





Buy Range ₹1200 – 1240

Target ₹1460 – 1500

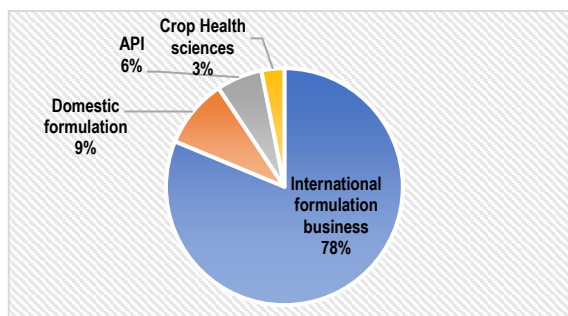
Recommendation Buy

Highlights

- Natco Pharma Ltd has carved a niche for itself in the pharmaceutical industry by focusing on the development and launch of complex generics, Para IV, and first-to-file (FTF) products in both India and the US. The company's strategic approach centers on high-barrier-to-entry molecules that require advanced R&D capabilities and significant expertise in manufacturing. With 30 Para IV filings (14 of which are approved), Natco has consistently demonstrated its ability to penetrate challenging markets and capitalize on limited-competition opportunities.
- Key products launched include generic Revlimid, a breakthrough in the oncology space; Glatiramer Acetate, for multiple sclerosis; Liposomal Doxorubicin, a complex injectable for cancer; and Sofosbuvir, a game-changer in Hepatitis C treatment. These products have set a strong foundation for the company's market leadership and revenue growth.
- Looking forward, Natco's pipeline is robust, with plans to file 8-10 niche products annually. Key anticipated launches over the next 2-5 years include Semaglutide (Ozempic/Wegovy) for diabetes and weight loss, Carfilzomib (Kyprolis) for multiple myeloma, and Ibrutinib (Imbruvica) for leukemia. These products are strategically chosen for their high-market potential and limited competition, ensuring a competitive edge and sustained earnings visibility.
- Between FY21 and FY24, Natco achieved impressive growth, with revenue, EBITDA, and PAT increasing at CAGRs of 25%, 42%, and 46%, respectively, primarily driven by the successful launch of gRevlimid. This contributed significantly to the expansion of its US business, boosting net profit and cash flow. The windfall generated from gRevlimid is being strategically reinvested in developing new chemical entities (NCEs), oligonucleotides, and other complex products. Natco holds sole FTF exclusivity for Ozempic and Wegovy in the US market, reinforcing its strong position.
- We estimate Revenue, EBITDA, and PAT CAGR of 23%, 39%, and 42%, respectively, over FY24-26E, driven by a robust product pipeline and improving profitability. EBITDA and PAT margins are expected to expand to 56% and 46%, respectively, by FY26E. Looking ahead, several key product launches are expected over the next five years, including Semaglutide, Carfilzomib, Trabectedin, and Imbruvica, all of which are anticipated to significantly boost revenue growth. Among these, Semaglutide is positioned as a key product for the US and other regulated markets. However, with the launch timelines for these products yet to be disclosed, the revenue potential from Semaglutide has not been included in the FY26E estimates. These launches are projected to unlock substantial growth opportunities, driving significant improvements in revenue, profitability, and return ratios from FY26E onward. **At the current price of ₹1,240, the stock trades at an estimated P/E of 8x FY26E EPS of ₹156 and 6x EV/EBITDA on FY26E.**

Company background

Natco Pharma Limited is a vertically integrated, R&D-driven pharmaceutical company specializing in niche therapeutic areas and complex products. It develops, manufactures, and markets finished dosage formulations (FDF) and active pharmaceutical ingredients (APIs), primarily for captive use and international markets like the US, Europe, Brazil and ROW. Operating in over 50+ countries, it also engages in contract manufacturing and has established subsidiaries in key geographies. Recently, Natco diversified into crop health sciences, leveraging its expertise in organic chemistry.



Key management Team

V. C. Nannapaneni	Chairman and Managing Director
Rajeev Nannapaneni	Vice-Chairman and Chief Executive Officer
Prasad P S R K	Director and Executive Vice President (Corporate Engineering Services)
Dr. Linga Rao Donthineni	Director and President (Technical Affairs)
Dr. Pavan Ganapati Bhat	Director and Executive Vice President (Technical Operations)
Appa Rao S V V N	Chief Financial Officer
Dr. Pulla Reddy M	Executive Vice President - R&D

INVESTMENT RATIONALE

1. Focused Niche Pipeline to Drive Growth

Over the years, Natco has consistently showcased its expertise through the launch of niche, high-value products, including Para IV and first-to-file (FTF) molecules in India and the US, while expanding into new geographies. The company follows a blockbuster launch strategy, focusing on complex, high-barrier-to-entry generics and niche molecules, leveraging its R&D capabilities to develop challenging, difficult-to-manufacture products. Notable blockbuster products launched in the past include generic Revlimid, Glatiramer Acetate injection, Liposomal Doxorubicin, Sofosbuvir for Hepatitis C, and Dabigatran.

Drug	Launch Year	Market	Partner	Indication
Glatiramer Acetate	2017	USA	Mylan NV	Multiple Sclerosis
Liposomal Doxorubicin	N/A	USA	Dr. Reddy's Laboratories	Cancer (complex injectables)
Oseltamivir	2016	USA	Alvogen	Influenza
Hepcinat & Combinations	N/A	India	N/A	Hepatitis C Virus (HCV)

Source: Company, Way2Wealth Research

The management has reiterated its commitment to building a robust and niche product pipeline to drive sustained earnings growth. Following the successful launch of generic Revlimid, the company is optimistic about unlocking additional significant opportunities over the next 2 -2.5 years. A key highlight of Natco's strategy is its focus on the US market, where its pipeline is particularly strong, emphasizing complex generics and first-to-file (FTF) opportunities. These high-barrier-to-entry products, such as Semaglutide injections for diabetes and weight loss, are central to the company's growth strategy.

Natco aims to maintain a consistent momentum by filing 8-10 niche molecules annually, ensuring a steady influx of high-value products. The company's goal is to achieve FTF status for select molecules, enabling it to capture a significant market share and enjoy higher profitability. This strategic approach has already built the pipeline which consists of 30 Para IVs in the pipeline, and 14 molecules have been approved (either tentative or final).

Important Data

Nifty	23,260
Sensex	76,660

Key Stock Data

CMP (₹)	1,240
Market Cap (₹ bn)	223.00
52W High/Low	₹1,639 / 805
NSE Code	NATCOPHARM
BSE Code	524816
Bloomberg Code	NTCPH IN

Shareholding Pattern (%) – Dec'24

Promoter	49.62
FIIs	17.51
DIIs	06.76
Public & Others	26.12

Financial Summary

Particulars	(₹ Cr)			
	FY23	FY24	FY25E	FY26E
Revenue	2,707	3,999	5,524	6,030
growth %	39%	48%	38%	9%
EBITDA	935	1,751	3,171	3,377
EBITDA margins %	35%	44%	57%	56%
PAT	715	1,388	2,641	2,796
PAT margins %	26%	35%	48%	46%
ROE %	15%	24%	27%	22%
ROCE %	20%	34%	33%	27%
P/E Ratio	35	18	8	8
EV/EBITDA (x)	25	13	6	6
Debt/ Equity	0.03	0.06	0.02	0.02

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
NATCO PHARMA	44%	33%	95%
Nifty 50	5%	26%	87%
Nifty Pharma	26%	56%	171%

Source: Company, Way2Wealth Research

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Brand Name	Molecule	Therapeutic Area	Innovator
Tracleer	Bosentan (32mg)	Anti-hypertensive	Actelion a subsidiary of Janssen Pharmaceuticals (Johnson & Johnson)
Kyprolis	Carfilzomib (10mg)	Cancer/Multiple Myeloma	Amgen
Imbruvica	Ibrutinib (tablet)	Cancer/Leukemia	AbbVie
Zydelig	Idelalisib	Cancer	Gilead
Lynparza	Olaparib	Ovarian/Breast Cancer	AstraZeneca
Ozempic	Semaglutide pen (2 strengths)	Diabetes	Novo Nordisk
Balversa	Erdaftinib	Bladder Cancer	Janssen
Wegovy	Semaglutide (all strengths)	Weight Loss	Novo Nordisk
Tabrecta	Capmatinib	Lung Cancer	Novartis
Eliquis	Apixaban	Anticoagulant	Bristol Myers Squibb
Pomalyst	Pomalidomide	Cancer/Multiple Myeloma	Bristol Myers Squibb
Lonsurf	Trifluridine/Tipracil	Metastatic Colorectal Cancer	Taiho Oncology
Yondelis	Trabectedin	Advanced soft-tissue sarcoma/ovarian cancer	PharmaMar
Calquence	Acalabrutinib	Cancer/Blood	AstraZeneca
Nurtec	Rimegepant	Migraine	Biohaven
Jevtana	Cabazitaxel	Cancer	Sanofi

Source: Company, Way2Wealth Research

Key product launches anticipated over the next five years include products such as Semaglutide, Carfilzomib, Trabectedin, and Imbruvica, all of which are expected to contribute significantly to revenue growth. The emphasis on complex generics and sole FTF products aligns with the company's goal of achieving a competitive edge in the US market by targeting limited-competition segments. This will help Natco position itself and maintain its leadership in the US generics space while ensuring strong earnings visibility for the foreseeable future.

2. Transitioning Beyond Revlimid with a Strong FTF Pipeline

- In 2022, Natco Pharma achieved a significant milestone by launching the first generic version of Revlimid (Lenalidomide) in the US market, marking a breakthrough in its strategic focus on high-value, limited-competition products. This launch provided Natco with a significant competitive edge and high profitability during the initial phase. As a blockbuster oncology drug used primarily to treat multiple myeloma, Revlimid's generic version significantly boosted Natco's US revenues, contributing approximately ₹3,000crs over FY22-FY24. The drug's high demand and established market size further strengthened Natco's financial performance over FY22-FY24, enhancing its US business revenue, net profit, and cash flow.
- Natco Pharma is strategically navigating the post-patent expiry landscape of Revlimid (lenalidomide) to maintain its robust revenue stream. Revlimid's patent is set to expire by January 2026. Despite this, Natco Pharma has an ongoing arrangement with Teva for the US market, which will remain in effect post-patent expiry, with profit-sharing terms expected to remain largely unchanged. Natco's management is confident in scaling its market share for generic Revlimid to 33% by January 2026. While management has refrained from commenting on Revlimid's pricing dynamics over the next 20-21 months, citing market forces as the deciding factor, the product is projected to generate approximately ₹3500-4000crs. in revenue over FY25-FY26, building on the ₹3,000crs. achieved during FY22-FY24. However, as this opportunity is expected to diminish substantially in the coming years, Natco has shifted its focus to identifying and capitalizing on the next wave of blockbuster opportunities.
- To sustain its growth trajectory, Natco has targeted new First-to-File (FTF) opportunities, focusing on high-value, limited-competition generic versions of blockbuster drugs. These include products such as gOzempic (semaglutide, for diabetes), gWegovy (semaglutide, for weight management), and gLynparza (olaparib, for cancer treatment). Natco's robust pipeline features 8 solo Para IV FTF filings and 7 additional key Para IV products, highlighting the company's strong growth prospects in the US generics market.
- Among these opportunities, Natco has already made significant strides with gOzempic. In collaboration with its partner Mylan, the company has reached a settlement in the US patent litigation with Novo Nordisk for its generic version of Ozempic. The manufacturing of gOzempic will be handled by Stelis Biopharma. This settlement paves the way for Natco to secure a prominent position in the rapidly growing diabetes and weight-management

segment. The terms of the settlement remain confidential, but this collaboration strengthens Natco's prospects in the market.

- Natco's management remains optimistic about leveraging these upcoming product launches to sustain blockbuster-level revenues beyond FY26. The strategic focus on complex generics, FTF filings, and niche therapeutic areas ensures that Natco is well-positioned to counterbalance the tapering Revlimid opportunity and drive sustained long-term growth.

3. Strategic Collaborations and Alliances of Natco Pharma

- Natco Pharma has strategically formed several key partnerships to enhance its position in the global generic drug market. These partnerships have been contributory in expanding its portfolio and securing a strong market presence, particularly in high-demand therapeutic areas such as oncology, diabetes, and hematology. The company has effectively leveraged these collaborations to tap into advanced expertise, benefit from established market access, and optimize its production and distribution capabilities. Below are some of the significant partnerships that have contributed to Natco's success:
 - Teva Pharmaceuticals (Revlimid):** In 2022, Natco partnered with Teva to launch the generic version of Revlimid (lenalidomide) in the US. This collaboration benefited from Teva's established market presence and a profit-sharing arrangement, providing Natco with a solid entry into the high-value oncology space.
 - Mylan (now Viatris) (Ozempic and Lynparza):** Natco has teamed up with Mylan to bring generic versions of high-demand products such as Ozempic (Semaglutide) for diabetes and weight management, and Lynparza (Olaparib) for cancer treatment to the global market. This collaboration capitalized on Mylan's extensive expertise in developing and marketing complex generics, allowing Natco to enhance its footprint in these rapidly growing therapeutic areas.
 - Stelis Biopharma (Ozempic):** For its generic version of Ozempic, Natco partnered with Stelis Biopharma, an advanced biopharmaceutical manufacturing company. This partnership focused on leveraging Stelis' manufacturing capabilities while Natco took charge of the marketing and distribution of the product. This collaboration has enabled Natco to position itself strongly in the competitive diabetes and weight-management market.

Key Collaborations and Alliances		
Product	Partner	Therapeutic Segment
Revlimid	Teva Pharmaceuticals	Oncology/Multiple Myeloma
Ozempic	Mylan (now Viatris)	Diabetes/Weight Management
Lynparza	Mylan (now Viatris)	Oncology/Cancer
Ozempic	Stelis Biopharma	Diabetes/Weight Management
Tamiflu	Alvogen	Anti-viral/Influenza
Copaxone	Mylan	Neurology/Multiple Sclerosis
Afinitor	Breckenridge Pharmaceutical	Oncology/Immunosuppressant
Fosrenol	Lupin	Renal Disease
Tykerb	Lupin	Oncology
Zortress	Undisclosed	Immunosuppressant/Organ Transplant

Source: Company, Way2Wealth Research

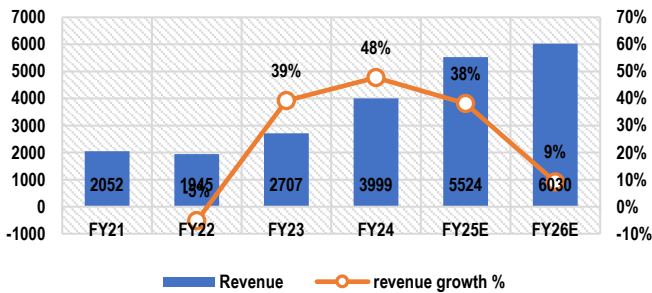
- These collaborations have not only expanded Natco's portfolio but also allowed the company to benefit from expertise in manufacturing, marketing, and distribution across multiple therapeutic segments. The success of these partnerships has reinforced Natco's position in global markets, particularly in oncology, diabetes, and hematology, while also driving significant revenue growth. By focusing on high-demand, complex generics and leveraging the expertise of its partners, Natco continues to strengthen its competitive advantage and global reach.

4. Robust financial performance fuelled by Revlimid Launch

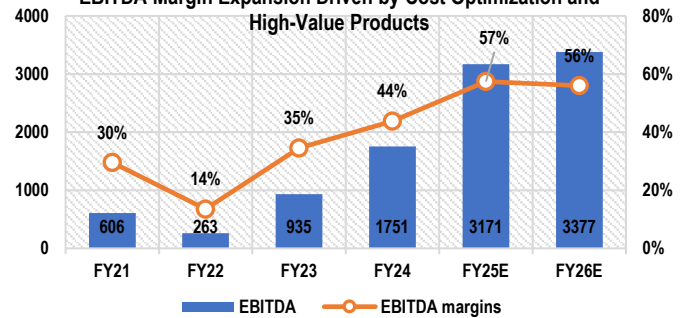
- Revlimid's generic launch has been a key driver of Natco Pharma's financial growth, significantly boosting its US revenues by approximately ₹3,000crs over FY22-FY24. The drug's strong demand and established market presence have contributed to a marked increase in US business revenue, net profit, and cash flow.
- ROE and ROCE have shown a strong upward trend, recovering from a dip in FY22. ROE is projected to rise from 4% in FY22 to 27% in FY25E, reflecting improved profitability and efficient use of equity. Similarly, ROCE is expected to increase from 6% in FY22 to 34% in FY24, indicating better returns on capital employed. The trends highlight Natco's enhanced operational efficiency and effective capital management, although a slight dip in FY26E may reflect increased investments.
- Going forward, the company is well-positioned to maintain strong profitability with continued growth in its high-margin product portfolio, including Revlimid and other complex generics. This momentum is expected to support sustained revenue and margin expansion, reinforcing Natco's financial stability.

5. Robust Revenue Growth and Profitability Fuelled by Revlimid Launch

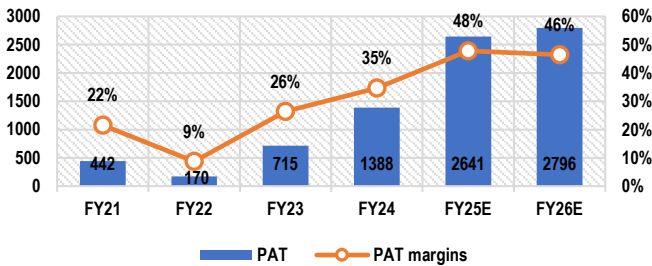
Robust revenue growth



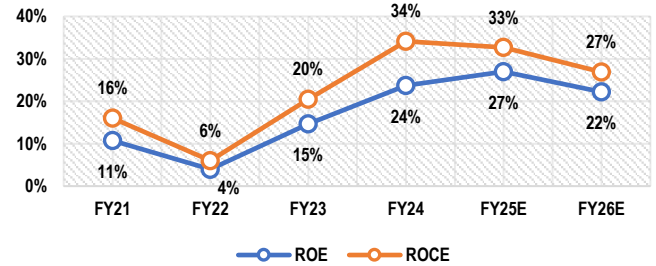
EBITDA Margin Expansion Driven by Cost Optimization and High-Value Products



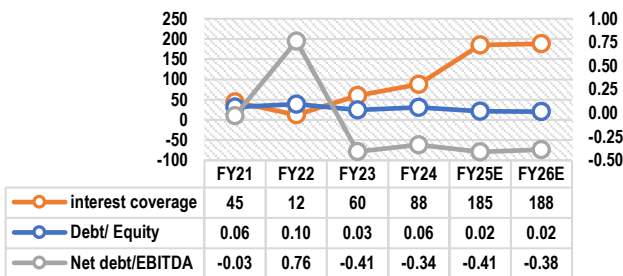
Significant Profitability Boosted by High-Margin Product Portfolio



Strong Improvement in ROE and ROCE Reflecting Enhanced Profitability and Capital Efficiency



Effective Debt Management and Improved Liquidity Support Financial Stability



Source: Company, Way2Wealth Research

6. Q2FY25 Quarterly performance

Natco Pharma's performance in Q2FY25 showed strong growth, with revenue rising 33% YoY to ₹1,371crs. and a slight 1% increase QoQ. The gross profit surged 46% YoY to ₹1,194crs., maintaining an 87% margin. EBITDA grew 76% YoY to ₹804crs, with a 59% margin, while operating profit rose 83% YoY to ₹759crs, maintaining a 55% margin. PAT (reported) increased by 83% YoY to ₹677crs, reflecting a 49% margin, and EPS improved by 83% YoY to ₹37.8. The export formulations segment saw a strong 53% growth YoY, totalling ₹1,211crs., while domestic sales remained stable at ₹102crs. API sales declined by 36% YoY to ₹49.6crs, although they grew 27% QoQ. The Crop Health Sciences segment experienced a sharp 75% YoY decline, down to ₹14.1crs, with a 10% decline QoQ. Other operating and non-operating income rose 78% YoY to ₹57.6crs. For 1HFY25, total sales increased by 28% YoY to ₹2,846crs, but both API and Crop Health Sciences saw significant declines, with API down by 42% and Crop Health Sciences down by 70%. For 1HFY25, revenue grew 26% YoY, and PAT increased by 70% YoY, indicating strong operational performance across key areas.

7. Concall highlights

- **India:** The company plans to launch the Semaglutide molecule in India in FY26.
- **Agrochemicals:** The agrochemical business continues to incur an annual EBITDA loss of ₹40–50crs but is expected to breakeven by March 2026.
- **US Market:**
 - gRevlimid sales remained flat QoQ and are expected to contribute less in Q3FY25.
 - Natco aims to scale its gRevlimid market share to 33% by January 2026 without significant challenges.
 - Semaglutide is positioned as a key product for the US and other regulated markets, though the US launch timeline is undisclosed.
- **Litigation and Exclusive Products:**
 - **Olaparib:** The litigation outcome is awaited and may take another year. Natco has partnered with Alembic and will share 50% of the profits.
 - **Capmatinib:** A newly disclosed sole FTF product, which is expected to be a promising opportunity.
 - **Bosentan and Carfilzomib:** Smaller exclusive opportunities in the portfolio.
 - **Erdafitinib:** Filed independently, this USD 100 million product will generate a 100% profit share for Natco, though the launch timeline is uncertain.
- **Pipeline Development:** The development pipeline includes 10 molecules, focusing on NCEs (oncology products), oligonucleotides, and other complex products.
- **Investment in eGenesis:** Natco has invested USD 8 million in eGenesis, a biotechnology company advancing xenotransplantation and developing human-compatible organs for transplant.
- **Subsidiaries:** Subsidiaries generated revenue of ₹1.2bn, and management is actively evaluating M&A opportunities in RoW markets.
- **Management Guidance:**
 - The company maintains its 20% profit growth guidance for FY25.
 - Q3FY25 is expected to be weaker than Q2FY25 due to declining gRevlimid revenues.
 - Growth challenges are anticipated in FY27 and FY28 due to the loss of exclusivity in gRevlimid.
 - EBITDA margins for Q2FY25 are expected to sustain through FY25.
 - Management projects 15–20% growth in the next 2–3 years.
 - The company may look to acquire assets worth USD 5-300 million.

Peer Comparison

Company Name	Market Cap (₹ crs)	FY24 EPS	FY25E EPS	FY26E EPS	F24 PE	FY25E PE (x)	FY26E PE (x)	FY24 EV/EBITDA (x)	FY25E EV/EBITDA (x)	FY26E EV/EBITDA (x)	FY24 ROE (%)	FY25E ROE (%)	FY26E ROE (%)
Natco Pharma	22,065	77	148	156	16	8	8	12	6	6	24%	27%	22%
Dr Reddy	1,11,745	67	70	74	20	19	18	12	11	11	20%	17%	15%
Sun Pharma	4,21,192	40	48	56	44	37	31	34	29	26	15%	17%	17%
Aurobindo pharma	68,133	55	64	78	21	18	15	13	11	10	11%	12%	15%

Company	FY24 Revenue (Cr)	FY24 EBITDA (Cr)	FY24 EBITDA Margin	FY25E Revenue (Cr)	FY25E EBITDA (Cr)	F25E EBITDA Margin	F26E Revenue (Cr)	FY26E EBITDA (Cr)	FY26E EBITDA Margin
Natco Pharma	3,999	1,751	44%	5,524	3,171	57%	6,030	3,377	56%
Dr Reddy	27,916	8,301	30%	31,430	9,077	29%	34,477	9,405	27%
Sun Pharma	47,758	13,023	27%	52,969	14,915	28%	58,693	16,934	29%
Aurobindo pharma	28,705	5,843	20%	31,434	6,744	21%	34,761	7,736	22%

Source: Company, Way2Wealth Research

View & Valuation

- Between FY21 and FY24, Natco's revenue, EBITDA, and PAT grew at CAGRs of 25%, 42%, and 46%, respectively, largely driven by the launch of gRevlimid. This has resulted in a substantial increase in US business revenue, net profit, and cash flow. The cash flow generated from the gRevlimid windfall is being strategically deployed to develop NCEs, oligonucleotides, and other complex products. Natco holds the sole FTF exclusivity for Ozempic and Wegovy in the US market. To address the revenue gap expected post gRevlimid's loss of exclusivity in FY27, the company may pursue the acquisition of an asset valued at up to USD 300 million.
- We estimate a CAGR of 23%, 39%, and 42% in Revenue, EBITDA, and PAT over FY24-26E, with EBITDA and PAT margins improving to 56% and 46%, respectively. Looking ahead, several key product launches are expected over the next five years, including Semaglutide, Carfilzomib, Trabectedin, and Imbruvica, all of which are expected to significantly boost revenue growth. Among these, Semaglutide is positioned as a key product for the US and other regulated markets. However, with the launch timelines for these products yet to be disclosed, the revenue potential from Semaglutide has not been included in the FY26E estimates. These launches are projected to unlock substantial growth opportunities, driving significant improvements in revenue, profitability, and return ratios from FY26E onward. At the current price of ₹1240, the stock trades at a P/E of 8x FY26E EPS of ₹156 and 6x EV/EBITDA on FY26E. Therefore, we have a buy rating on the stock.

Key Risks

- 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.
- Delays in regulatory approvals.
- Increased competition for generic Revlimid may hinder growth prospects.
- Slowdown in the domestic business.
- Sluggish growth in the Agrichem segment.
- Slowdown in the Rest of the World (RoW) and emerging markets.

Quarterly Financials

(₹ crs)

Quarterly performance	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %	1HFY25	1HFY24	YoY %
Revenue (net)	1,371	1,031	33%	1,363	1%	2,734	2,172	26%
TOTAL INCOME	1,371	1,031	33%	1,363	1%	2,734	2,172	26%
Total Material Cost	178	216	-18%	180	-1%	358	412	-13%
<i>% of Revenue</i>	13%	21%		13%		13%	19%	
Gross Profit	1,194	816	46%	1,182	1%	2,376	1,760	35%
<i>% Margin</i>	87%	79%		87%		87%	81%	
Employees exp	152	122	24%	142	7%	294	261	13%
<i>% of Revenue</i>	11%	12%		10%		11%	12%	
Other expenses	238	235	1%	236	1%	473	514	-8%
TOTAL OPER EXPENDITURE	567	573	-1%	558	2%	1,125	1,186	-5%
<i>% of Revenue</i>	41%	56%		41%		41%	55%	
EBITDA	804	458	76%	805	0%	1,609	986	63%
<i>% Margin</i>	59%	44%		59%		59%	45%	
Depreciation	46	44	5%	44	4%	90	87	3%
Operating Profit	759	414	83%	761	0%	1,519	899	69%
<i>% Margin</i>	55%	40%		56%		56%	41%	
Other Income	64	29	117%	48	33%	112	49	128%
EBIT	822	444	85%	809	2%	1,631	948	72%
Finance Cost	4	4	-2%	5	-21%	9	8	11%
EBT	818	440	86%	804	2%	1,622	940	73%
Total Tax Expense / (Credit)	142	71	101%	135	5%	277	150	84%
PAT (Reported)	677	369	83%	669	1%	1,345	789	70%
<i>% Margin</i>	49%	36%		49%		49%	36%	
PAT (Adjusted)	677	369	83%	669	1%	1,345	789	70%
<i>% Margin</i>	49%	36%		49%		49%	36%	
EPS - Reported	37.8	20.6	83%	37.3	1%	75	44	70%
EPS - Adjusted	37.8	20.6	83%	37.3	1%	75	44	70%

Source: Company, Way2Wealth Research

Financials

(₹ crs)

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue (net)	2052	1,945	2,707	3,999	5,524	6,030
TOTAL INCOME	2,052	1,945	2,707	3,999	5,524	6,030
growth %		-5%	39%	48%	38%	9%
Total Material Cost	511	561	627	717	776	905
% of Revenue	25%	29%	23%	18%	14%	15%
Gross Profit	1,541	1,384	2,080	3,282	4,747	5,126
% Margin	75%	71%	77%	82%	86%	85%
Employees exp	415	445	487	525	628	724
% of Revenue	20%	23%	18%	13%	11%	12%
Other expenses	520	676	658	1,006	948	1,025
% of Revenue	25%	35%	24%	25%	17%	17%
TOTAL OPER EXPENDITURE	1,446	1,682	1,772	2,248	2,353	2,653
% of Revenue	70%	86%	65%	56%	43%	44%
EBITDA	606	263	935	1,751	3,171	3,377
% Margin	30%	14%	35%	44%	57%	56%
Depreciation	117	143	164	187	182	190
Operating Profit	489	121	772	1,564	2,989	3,187
% Margin	24%	6%	29%	39%	54%	53%
Other Income	104	99	105	128	212	200
EBIT	593	220	876	1,692	3,201	3,387
Finance Cost	13	18	15	19	17	18
EBT	579	202	862	1,673	3,184	3,369
Total Tax Expense / (Credit)	137	32	147	285	542	573
PAT (Reported)	442	170	715	1,388	2,641	2,796
% Margin	22%	9%	26%	35%	48%	46%
PAT (Adjusted)	442	170	715	1,388	2,641	2,796
% Margin	22%	9%	26%	35%	48%	46%
EPS - Reported	24.6	9.4	39.7	77.1	147.6	156.2
EPS - Adjusted	24.6	9.4	39.7	77.1	147.6	156.2

Key Ratio	FY21	FY22	FY23	FY24	FY25E	FY26E
P/E Ratio	50.7	132.1	31.3	16.1	8.4	8.0
EV/Net sales (x)	10.6	11.2	7.8	5.1	3.7	3.3
EV/EBITDA (x)	35.8	82.9	22.5	11.7	6.4	6.0
EV/EBIT (x)	36.6	99.4	24.0	12.1	6.3	5.9
Market cap/sales	10.7	11.3	8.1	5.5	4.0	3.7
Debt/ Equity	0.06	0.10	0.03	0.06	0.02	0.02
interest coverage	45	12	60	88	185	188
Net debt/EBITDA	-0.03	0.76	-0.41	-0.34	-0.41	-0.38

Source: Company, Way2Wealth Research

TECHNICAL VIEW

Weekly Chart



The monthly chart of NATCOPHARM reflects a clear uptrend, confirmed by an inverse head-and-shoulders chart breakout accompanied by a surge in buying volumes. In the short term, NATCOPHARM is observed consolidating within a descending channel pattern, characterized by the consistent formation of lower highs and lower lows. The stock is anticipated to move towards the 1080-1200 demand range to retest the head and shoulder breakout levels, where a fresh wave of buying activity is likely to emerge. Adding to the optimism, this demand range aligns with the key Fibonacci retracement levels of 0.50-0.61 and the 100-day EMA on the weekly chart. This confluence creates a discounted zone, offering a strong opportunity for medium- to long-term investors. The overall trend of the stock remains bullish, with short-term corrections visible on the price chart. Immediate support levels are identified at 1190 and 1100, while resistance is anticipated at 1280/1350 levels. A breakout above 1350 could propel the stock towards 1500/1640 levels in the medium- to long-term scenario. Based on these observations, we maintain a positive outlook on NATCOPHARM and recommend investors consider purchasing the stock and accumulating on dips for medium- to long-term gains.

Technical Indicators/Overlays

Bollinger Bands (Upper - Lower)	1576/ 1219
Short Term - 20 & 50 Days EMA	1343 & 1240
Long Term - 100 & 200 Days EMA	1086 & 945
Annualised Volatility	37.83
ADX	37.61
MACD	4.61
RSI	42.51
Average True Range(ATR)	76.82
Standard Deviation	82.72
Pivot Levels - R1, R2	1272 & 1304
Pivot Point	1236
Pivot Levels - S1, S2	1204 & 1168
ROC (%)	-9.36

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Disclosure of Interest Statement: Natco Pharma Ltd. as on 21 January 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

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