MIRAE ASSET Sharekhan

Stock Update

Result Update

Torrent Pharmaceuticals Ltd

Robust Q2, awaiting acquisition synergies

Pharmaceuticals	Sharekhan code: TORNTPHARM
Reco/View: Buy ↔	CMP: Rs. 3,817	Price Target: Rs. 4,273 ↓

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		↔	

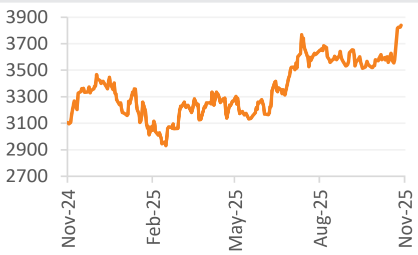
Company details

Market cap:	Rs. 1,20,927 cr
52-week high/low:	Rs. 3,881/2,891
NSE volume: (No of shares)	3.7 lakh
BSE code:	500420
NSE code:	TORNTPHARM
Free float: (No of shares)	10.7 cr

Shareholding (%)

Promoters	68.3
FII	15.9
DII	9.2
Others	6.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	3.7	7.7	10.4	9.3
Relative to Sensex	-14.4	-10.3	-10.5	-14.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- India portfolio fetched 55% of revenues (Rs. 1,820 crore), rising 12% y-o-y — outperforming market growth; momentum to continue led by the chronic portfolio and JB Chemicals' acquisition.
- JB Chemicals buy makes combined entity fifth largest player in the Indian pharmaceutical market, with a diversified portfolio.
- Torrent's track record of acquisitions every 3-4 years in the past decade and achievement of quick synergies, makes us confident of a similar performance post merger with JB Chemicals.
- Given good domestic numbers, impending merger and underlying synergies, we value stock at 46x, marginally above its four-year average P/E of 43x on FY27 EPS of Rs.92.9 and arrive at a target price of Rs. 4,273.

Q2FY26 Snapshot:

- Revenues rose 14.3% y-o-y to Rs. 3,302 crore, while net profit rose 30.5% y-o-y to Rs.591 crore. India and Brazil markets saw robust growth US sales grew 25.7% led by product launches. However, Germany revenues declined due to supply disruptions. EBITDA increased by 13% year-on-year to Rs.1,083 crores. PAT grew 30.5% year-on-year to Rs.591 crores, with the PAT margin improving to 17.9% from 17.2% in the last quarter. Torrent also announced the anticipated acquisition of JB Chemicals by January 2026, targeting further expansion and diversification.

JB Chemicals acquisition update

- Strategically, Torrent Pharma received CCI approvals for its acquisition of JB Chemicals, expected to be finalised by January 2026, which will enhance its portfolio and diversification. The CCI approval came with voluntary modifications offered by Torrent and JB Chemicals to prevent concerns about market dominance, notably by proposing a three-year price freeze on certain drugs.

Key quarterly highlights

- The company expanded its field force to 6,800 medical representatives as of Q2FY26, aiming for 7,000 by year-end to support domestic market growth.
- India and Brazil, Torrent's largest branded markets, saw robust double-digit growth, driven especially by chronic therapies such as Cardiac (up 14%), Gastro (up 15%), and Derma (up 29%).
- R&D spending to remain at 5-5.5% of sales for H2FY26, with increased ANDA filings planned for FY27 and FY28.
- The strong pipeline in Brazil, including 65 molecules under ANVISA review, positions company for further expansion.
- Management remains optimistic about mid-teens revenue growth and stable margins in upcoming quarters.

Our Call

Valuation – Maintain Buy with PT of Rs. 4,273: On the back of steady earnings performance, we have marginally raised our estimates (revenue estimates factoring in growth of 15% CAGR EBITDA growth of 18% CAGR over FY25-27E) for FY26E and FY27E. In the long term, the additional growth lever would include successful integration of JB Chemicals and the synergies derived from the same. Currently, despite the improved valuations – three-year one-year forward average of 43x, given strong prospects in Germany and Brazil and impending synergy benefits of the acquisition of JB Chemicals, we value the stock at 46x on FY27 EPS of 92.9 and arrive at a PT of Rs.4,273.

Key Risks

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

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net sales	9620.0	10728.0	11376.0	13003.5	15014.3
EBITDA (%)	30.0	32.5	33.4	34.0	35.3
Adjusted net profit	1245.0	1713.9	1956.6	2474.2	3158.8
Net profit y-o-y growth	60.2	37.7	14.2	26.5	27.7
EPS	36.8	47.8	57.5	72.8	92.9
PER (x)	85.2	54.4	56.2	49.3	38.6
EV/Ebidta (x)	39.0	27.2	30.7	28.7	23.6
P/BV (x)	17.1	12.1	12.7	11.5	9.3
ROCE (%)	19.5	23.0	26.2	28.8	31.5
RONW (%)	20.3	24.1	24.4	25.7	26.7

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated) Rs cr

Particulars	Q2FY26	Q2FY25	Y-o-Y %	Q1FY26	QoQ %
Total Sales	3,302.0	2,889.0	14.3	3,178.0	4%
Expenditure	2,232.0	1,950.0	14.5	2,146.0	4%
Other income	-27.0	-16.0	68.8	-37.0	-27%
EBITDA	1,043.0	923.0	13.0	995.0	5%
Interest	48.0	64.0	-25.0	56.0	-14%
Depreciation	204.0	198.0	3.0	201.0	1%
PBT	791.0	661.0	19.7	738.0	7%
Taxes	200.0	208.0	-3.8	190.0	5%
Adjusted PAT	591.0	453.0	30.5	548.0	8%
EPS	34.8	26.6	30.5	32.2	8%
Margins			**BPS**		**BPS**
EBITDA %	31.6	31.9	-30	31.3	30
PATM %	17.9	15.7	220	17.2	70
Tax %	25.3	31.5	-620	25.7	-40

Source: Company; Mirae Asset Sharekhan Research
** Financials restated in compliance with Indian Accounting Standard (IndAS)*

Outlook and Valuation

■ Sector Outlook – Multiple growth drivers in place

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. A 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.

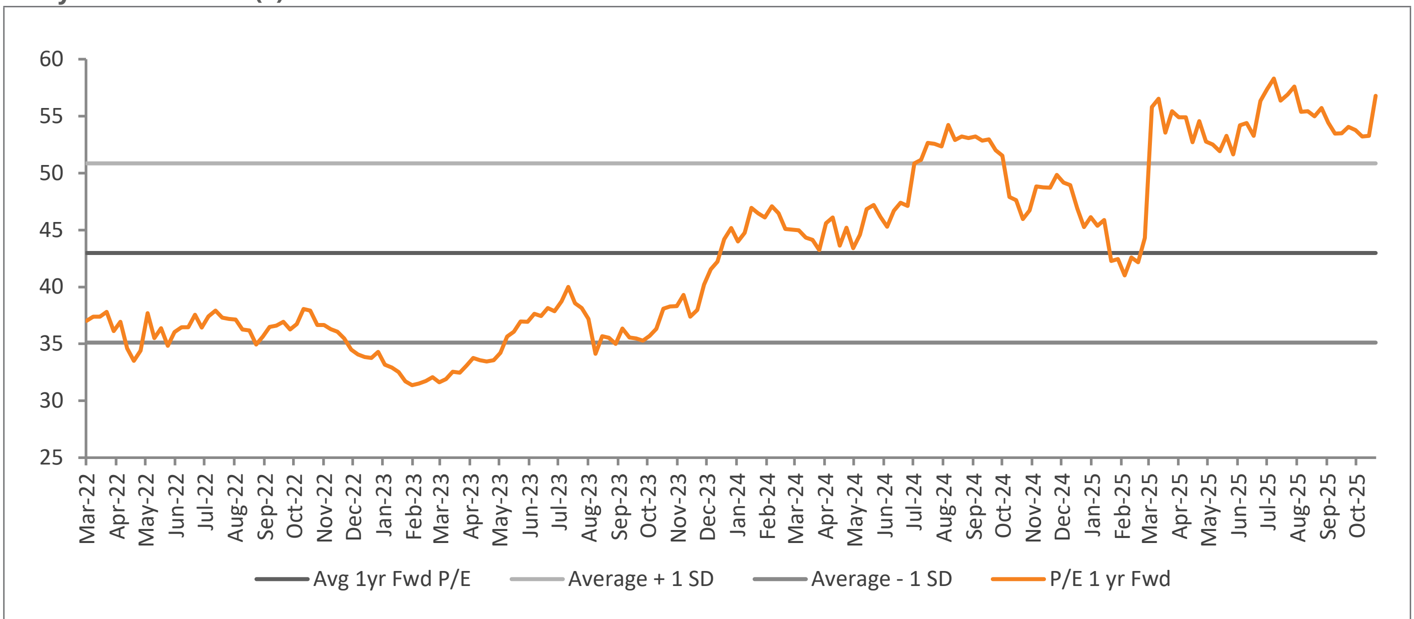
■ Company Outlook – Margins continue to expand

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 US, 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.4,273

On the back of steady earnings performance, we have marginally raised our estimates (revenue estimates factoring in growth of 15% CAGR EBITDA growth of 18% CAGR over FY25-27E) for FY26E and FY27E. In the long term, the additional growth lever would include successful integration of JB Chemicals and the synergies derived from the same. Currently, despite the improved valuations – three-year one-year forward average of 43x, given strong prospects in Germany and Brazil and impending synergy benefits of the acquisition of JB Chemicals, we value the stock at 46x on FY27 EPS of 92.9 and arrive at a PT of Rs.4,273.

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	Torrent Pvt Ltd	68.31
2	NPS Trust A/c Uti Retirement Solut	2.09
3	SBI Pension Funds Pvt Ltd	1.56
4	Blackrock Inc	1.46
5	Vanguard Group Inc/The	1.35
6	HDFC Asset Management Co Ltd	1.19
7	Franklin Resources Inc	0.92
8	Goldman Sachs Group Inc/The	0.90
9	Axis Asset Management Co Ltd/India	0.61
10	ICICI Prudential Life Insurance Co	0.60

Source: Bloomberg

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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 detoriating 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

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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.

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

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

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