

September 6, 2013

**NATCO PHARMA LTD.**

BSE Code: 524816    NSE Code: NATCOPHARM    Reuters Code: NATP.NS    Bloomberg Code: NTCPH:IN

Natco Pharma Ltd. (NATCOPHARMA) incorporated in 1981, is an India-based company and engaged in manufacturing active pharmaceutical ingredients. The Company's segments include bulk chemicals, finished dosage formulations, retail pharmacy and job work charges. The Company operates in India, United States of America, Europe and the rest of the world. In November 2012, the Company acquired 51% interest of NATCO Organics Ltd. The Company is awaiting USFDA approval of its ANDA for Glatiramer Acetate (Copaxone) for a possible launch in May 2014 in association with Mylan Inc.

## Investor's Rationale

**Topline grew 22.4% YoY on healthy performance across segment barring formulation business**— NATCOPHARMA, registered healthy growth in topline by 22.4% at ₹1,645 mn on consolidated basis mainly due to strong growth across the segment. Bulk Chemicals segment revenue grew 60.5% at ₹637 mn, followed by growth in Job work and unallocated segment by 25% and 179.4% at ₹20 mn and ₹184.1 mn, respectively. While, formulation business decreased 8% at ₹649 mn.

**EBITDA margin expanded 532bps YoY on lower raw material cost**— The EBITDA of the company grew 54.2% YoY at ₹447 mn mainly due to decrease in raw material by 11.8% YoY at ₹574.5 mn. While, employee and other expenses grew 20.8% and 26.8% at ₹258.9 mn and ₹472.4 mn, respectively. Thus, OPM expanded 532bps YoY at 25.9% against 20.6%.

**Robust bottom-line growth of 27.6% YoY on healthy topline and operating margin** - NATCOPHARMA, registered a galloping growth in bottom-line by 27.6% at ₹218 mn primarily on account of robust topline and operating margin. However, the interest, depreciation and tax charges grew by 113.3%, 65.0% and 106.5% at ₹99.6 mn, ₹73.1 mn and ₹101.4 mn, respectively. Thus, NPM expanded by 41bps at 12.4% against 12.0%.

**Received approvals for Rizatriptan** — The company has received marketing approval for its Rizatriptan Benzoate (Maxalt-MLD) – orally disintegrating tablets, 5 mg and 10 mg (base). Rizatriptan is used to treat migraine headaches with or without aura (warning signs that occur prior to the onset of a migraine headache). The Company has already commenced shipments of the product, which is being launched by its marketing partner – Breckenridge Pharmaceuticals.

### Market Data

Rating	BUY
CMP (₹)	587
Target Price	650
Stop Loss	555
Duration	Short-term
52-week High-Low (₹)	650/343.5
Rise from 52WL (%)	70.9
Correction from 52WH (%)	9.7
Beta	0.5
1 year Average Volume (mn)	0.06
	3M-
	37.5
Stock Return (%)	6M-
	32.8
	1Y-
	66.3
Market Cap (₹bn)	18.4
Book Value (₹)	174.0

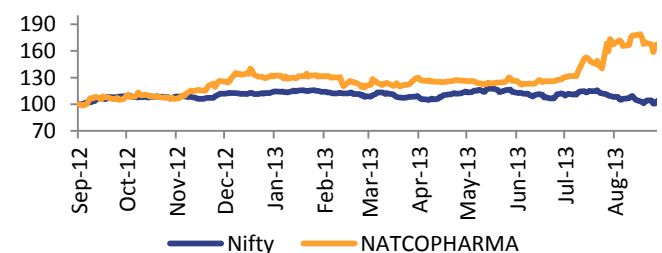
### Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	56.63	56.67	(0.04)
FII (%)	8.17	9.23	(1.06)
DII (%)	12.64	10.07	2.57
Public & Others (%)	22.56	24.03	(1.47)

### Quarterly Performance (Consolidated)

(₹mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Sales	1,645	1,345	1,545	22.4	6.5
Op. exp	1,278	1,119	1,331	14.3	(3.9)
EBITDA	447	290	342	54.2	30.5
OPM (%)	25.9	20.6	20.5	532bps	544bps
Net profit	218	171	113	27.6	92.4
NPM (%)	12.4	12.0	6.7	41bps	568bps
EPS (₹)	6.9	5.5	3.6	26.6	92.2

### One Year Price Chart





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