



Date	Coverage	Report Price (₹)	Target Price (₹)
21-Jan-25	Quick Insight	1,240	1460 – 1500
17-Feb-25	Q3FY25		

#### Q4FY25 Performance

- In Q4FY25, Natco Pharma reported revenue of ₹1,221crs, up 14% YoY and 157% QoQ, driven by partial booking of Revlimid sales. EBITDA grew 10% YoY to ₹548crs with margins at 45% (vs. 47% YoY), while PAT stood at ₹406crs, up 5% YoY and 207% QoQ.
- During FY25, revenue up by 11% YoY to ₹4,430crs, EBITDA grew 25% YoY to ₹2,196crs with margin expansion to 50% from 44% last year, and PAT came in at ₹1,883crs, up 36% YoY supported by operating leverage and higher other income despite higher input costs and depreciation.
- During Q4, the company incurred an impairment charge of ₹50crs in its Crop Health Science business (related to property, plant & machinery), a ₹25crs chargeback adjustment in its US subsidiary, and elevated R&D expenses.

#### Management concall Highlights

- Revlimid is expected to face steeper price erosion than last year. A portion of sales was booked in Q4FY25, with the remaining expected to be booked in Q1 and Q2FY26. However, revenue visibility beyond December 2025 remains unclear, with heightened competition anticipated in FY27. H1FY26 is expected to be stronger than H2FY26.
- **The company is focusing on long-term growth by investing in innovative therapies like NCEs, gene, and cell therapies.**
  - **eGenesis:** Invested ₹68crs in a biotech firm focused on xenotransplantation, developing human-compatible organs to address transplant shortages.
  - **NRC-2694 (late-stage cancer therapy):** It is an orally administered a small-molecule cancer drug developed by Natco Pharma, currently in Phase 2 trials for Head and Neck cancer in the US and India. Currently recruited 10-20 patients for this, management will get more clarity post recruiting 60 patients by year-end FY25.
  - **Cellogen Therapeutics:** Invested ₹15crs in a company developing advanced CAR-T cell and gene therapies for leukemia, lymphoma, and genetic blood disorders.
  - **Eyestem:** Invested ₹7.5crs in a cell therapy firm with a patented treatment for dry AMD called EyeCyte-RPE.
  - **Stero Therapeutics:** Invested ₹8.5crs in a firm developing rare disease drugs, with plans to expand into treatments for more common conditions.
- **Key Product Pipeline & Litigation**
  - **Risdiplam:**
    - Litigation decision expected by July 2025
    - No launch yet; will launch immediately if court rules in Natco's favor
    - Expects a few competitors, but Natco will get the first mover advantage
  - **Semaglutide:**
    - Dual approach: B2B and its own brand.
    - The management said that the company has built the sales force required to cover doctors who prescribe this product.
    - Clinical trial underway in India
    - Using CMO (contract manufacturer), not own capacity
    - Revenue not factored into FY27 yet—will have more clarity post-trial and court outcome
  - **New Chemical Entity (NCE) pipeline:**
    - Confident on progress, though timelines uncertain

#### Important Data

Nifty	24,750
Sensex	81,451
<b>Key Stock Data</b>	
Close* (₹)	883
Market Cap (₹ bn)	158.30
52W High/Low	₹1,639 / 727
NSE Code	NATCOPHARM
BSE Code	524816
Bloomberg Code	NTCPH IN
Close* as on 30 <sup>th</sup> May 2025	

#### Shareholding Pattern (%) – Mar'25

Promoter	49.56
FIIs	17.49
DIIIs	05.65
Public & Others	23.68

#### Financial Summary

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	2,707	3,999	4,430	3,680	2,836
growth %	39%	48%	11%	-17%	-23%
EBITDA	935	1,751	2,195	895	652
EBITDA margins %	35%	44%	50%	24%	23%
PAT	715	1,388	1,883	730	528
PAT margins %	26%	35%	43%	20%	19%
EPS	40	77	105	41	29
ROE %	15%	24%	21%	8%	6%
P/E Ratio	22	11	8	22	30
EV/EBITDA (x)	16	8	6	15	20
Debt/ Equity	0.03	0.06	0.02	0.02	0.02

Source: Company, Way2Wealth Research

#### Relative Performance

Return (%)	1Yr	3Yr	5Yr
NATCO PHARMA	13%	30%	52%
Nifty 50	10%	49%	158%
Nifty Pharma	13%	69%	120%

Source: Company, Way2Wealth Research

Rupali Singh

rupalisingh@way2wealth.com

91-22-4019 2907

- FY25: 5 meaningful R&D filings (shared with partners)
  - FY26: Targeting 7–8 filings
  - Notable upcoming products: Olaparib, Semaglutide, Risdiplam, and other para IVs
  - Estimated R&D spend on NCEs: ₹25–30crs in FY26
- **Crop Protection business** generated approximately ₹60crs in revenue in FY25, with expectations to grow to ₹150–160crs in FY26. However, the business has underperformed in recent years. In FY26, if the business starts making money, then some portion of impairment will be reversed.
- **Acquisitions:** The company is currently evaluating multiple acquisition opportunities, with the aim of finalizing them within FY26. While specific targets have not been disclosed, the size of the acquisitions also remains undisclosed at this stage.
- **Guidance for FY26**
- **H1FY26 (June & Sept quarters):** Strong performance expected
  - **H2FY26:** Uncertainty due to Revlimid erosion, US pricing pressure, and macro risks
  - Management has guided for a ~20% decline in revenue and ~30% decline in profits for FY26, citing geopolitical uncertainties, pricing pressure in the US market, and increased R&D investments.
  - India is expected to perform substantially better than FY25, with base business growing at 7-8%.
  - R&D spend of close to ₹400crs in FY26. Out of total R&D guided, ₹25-30crs will be incurred towards NCE products
  - The company has filed five products in FY25 and anticipate 7–8 filings in the US in FY26.
  - Agro business is expected to break even by FY26 end.
  - ₹300-350crs of capex guided for FY26.
  - Kothur plant remediation activity is going on, and the USFDA has been updated from time to time. The company continues to supply products from this site. Expected to complete remediation in a couple of months, post which the company will invite the USFDA for reinspection.

## View & Valuation

- We have lowered our estimates for Natco Pharma's financial performance in FY26E due to the absence of Revlimid sales in 2HFY26. The outlook for FY26E and FY27E remains challenging, particularly with no contribution from Revlimid in FY27E. We project revenue, EBITDA, and PAT to reach ₹2,836crs, ₹652crs, and ₹528crs, respectively, in FY27E, with EBITDA and PAT margins declining to 23% and 19%.
- Looking ahead, several key product launches over the next five years, including Semaglutide, Carfilzomib, Trabectedin, and Imbruvica, are expected to drive revenue growth. Among these, Semaglutide is a critical product for the US and other regulated markets. The company is also actively exploring acquisitions to strengthen its presence in RoW markets and expand its US prescription pharmaceuticals segment.
- At the current price of ₹883, Natco Pharma trades at a P/E of 30x FY27E EPS of ₹20 and 20x EV/EBITDA on FY27E estimates, compared to its five-year historical median of 26x P/E and 16x EV/EBITDA. Financial performance was impacted by the absence of Revlimid sales in Q3FY25; however, a portion of Revlimid sales was booked in Q4FY25. Management has indicated that the remaining sales will be recognized in Q1FY26 and Q2FY26. The company has achieved a peak market share of 33% in Revlimid. However, no Revlimid contribution is expected in FY27E due to competition, which has been factored into our estimates. Looking ahead, management remains focused on investments in NCEs, and a few key launches are expected in FY27E. **We maintain our Hold rating on the stock.**

## Key Risks

- **Revlimid Sales Decline:** The absence of Revlimid sales in FY27E poses a significant risk, as it was a major revenue and profit contributor. The company's earnings could decline 50-60% in FY27E due to this impact.

- **Regulatory Uncertainty:** The India launch of Semaglutide (March 2026) remains subject to regulatory approvals. Any delays or rejections could impact on the company's growth prospects. Additionally, uncertainty around exclusivity in India and other markets remains a risk.
- **US Tariff Impact:** Management anticipates that the tariffs will affect the entire industry. It highlighted that manufacturing in the US is the only viable strategy to mitigate the impact. If tariffs are imposed, the company plans to shift production of certain products to the US.
- **Potential adverse actions from the US FDA at the Kothur facility, Telangana:** The plant is under the USFDA scanner, having received a warning letter on April 8, 2024. The management stated that they will continue supplying existing products, but new product approvals are halted. Some products, including Revlimid, are being moved to the Vizag facility, and the company is in the process of completing the transfer of the remaining products, as they don't want to lose any business. On the remediation front, the management mentioned that it will take time to resolve the issues.

**Quarterly Financials**

(₹ crs)

Quarterly performance	Q4FY25	Q4FY24	YoY %	Q3FY25	QoQ %	FY25	FY24	YoY %
Revenue (net)	1,221	1,068	14%	475	157%	4,430	3,999	11%
<b>TOTAL INCOME</b>	1,221	1,068	14%	475	157%	4,430	3,999	11%
<b>Total Material Cost</b>	249	143	75%	83	201%	690	717	-4%
% of Revenue	20%	13%		17%		16%	18%	
<b>Gross Profit</b>	972	926	5%	392	148%	3,740	3,282	14%
% Margin	80%	87%		83%		84%	82%	
Employees exp	159	143	12%	142	13%	595	525	13%
% of Revenue	13%	13%		30%		13%	13%	
other expenses	264	286	-8%	212	25%	949	1,006	-6%
<b>TOTAL OPER EXPENDITURE</b>	673	571	18%	436	54%	2,234	2,247	-1%
% of Revenue	55%	53%		92%		50%	56%	
<b>EBITDA</b>	548	497	10%	39	1313%	2,196	1,751	25%
% Margin	45%	47%		8%		50%	44%	
Depreciation	98	56	77%	47	109%	235	187	26%
<b>Operating Profit</b>	450	442	2%	(8)	-5585%	1,961	1,565	25%
% Margin	37%	41%		-2%		44%	39%	
Other Income	66	42	58%	176	-62%	355	128	177%
<b>EBIT</b>	516	484	7%	168	207%	2,315	1,693	37%
Finance Cost	10	6	65%	4	132%	24	19	24%
<b>EBT</b>	506	478	6%	164	209%	2,291	1,674	37%
<b>Total Tax Expense / (Credit)</b>	100	91	9%	31	219%	408	285	43%
<b>PAT (Reported)</b>	406	386	5%	132	207%	1,883	1,388	36%
% Margin	33%	36%		28%		43%	35%	
<b>PAT (Adjusted)</b>	406	386	5%	132	207%	1,883	1,388	36%
% Margin	33%	36%		28%		43%	35%	
EPS - Reported	22.7	21.6	5%	7.4	207%	105.2	77.1	36%
EPS - Adjusted	22.7	21.6	5%	7.4	207%	105.2	77.1	36%

Particulars	Q4FY25	Q4FY24	YoY %	Q3FY25	QoQ %	FY25	FY24	YoY %
<b>Export formulation</b>	1053	955	10%	286	268%	3760	3237	16%
<b>Domestic</b>	99	52	90%	96	3%	400	387	3%
API	46	50	-7%	67	-30%	202	249	-19%
Crop Health sciences	15	0		15	-1%	60	114	-48%
Other operating and non-operating incomes	74	53	39%	188	-61%	363	146	149%
<b>total sales</b>	1287	1110	16%	651	98%	4784	4133	16%

Source: Company, Way2Wealth Research

Financials							
(₹ crs)							
Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue (net)	2052	1,945	2,707	3,999	4,430	3,680	2,836
<b>TOTAL INCOME</b>	<b>2,052</b>	<b>1,945</b>	<b>2,707</b>	<b>3,999</b>	<b>4,430</b>	<b>3,680</b>	<b>2,836</b>
growth %		-5%	39%	48%	11%	-17%	-23%
<b>Total Material Cost</b>	<b>511</b>	<b>561</b>	<b>627</b>	<b>717</b>	<b>690</b>	<b>576</b>	482
<b>Gross Profit</b>	<b>1,541</b>	<b>1,384</b>	<b>2,080</b>	<b>3,282</b>	<b>3,740</b>	<b>3,104</b>	2,354
% Margin	75%	71%	77%	82%	84%	84%	83%
Employees exp	415	445	487	525	595	920	709
other expenses	520	676	658	1,006	949	1,288	993
<b>TOTAL OPER EXPENDITURE</b>	<b>1,446</b>	<b>1,682</b>	<b>1,772</b>	<b>2,248</b>	<b>2,234</b>	<b>2,785</b>	2,184
% of Revenue	70%	86%	65%	56%	50%	76%	77%
<b>EBITDA</b>	<b>606</b>	<b>263</b>	<b>935</b>	<b>1,751</b>	<b>2,195</b>	<b>895</b>	652
% Margin	30%	14%	35%	44%	50%	24%	23%
Depreciation	117	143	164	187	235	200	200
<b>Operating Profit</b>	<b>489</b>	<b>121</b>	<b>772</b>	<b>1,564</b>	<b>1,960</b>	<b>695</b>	452
% Margin	24%	6%	29%	39%	44%	19%	16%
Other Income	104	99	105	128	355	200	200
<b>EBIT</b>	<b>593</b>	<b>220</b>	<b>876</b>	<b>1,692</b>	<b>2,315</b>	<b>895</b>	652
Finance Cost	13	18	15	19	24	16	16
<b>EBT</b>	<b>579</b>	<b>202</b>	<b>862</b>	<b>1,673</b>	<b>2,291</b>	<b>879</b>	636
<b>Total Tax Expense / (Credit)</b>	<b>137</b>	<b>32</b>	<b>147</b>	<b>285</b>	<b>408</b>	<b>149</b>	108
<b>PAT (Reported)</b>	<b>442</b>	<b>170</b>	<b>715</b>	<b>1,388</b>	<b>1,883</b>	<b>730</b>	528
% Margin	22%	9%	26%	35%	43%	20%	19%
EPS - Reported	24.6	9.4	39.7	77.1	105.2	40.8	29.5

Source: Company, Way2Wealth Research

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Disclosure of Interest Statement: Natco Pharma Ltd. as on 02 June 2025

Name of the Security	Natco Pharma Ltd.
Name of the analyst	Rupali Singh
Analysts’ ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	Yes (10 Shares bought on 12 December 2024)
Analyst’s Relative : Yes / No	No
Analyst’s Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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