

Natco Pharma Ltd.

HOLD

Sector: Pharmaceuticals

19th March 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs.887
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	NTPCH:IN	75,301	NATCOPHARM	524816	12 Months
				CMP	Rs.806
				Return	+10%

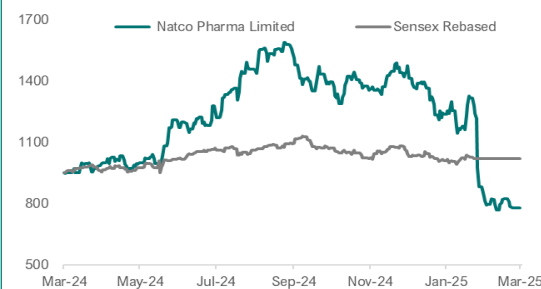
Data as of: 18-03-2025

Company Data	
Market Cap (Rs.cr)	14,427
52 Week High — Low (Rs.)	1,638 - 758
Enterprise Value (Rs. cr)	13,083
Outstanding Shares (cr)	17.9
Free Float (%)	50.0
Dividend Yield (%)	0.7
6m average volume (cr)	0.1
Beta	0.9
Face value (Rs.)	2.0

Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	49.7	49.6	49.6
FII's	17.5	17.5	17.9
MFs/Institutions	7.8	6.8	5.6
Public	25.0	26.1	26.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-46%	-51%	-18%
Absolute Sensex	-6%	-7%	6%
Relative Return	-40%	-44%	-25%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	4,921	5,044	2,773
Growth (%)	23.1	2.5	-45.0
EBITDA	2,362	2,219	776
EBITDA Margin (%)	48.0	44.0	28.0
PAT Adjusted	2,076	1,854	705
Growth (%)	49.6	-10.7	-62.0
Adjusted EPS	116	104	39
Growth (%)	49.6	-10.7	-62.0
P/E	6.8	7.7	20.1
P/B	1.8	1.5	1.4
EV/EBITDA	5.6	5.2	12.6
ROE (%)	30.5	21.6	7.3
D/E	0.03	0.01	0.01

Revlimid drags revenue

Natco Pharma Ltd. (NATCO) is an India-based vertically integrated and R&D focused enterprise, engaged in developing, manufacturing and marketing finished dosage formulations and active pharmaceutical ingredients and intermediates.

- NATCO recorded revenue of Rs.475cr for Q3FY25 against Rs 759cr for the same period last year, reflecting a degrowth of 37.4%, because of negligible Revlimid sales for the quarter.
- EBITDA de-grew 86% YoY to Rs 39cr, and the EBITDA margin declined 530 bps to 33%, driven by the negligible contribution of Revlimid and recurring R&D expenses, while PAT has shown de-growth of 36% on a YoY basis because of one-time land sale, which boosted other income.
- The export formulation business registered a degrowth of 53% YoY in Q3FY25, while other segments appear to have bottomed out, with crop health science delivering 7% growth, and API 4%. Domestic formulation experienced a 3% degrowth on a YoY basis.
- The company got two ANDA approvals in this quarter, Everolimus and Bosentan, Everolimus has been launched, while Bosentan will be launched at a future date.
- The company expects multiple approvals in the export markets to drive growth. NATCO also has healthy cash reserves, which it expects to utilize for making an acquisition to strengthen base business.

Outlook & Valuation

The management maintains a long-term perspective on the business, aiming to navigate potential challenges and seize growth opportunities. We anticipate a steep revenue degrowth because of lower Revlimid sales in FY27. But the company has a good portfolio of niche molecules that will drive growth after FY27, along with the break-even of the crop science vertical and possible inorganic opportunities which can improve the base business. Consequently, we reiterate **our Hold rating on the stock with a revised target price of Rs.887 based on 23x FY27E EPS.**

Quarterly Financials Consol.

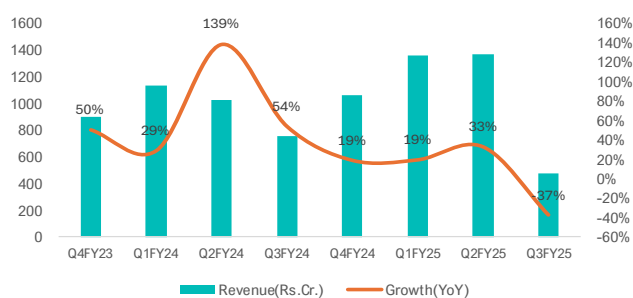
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	475	759	-37	1,371	-65	3,209	2,931	9
EBITDA	39	268	-86	804	-95	1,648	1,254	31
Margin (%)	8	35	-2700bps	59	-5049bps	51	42	860bps
EBIT	-8	224	-104	759	-101	1,511	1,123	35
PBT	164	256	-36	818	-80	1,786	1,196	49
Rep. PAT	132	213	-38	677	-80	1,477	1,002	47
Adj PAT	132	213	-38	677	-80	1,477	1,002	47
Adj. EPS (Rs)	7	12	-38	37	-80	81	55	47



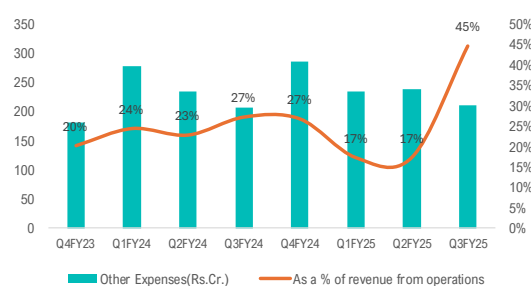
Key concall highlights

- The company delivered a weaker Q3 because of the negligible contribution of Revlimid, on account of a callback from its partner's side. However, NATCO expects a strong increase in Q4 because of increased allocation.
- NATCO hopes that significant launches like Semaglutide, Olaparib, and other niche products will support the revenue after the expiration of Revlimid in Q4FY26.
- The crop health business continues to disappoint, but the company remains optimistic about the future prospects of this vertical and has guided for a minimum of 160 crores. The management believes at this revenue level, the vertical will be able to achieve break-even .
- NATCO plans to launch Semaglutide in India in March 2026 and also believes it would be able to launch Risdiplam, subject to the litigation outcome.
- The management believes the export business will be performing really well with multiple launches planned in Brazil and Canada especially in the oncology portfolio.

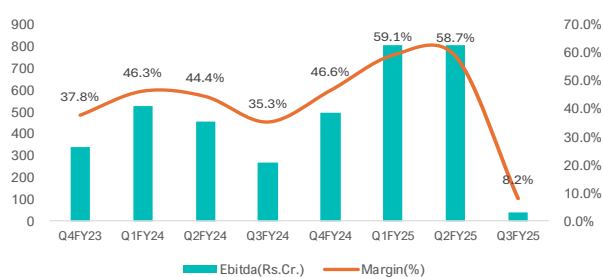
Revenue



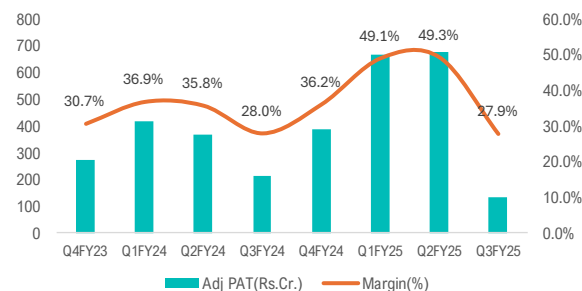
Other Expenses



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	4,651	5,201	4,922	5,044	2,773	5.8	-3.0
EBITDA	2,070	2,283	2,362	2,219	776	14.1	-2.8
Margins (%)	44.5	43.9	48.0	44.0	28.0	350 bps	10bps
Adj. PAT	1,678	1,892	2,076	1,854	705	23.8	-2.0
EPS	94	106	116	104	39	23.8	-2.0



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	2,707	3,999	4,922	5,044	2,773
% change	39	48	23	2	-45
EBITDA	978	1,751	2,362	2,219	776
% change	271	79	35	-6	-65
Depreciation	164	187	191	205	211
EBIT	814	1,565	2,171	2,015	565
Interest	15	19	22	24	22
Other Income	105	128	350	227	300
PBT	904	1,674	2,499	2,218	843
% change	347	85	49	-11	-62
Tax	147	285	423	364	138
Tax Rate (%)	16	17	21	21	21
Reported PAT	757	1,388	2,076	1,854	705
Adj.*	0.00	0.00	0.00	0.00	0.00
Adj. PAT	757	1,388	2,076	1,854	705
% change	345	83	50	-11	-62
No. of shares (cr)	18	18	18	18	18
Adj EPS (Rs)	41	78	116	104	39
% change	345	87	50	-11	-62
DPS (Rs)	6	10	10	11	11

Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	546	953	1,767	3,387	5,248
Account Receivable	856	1,189	1,389	1,382	684
Inventories	743	701	1,104	1,064	608
Other Cur. Assets	328	497	809	829	456
Investments	392	539	620	713	820
Gross Fixed Assets	3,151	3,451	3,701	3,951	4,201
Net Fixed Assets	2,239	2,298	2,411	2,456	2,495
CWIP	64	137	59	69	79
Intangible Assets	188	193	193	193	193
Def. Tax (Net)	-12	0	-45	-84	-99
Other Assets	291	371	591	605	333
Total Assets	5,645	6,887	8,919	10,637	10,828
Current Liabilities	350	326	463	484	347
Provisions	102	174	162	166	91
Debt Funds	167	371	349	327	304
Other Liabilities	153	163	194	243	152
Equity Capital	37	36	36	36	36
Reserves & Surplus	4,837	5,817	7,715	9,381	9,898
Shareholder's Fund	4,874	5,853	7,751	9,417	9,933
Total Liabilities	5,645	6,887	8,919	10,637	10,828
BVPS	267	327	433	526	555

Cash Flow

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,026	1,860	2,691	2,423	1,054
Non-cash adj.	-161	-214	-409	-410	-238
Changes in W.C	63	-482	-790	47	1,400
C.F. Operation	849	1,165	1,492	2,060	2,217
Capital exp.	-146	-373	-172	-260	-260
Change in inv.	-331	-152	-81	-93	-107
Other invest.CF	354	-81	-219	-15	273
C.F- Investment	-477	-606	-472	-368	-94
Issue of equity	0	4	0	0	0
Issue/repay debt	-339	30	-201	-210	-210
Dividends paid	-100	-170	-179	-188	-188
Other finance.CF	-14	0	0	0	0
C.F- Finance	-363	32	-126	-122	-287
Chg. in cash	9	590	894	1,571	1,836
Closing cash	546	953	1,767	3,387	5,248

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab & Return					
EBITDA margin (%)	36.1	43.8	48.0	44.0	28.0
EBIT margin (%)	30.1	39.1	44.1	39.9	20.4
Net profit mgn.(%)	28.0	34.7	42.2	36.8	25.4
ROE (%)	16.6	25.9	30.5	21.6	7.3
ROCE (%)	16.7	26.7	28.0	21.4	5.7
W.C & Liquidity					
Receivables (days)	99.6	93.3	95.6	100.2	136.0
Inventory (days)	101.5	65.9	66.9	78.5	110.0
Payables (days)	118.4	124.7	122.7	122.4	162.6
Current ratio (x)	5.5	6.7	8.1	10.3	16.0
Quick ratio (x)	4.0	6.6	6.8	9.8	17.1
Turnover & Leverage					
Gross asset T.O (x)	0.9	1.2	1.4	1.3	0.7
Total asset T.O (x)	0.5	0.6	0.6	0.5	0.3
Int. covge. ratio (x)	56.1	81.5	100.5	85.2	25.6
Adj. debt/equity (x)	0.0	0.1	0.0	0.0	0.0
Valuation					
EV/Sales (x)	5.3	3.5	2.7	2.3	3.5
EV/EBITDA (x)	14.6	8.0	5.6	5.2	12.5
P/E (x)	19.1	10.2	6.8	7.7	20.14
P/BV (x)	3.0	2.4	1.8	1.5	1.4



Recommendation Summary (last 3 years)



Dates	Rating	Target
05.Dec.22	BUY	704
21.Jun.23	BUY	765
27.Mar.24	ACCUMULATE	1,116
20.Aug.24	ACCUMULATE	1,597
04.Dec.24	HOLD	1,533
19-Mar-25	HOLD	887

Investment Rating Criteria

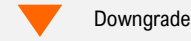
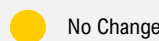
Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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