


Q2FY26 Performance

Natco's Q2FY26 performance reflects the tail end of its Revlimid windfall, with management confirming that this was the last meaningful quarter for the product. Revenue stood at ₹1,363crs, flat YoY, while higher R&D spending, BE studies, and one-time provisions drove a sharp rise in operating costs. As a result, EBITDA dropped 28% YoY and margins normalised to 42%, down from the unusually high 59% seen Q2FY25. PAT for Q2FY26 came in at ₹518crs, lower than Q2FY25.

Management concall Highlights

- Revlimid (Lenalidomide) delivered a strong performance in Q2FY26, but management made it clear that the momentum will not continue. From Q3 onward, the company expects intense competitive pressure, leading to significantly lower volumes and shrinking market share visibility. As a result, Natco is not budgeting any meaningful Revlimid revenue for Q3 and Q4. Management also explicitly stated that Q2 was the last meaningful quarter for Revlimid, and contributions from Q3 onwards will be negligible.
- On the Agri front, the management alluded that the Crop Health Science business has improved significantly, with CTPR products performing well. The segment delivered ₹52crs in Q2 and has turned EBITDA positive. The focus remains on the domestic market, and the company plans to de-merge and list this business separately by 2026 for better value unlocking.
- On the Para IV front, the management mentioned that Natco is actively strengthening its future US pipeline and plans to file three to four new Para IV applications over the next few months. While management refrained from commenting on whether any of these will be First-to-File (FTF) due to regulatory confidentiality, the tone suggested that several filings target complex, high-value, limited-competition molecules. They also highlighted that significant R&D spending this quarter, including costly bioequivalence studies and RLD purchases, was tied directly to these upcoming Para IV opportunities. Overall, the commentary indicates a deliberate effort to rebuild the next wave of exclusivity-driven products, which are expected to meaningfully contribute from FY27–FY30, supporting Natco's long-term growth cycle beyond the Revlimid windfall.
- **The management said that semaglutide will play a different role across geographies.**
 - In India, the plan is to launch in the first wave around March–April 2026 (Phase 3 clinical trials completed. Filing expected in December), improving the domestic business even though the market will be very competitive and margins lower. Even a moderate contribution can lift the domestic business meaningfully because the India base is relatively small.
 - For the U.S., the opportunity is by far the largest almost 100 times bigger than India with Natco holding First-to-File status, although the launch is still a few years away due to ongoing regulatory review.
 - In Canada, the upside is limited since rights have already been assigned to Viatrix.
 - In Brazil, regulatory progress is still early, so visibility on launch remains low.
 - In South Africa, the opportunity will arise later when patents expire, with Adcock Ingram providing a strong commercial platform for eventual entry.
 - Overall, India offers near-term traction, but the U.S. market is expected to deliver the real long-term value from semaglutide.
- On the Adcock acquisition, the management said that the deal is now fully completed, with Natco and Midwest becoming the only shareholders after the company was delisted. Since Natco holds less than 50%, only its 35–36% share of Adcock's profit will be consolidated, not the revenues. The impact will be partial in Q3 and fully reflected from

Important Data

Nifty	25,910
Sensex	84,673

Key Stock Data

Close* (₹)	814.55
Market Cap (₹ bn)	145.80
52W High/Low	₹1,505 / 727
NSE Code	NATCOPHARM
BSE Code	524816
Bloomberg Code	NTCPH IN

Close as on 18th Aug 2025*

Shareholding Pattern (%)	Mar'25	Jun'25	Sep'25
Promoter	49.56%	49.56%	49.48%
DII's	17.49%	15.52%	14.09%
FII's	5.64%	5.81%	5.87%
Public & Others	27.30%	29.12%	30.56%

Financial Summary

Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	2,052	1,945	2,707	3,999	4,430	3,912	2,557
growth %		-5%	39%	48%	11%	-12%	-35%
EBITDA	606	263	935	1,751	2,195	1,430	588
EBITDA margins %	30%	14%	35%	44%	50%	37%	23%
PAT	442	170	715	1,388	1,883	1,262	534
PAT margins %	22%	9%	26%	35%	43%	32%	21%
EPS	25	9	40	77	105	71	30
ROE %	11%	4%	15%	24%	25%	14%	6%
ROCE %	16%	6%	20%	34%	30%	16%	6%
P/E Ratio	33	87	21	11	8	12	27
EV/EBITDA (x)	26	60	15	7	6	8	20
Debt/ Equity	0.06	0.10	0.03	0.06	0.04	0.03	0.03

Source: Company, Way2Wealth Research
Relative Performance

Return (%)	1Yr	3Yr	5Yr
NATCO PHARMA	-40%	-2%	-11%
Nifty 50	10%	41%	100%
Nifty Pharma	5%	77%	96%

Source: Company, Way2Wealth Research
Rupali Singh
rupalisingh@way2wealth.com
91-22-4019 2907

Q4. Adcock is a stable, cash-generating business, and Natco plans to strengthen it further by adding products from its own pipeline and through new partnerships, making this acquisition a strategic move to diversify and stabilise earnings.

- Natco's investments in Cellogen, Stereotherapeutics and others are small, low-risk bets aimed at building capabilities in new technologies. An internal team monitors these projects, and the annual spend is limited to ₹40–50crs. Among them, eGenesis, which is developing genetically engineered pig kidneys, is seen as the most exciting opportunity.
- **Guidance:**
 - The management said that the company expects to maintain a revenue run rate of ₹750–800crs per quarter with ₹135–150crs in PAT over the next six months, keeping them on track to meet full-year guidance. Further, added that the base business should grow steady at 10–15%, with sharp profit jumps during years of major exclusivity launches.
 - On key U.S. opportunities, the management said they cannot disclose product names due to confidentiality but highlighted that FY26–27 will be relatively dull, while FY27–28 will see the start of several large U.S. launches, which are expected to meaningfully lift profitability.
 - **FY27 outlook:** Management expects FY27 to be a better year than FY26.
- **China Olaparib Tender:** The Olaparib tender in China was won, but the pricing is too low to have any material revenue impact; the China generics business remains stable.
- **M&A opportunity:** The company is actively exploring acquisitions in the U.S. and has sufficient cash on hand but is waiting for the right opportunity to emerge.
- Semaglutide will not immediately offset the decline in Revlimid profits; meaningful earnings uplift is expected only from FY27–28, driven by upcoming FTF launches such as semaglutide, ibrutinib, and olaparib.
- **Risdiplam Litigation:** The company plans to launch in Q3FY26, it expects it to strengthen the base business.

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.

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 estimate 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 ₹818, Natco Pharma trades at 27x FY27E EPS of ₹30 and 20x EV/EBITDA, and **we maintain our Hold rating on the stock.**

Quarterly Financials

(₹ crs)

Particulars	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %	1HFY26	1HFY25	YoY %
Revenue (net)	1,363	1,371	-1%	1,329	3%	2,692	2,734	-2%
TOTAL INCOME	1,363	1,371	-1%	1,329	3%	2,692	2,734	-2%
Total Material Cost	170	178	-4%	233	-27%	403	358	13%
% of Revenue	12%	13%		18%		15%	13%	
Gross Profit	1,193	1,194	0%	1,096	9%	2,289	2,376	-4%
% Margin	88%	87%		82%		85%	87%	
Employees exp	200	152	32%	169	19%	369	294	26%
% of Revenue	15%	11%		13%		14%	11%	
other expenses	414	238	74%	356	16%	770	473	63%
TOTAL OPER EXPENDITURE	784	567	38%	758	3%	1,542	1,125	37%
% of Revenue	58%	41%		57%		57%	41%	
EBITDA	579	804	-28%	571	1%	1,150	1,609	-29%
% Margin	42%	59%		43%		43%	59%	
Depreciation	52	46	14%	58	-9%	110	90	22%
Operating Profit	527	759	-31%	513	3%	1,040	1,519	-32%
% Margin	39%	55%		39%		39%	56%	
Other Income	100	64	57%	62	62%	162	112	45%
EBIT	627	822	-24%	575	9%	1,202	1,631	-26%
Finance Cost	13	4	220%	3	309%	16	9	75%
EBT	614	818	-25%	572	7%	1,186	1,622	-27%
Total Tax Expense / (Credit)	96	142	-32%	92	5%	187	277	-32%
PAT (Reported)	518	677	-23%	480	8%	998	1,345	-26%
% Margin	38%	49%		36%		37%	49%	
PAT (Adjusted)	518	677	-23%	480	8%	998	1,345	-26%
% Margin	38%	49%		36%		37%	49%	
EPS - Reported	28.9	37.8	-23%	26.8	8%	56	75	-26%
EPS - Adjusted	28.9	37.8	-23%	26.8	8%	56	75	-26%

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	3,912	2,557
TOTAL INCOME	2,052	1,945	2,707	3,999	4,430	3,912	2,557
growth %		-5%	39%	48%	11%	-12%	-35%
Total Material Cost	511	561	627	717	690	610	435
Gross Profit	1,541	1,384	2,080	3,282	3,740	3,302	2,122
% Margin	75%	71%	77%	82%	84%	84%	83%
Employees exp	415	445	487	525	595	674	639
other expenses	520	676	658	1,006	949	1,197	895
TOTAL OPER EXPENDITURE	1,446	1,682	1,772	2,248	2,234	2,481	1,969
% of Revenue	70%	86%	65%	56%	50%	63%	77%
EBITDA	606	263	935	1,751	2,195	1,430	588
% Margin	30%	14%	35%	44%	50%	37%	23%
Depreciation	117	143	164	187	235	220	280
Operating Profit	489	121	772	1,564	1,960	1,210	307
% Margin	24%	6%	29%	39%	44%	31%	12%
Other Income	104	99	105	128	355	242	200
EBIT	593	220	876	1,692	2,315	1,452	507
Finance Cost	13	18	15	19	24	27	24
EBT	579	202	862	1,673	2,291	1,425	483
Total Tax Expense / (Credit)	137	32	147	285	408	230	82
PAT (Reported)	442	170	715	1,388	1,883	1,262	534
% Margin	22%	9%	26%	35%	43%	32%	21%
EPS - Reported	24.6	9.4	39.7	77.1	105.2	70.5	29.8

Source: Company, Way2Wealth Research

Coverage

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		
19-Aug-25	Q1FY26	874.45		

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 November 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 and Enlistment with RAASB/BSE and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.