

## Company Name: Natco Pharma

BSE CODE: 524816

NSE CODE: NATCOPHARM

Sector: Pharmaceuticals

Industry: Pharmaceuticals

**CMP (Rs): 1164 | Buy Range: 1150-1170 | Target Price: 1570 | Potential Upside: 35%**
**Duration of Recommendation: 12 months**

### Company Data

Market Cap (Rs Cr)	20,367
Enterprise value (Rs Cr)	19,785
52-Week High/Low (Rs)	1137/618
EPS (TTM) (Rs)	77.50
P/E Ratio (x) TTM	14.7
Industry PE (x)	31.4
EV/EBITDA (x) TTM	10.5
P/PB (x) TTM	3.49

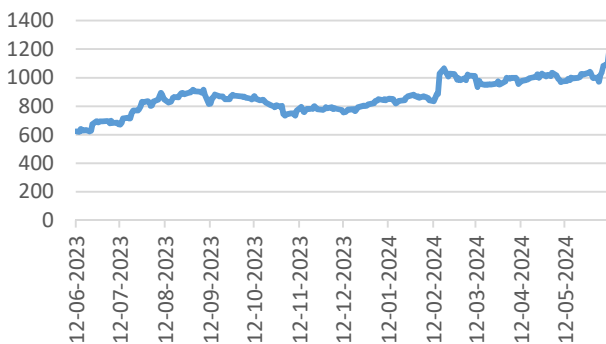
Shareholding %	Q2FY24	Q3FY24	Q4FY24
Promoters	49.71	49.71	49.71
FII's	12.82	13.72	16.14
DII's	14.01	11.26	9.69
Public	23.48	25.32	24.46
Others	0.00	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Pledged	0.00	0.00	0.00

### Financial Performance (Consolidated)

INR (Cr)	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>2,707</b>	<b>3,999</b>	<b>4,759</b>	<b>5,377</b>
Growth (%)	39.2%	47.7%	19.0%	13.0%
EBITDA	936	1,751	2,046	2,312
EBITDA growth	22.0%	87.2%	16.8%	13.0%
EBITDA margin	34.6%	43.8%	43.0%	43.0%
<b>Net Profit</b>	<b>715</b>	<b>1,388</b>	<b>1,666</b>	<b>1,882</b>
Profit growth	10.4%	10.4%	20.0%	13.0%
Profit margins	26.4%	34.7%	35.0%	35.0%
EPS	39.2	77.5	93.0	105.1
BVPS	266.9	326.8	366.0	410.0
P/E (x)	14.4	12.3	12.5	11.1
P/BV(x)	2.1	2.9	3.2	2.8
ROE (%)	15.7%	25.9%	24.4%	22.2%
RoCE	15.3%	25.1%	26.0%	23.0%
EV/EBITDA(x)	10.59	10.30	9.74	8.62

Source: Company, Share India Securities

### Price Performance



Share India Securities | Retail Research

**Our Recommendation:** Natco Pharma aims to achieve consistent growth by focusing on niche high potential molecules. Company also plans to continue investing in more complex generics, drug deliveries, and oligopeptides. EBITDA margins have shown a significant increase over the past 12-18 months and are expected to be sustainable based on the product mix.

At CMP, the stock is trading at attractive valuations at 11x its FY26 EPS. We value the stock 15x of FY26E EPS. **We recommend BUY in price range of 1150-1170 with target price of 1570 (based on 15x FY26E EPS) with potential upside 35%.**

**About Company:** NATCO Pharma is a vertically integrated, research and development focused pharmaceutical company engaged in developing, manufacturing, and marketing complex products for niche therapeutic areas. NATCO deals in three business segments viz. finished dosage formulations, active pharmaceutical ingredients, Contract Manufacturing Business.

### Investment Rationale:

**Anticancer drug GRevlimid traction to continue going forward:** In Q4FY24, revenues grew 19% mainly driven by significant traction from anti-cancer drug g Revlimid, which is expected to continue in FY25.

**Product pipeline looks promising:** Key launches expected in the next 2-3 years include Semaglutide, Olaparib, Carfilzomib, Trabectedin, and Kyprolis. Company is also targeting 3 First-to-Files with limited competition in the near future. Company is focusing on developing new molecules to address new diseases and therapeutic segments.

**Consistent Healthy Financial Performance:** Revenue/EBITDA/ PAT have grown at CAGR of 14%/17%/17% respectively over FY19-24 period. EBITDA margins have improved to 44% from 39% in FY19. Company improved its ROE/ROCE consistently to 26%/25% in FY24. Company is debt free with D/E of 0.06.

### Robust Financial Performance In Q4FY24:

- ❖ Consolidated Revenue/EBITDA/PAT up by 19%/46.7%/40% YoY to Rs. 1068/497/386 crores respectively.
- ❖ EBITDA margins improved by 878 bps to 46.6% YoY from 37.8%.

**Attractive Valuations :** In FY24, with 43.8% EBITDA margin, Natco Pharma's RoE and RoCE stand at 25.9%/25% respectively. Currently, trading at 8.6x EV/EBITDA and 11x PE for FY26E, Natco Pharma is quite affordable given its financial profile.

**Key Risks:** Any delay in new launches in the U.S. Any US regulatory action.

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