

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

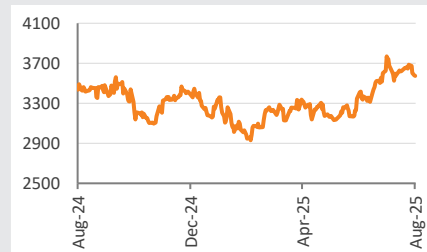
Company details

Market cap:	Rs. 1,20,927 cr
52-week high/low:	Rs. 3,790 / 2,891
NSE volume: (No of shares)	10.8 lakh
BSE code:	500420
NSE code:	TORNTPHARM
Free float: (No of shares)	10.7 cr

Shareholding (%)

Promoters	68.3
FII	16.1
DII	8.5
Others	7.1

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	9.9	9.8	12.4	4.0
Relative to Sensex	12.0	8.2	8.3	6.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Torrent Pharmaceuticals Ltd

Strong domestic player, Acquisitions hold key to growth

Pharmaceuticals	Sharekhan code: TORNTPHARM		
Reco/View: Buy	↔	CMP: Rs. 3,597	Price Target: Rs. 4,024 ↓

Summary

- Company's India portfolio clocked a 13% CAGR in the past 5 years; its momentum is expected to continue led by the chronic portfolio and recent acquisition of JB Chemicals. US accounts for ~10% of the revenues.
- Launch of GLP-1 to be a key trigger for current growth prospects in India.
- Acquisition of JB Chemicals makes the combined entity the fifth largest in the Indian pharmaceutical market, with a significant diversified portfolio.
- Given the impending merger and underlying synergies, we value stock at 45x, marginally above its four-year average P/E of 40.2x on FY27 EPS of Rs.89.4 and arrive at a target price of Rs. 4,024.

- Acquisition synergies:** Torrent Pharma's acquisition of JB Chemicals opens the door to multiple growth opportunities, especially a foray into the therapeutic segment and the untapped CDMO space. JB has leading brands in the chronic space. Six of JB's brands are in the top 300 of the Indian pharmaceutical market (IPM) and continue to perform well on account of proven efficacy and favourable patient outcomes. JB is also strong in nephro, IV, pediatrics, ophthalmology and other segments. The ophthalmology segment (currently under a distribution model) will move into a licensing phase in January 2027, thus boosting margins. CDMO constitutes ~11% of the revenues as of FY25 and is among the top 5 global lozenge manufacturers. Torrent will look to further expand the CDMO business. The acquisition will also help the firm penetrate further into the tier-2 and tier-3 markets.

- Track record of successful integration:** Torrent has grown both organically and inorganically in the past decade. Some of the main acquisitions include Elder Pharma, Unichem Labs, and Curatio healthcare. Despite these acquisitions, the company has historically managed a healthy leverage ratio through strong cash flows. Debt/Equity ratio despite acquisitions have always remained under 1x and have been successfully paid off the debt in 2-3 years. The acquisition of JB Chemicals is expected to be funded fully by debt and given the combined entity's strong cash flow, debt/equity ratio is not expected to be impacted significantly.

- Q1FY26 Result :** Revenues rose 8%, driven by a 12% growth in India and 15% growth in the US. Brazil de grew by 5.6% on y-o-y basis. EBITDA grew 9% y-o-y to Rs. 964 crore while EBITDA margins came in at 32.6%, a 41 bps improvement. PAT came in at Rs 498 crore, a 11% improvement y-o-y.

Management commentary:

- India portfolio to outperform IPM. Curatio portfolio grew ~18% y-o- in the quarter and the pace is expected to continue in the coming quarters.
- Major launches in India for FY26 include Semaglutide.
- Company plans to launch 10 products every year in the US.
- Management is hopeful of launching Semaglutide in Brazil in the medium term.

Our Call

Valuation - Maintain Buy with PT of Rs. 4,024 - Strong focus and outperformance in the domestic market, successful integration of acquired firms/ products have led to improved valuations in recent times. Going forward too, the companies further foray into new segments/ diversification with strong revenue outlook bodes for the firm. We factor in revenue growth of 13%, and EBITDA growth of 16% CAGR over FY25-27E, leading to EBITDA margin improvement of 250 bps. Owing to triggers for revenue growth in FY26E, FY27E and beyond, we value the stock at 45x on FY27 EPS of Rs 89.4 and arrive at a price target of Rs 4,024.

Key Risks

- Slower than expected integration of JB Chemicals acquisition.
- Currency Risk
- Lack of resolution on tariff issues in the US.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Sales	9,620.0	10,728.0	11,376.0	12,969.5	14,608.2
EBITDA Margin (%)	30.0	32.5	33.4	34.0	35.0
Adjusted PAT	1245.0	1625.9	1956.6	2466.1	3026.3
y-o-y Growth (%)	-1%	31%	20%	26%	23%
Adjusted EPS (Rs.)	36.8	48.0	57.8	72.9	89.4
P/E (x)	85.3	54.1	62.2	49.2	40.1
EV/EBITDA (x)	39.0	27.1	33.9	28.7	24.4
RoCE (%)	19.5	23.0	26.2	28.7	30.4
RoE (%)	20.3	24.1	24.4	25.6	25.7

Source: Company; Mirae Asset Sharekhan estimates

Details of Acquisition

The deal is the second-largest and makes Torrent Pharma the fifth-largest pharma company in India.

♦ Deal Structure :

- ♦ **Phase 1** – Acquire a 46.39% stake from KKR for Rs 11,917 crore and upto 2.8% stake from employees for an additional Rs 719 crore. Further, there will be an open offer for a 26% stake from public shareholders for Rs. 1,639 crore.
- ♦ **Phase 2** – JB Chemicals will be merged into Torrent Pharma, with shareholders with 100 shares of JB to be provided 51 shares of Torrent.

♦ Deal timeline:

- ♦ Transaction to take 15-18 months for completion.
- ♦ CCI approval expected by mid-December 2025.
- ♦ Formal merger to take a further 12 months post CCI approval.
- ♦ We expect the acquisition to be EPS accretive from FY28E onwards.

We have currently not factored in the acquisition of JB Pharma in our estimates.

Outlook and Valuation

■ Sector View – Input cost easing, low price erosion related issues

Easing of input costs with companies focusing on complex product launches. Over the years, Indian pharmaceutical companies have established themselves as a dependable source for global pharma companies. The confluence of other factors, including a focus on specialty/complex products in addition to emerging opportunities in the API space, would be key growth drivers over the long term. The sector is witnessing an easing of input costs like RM costs, freight, and power, which are likely to aid in increased margins. The sector is also witnessing an easing of price erosion, followed by increasing contributions from new product launches. We believe the sector is in a sweet spot where it is experiencing a healthy product mix and cost rationalisation, which increases companies' operational profit. The sector has low debt, increasing operational profits, and benefits from low tax rates due to its SEZ operations. Overall, we have a positive outlook on the sector.

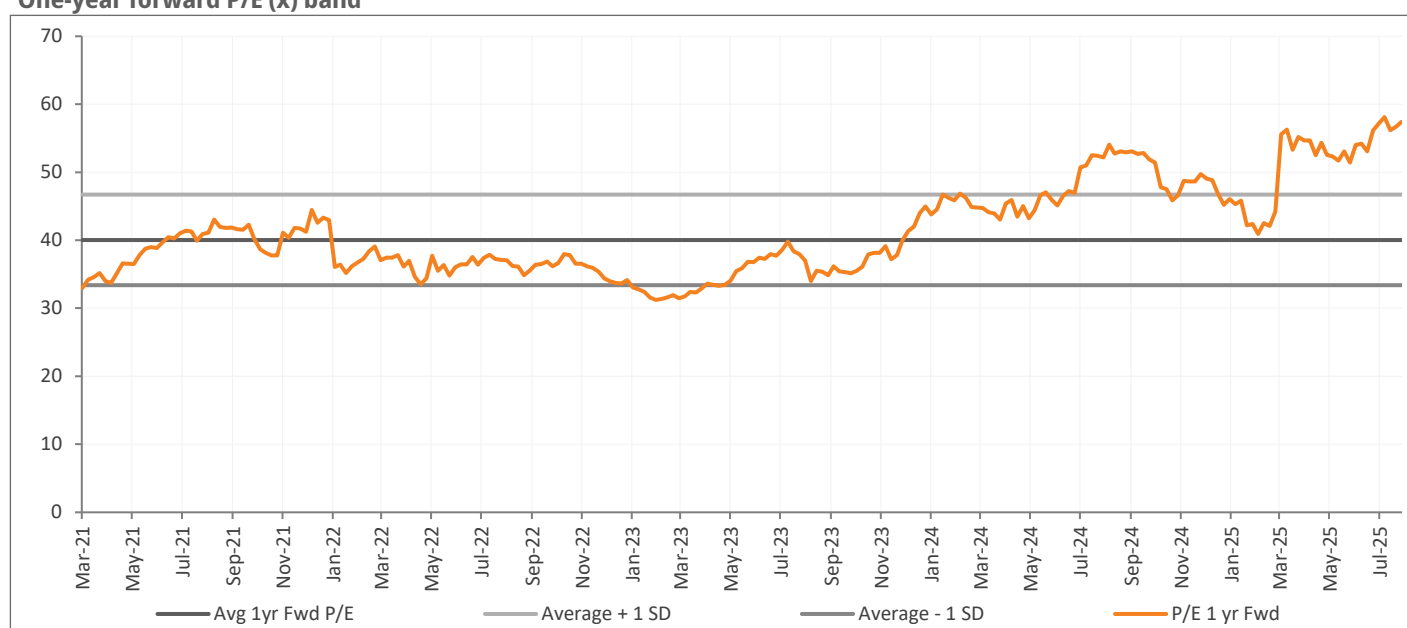
■ Company Outlook – Margins continue to expand

Torrent is a leading pharmaceutical company present in emerging as well as developed markets. The company has a higher exposure to chronic therapies. Moreover, the company derives a substantial portion of its sales from India, followed by the U.S., Germany, and Brazil, which collectively form the core markets. The company has been outperforming in the Indian as well as Brazilian markets and management expects to sustain traction going ahead as well and sees these geographies as key growth drivers. Moreover, the German business is expected to gain traction and stage strong growth ahead, backed by growth in the base business and new product launches.

■ Valuation – Maintain BUY with a revised PT of Rs.4,024

Strong domestic performance, diversified portfolio and successful quick integration of acquisitions have lead to higher valuations for the firm as against its peers. We value the stock at 45x its FY27E EPS of Rs. 89.4 to arrive at a target price of Rs 4,024.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Torrent, the flagship company of Torrent Group, was incorporated in 1972. Torrent has a strong international presence across 40 countries with operations in regulated and emerging markets such as the U.S., Europe, Brazil, and RoW. The company operates through its wholly owned subsidiaries spread across 12 nations with major setups in Brazil, Germany, and the U.S. The company is also one of the leading pharmaceutical companies present in India as a dominant player in the therapeutic areas of cardiovascular (CV) and central nervous system (CNS). The company also has a significant presence in gastro-intestinal, diabetology, anti-infectives, and pain management segments.

Investment theme

Torrent continues to focus on a branded generic business mix from India and Brazil, which balances well for sustainable growth in a challenging global environment for the pharma sector. U.S. business is also stable. Torrent's newly acquired Curatio business is also performing well and enjoying a leadership position in the dermatology segment. India's base business is also performing well and is currently expected to outperform the IPM.

Key Risks

- ♦ Slower than expected integration of JB Chemicals acquisition.
- ♦ Currency Risk
- ♦ Lack of resolution on tariff issues in the US.

Additional Data

Key management personnel

Name	Designation
Samir Uttamlal Mehta	Chairman
Sudhir Menon	CFO
Aman Mehta	Whole – time Director

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	NPS Trust A/c Uti Retirement Solut	1.89
2	SBI Pension Funds Pvt Ltd	1.49
3	Blackrock Inc	1.48
4	Vanguard Group Inc/The	1.34
5	HDFC Asset Management Co Ltd	1.13
6	Goldman Sachs Group Inc/The	1.06
7	Franklin Resources Inc	0.98
8	FundRock Management Co SA	0.94
9	ICICI Prudential Life Insurance Co	0.61
10	Axis Asset Management Co Ltd/India	0.56

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.