

Recommendation

Natco Pharma Ltd.		BUY
Current Market Price (CMP) Rs. 673.30	Target Price Rs. 900	

Our price target of Rs. 900 offers upside of approximately 34% from current levels.

Rationale

- Natco Pharma has received final approval for its Abbreviated New Drug Application (ANDA) for Tipiracil Hydrochloride and Trifluridine Tablets (generic for Lonsurf®) from the U.S. Food and Drug Administration (USFDA). Lonsurf® is sold in the US by Taiho Oncology Inc. It is one of the First-to-File for the product and may be eligible for a 180-day exclusivity at the time of launch. Lonsurf® is indicated primarily for the treatment of colorectal cancer. As per IQVIA data, Lonsurf® had generated annual sales of \$211 million in USA during the twelve months ending December 2022.
- Natco pharma was granted compulsory license for Nexavar a.k.a. Sorafenib Tosylate an anti-cancer drug. This will allow the company to manufacture and sell a generic version of a particular drug which is patent protected by Bayer corporation. According to the publisher, the Global Sorafenib Market was valued at USD 1.08 Billion in 2020 and is projected to reach USD 1.18 Billion by 2027, growing at a CAGR of 1.21% from 2020 to 2027. Cancer remains among the leading causes of death worldwide. The rate of new cancer patients is on a constant rise.
- The company's finished dosages formulations (FDF) business is primarily focused on high-entry-barrier products that are either difficult to formulate and/or manufacture, typically resulting in limited competition in the market.
- The company witnessed significant growth in revenues, profits and ROE in FY23. Debt-Equity ratio extremely low at 0.03. Growth in revenue and profits came from business growth in the US market and growth in its subsidiaries in Canada & Brazil. The Crop Health Division started off well with strong growth potential in the ensuing years.
- Both FII and DII Holdings have been rising gradually over the last 3 quarters of FY23.
- The stock also appears bullish on the technical charts and can be bought for a decent potential upside.

Company Profile

- NATCO Pharma Ltd. (NATCO) is a vertically integrated and R&D focused Indian pharmaceutical enterprise, that is in the business of developing, manufacturing and marketing finished dosage formulations and active pharmaceutical ingredients and intermediates.
- Natco products reach more than 40 countries globally. Key geographies include India, North America, Latin America, Asia Pacific, South East Asia & Middle East.



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