



Date	Coverage	Report Price (₹)	Buy Range (₹)	Target Price (₹)
21-Jan-25	Quick Insight	1,240.00	1200 – 1240	1460 – 1500
17-Feb-25	Q3FY25	880.95		
2-Jun-25	Q4FY25	883.00		

Q1FY26 Performance

Natco Pharma reported Q1FY26 revenue of ₹1,329crs, a decline of 2% YoY but an increase of 9% QoQ, supported by a steady Revlimid contribution and new product launches that helped offset pricing pressure in the US market. Gross margin contracted to 82% (from 87% in Q1FY25) due to a 29% YoY increase in material costs, while EBITDA margin dropped to 43% from 59% in Q1FY26. PAT fell 28% YoY to ₹480crs, with margin declining to 36% from 49%, though it improved 18% QoQ on the back of higher revenue and lower depreciation versus Q4FY25. During the quarter, the business experienced pricing pressure in the US portfolio and higher R&D spending on high-value projects, which also contributed to the sharp rise in other expenses.

Management concall Highlights

- **Revlimid:** In Q1 FY26, Revlimid's contribution remained in line with Q4FY25. Management expects the majority of earnings from this product to be realised in H1FY26, after which a significant decline is anticipated from Q3 onwards due to continued pricing pressure in the US market. Other products in the US portfolio have been largely stable.
- The company is pursuing long-term growth by investing in innovative therapies such as NCEs, gene therapies, and cell-based treatments.
 - **eGenesis:** Invested US\$ 8 mn in a biotechnology company focused on xenotransplantation, developing safe and effective human-compatible organs for transplant. Successfully conducted the first-ever human transplant of a genetically engineered pig kidney (March 2024). Committed to ending global transplant shortages with lead programs in kidney, liver, and heart transplantation.
 - **NRC-2694:** Orally administered small-molecule tyrosine kinase inhibitor discovered and developed by Natco Pharma. Indicated for treatment of recurrent/metastatic head and neck cancer in patients who progressed on Keytruda® (Pembrolizumab). Phase 2 trial approved by the US FDA; patient recruitment ongoing in the US and India. The company has enrolled 13–14 patients in the US and enrolment in India set to begin soon. The target is 60–70 patients, and meaningful data is expected by mid-FY27.
 - **Cellogen Therapeutics:** Invested US\$ 2 mn in advanced cellular engineering and gene therapy-based approaches. Developing innovative 3rd and 4th generation CAR-T therapies for leukemia and lymphoma, and genetic therapies for beta-thalassemia and sickle cell disease. First human dosing for leukemia will begin shortly in India. Received GMP manufacturing approvals in India.
 - **Eyestem:** Invested US\$ 1 mn in a cell therapy company led by a team with clinical research and ophthalmology expertise. Developing a patented experimental treatment (*EyeCyte-RPE*) for dry Age-Related Macular Degeneration (AMD). Phase 1 dosing for dry AMD ongoing in India; preparing for US FDA grade GMP manufacturing.
 - **Stero Therapeutics:** Invested US\$ 1 mn to develop novel therapies for metabolic diseases. Current focus on Cushing's syndrome with expansion into non-alcoholic steatohepatitis (NASH). Conducting pre-clinical animal studies.
 - **Adcock Ingram Acquisition:**
 - The most significant strategic move for Natco Pharma is the ₹2000crs acquisition of a 35.75% stake in South Africa's Adcock Ingram. Natco has

Important Data

Nifty	24,876.95
Sensex	81,273.75
Key Stock Data	
Close* (₹)	874.45
Market Cap (₹ bn)	~158
52W High/Low	₹1,639 / 727
NSE Code	NATCOPHARM
BSE Code	524816
Bloomberg Code	NTCPH IN

Close* as on 18th Aug 2025

Shareholding Pattern (%) – Jun'25

Promoter	49.56
FIIs	15.51
DII	05.82
Public & Others	29.11

Financial Summary

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	2,707	3,999	4,430	3,754	2,836
growth %	39%	48%	11%	-15%	-24%
EBITDA	935	1,751	2,195	1,153	652
EBITDA margins %	35%	44%	50%	31%	23%
PAT	715	1,388	1,883	953	528
PAT margins %	26%	35%	43%	25%	19%
EPS	40	77	105	53	29
ROE %	15%	24%	21%	10%	6%
ROCE %	20%	34%	25%	12%	7%
P/E Ratio	22	11	8	16	30
EV/EBITDA (x)	16	8	6	11	20

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
NATCO PHARMA	-39	37	5
Nifty 50	1.5	40.5	118.7
Nifty Pharma	-0.9	72.3	91.1

Source: Company, Way2Wealth Research

Rupali Singh

rupalisingh@way2wealth.com

91-22-4019 2907

signed an agreement to acquire this stake for a cash consideration of R75/share (~USD 4.27/share), valuing the deal at approximately ₹20bn. This implies an enterprise valuation of USD 632 mn, translating to 1.12× revenue and 7.8× EBITDA. The transaction is expected to close within 3–4 months, subject to regulatory approvals from the RBI (FEMA compliance) and South Africa's Takeover Regulation Panel (TRP). Following the acquisition, Adcock will be delisted and operate as a private company, with Bidvest retaining a ~65% stake. Natco will secure one-third of the board seats and hold the first right of refusal on Bidvest's stake, positioning it to potentially increase ownership in the future.

- **Adcock Ingram – South Africa's Second-Largest Private Pharma Company:** Adcock was established in 1890 as a pharmacy and now is the second-largest pharmaceutical company in South Africa by private market share. It is uniquely positioned as the only pharma company in the country with a presence across all key market segments — Prescription (35% of revenue), OTC (26%), Hospital (21%), and Consumer (17%). The company operates three manufacturing facilities in South Africa and holds a 49% stake in an Indian joint venture with two additional plants. For FY24 (Jul–Jun), Adcock reported USD 536mn in revenue, a 15% EBITDA margin, and USD 45mn in PAT.

- **Transaction Structure and Strategic Intent:** Adcock Ingram will be delisted and converted into a private company following the transaction, which is expected to close within three to four months. The offer includes a premium to encourage shareholders to tender their shares. Post-acquisition, Natco will hold one-third of the board seats. While majority shareholder Bidvest (~65% stake) is not looking to sell, Natco will have the first right of refusal on its stake. For now, the acquisition is limited to 35.75%, with Natco's share of Adcock's profits directly consolidated into net profit (no line-by-line P&L addition).

- The current deal is structured purely as an equity stake purchase, ensuring Natco is strongly incentivised to support and grow the asset; there is no immediate arrangement for product-level profit sharing. The acquisition will be immediately EPS accretive, with comfortable valuations. Post-transaction, Natco will still retain ~₹15bn in cash, plus accruals from the June and September quarters, leaving room for another potential deal of similar scale.

- Strategically, the acquisition addresses a key gap — while Natco's strength lies in R&D, it lacks extensive market access. This move expands its geographic footprint, strengthens its core earnings diversity, and lays the groundwork for scalable, long-term growth.

- **Crop Health Sciences:** The segment showed a strong rebound, driven by better-margin new launches including herbicides, fungicides, and insecticides. Sales are on track to achieve ₹140–150crs for FY26, with Q1 losses narrowing to ₹3.2crs, indicating near-term breakeven.

- On the R&D front, FY26 R&D spend is expected to be ~₹400crs, with elevated outlays in Q1 and Q2 due to high-value oncology and peptide/oligonucleotide projects. From Q3, expenses should moderate. Natco aims to file 7–8 products annually, with 1–2 being in oligonucleotides.

➤ **Key Upcoming Launches & R&D Pipeline:**

- **Risdiplam (Roche):** Natco has already won the case at the single bench level and is now awaiting the verdict from the two-judge bench in the Delhi High Court. The product is fully prepared for launch, with the pricing strategy already in place. Risdiplam, a high-potential therapy for spinal muscular atrophy (SMA), represents a significant opportunity in the rare disease segment. Once legal clearance is obtained, Natco plans an immediate market entry to capture the first-mover advantage, leveraging its expertise in branded and specialty products.
- On the semaglutide front, management stated that it is one of the key expected domestic launches, targeted for FY26 post-regulatory clearance.
- The domestic base portfolio is growing ~7–8% annually, with strong upside potential from the successful launch of high-value products like semaglutide and Risdiplam.

- **Guidance:** Management restated its earlier forecast of ~20% revenue decline and ~30% PAT decline in FY26, largely due to Revlimid erosion. Q2FY26 is expected to be similar to Q1, but with continued pricing pressure. No FY27 guidance yet, citing multiple moving parts in the portfolio.
- Natco had ₹3500crs in cash pre-Adcock deal, which will reduce to ~₹1500crs after completion. The company also passed an enabling resolution to increase authorised capital, providing flexibility for future large acquisitions.

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 ₹875, Natco Pharma is valued at 30x FY27E EPS of ₹29 and 20x EV/EBITDA on FY27E estimates, compared to its five-year historical median of 26x P/E and 15x EV/EBITDA. In Q1FY26, Revlimid's contribution was stable versus Q4FY25, with management expecting the bulk of earnings to be captured in H1FY26, followed by a steep decline from Q3 onwards due to continued US pricing pressure. No Revlimid contribution is expected in FY27E owing to heightened competition, and this has been factored into our projections. Meanwhile, the rest of the US portfolio remains largely stable. Looking ahead, growth is expected to be driven by investments in NCEs and a few key product launches in FY27E.
- On the inorganic side, Natco has announced a ₹2000crs acquisition of a 35.75% stake in South Africa's Adcock Ingram at ₹75/share (~USD 4.27/share), valuing the deal at ~₹20 bn (EV: USD 632 mn; 1.12x revenue / 7.8x EBITDA). The acquisition, expected to close in 3–4 months post regulatory approvals. Given the balance of near-term headwinds from Revlimid erosion and medium-term opportunities from NCE-led launches and the Adcock acquisition, **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.
- On the potential US pharma tariffs, management indicated that the impact would largely depend on the extent of tariffs imposed. While some initial disruption in the US business is expected, the company believes it can gradually pass on the additional costs to customers, thereby cushioning the effect on margins over time.

Quarterly Financials

(₹ crs)

Quarterly performance	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %
Revenue (net)	1,329	1,363	-2%	1,221	9%
TOTAL INCOME	1,329	1,363	-2%	1,221	9%
Total Material Cost	233	180	29%	249	-7%
% of Revenue	18%	13%		20%	
Gross Profit	1,096	1,182	-7%	972	13%
% Margin	82%	87%		80%	
Employees exp	169	142	19%	159	6%
% of Revenue	13%	10%		13%	
other expenses	356	236	51%	264	35%
TOTAL OPER EXPENDITURE	758	558	36%	673	13%
% of Revenue	57%	41%		55%	
EBITDA	571	805	-29%	548	4%
% Margin	43%	59%		45%	
Depreciation	58	44	31%	98	-41%
Operating Profit	513	761	-33%	450	14%
% Margin	39%	56%		37%	
Other Income	62	48	28%	66	-7%
EBIT	575	809	-29%	516	11%
Finance Cost	3	5	-38%	10	-69%
EBT	572	804	-29%	506	13%
Total Tax Expense / (Credit)	92	135	-32%	100	-8%
PAT (Reported)	480	669	-28%	406	18%
% Margin	36%	49%		33%	
PAT (Adjusted)	480	669	-28%	406	18%
% Margin	36%	49%		33%	
EPS - Reported	26.8	37.3	-28%	22.7	18%
EPS - Adjusted	26.8	37.3	-28%	22.7	18%

Segment performance	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %
Export formulation	1127	1210	-7%	1053	7%
Domestic	107	102	5%	99	8%
API	53	39	34%	46	13%
Crop Health sciences	35	16	122%	15	131%
Other operating and non-operating incomes	70	44	60%	74	-6%
total sales	1391	1411	-1%	1287	8%

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	3,754	2,836
TOTAL INCOME	2,052	1,945	2,707	3,999	4,430	3,754	2,836
growth %		-5%	39%	48%	11%	-15%	-24%
Total Material Cost	511	561	627	717	690	621	482
Gross Profit	1,541	1,384	2,080	3,282	3,740	3,133	2,354
% Margin	75%	71%	77%	82%	84%	83%	83%
Employees exp	415	445	487	525	595	775	709
other expenses	520	676	658	1,006	949	1,205	993
TOTAL OPER EXPENDITURE	1,446	1,682	1,772	2,248	2,234	2,601	2,184
% of Revenue	70%	86%	65%	56%	50%	69%	77%
EBITDA	606	263	935	1,751	2,195	1,153	652
% Margin	30%	14%	35%	44%	50%	31%	23%
Depreciation	117	143	164	187	235	208	200
Operating Profit	489	121	772	1,564	1,960	945	452
% Margin	24%	6%	29%	39%	44%	25%	16%
Other Income	104	99	105	128	355	212	200
EBIT	593	220	876	1,692	2,315	1,157	652
Finance Cost	13	18	15	19	24	15	16
EBT	579	202	862	1,673	2,291	1,141	636
Total Tax Expense / (Credit)	137	32	147	285	408	188	108
PAT (Reported)	442	170	715	1,388	1,883	953	528
% Margin	22%	9%	26%	35%	43%	25%	19%
EPS - Reported	24.6	9.4	39.7	77.1	105.2	53.2	29.5

Source: Company, Way2Wealth Research

Disclaimer

Analyst Certification: I, Rupali Singh, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Rupali Singh, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement: Natco Pharma Ltd. as on 19th August 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
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.