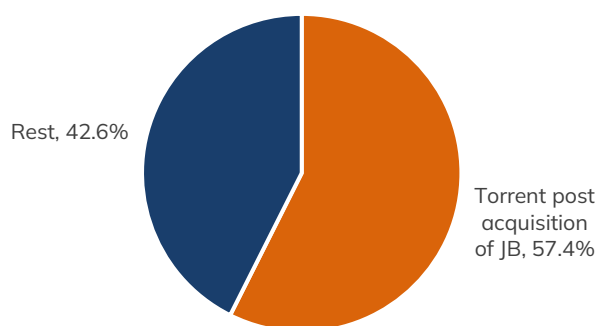


Source: Company data, I-Sec research

Exhibit 4: Acquisition of JB increases India biz share by 50bps in Torrent's portfolio

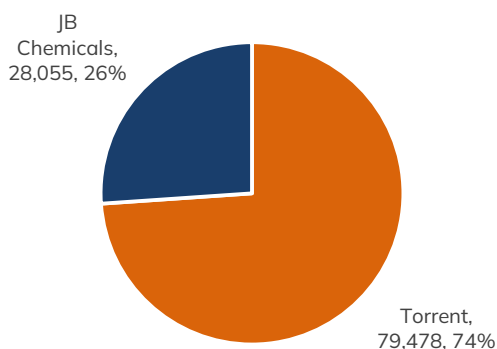


Source: Company data, I-Sec research



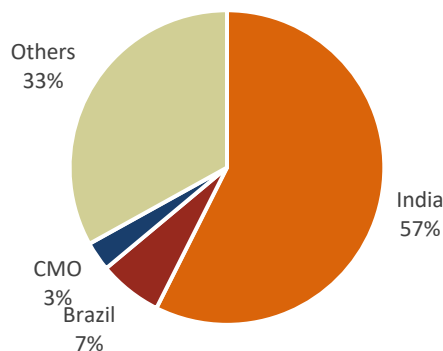
Source: Company data, I-Sec research

Exhibit 5: JB Chemicals to account for 26% of India biz in FY27E



Source: Company data, I-Sec research

Exhibit 6: Revenue mix post-acquisition in FY27E



Source: Company data, I-Sec research

Exhibit 7: Financial breakup of standalone and merged entity

Particulars (INR mn)	Torrent			JB Chemicals			Combined entity		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
India	71,602	79,478	88,220	25,303	28,055	31,110	77,927	1,07,532	1,19,361
Revenue	1,27,220	1,39,693	1,55,766	43,278	47,694	52,578	1,39,755	1,87,331	2,05,842
Gross Profit	96,543	1,06,438	1,19,940	28,749	31,939	35,332	1,05,235	1,37,688	1,52,323
Gross margins (%)	75.9	76.2	77.0	66.4	67.0	67.2	75.3	73.5	74.0
EBITDA	43,241	48,471	54,373	12,102	13,598	15,195	46,408	61,019	69,004
EBITDA margins (%)	34.0	34.7	34.9	28.0	28.5	28.9	33.2	32.6	33.5
PAT	25,290	29,900	34,521	7,665	8,865	10,318	23,319	27,390	35,035
EPS	74.7	88.3	102.0				69.0	74.1	94.8
							-7.7%	-16.1%	-7.1%

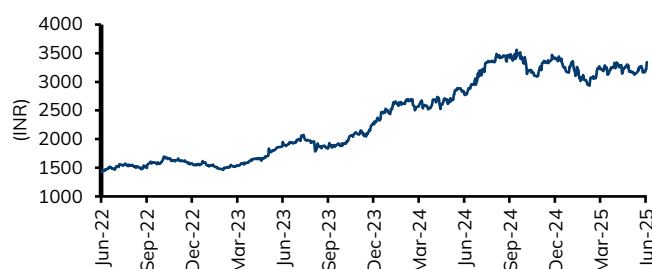
Source: I-Sec research, Company data

Exhibit 8: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	71.3	68.3	68.3
Institutional investors	21.1	23.0	22.8
MFs and others	3.7	4.9	5.0
FIs/Banks	0.1	0.1	0.1
Insurance	1.9	1.7	1.3
FIIIs	16.4	16.3	16.3
Others	7.6	8.7	8.9

Source: Bloomberg

Exhibit 9: Price chart



Source: Bloomberg

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	1,07,280	1,15,160	1,39,755	1,87,331
Operating Expenses	73,600	77,750	93,347	1,26,312
EBITDA	33,680	37,410	46,408	61,019
EBITDA Margin (%)	31.4	32.5	33.2	32.6
Depreciation & Amortization	8,080	7,950	10,084	15,641
EBIT	25,600	29,460	36,324	45,378
Interest expenditure	3,540	2,520	5,701	9,479
Other Non-operating Income	580	230	552	718
Recurring PBT	22,640	27,170	31,175	36,617
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	6,960	7,620	7,856	9,228
PAT	16,560	19,110	23,319	27,390
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	16,560	19,110	23,319	27,390
Net Income (Adjusted)	15,940	19,425	23,319	27,390

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	54,700	55,110	67,601	87,877
of which cash & cash eqv.	8,390	5,790	6,756	8,046
Total Current Liabilities & Provisions	30,720	28,530	34,626	41,475
Net Current Assets	23,980	26,580	32,975	46,402
Investments	1,730	1,560	1,560	1,560
Net Fixed Assets	31,390	32,090	30,062	27,609
ROU Assets	1,580	2,460	2,460	2,460
Capital Work-in-Progress	3,610	4,780	4,780	4,780
Total Intangible Assets	48,410	44,910	2,66,354	2,58,166
Other assets	3,610	3,010	3,027	3,044
Deferred Tax Assets	5,550	5,950	5,950	5,950
Total Assets	1,19,890	1,21,370	3,47,198	3,50,001
Liabilities				
Borrowings	39,580	30,560	1,35,560	1,20,560
Deferred Tax Liability	6,560	1,460	1,460	1,460
provisions	4,450	5,010	5,010	5,010
other Liabilities	740	8,430	8,430	8,430
Equity Share Capital	1,690	1,690	1,848	1,848
Reserves & Surplus	66,870	74,220	1,94,890	2,12,693
Total Net Worth	68,560	75,910	1,96,738	2,14,541
Minority Interest	-	-	-	-
Total Liabilities	1,19,890	1,21,370	3,47,198	3,50,001

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	36,441	34,430	33,106	45,637
Working Capital Changes	(6,501)	(3,650)	5,445	6,155
Capital Commitments	4,200	7,200	2,29,500	5,000
Free Cashflow	32,241	27,230	(1,96,394)	40,637
Other investing cashflow	(260)	(170)	-	-
Cashflow from Investing Activities	(3,940)	(7,030)	(2,29,500)	(5,000)
Issue of Share Capital	-	-	158	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(16,971)	(9,020)	1,05,000	(21,000)
Dividend paid	(9,464)	(6,689)	(8,162)	(9,586)
Others	(3,386)	(14,292)	1,00,522	(8,761)
Cash flow from Financing Activities	(29,821)	(30,000)	1,97,518	(39,347)
Chg. in Cash & Bank balance	2,680	(2,600)	1,124	1,289
Closing cash & balance	8,390	5,790	6,914	8,046

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	49.0	56.5	69.0	74.1
Adjusted EPS (Diluted)	47.2	57.5	69.0	74.1
Cash EPS	71.1	81.0	98.8	116.4
Dividend per share (DPS)	28.0	19.8	22.1	25.9
Book Value per share (BV)	202.8	224.6	582.1	580.5
Dividend Payout (%)	57.1	35.0	32.0	35.0
Growth (%)				
Net Sales	11.5	7.3	21.4	34.0
EBITDA	18.5	11.1	24.1	31.5
EPS (INR)	28.2	21.9	20.0	7.4
Valuation Ratios (x)				
P/E	69.6	60.3	49.4	46.0
P/CEPS	48.0	42.1	34.5	29.3
P/BV	16.8	15.2	5.9	5.9
EV / EBITDA	38.6	34.5	30.1	22.5
P / Sales	11.8	11.0	9.0	6.7
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	75.0	75.9	75.3	73.5
EBITDA Margins (%)	31.4	32.5	33.2	32.6
Effective Tax Rate (%)	29.6	28.5	25.2	25.2
Net Profit Margins (%)	14.9	16.9	16.7	14.6
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.4	0.3	0.6	0.5
Net Debt / EBITDA (x)	0.9	0.6	2.7	1.8
Profitability Ratios				
RoCE (%)	15.3	18.9	12.4	10.3
RoE (%)	24.4	26.9	17.1	13.3
RoIC (%)	17.4	20.9	8.4	10.7
Fixed Asset Turnover (x)	3.7	3.6	4.5	6.5
Inventory Turnover Days	82	83	88	92
Receivables Days	66	61	71	74
Payables Days	75	60	70	70

Source Company data, I-Sec research

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For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
