

Earnings below estimates

- NTCPH's Q4FY25 results were below our estimates, on account of a lower-than-expected growth in export formulation business, API and Crop Health Sciences business.
- The company expects a 20% drop in FY26 sales and a 30% drop in profit mainly due to headwinds in core US portfolio and major erosion in gRevlimid from H2FY26.
- We downgrade our FY26E/FY27E EPS estimates by 38.2%/15.5%, assuming lower gRevlimid sales & EBITDA and core margin ex Revlimid as well. Maintain 'SELL' rating with a revised TP of Rs772 at 28x FY27E P/E.

Slower export sales growth

Exports grew by 10.2% YoY in Q4FY25, a lower growth compared to Q1/Q2 FY25, despite gRevlimid sales, which were higher in H1 compared to Q4. Management believes gRevlimid sales will be strong in H1FY26, while it expects erosion in H2FY26, which will lead to a fall in revenues and earnings. However, focus remains on building strong pipeline. Semaglutide and Olaparib are in the near term. Therefore, we expect export formulation sales to decline in FY26/FY27 vs FY25.

Lower offtake in Agro and stagnant domestic sales

Natco's Crop Health Sciences sales were at Rs150mn flat QoQ, seeing a slow ramp-up and incurring losses at EBITDA level. We expect the segment to gradually improve to Rs1.4-1.5bn in FY26 with new launches. Natco expects this business to break even by Mar'26. Domestic business maintained its quarterly run rate of Rs990mn with no major pick up across therapies. The company is looking for acquisition in India business to increase its presence in IPM. Launch of Semaglutide can be a good uptick in domestic sales post-patent expiry in FY26, with potential to achieve Rs 1bn. We expect domestic business revenue CAGR of 8% over FY25-27E.

Valuation

We believe Natco is facing challenges in base business growth ex Revlimid, as the ramp-up across the segments is not in line with expectations, which has also led to significant erosion of core margins ex Revlimid. We maintain our 'SELL' rating with a revised target price of Rs772 at 28x FY27E P/E. Key upside: Higher than expected sales across segments.

Key Data

Nifty	24,753
Equity / FV	Rs 358mn / Rs 2
Market Cap	Rs 154bn
	USD 1.8bn
52-Week High/Low	Rs 1,639/ 741
Avg. Volume (no)	1,007,650
Bloom Code	NTCPH IN

	Current	Previous
Rating	SELL	SELL
Target Price	772	913

Change in Estimates

(Rs.bn)	Current		Chg (%) /bps	
	FY26E	FY27E	FY26E	FY27E
Revenue	39	22	(24.5)	(11.5)
EBITDA	16	5	(39.9)	(21.7)
EBITDA (%)	41.0	23.0	(1050)	(300)
APAT	14	5	(38.2)	(15.5)
EPS (Rs)	77.0	27.6	(38.2)	(15.5)

Valuation (x)

	FY25A	FY26E	FY27E
P/E	8.0	11.2	31.3
EV/EBITDA	6.0	7.5	21.5
ROE (%)	28.0	16.8	5.5
RoACE (%)	33.2	19.7	6.6

Q4FY25 Result (Rs Mn)

Particulars	Q4FY25	YoY (%)	QoQ (%)
Revenue	12,210	14.3	157.2
Total Expense	6,729	17.8	54.3
EBITDA	5,481	10.2	1312.6
Depreciation	483	(13.0)	2.8
EBIT	4,998	13.1	(6195.1)
Other Income	663	57.9	(62.4)
Interest	102	64.5	131.8
EBT	5,059	5.9	209.0
Tax	999	9.4	219.2
RPAT	4,066	5.3	205.7
APAT	4,566	18.2	243.3
		(bps)	(bps)
Gross Margin	79.6	(706)	(297)
EBITDA (%)	44.9	(166)	3672
NPM (%)	33.3	(286)	529
Tax Rate (%)	19.7	63	63
EBIT (%)	40.9	(42)	4266

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Exhibit 1: Quarterly revenue mix

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ%	FY24	FY25	YoY (%)
API	464	500	(7.2)	666	(30.3)	2,492	2,018	(19.0)
Domestic formulation	994	524	89.7	961	3.4	3,867	4,000	3.4
Export formulation	10,525	9,549	10.2	2,858	268.3	32,369	37,597	16.2
Other operating income	740	534	38.6	1,875	(60.5)	177	82	(53.7)
Crop health science	150	(40)	(475.0)	151	(0.7)	1,083	598	(44.8)
Total	12,873	11,067	16.3	6,511	97.7	39,988	44,295	10.8

Source: Company, Dolat Capital

Exhibit 2: Actual vs DART estimates

Particulars (Rs mn)	Q4FY25	Q4FY25E	Variance (%)	Comment
Revenue	12,210	13,356	(8.6)	Below estimate due to lower sales across segments
EBITDA	5,481	6,905	(20.6)	Below estimates due to lower core margin and lower gRevlimid sales
EBITDA margin (%)	44.9	51.7	(681bps)	
PAT	4,566	5,877	(22.3)	Below estimates due to lower operating performance
EPS (Rs)	22.7	32.8	(30.9)	

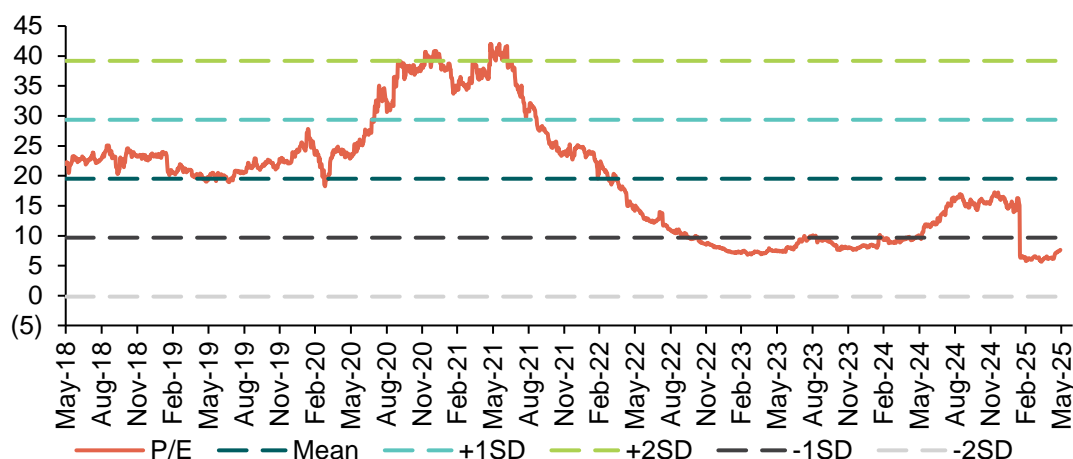
Source: Company, Dolat Capital

Exhibit 3: Change in estimates

Particulars (Rs mn)	FY26E			FY27E		
	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	51,385	38,820	(24.5)	25,085	22,206	(11.5)
EBITDA	26,463	15,916	(39.9)	6,522	5,107	(21.7)
EBITDA Margin (%)	51.5	41.0	(1050bps)	26.0	23.0	(300bps)
PAT	22,295	13,777	(38.2)	5,835	4,933	(15.5)
EPS (Rs)	124.6	77.0	(38.2)	32.6	27.6	(15.5)

Source: Company, Dolat Capital One year FWD P/E band

Exhibit 4: One year forward P/E band



Source: Company, Dolat Capital

Earnings call KTA's

Guidance

- Revenue to decline by 20% in FY26.
- India is expected to perform substantially better than FY25, with base business growing at 7-8%.
- PAT to decline by 30% in FY26.
- H1FY26 is expected to be stronger than H2FY26.
- R&D spend of close to Rs 4.0bn in FY26.
- Anticipate 7– 8 filings in the US in FY26.
- Agro business is expected to break even by FY26 end.
- Rs 3.0-3.5bn of capex guided for FY26.

India

■ Semaglutide

- Natco will be present in B2B model and its own brand.
- The company has built the sales force required to cover doctors who prescribe this product.
- Chemical trial has already started in India, expect the company to be there when the market opens.
- Risdiplam litigation –
 - The company is awaiting the Delhi court order, which is expected by the end of Jun'25.
 - If the order is in Natco's favour, the launch will be immediate.
 - Management expects to receive a court order in Jul – Aug'25.
 - Expects a few competitors, but Natco will get the first mover advantage.
- Substantial improvement in domestic sales in FY26 is expected to through two major products, Semaglutide and Risdiplam.

US

■ Revlimid

- From the new quota received, the company has booked some sales in Q4FY25, and some more will be booked in Q1 & Q2FY26. In Q4FY26, volume restriction will not be there.
- In Q1FY26 and Q2FY26, the company is expected to do well in terms of Revlimid.
- Price erosion in FY26 will be more than FY25.

■ Post Revlimid pipeline products

- Semaglutide (Wegovy and Ozempic) – Out of two formulations, one formulation litigation is settled, and another one is still under litigation. In the settled one, the company has sole FTF in two strengths and a shared FTF in other strengths. In the other formulation under litigation, the company has a sole FTF.

- Olaparib is also another good opportunity – awaiting USFDA approval; Olaparib is a partnered product with Alembic and will be shared 50-50.
- Risdipam – Risdipam is a USD 3bn drug opportunity, which the company has filed with Sun Pharma. It will be on a profit-sharing basis.
- Everolimus – Received approval, has already been launched.
- Ibrutinib & Erdafitinib – The company has sole FTF
- Revenue guidance includes an assumption of political risk, change in portfolio and R&D expense.

Agro business

- During the quarter, the company recognized an impairment loss of Rs 500mn on account of the impairment of property, plant and equipment of Agrochemical segment.
- In FY26, if the business starts making money, then some portion of impairment will be reversed.

NCE – cell & gene therapy

■ NRC-2694-A

- NRC-2694-A is an orally administered small-molecule tyrosine kinase inhibitor discovered and developed by Natco Pharma Limited, Hyderabad.
- It is being tested for the treatment of Head and Neck cancer). A Phase 2 clinical trial for the treatment of Recurrent/Metastatic Head and Neck cancer who progressed on Keytruda® (Pembrolizumab manufactured by Merck & CO) has been approved by US FDA
- Currently, the patient recruitment is in progress, trial is being conducted in US and India.
- Currently recruited 10-20 patients for this, management will get more clarity post recruiting 60 patients.

■ eGenesis

- Invested Rs 680mn in a biotechnology company focused on xenotransplantation, by developing safe and effective human-compatible organs for transplant.
- It is committed to ending the global transplant shortage and transforming the treatment of organ failure by bringing their vision closer to reality with lead programs in kidney and islet cell transplantation.
- In Cellogen Therapeutics, the company has invested Rs 150mn, which is at the forefront of using advanced cellular engineering methods and gene-therapy-based approaches, Innovative third and fourth generation CAR-T cell therapies for leukemia and lymphoma and developing genetic therapies for beta-thalassemia and sickle cell disease.
- In Eyestem, the company invested Rs 75mn in a cell therapy company founded by an experienced team of clinical research, regenerative medicine and ophthalmology experts, developed a patented experimental treatment for dry AMD called Eyecyte-RPE.

- Stero Therapeutics - Invested Rs 85mn, which is developing novel therapeutics for rare diseases with the strategic intent to further develop the therapeutics for larger, more common diseases

Other highlights

- R&D spent of Rs 3.73bn, 8.5% of standalone revenue in FY25
- Natco filed five products in FY25.
- M&A - The company is pursuing a couple of deals, confident about closing a deal in FY26.
- Out of total R&D guided, Rs 250-300mn will be incurred towards NCE products.
- 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.
- In Canada, the company will not be present in the first wave of Semaglutide.
- Major geographies ex US are Brazil, Canada and MENA, which are majorly driving the business.
- Major products Ex-US that are driving growth are the cancer portfolio in Brazil & MENA region.

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Revenue	39,988	44,295	38,820	22,206
Total Expense	22,474	22,335	22,904	17,099
COGS	7,166	6,898	6,988	5,107
Employees Cost	5,250	5,945	6,599	5,996
Other expenses	10,058	9,492	9,317	5,996
EBIDTA	17,514	21,960	15,916	5,107
Depreciation	1,868	1,852	1,993	2,134
EBIT	15,646	20,108	13,923	2,973
Interest	192	239	234	230
Other Income	1,281	3,545	2,910	3,200
Exc. / E.O. items	(510)	(500)	0	0
EBT	16,225	22,914	16,599	5,944
Tax	2,852	4,080	2,822	1,010
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	13,373	18,834	13,777	4,933
Adjustments	510	500	0	0
APAT	13,883	19,334	13,777	4,933

Balance Sheet

(Rs Mn)	FY24A	FY25A	FY26E	FY27E
Sources of Funds				
Equity Capital	358	358	358	358
Minority Interest	0	53	53	53
Reserves & Surplus	58,173	75,712	87,422	91,616
Net Worth	58,531	76,070	87,780	91,974
Total Debt	3,712	2,794	2,744	2,694
Net Deferred Tax Liability	619	961	994	1,028
Total Capital Employed	62,862	79,878	91,571	95,749

Applications of Funds

Net Block	24,908	26,980	27,992	28,863
CWIP	1,373	2,254	2,254	2,254
Investments	2,092	3,841	3,994	4,162
Current Assets, Loans & Advances	40,235	52,700	63,292	65,256
Current Investments	4,435	3,208	3,529	3,882
Inventories	7,005	7,658	6,712	3,839
Receivables	11,889	12,466	10,925	6,249
Cash and Bank Balances	9,529	21,760	34,443	43,527
Loans and Advances	90	94	94	94
Other Current Assets	7,287	7,514	7,589	7,665
Less: Current Liabilities & Provisions	5,746	5,897	5,960	4,786
Payables	2,355	2,749	2,819	2,105
Other Current Liabilities	3,391	3,148	3,141	2,682
<i>sub total</i>				
Net Current Assets	34,489	46,803	57,331	60,470
Total Assets	62,862	79,878	91,571	95,749

E – Estimates

Important Ratios

Particulars	FY24A	FY25A	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	82.1	84.4	82.0	77.0
EBIDTA Margin	43.8	49.6	41.0	23.0
EBIT Margin	39.1	45.4	35.9	13.4
Tax rate	17.6	17.8	17.0	17.0
Net Profit Margin	33.4	42.5	35.5	22.2
(B) As Percentage of Net Sales (%)				
COGS	17.9	15.6	18.0	23.0
Employee	13.1	13.4	17.0	27.0
Other	25.2	21.4	24.0	27.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.0	0.0	0.0
Interest Coverage	81.5	84.1	59.5	12.9
Inventory days	64	63	63	63
Debtors days	109	103	103	103
Average Cost of Debt	7.1	7.3	8.5	8.5
Payable days	21	23	27	35
Working Capital days	151	143	139	131
FA T/O	1.6	1.6	1.4	0.8
(D) Measures of Investment				
AEPS (Rs)	77.6	108.0	77.0	27.6
CEPS (Rs)	88.0	118.4	88.1	39.5
DPS (Rs)	9.5	6.0	11.5	4.1
Dividend Payout (%)	12.3	5.6	15.0	15.0
BVPS (Rs)	327.0	425.0	490.4	513.8
RoANW (%)	24.9	28.0	16.8	5.5
RoACE (%)	29.6	33.2	19.7	6.6
RoAIC (%)	32.8	40.6	27.3	6.0
(E) Valuation Ratios				
CMP (Rs)	862	862	862	862
Mcap (Rs Mn)	154,352	154,352	154,352	154,352
EV	144,100	132,178	119,124	109,637
MCap/ Sales	3.9	3.5	4.0	7.0
EV/Sales	3.6	3.0	3.1	4.9
P/E	11.1	8.0	11.2	31.3
EV/EBITDA	8.2	6.0	7.5	21.5
P/BV	2.6	2.0	1.8	1.7
Dividend Yield (%)	1.1	0.7	1.3	0.5
(F) Growth Rate (%)				
Revenue	47.7	10.8	(12.4)	(42.8)
EBITDA	87.2	25.4	(27.5)	(67.9)
EBIT	102.7	28.5	(30.8)	(78.6)
PBT	88.2	41.2	(27.6)	(64.2)
APAT	94.1	39.3	(28.7)	(64.2)
EPS	94.1	39.3	(28.7)	(64.2)

E – Estimates

Cash Flow

Particulars	FY24A	FY25A	FY26E	FY27E
Profit before tax	14,944	19,369	13,689	2,743
Depreciation & w.o.	1,868	1,852	1,993	2,134
Net Interest Exp	192	239	234	230
Direct taxes paid	(3,165)	(4,376)	(2,822)	(1,010)
Change in Working Capital	(4,574)	(1,848)	2,508	6,333
Non Cash	0	0	0	0
(A) CF from Operating Activities	9,265	15,236	15,603	10,429
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(3,237)	(4,805)	(3,005)	(3,005)
Free Cash Flow	6,028	10,431	12,598	7,424
(Inc.)/ Dec. in Investments	0	0	0	0
Other	1,281	3,545	2,910	3,200
(B) CF from Investing Activities	(1,956)	(1,260)	(96)	195
Issue of Equity/ Preference	(7)	0	0	0
Inc./(Dec.) in Debt	2,003	(911)	(50)	(50)
Interest exp net	(192)	(239)	(234)	(230)
Dividend Paid (Incl. Tax)	(1,702)	(1,074)	(2,067)	(740)
Other	(3,345)	479	(474)	(521)
(C) CF from Financing	(3,243)	(1,745)	(2,824)	(1,541)
Net Change in Cash	4,066	12,231	12,683	9,084
Opening Cash balances	5,463	9,529	21,760	34,443
Closing Cash balances	9,529	21,760	34,443	43,527

E – Estimates

Notes

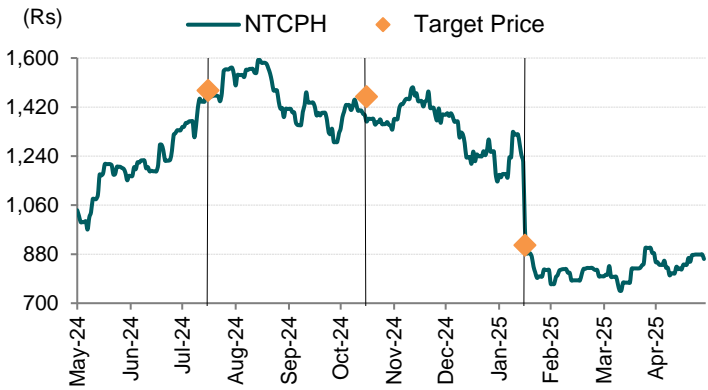
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(2)	12	(17)
Rel to NIFTY (%)	(4)	0	(26)

Shareholding Pattern

Particulars	Sep'24	Dec'24	Mar'25
Promoters	49.6	49.6	49.6
MF/Banks/FIs	6.8	5.6	5.6
FIIIs	17.5	17.9	17.5
Public / Others	26.1	26.9	27.3



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-24	Reduce	1,481	1,475
Nov-24	Reduce	1,458	1,367
Feb-25	SELL	913	975

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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