Company Update

Retail Equity Research

Natco Pharma Ltd.

Accumulate

Sector: Pharmaceuticals

18th March 2026

Key Changes:	Target ▲		Rating ▲		Earnings ▲
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	NTCPH:IN	76,071	NATCOPHARM	524816	12 Months

Target	Rs.1,058
CMP	Rs.943
Return	+12%

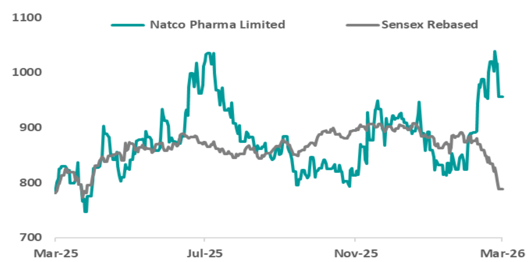
Data as of: 17-03-2026,18:00 hrs

Company Data	
Market Cap (Rs.cr)	16,897
52 Week High — Low (Rs.)	1,060 - 660
Enterprise Value (Rs. cr)	13,372
Outstanding Shares (cr)	17.9
Free Float (%)	50.4
Dividend Yield (%)	0.5
6m average volume (cr)	1.13
Beta	1.09
Face value (Rs.)	2.0

Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	49.6	49.5	49.5
FII's	15.5	14.1	15.2
MFs/Institutions	5.8	5.9	5.4
Public	29.1	30.5	29.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	5.5%	12.3%	22.4%
Absolute Sensex	-12.6%	-8.8%	1.0%
Relative Return	18.1%	21.1%	21.4%

over or under performance to benchmark



Consolidated (Rs.cr)	FY26E	FY27E	FY28E
Sales	3,966	3,720	3,923
Growth (%)	-10.5	-6.2	5.4
EBITDA	1,455	986	1,079
EBITDA Margin(%)	36.7	26.5	27.5
PAT Adj.	1,221	845	902
Growth (%)	-35.2	-30.8	6.8
Adj.EPS	68.2	47.2	50.4
Growth (%)	-35.2	-30.8	6.8
P/E	14.0	20.3	19.0
P/B	2.0	1.8	1.7
EV/EBITDA	10.2	14.4	12.7
ROE (%)	15.0	9.4	9.3
D/E	-0.1	-0.2	-0.2

Pomalyst Launch to Improve Outlook

Natco Pharma Ltd. 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 has launched a generic version of the cancer drug Pomalyst in partnership with Breckenridge Pharma, which is expected to partially offset the revenue decline stemming from Revlimid.
- The company has entered into a strategic partnership with Eris Lifesciences and another partner to commercialize a generic version of semaglutide in India, with a targeted launch in March 2026. Collectively, these opportunities are expected to contribute ~18% to Natco's FY27 revenue.
- Natco Pharma reported 9MFY26 revenue of Rs.3,339cr, up 4% YoY from Rs.3,209cr in 9MFY25, supported by a higher market share allocation for Revlimid.
- EBITDA declined 21% YoY to Rs.1,309cr in 9MFY26 from Rs.1,648cr, primarily due to a lower contribution from the high-margin Revlimid, while elevated R&D expenses further weighed on profitability.

Outlook & Valuation

We expect Natco Pharma to witness a moderation in revenue due to increased competition in Revlimid. However, the launch of generic Pomalyst and ROW opportunities are likely to partially offset this decline. Management remains focused on long-term growth, with domestic momentum expected to improve through partnerships for generic semaglutide. Additionally, the company is evaluating two potential acquisitions to further strengthen its base business. Accordingly, **we revise our rating to Accumulate, with a target price of Rs.1,058, based on 21x FY28E EPS.**

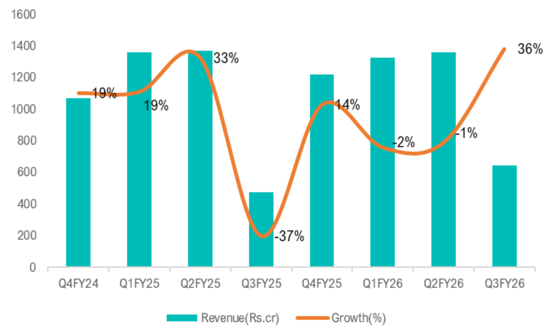
Quarterly Financials (Consolidated)

Rs.cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales	647	475	*36*	1,363	*-53*	3,339	3,209	*4*
EBITDA	159	39	309	579	-73	1,309	1,648	-21
Margin (%)	*24.5*	*8.2*	*1,635bps*	*42.5*	*-1,798bps*	*39.2*	*51.4*	*-1,216bps*
EBIT	113	-8	-1,472	527	-121	1,153	1,511	-24
PBT	161	164	*-2*	614	*-74*	1,347	1,786	*-25*
Rep. PAT	151	132	14	518	-71	1,150	1,477	-22.2
Adj PAT	151	132	*14*	518	*-71*	1,150	1,477	*-22.2*
EPS (Rs)	8	7	14	29	-71	56	24.1	132.4

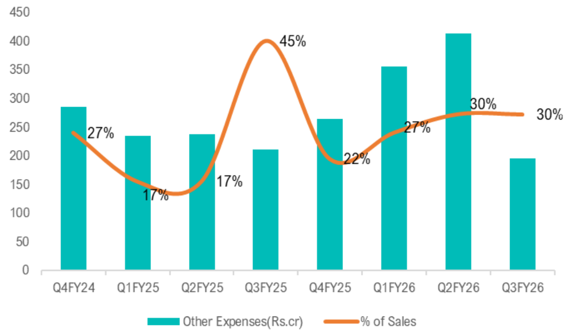
Key Highlights

- The company expects to complete 2 acquisitions utilizing the windfall from Revlimid. The targets will be based in the emerging markets, with an established brand business as the preferred target.
- The company's export formulation segment growth was primarily attributed to improved performance in subsidiaries in Canada and Brazil, along with healthy performance in the emerging markets.
- The management expects the crop health business demerger to be completed in 8-9 months, with further clarifications to be given in the following conference call. The business has performed well due to the strong monsoons.
- The management intends to release its own brand of semaglutide in the domestic market, along with partnering with 2 other players. The market will be highly competitive with more than 10 generic players to launch on day one.
- The management expects the R&D cost to reduce, as the majority of the costs have already been incurred in the previous quarters.
- The company is highly optimistic about the prospects of its investment in the biotech eGenesis, which has begun clinical trials, with patient dosing initiated recently.

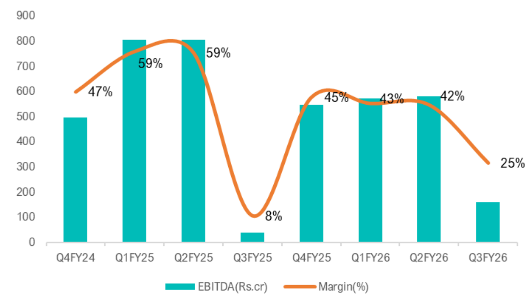
Revenue



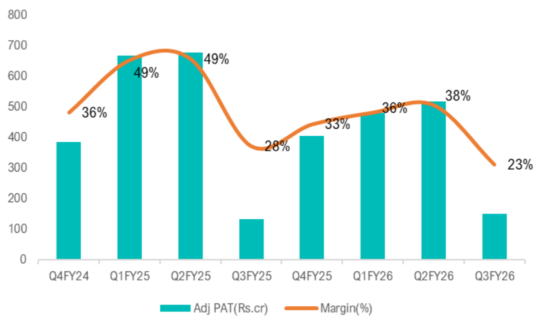
Other Expenses



EBITDA



Adj PAT



Change in Estimates

	Old estimates		New estimates			Change (%)		
Year / Rs cr	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	3,858	2,795	3,966	3,720	3,923	3	33	-
EBITDA	1,582	852	1,455	986	1,079	-8	16	-
Margins (%)	41.0	30.5	36.7	26.5	27.5	-430bps	-400bps	-
Adj. PAT	1,321	719	1,221	845	902	-8	17	-
EPS	74	40	68	47	50	-8	17	-

Consolidated Financials

Profit & Loss

Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	**3,999**	**4,430**	**3,966**	**3,720**	**3,923**
% change	47.7	10.8	-10.5	-6.2	5.4
EBITDA	**1,751**	**2,196**	**1,455**	**986**	**1,079**
% change	79.2	25.4	-33.7	-32.3	9.4
Depreciation	187	235	214	228	242
EBIT	**1,565**	**1,961**	**1,241**	**758**	**837**
Interest	19	24	19	37	43
Other Income	128	355	238	335	333
PBT	**1,674**	**2,291**	**1,461**	**1,056**	**1,127**
% change	85.2	36.9	-36.3	-27.7	6.8
Tax	285	408	240	211	225
Tax Rate (%)	17	18	21	21	21
Reported PAT	**1,388**	**1,885**	**1,221**	**845**	**902**
Adj.*	0.0	0.0	0.0	0.0	0.0
Adj. PAT	**1,388**	**1,885**	**1,221**	**845**	**902**
% change	83.3	35.8	-35.2	-30.8	6.8
No. of shares (cr)	18	18	18	18	18
Adj EPS (Rs)	**78**	**105**	**68**	**47**	**50**
% change	86.9	35.8	-35.2	-30.8	6.8
DPS (Rs)	10	10	11	11	11

Balance Sheet

Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	**953**	**2,176**	**3,021**	**3,738**	**4,201**
Account Receivable	1,189	1,247	1,087	917	967
Inventories	701	766	761	815	860
Other Cur. Assets	497	603	652	612	645
Investments	539	474	545	626	720
Gross Fixed Assets	3,362	3,766	4,016	4,266	4,516
Net Fixed Assets	2,298	2,432	2,468	2,490	2,499
CWIP	137	225	235	245	255
Intangible Assets	193	266	266	266	266
Def. Tax (Net)	19	50	76	76	76
Other Assets	371	383	476	446	471
Total Assets	**6,906**	**8,631**	**9,603**	**10,248**	**10,977**
Current Liabilities	338	377	397	387	407
Provisions	174	144	130	122	129
Debt Funds	371	279	256	233	210
Other Liabilities	171	224	179	209	220
Equity Capital	36	36	36	36	36
Reserves & Surplus	5,817	7,571	8,604	9,261	9,975
Shareholder's Fund	5,853	7,607	8,640	9,297	10,010
Total Liabilities	**6,906**	**8,631**	**9,603**	**10,248**	**10,977**
BVPS	327	425	483	519	559

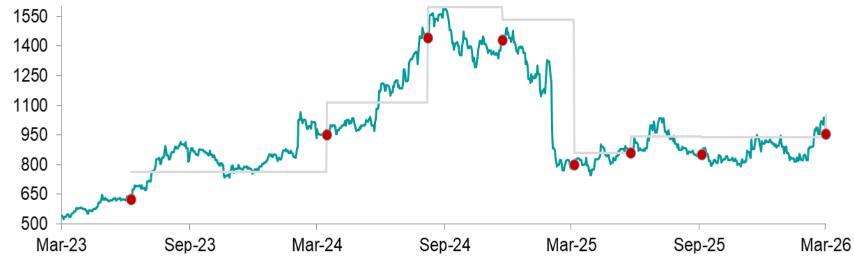
Cash Flow

Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Net inc. + Depn.	1,860	2,527	1,675	1,284	1,369
Non-cash adj.	-267	-352	-221	-174	-182
Changes in W.C	-309	-200	117	137	-101
C.F. Operation	**1,212**	**1,697**	**1,570**	**1,247**	**1,086**
Capital exp.	-339	-401	-260	-260	-260
Change in inv.	-695	-1,033	-71	-82	-94
Other invest.CF	279	385	-93	29	-24
C.F - Investment	**-1,033**	**-1,415**	**-424**	**-312**	**-378**
Issue of equity	0	7	0	0	0
Issue/repay debt	27	-197	-211	-211	-211
Dividends paid	-171	-108	-188	-188	-188
Other finance.CF	-18	-18	-19	-37	-43
C.F - Finance	**-247**	**-211**	**-301**	**-218**	**-244**
Chg.in cash	-68	72	845	716	464
Closing cash	**953**	**2,176**	**3,021**	**3,738**	**4,201**

Ratios

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab & Return					
EBITDA margin (%)	43.8	49.6	36.7	26.5	27.5
EBIT margin (%)	39.1	44.3	31.3	20.4	21.3
Net profit mgn.(%)	34.7	42.6	30.8	22.7	23.0
ROE (%)	25.9	28.0	15.0	9.4	9.3
ROCE (%)	26.7	25.8	14.4	8.2	8.4
W.C & Liquidity					
Receivables (days)	93.3	100.3	107.4	98.3	87.7
Inventory (days)	65.9	60.4	70.2	77.3	77.9
Payables (days)	124.7	129.3	121.7	103.3	97.4
Current ratio (x)	6.5	9.2	10.5	12.0	12.5
Quick ratio (x)	6.3	9.1	10.3	12.0	12.7
Turnover &Leverage					
Gross asset T.O (x)	1.2	1.2	1.0	0.9	0.9
Total asset T.O (x)	0.6	0.6	0.4	0.4	0.4
Int. covge. ratio (x)	81.5	82.0	66.2	20.4	19.3
Adj. debt/equity (x)	0.1	0.0	-0.1	-0.2	-0.2
Valuation					
EV/Sales (x)	4.3	3.6	3.8	3.8	3.5
EV/EBITDA (x)	9.8	7.2	10.2	14.4	12.7
P/E (x)	12.3	9.1	14.0	20.3	19.0
P/BV (x)	2.9	2.3	2.0	1.8	1.7

Recommendation Summary (last 3 years)



Dates	Rating	Target
21-Jun-23	BUY	765
27-Mar-24	ACCUMULATE	1,116
20-Aug-24	ACCUMULATE	1,597
04-Dec-24	HOLD	1,533
17-Mar-25	HOLD	858
06-Jun-25	HOLD	942
16-Sep-25	HOLD	940
18-Mar-26	ACCUMULATE	1,058

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:

Upgrade No Change Downgrade

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

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