Torrent Pharmaceuticals Ltd.

BP WEALTH

Pharma | Company Update — **01st July 2025**

Torrent Pharma – Strategic Acquisition of JB Chemicals

A Transformational Play

Torrent Pharma's announced acquisition of a 46.39% stake in JB Chemicals & Pharmaceuticals for Rs. 11,917 crore marks a strategic milestone in the company's growth trajectory. This transaction, followed by a mandatory open offer to acquire an additional 26% and the proposed merger of JB Pharma into Torrent (with a share swap ratio of 51 Torrent shares for every 100 JB shares), is expected to be completed within 15-18 months, subject to the necessary approvals. This move strengthens Torrent's positioning in high-growth therapeutic areas, including cardiology, gastroenterology, ophthalmology, and paediatrics. JB Pharma has consistently outperformed the IPM, posting a robust 18% revenue CAGR over FY21–25. The company has also established a balanced business mix, with 58% of revenue coming from India, 29% from international markets, 11% from CDMO, and 2% from API. With a strong domestic brand portfolio, comprising six brands in the IPM top 300 and 3 in the top 25 cardiology brands, JB Pharma brings complementary strengths that align well with Torrent's chronic-focused portfolio. The acquisition aligns with Torrent's long-term strategy to deepen its presence in the IPM, enhance therapeutic breadth, and diversify into the CDMO segment, a market to which Torrent had limited exposure. The deal also offers access to fast-growing therapy areas, such as nephrology, ophthalmology, IVF, and paediatrics, reinforcing Torrent's leadership in chronic and specialty care.

Torrent Pharma's rationale for acquisition :

- Acquisition provides access to a fast-growing India franchise, with leading brands in the chronic segment, and entry into untapped therapeutic areas like ophthalmology
- Strengthens market share in the IPM
- Operational synergies across multiple business functions
- Entry into the CDMO segment with long-term potential
- Consolidation in key international markets and greater ability to scale up

Outlook:

The Torrent-JB deal creates revenue powerhouse with enhanced leadership in cardiac and gastro while building a strong base in ophthalmology and nephrology. The company plans to scale JB's ophthalmology portfolio (currently under a distribution model from Novartis) into a fully licensed platform, which is expected to improve gross margins by 200–300 bps by FY27. The company is also optimistic about leveraging JB's international presence in 40+ countries, particularly in South Africa, Russia, and the US. The CDMO segment, where JB is among the top 5 global lozenges manufacturers, presents a new scalable platform with long-term potential. While integration efforts are expected to begin once Torrent secures CCI approval (expected by Dec 2025), full synergies benefits will unfold post-merger (FY27–28). The deal is expected to be fully funded through debt with no near-term equity dilution. The outlook for the combined company is highly promising. Torrent will benefit from an expanded therapeutic footprint, stronger distribution capabilities, and deeper market penetration. Additionally, the acquisition enhances Torrent's export potential, especially in regulated markets, and supports margin expansion. With a strong track record of executing value-generating acquisitions (such as Elder Pharma, Unichem, and Curatio), Torrent is expected to integrate JB Pharma smoothly. **We, thus, expect improved revenue visibility, margin expansion, and stronger return ratios in the coming years, making Torrent a compelling long-term bet in the Indian pharmaceutical sector.**

Sector Outlook	Positive

Stock

CMP (Rs.)	3,413
BSE code	500420
NSE Symbol	TORNTPHARM
Bloomberg	TRP IN
Reuters	TORP.BO

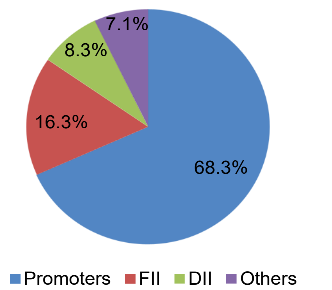
Key Data

Nifty	25,547
52 Week H/L (Rs.)	3,591/2,571
O/s Shares (Mn)	338
Market Cap (Rs. bn)	1,157
Face Value (Rs.)	5

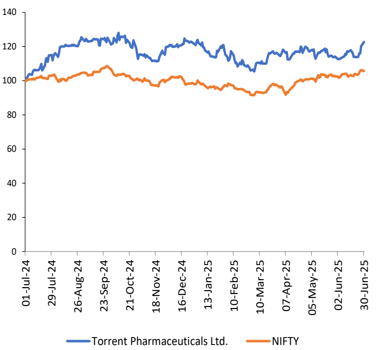
Average Volume

3 months	393,890
6 months	372,130
1 year	405,760

Share Holding (%)



Relative Price Chart



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Key Concall Highlights (30th June,2025 at 4.00pm)

International Market Outlook:

Torrent Pharma sees significant strategic potential in JB Chemical's international operations, which currently contribute ~29% of JB's total revenues. The three key geographies identified are the US, Russia, and South Africa. In the US, JB operates on a cost-plus model without a front-end, and Torrent plans to leverage its front-end presence to enhance profitability over time gradually. Russia is already a strong growth market for JB, with brands growing faster than Torrent's portfolio, offering immediate scale synergies. In South Africa, where JB has a well-established platform, and Torrent has a limited presence, there is long-term expansion potential through branded generics and tender opportunities. Beyond these core markets, JB's presence in over 40 countries provides Torrent with a broader global footprint, helping to diversify revenue and reduce its dependence on India.

Brand Power:

JB Chemicals boasts a diverse brand portfolio, comprising six brands in the IPM top 300, including blockbuster legacy molecules such as Cilacar, Nicardia, and Sporlac. These brands have maintained strong momentum. Despite being older molecules, these brands continue to grow due to their proven efficacy, limited global innovation pipeline in these segments, and favourable patient outcomes. Torrent believes that these high-equity brands, particularly in cardio and gastro, have a runway of at least five more years of strong growth, and further upside may come through geographical expansion.

Therapy Leadership:

The merger significantly strengthens Torrent's position in chronic therapies and expands its reach into several specialty segments. Torrent is already a leader in cardiac and gastro, while JB is strong in nephro, paediatrics, ophthal, and IVF- areas where Torrent had limited presence. Following the merger, Torrent's rank will rise from No.10 to No.4 in IPM prescriptions, giving it one of the broadest prescription footprints in the Indian market. The strategic fit also enables Torrent to deepen its penetration in Tier 2 and Tier 3 markets, where JB has a strong legacy presence. New therapy areas, such as nephrology and ophthalmology, are expected to provide long-term growth visibility for the company.

CDMO Potential:

JB Chemicals boasts a well-established CDMO business, contributing ~11% of its revenues in FY25. It is among the top 5 global lozenge manufacturers, serving a sticky customer base across emerging markets. Torrent has no prior presence in the CDMO sector, making this an attractive diversification play. Management believes the platform is scalable and sustainable, with opportunities to add new clients. The CDMO segment also provides stability to earnings through long-term contracts, repeat volumes, and limited pricing pressure compared to generics. Torrent intends to build on JB's CDMO base, especially in global consumer healthcare and emerging market-focused pharmaceutical partnerships.

Financial Outlook:

The deal is expected to be cash accretive from FY27 and EPS accretive by FY28. However, return ratios, which may dip in the near term due to the upfront cost of acquisition, are expected to normalize back to ~28% by FY28, driven by operating leverage, tax amortization benefits, and synergy realization. The company expects to realize material synergies through procurement, SG&A optimization, and manufacturing efficiencies within two years of assuming control. Funding will be fully debt-based, and the company aims to bring down peak leverage from 2.8x to below 0.5x within two years of integration. Management has also ruled out equity dilution via QIP, reinforcing confidence in substantial internal accruals and operational cash flows.

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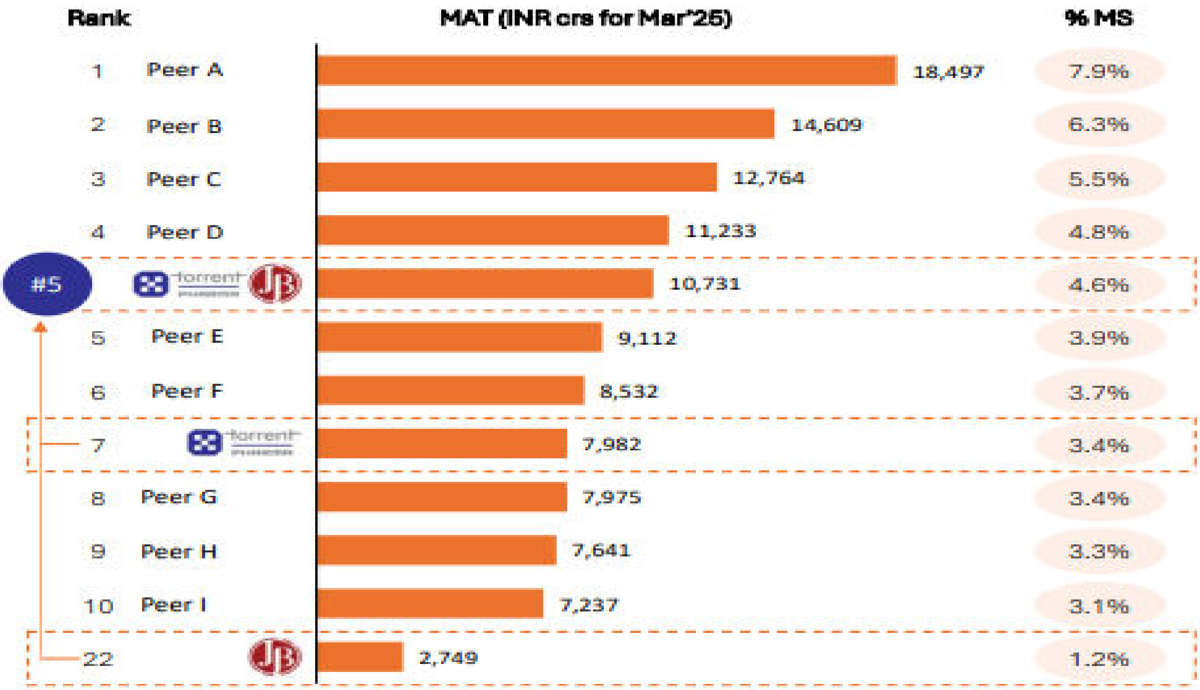
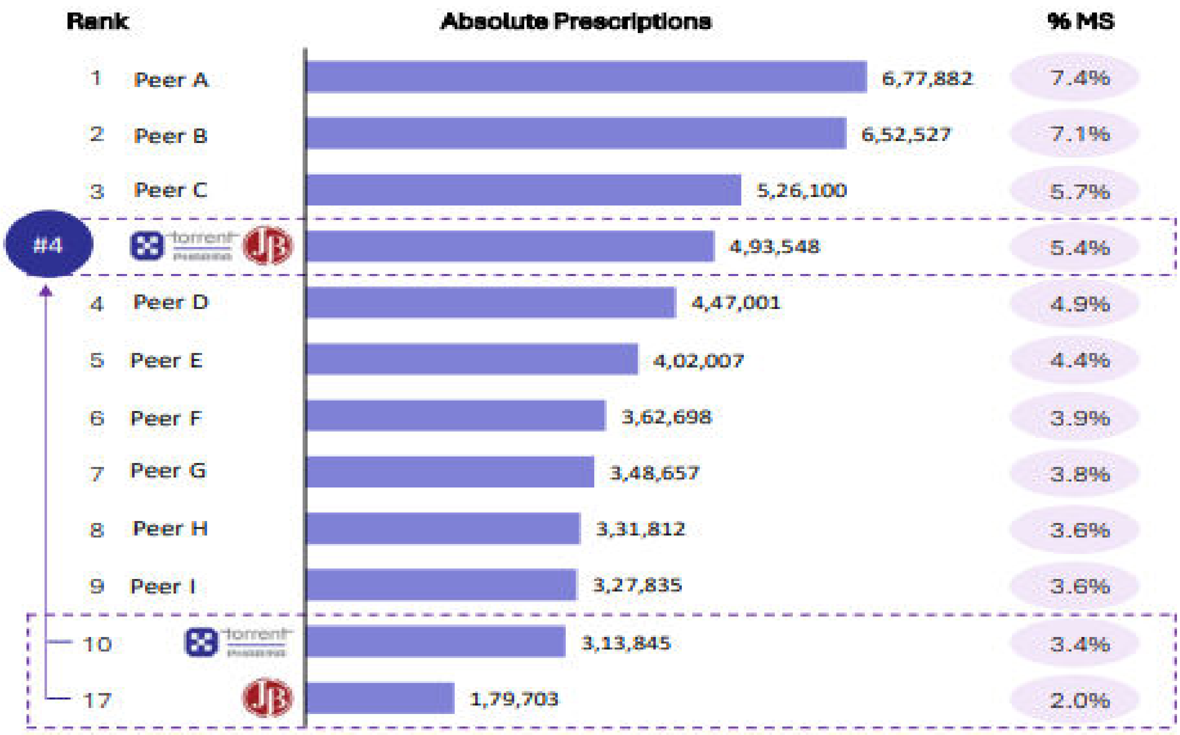
Combined Entity: Secondary sales and Prescription

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



Source: Company, Bpwealth Research

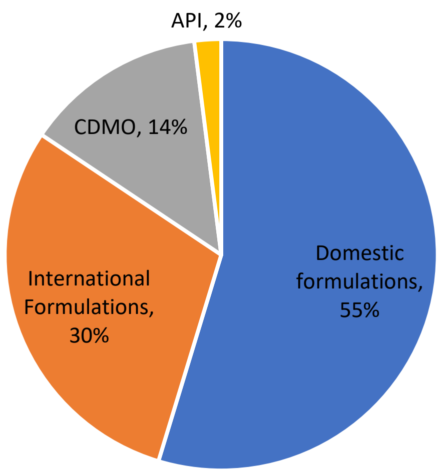
Ranking based on SMSRC Prescription dataset as on MAT Feb'25



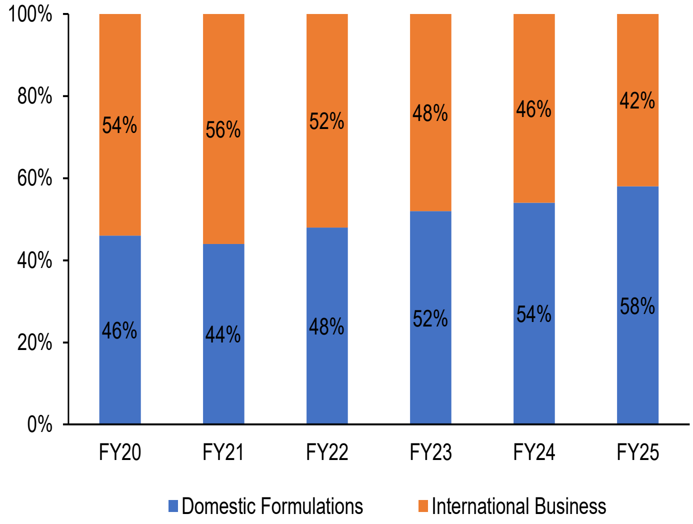
Source: Company, Bpwealth Research

JB Chemicals Business Snapshot

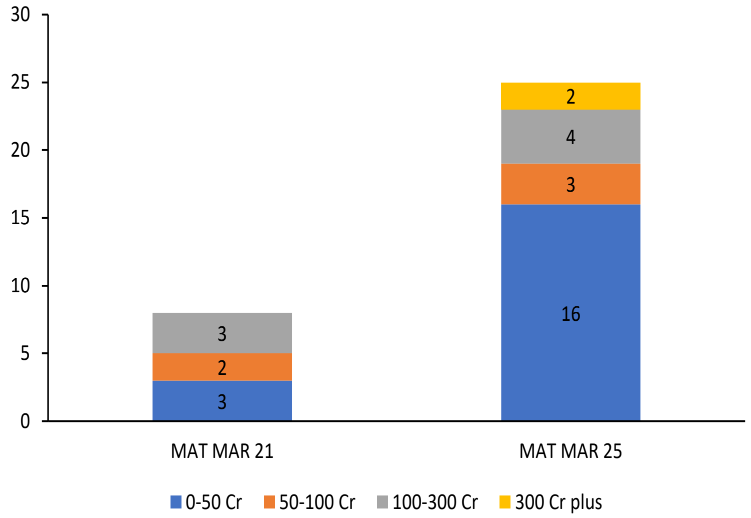
Revenue Mix FY25



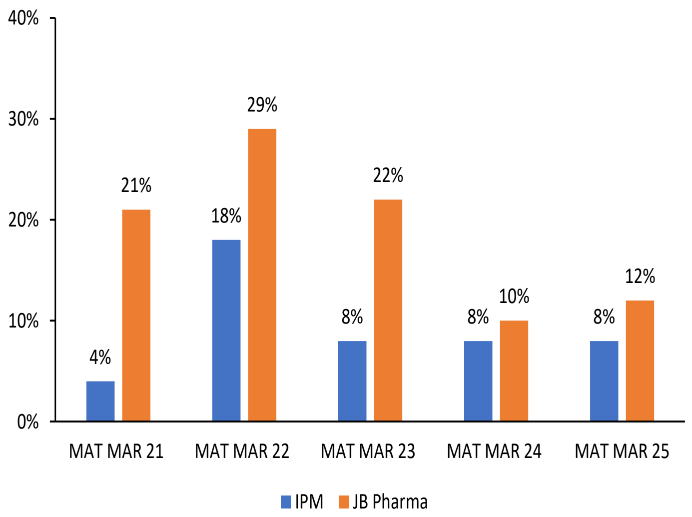
Increasing Share of Domestic Revenue



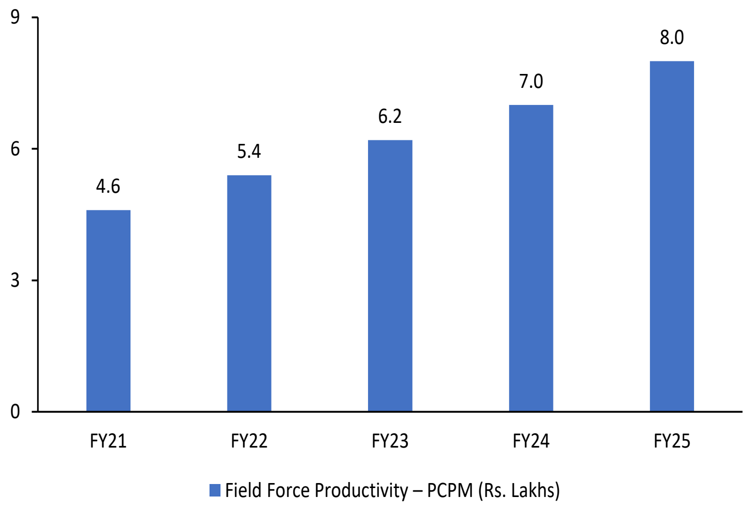
Building Large Brand Families



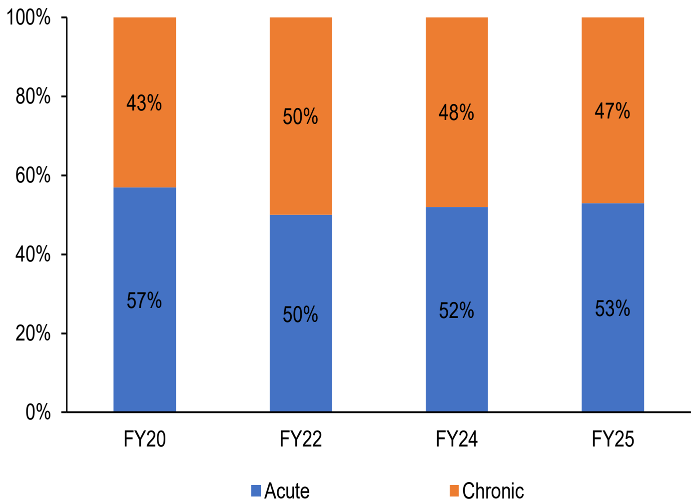
JB Consistently Outperforming IPM Growth



Improvements in Field Force Productivity



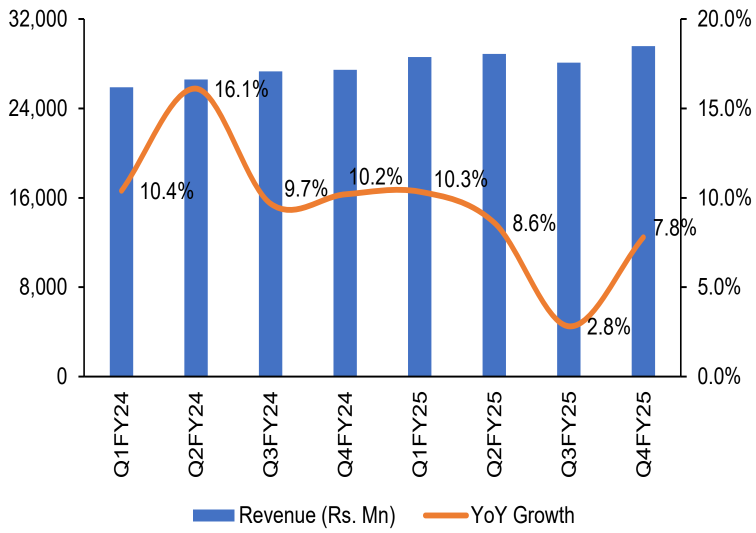
Consistently Increasing Chronic Mix



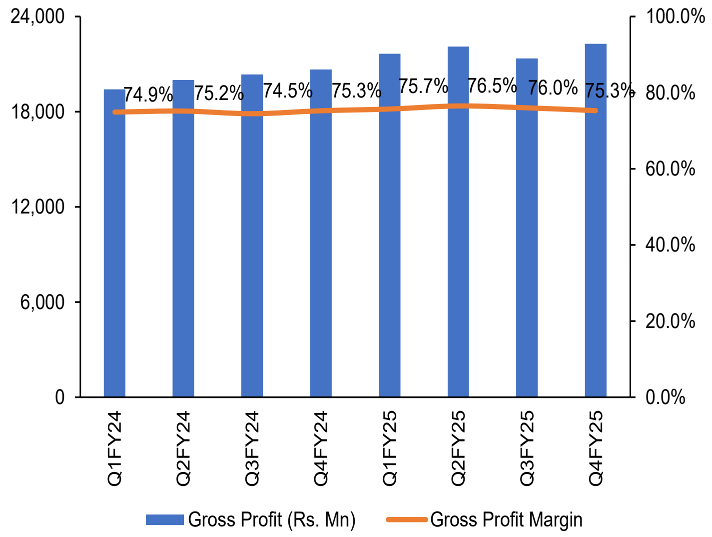
Source: Company, Bpwealth Research

Torrent Pharma Quarterly Snapshot

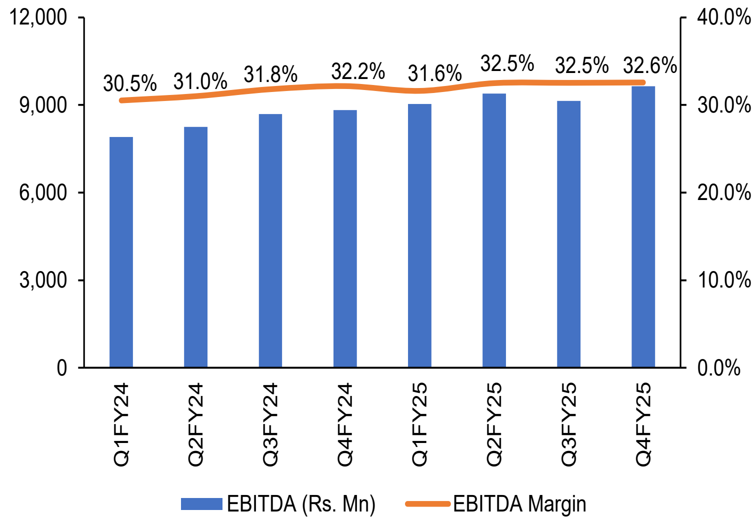
Revenue grew at steady pace



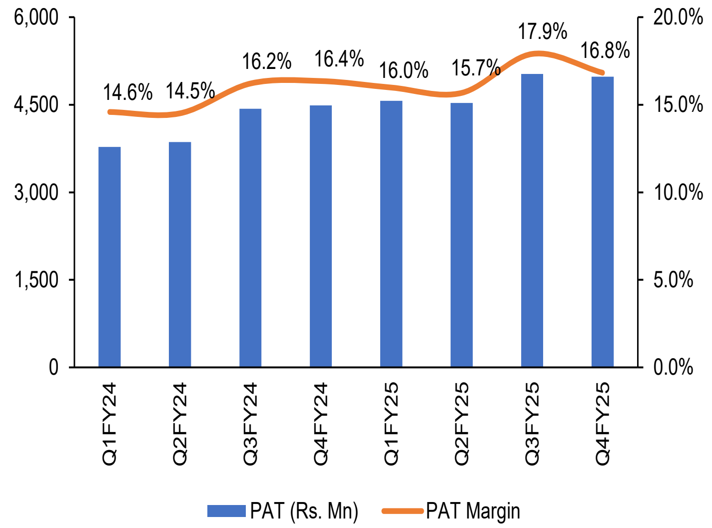
Gross Margin remains stable



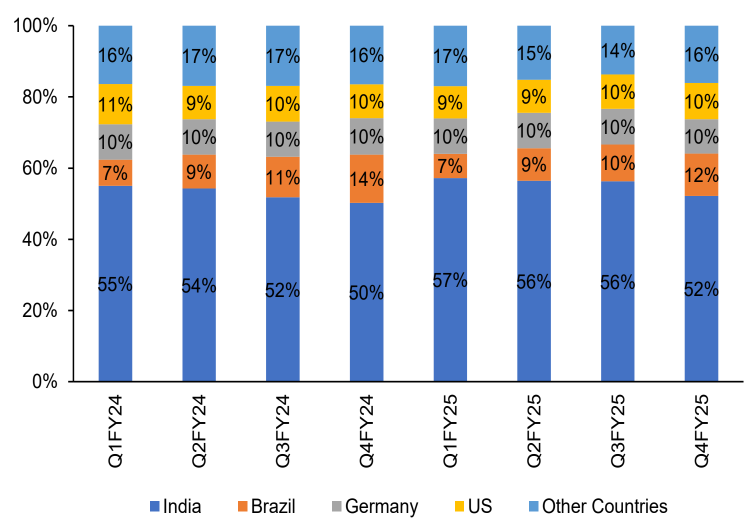
Operating Margin is consistent



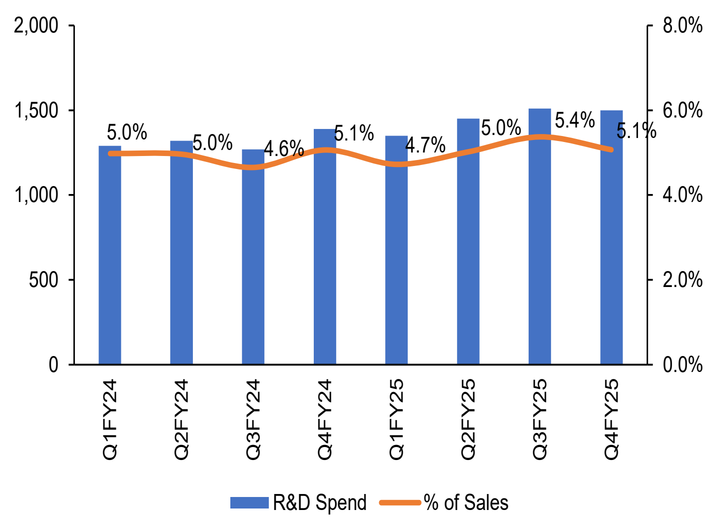
PAT Margin improved in two years



Geographical Revenue Mix



R&D Spend



Source: Company, Bpwealth Research

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Torrent Pharma's Combined Financials (including JB Chemicals)

Combined Key Financials			
YE March (Rs. mn)	**FY25 (Torrent)**	**FY25 (JB Chemicals)**	**Combined**
Net Sales	115,160	39,180	154,340
Gross Profit	87,400	26,014	113,414
EBIDTA	37,210	10,320	47,528
Net Profit	19,110	6,596	25,706
Operating Cash Flow	25,850	9,025	34,875
Gross Margin (%)	75.9%	66.4%	73.5%
EBIDTA (%)	32.3%	26.3%	30.8%
NPM (%)	16.6%	16.8%	16.6%

Source: Company, Bpwealth Research

Torrent Pharma Key Financials				
YE March (Rs. mn)	**FY22**	**FY23**	**FY24**	**FY25**
Net Sales	85,080	96,200	107,280	115,160
Growth %	6.3%	13.1%	11.5%	7.3%
EBIDTA	24,310	28,420	33,680	37,210
Growth%	-2.0%	16.9%	18.5%	10.5%
Net Profit	7,770	12,450	16,560	19,110
Growth %	-37.9%	60.2%	33.0%	15.4%
Diluted EPS	23.0	36.8	48.9	56.5
Profitability & Valuation				
EBIDTA (%)	28.6%	29.5%	31.4%	32.3%
NPM (%)	9.1%	12.9%	15.4%	16.6%
ROE (%)	13.1%	20.1%	24.2%	25.2%
ROCE (%)	17.6%	18.5%	23.5%	27.1%
P/E (x)	143.2	89.4	67.3	58.3
EV/EBITDA (x)	47.9	41.4	34.4	31.0

JB Chemicals Key Financials				
YE March (Rs. mn)	**FY22**	**FY23**	**FY24**	**FY25**
Net Sales	24,240	31,490	34,840	39,180
Growth %	18.6%	29.9%	10.6%	12.5%
EBIDTA	5,430	6,960	8,970	10,320
Growth%	-3.0%	28.2%	28.9%	15.1%
Net Profit	3,860	4,100	5,530	6,600
Growth %	-14.0%	6.2%	34.9%	19.3%
Diluted EPS	24.9	26.5	35.6	42.4
Profitability & Valuation				
EBITDA (%)	22.4%	22.1%	25.7%	26.3%
NPM (%)	15.9%	13.0%	15.9%	16.8%
ROE (%)	18.1%	16.5%	18.9%	19.2%
ROCE (%)	23.6%	25.9%	25.1%	27.1%
P/E (x)	65.8	62.0	46.1	38.7
EV/EBITDA (x)	47.1	37.4	28.8	24.7

Source: Company, Bpwealth Research

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