Torrent Pharmaceuticals Ltd.

India Pharma / Branded Generics | NSE: TORNTPHARM | BSE: 500420

JB bolt-on completes the branded-generics flywheel; upgrade cycle ahead

OVERWEIGHT	PT: Rs 5,800	Price Rs 4,999 (27 Aug 26) | Upside 16%

Initiating view: Overweight — a quality compounder that just got bigger

Torrent Pharma is one of the highest-quality franchises in Indian pharma: a dominant, brand-led India business (~74% of revenue from branded generics across CV/CNS/GI/diabetes), a stabilised niche-generics US franchise, and brand-led growth in Brazil and Germany. The transformational **JB Chemicals acquisition** (control stake + open offer, ~Rs 11,900+ Cr announced May 2025, consolidated from Q4 FY26) adds iconic brands (Metrogyl, Rantac, Nicardia, Doktor Kortland), widens therapeutic reach into anti-infectives/GI and OTx, and provides a ready emerging-market platform. With integration synergy leverage, rapid deleveraging from strong free cash flow, and a proven M&A; track record (Unichem, Curatio), we see a multi-year earnings upgrade cycle emerging as FY27-28 estimates absorb the first full years of the combined entity.

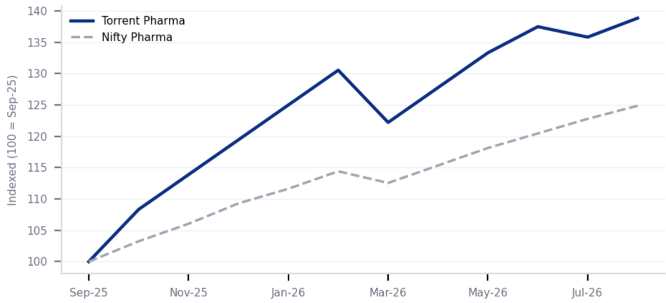
Investment thesis — five pillars

1. **JB Chemicals: value-accretive bolt-on with synergy runway.** Adds ~Rs 1,600 Cr of high-margin India/EM branded revenue at ~18-20x EV/EBITDA — attractive vs listed BRG peers. Torrent's 1.2mn-chemist distribution, brand-building playbook and CV/GI overlap should drive revenue synergies of 6-8% on the acquired base and 150-200bps of EBITDA-margin uplift over FY27-29.
2. **India BRG engine intact: double-digit growth, best-in-class margin.** Market-leading CV/GI franchises, ~30% EBITDA margins and chronic-therapy pricing power deliver 10-12% organic growth with limited NLEM exposure.
3. **US stabilised; Brazil/Germany compounding.** Niche and limited-competition US portfolio protects the base; Brazil brand-led growth of ~15%+ and Heumann (Germany) OTC expansion diversify the growth algorithm.
4. **Financial strength: ROE ~27%, dividend payout ~58%.** Torrent generates ~Rs 2,500+ Cr of annual free cash flow at steady state, which we expect to restore pre-acquisition leverage within ~2 years while sustaining dividends.
5. **Governance and execution pedigree.** Promoter-led (Torrent Group), conservative accounting, and disciplined capital allocation demonstrated across the Unichem and Curatio integrations.

Key data

Market cap	Rs 1,90,146 Cr	52-wk range	Rs 3,480-5,250
Price (27 Aug 26)	Rs 4,999	Shares out.	~380 mn
P/E (TTM)	~79-85x	P/B	~20x
ROE (3Y avg)	26.2%	ROCE	15.2%
Div. yield	0.76%	Face value	Rs 5
Promoter holding	~68%	FII / DII	~16% / ~13%

Price performance (12M, indexed)



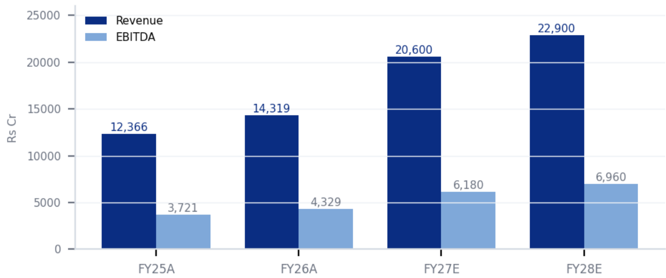
Source: public market data (approx. monthly closes); Nifty Pharma comparison.

Financial summary (Rs Cr, consolidated)

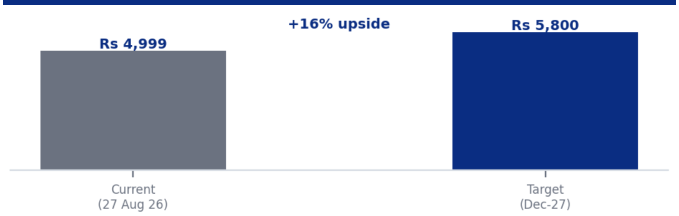
	FY25A	FY26A	FY27E	FY28E
Revenue	12,366	14,319	20,600	22,900
growth %	9.3%	15.8%	43.9%	11.2%
EBITDA	3,721	4,329	6,180	6,960
margin %	30.1%	30.2%	30.0%	30.4%
PAT	1,907	2,115	2,720	3,240
EPS (Rs)	56.6	62.0	71.6	85.3
P/E (x)	88x	81x	70x	59x
EV/EBITDA (x)	n.a.	36x	33x	29x
DPS (Rs)	24.0	27.0	33.0	41.0

FY26A includes JB Chemicals from Q4 FY26; FY27E assumes full-year JB. E = illustrative estimates derived from public data; n.a. = not meaningful pre-deal.

Revenue & EBITDA trajectory



Price target



PT of Rs 5,800 = ~68x FY28E EPS of Rs 85.3, consistent with premium India BRG franchise multiples; ~16% 12-month upside.

Segment & quarterly snapshot

Business (FY26 mix)	Growth trend	Comment
India BRG (~38%)	+10-12%	CV/CNS/GI leadership; chronic-led; low NLEM exposure
US generics (~19%)	+5-8%	Niche + limited competition; stabilising base
Brazil & LatAm (~15%)	+14-16%	Brand-led; B2C strength; INR-BRL stable
Germany/Europe (~11%)	+6-8%	Heumann OTC rollout; tender business de-risked
JB Chemicals + EM (~17%)	acquired	Metrogyl/Rantac/Nicardia; India + CEM/SSA/SEA

Quarter	Revenue	EBITDA	Margin	PAT
Q2 FY26 (Sep-25)	3,302	1,082	32.8%	591
Q3 FY26 (Dec-25)	3,303	1,069	32.4%	635
Q4 FY26 (Mar-26)*	4,197	1,112	26.5%	389
Q1 FY27 (Jun-26)	4,921	1,335	27.1%	566

Rs Cr; *JB consolidated from Q4 FY26 - elevated D&A;/interest (Rs ~510/~240 Cr) on acquisition assets and debt temporarily depress PAT. Q1 FY27 revenue beat street (est. ~Rs 4,730 Cr); EPS Rs 15.3 vs est. Rs 16.2 on amortisation step-up. Source: Google Finance/company disclosures.

Valuation: where could consensus be wrong?

Consensus view: ~Rs 4,700-4,900 12-month targets, anchored on pre-deal organic estimates and treating JB as margin-dilutive near term. **We disagree:** the market is extrapolating the amortisation-and-interest step-up (net margin fell to ~9-12% in the Mar/Jun quarters) rather than the underlying ~27-30% EBITDA margin and cash generation. Three mispricings:

- **Synergy optionality:** street models modest JB cost synergies; cross-selling into Torrent's India CV/GI network historically lifts acquired-brand EBITDA margins 150-200bps within 8-10 quarters (Curatio playbook).
- **Deleveraging speed:** ~Rs 2,500+ Cr FCF/yr should cut acquisition debt sharply by FY28E, unwinding the P/E optics as net debt/EBITDA trends below 1x.
- **Scale compounding:** ~Rs 20,600 Cr FY27E revenue makes Torrent one of India's largest listed branded-generics platforms - structurally deserving premium-multiple persistence vs mid-tier peers.

Catalysts (next 6-12 months)

Quarterly beats as JB revenue synergies land; FY27 guidance upgrade at Q2/Q3 results.

US ANDA approvals / limited-competition launches re-accelerating the base business.

Brazil & EM brand launches leveraging JB's CEM/SSA distribution footprint.

Deleveraging milestones; potential credit-rating upgrades post debt paydown.

Further bolt-on M&A; - Torrent's demonstrated specialty is brand acquisitions.

Key risks (what would change our view)

Valuation risk: at ~70x FY27E P/E, the stock has little support if growth slips below ~12%.

Integration slippage: slower-than-planned JB synergies or attrition of acquired-brand field force.

US price erosion / FDA compliance issues at any facility.

NLEM/NPPA price controls intensifying in the India CV portfolio.

FX volatility (BRL, EUR) and higher interest costs if deleveraging lags.

The bottom line

OVERWEIGHT | PT Rs 5,800 (12M) | Conviction: MEDIUM-HIGH.
Bull case: JB synergies + deleveraging drive FY28E EPS to Rs 90+; a re-rating toward 75x yields Rs 6,700+. Bear case: growth < 10% and integration drag compress the multiple to ~55x FY28E (~Rs 4,700, ~6% downside). Reward-to-risk ~2.7:1. Own it for the compound; add on any amortisation-driven weakness.

Analyst certification & important disclosures

Data sources: public information as of 27-28 Aug 2026 - Screener.in (price Rs 4,999; market cap Rs 1,90,146 Cr; P/E 85.2x; ROE 27.4%; holdings), Google Finance (quarterly income statements Q2 FY26 to Q1 FY27; EPS; 52-wk range), company disclosures and Wikipedia (FY25 financials; JB Chemicals acquisition announced May 2025, ~Rs 11,917 Cr for the control stake plus open offer). FY27E/FY28E figures are estimates and may differ materially from consensus or actual results. Past performance is not indicative of future results. For informational purposes only; not an offer or solicitation to buy or sell any security.