



TECHNO FUNDA REPORT



NATCO PHARMA LTD

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Sector: Pharmaceuticals

Recommendation

BUY

Buy Price Range

₹1600-1650

Target Price
₹2300-2400

Market
Capitalization
₹28,728 Cr.

Holding Period
1.5-2 Years

Expected Return
35-40%



NATCO PHARMA LTD

NURTURING STRENGTH, CREATING POSSIBILITIES



Natco Pharma Limited (NATCO) is a vertically integrated pharmaceutical company with a strong focus on R&D (Research & Development)



Manufactures and markets affordable medicines that comply with global standards and strives to achieve market leadership in domestic and international markets



Company's expertise lies in the development, manufacturing, and commercialisation of complex pharmaceuticals that target specific therapeutic areas.



WHY TO INVEST?



Strong R&D capabilities :

Company continues to invest in R&D. Company has 40 R&D laboratories in two research facilities with a total of 482 scientists.



Niche Exports

The company is focused on niche opportunities in the US. Focus on new drug applications (ParaIV) and First-to-File molecules. Started winning tenders in Asian markets including Malaysia and Thailand.



High-Barrier Products

Their strategy centers on high-barrier-to-entry products with complex manufacturing processes or challenging delivery systems.



Robust Pipeline

Natco Pharma boasts a strong pipeline of niche and active products in the US, with 15 out of 23 new drug applications (Para IV) approved (tentatively or fully) as of Q3FY24.



Strategic Investments

Natco Pharma has invested in Eywa Pharma and Cellogen Therapeutics, expanding its reach and exploring new opportunities. Their Canadian subsidiary has also invested in eGenesis, Inc., strengthening their global presence and access to innovative technologies.



Global Presence

The company operates through subsidiaries in Brazil, Canada, Singapore, Australia, and the Philippines. They hold strong market positions in key segments like oncology, cardiovascular, and CNS therapies in Canada and Brazil. Additionally, they've seen recent product launches in the Philippines, Singapore, and Taiwan.



Strong Financial Position

Natco Pharma maintains a virtually debt-free balance sheet, reflecting financial prudence.

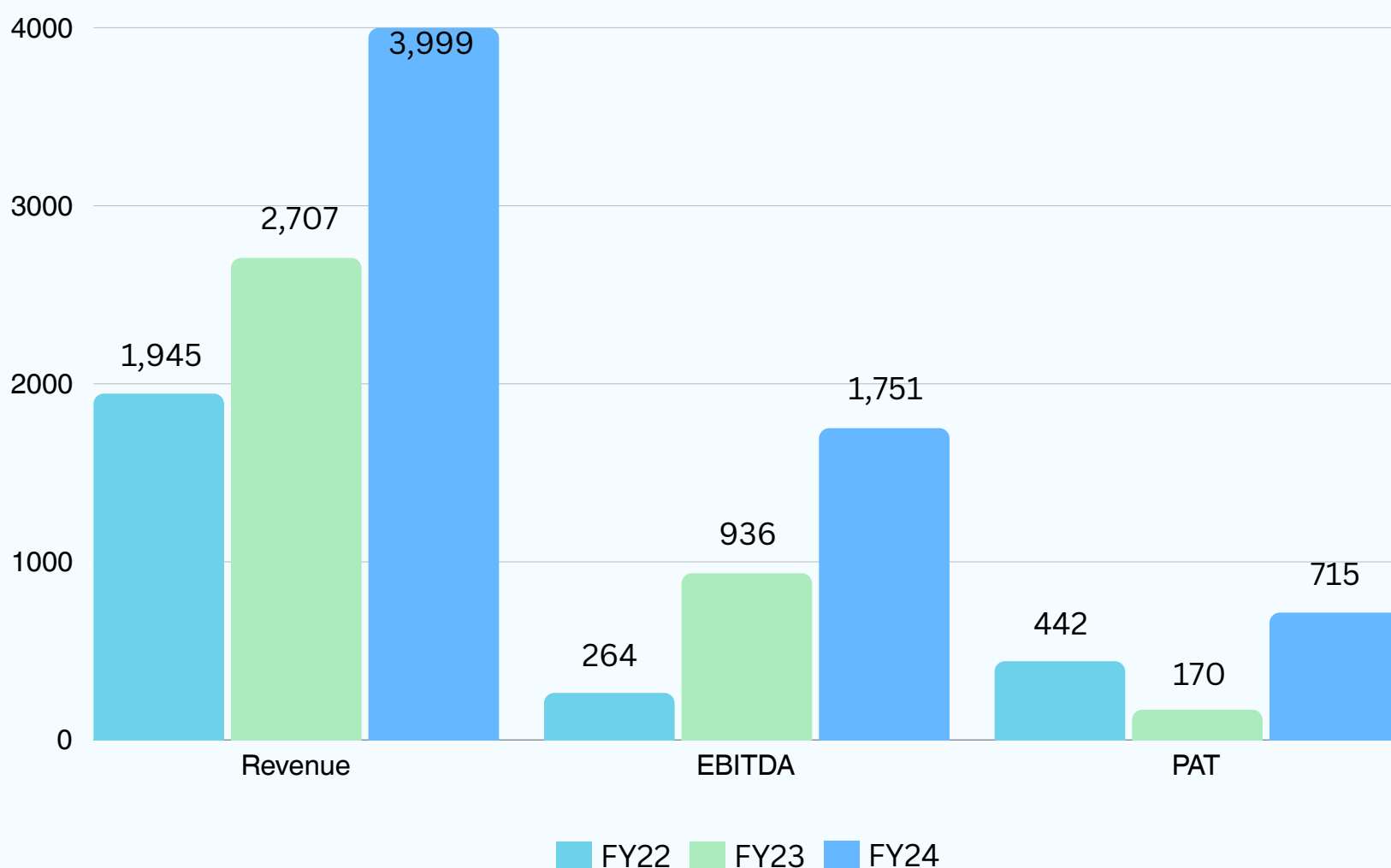


Revenue & Margin Growth

The company achieved a 21.6% year-on-year increase in consolidated total revenue for Q1 FY25 (₹1,410.7 crore) alongside healthy margin growth.

FINANCIAL HIGHLIGHTS

(all figures are in ₹ Cr.)



FY24 KEY FINANCIALS

30% ROCE (Return on Capital Employed)	44% Operating Profit Margin
34.7% PAT (Profit After Tax) Margin	47.72% Sales Growth YoY
14% Compounded Sales Growth 5 Years	94.12% PAT Growth YoY
17% Compounded PAT Growth 5 Years	0.06x Debt/Equity Ratio
98.9x Interest Coverage Ratio	12.2% Dividend Payout
49.71% Promoter Holding	17.1x Price to Earning Ratio

QUARTER - 1 FY25 FINANCIAL HIGHLIGHTS

19.56% Revenue Growth YoY	59% Operating Profit Margin	59% PAT Growth YoY	49% PAT Margin
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TECHNICAL HIGHLIGHTS



- Multi Year Breakout with strong volume
- Upward price action, the stock is making higher highs and higher lows
- Momentum Indicators i.e. Relative Strength and Moving Averages are showing upward trend strength in the stock

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