



Natco Pharma Limited

Regd. Off. : 'NATCO HOUSE', Road No. 2, Banjara Hills, Hyderabad - 500034.
Telangana, INDIA. Tel : +91 40 23547532, Fax : +91 40 23548243
CIN : L24230TG1981PLC003201, www.natcopharma.co.in

September 9, 2019

Corporate Relationship Department
M/s. BSE Ltd
Dalal Sreet, Fort
Mumbai 400 001

Manager – Listing
M/s. National Stock Exchange of India Ltd
“Exchange Plaza”, Bandra – Kurla Complex
Bandra (E) Mumbai 400 051

Scrip Code: 524816

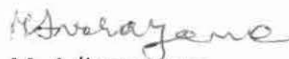
Scrip Code: NATCOPHARM

Dear Sir,

Please find enclosed herewith the investor presentation for the Quarter ended June 30, 2019.

Thanking You.

For NATCO Pharma Limited



M. Adinarayana
Company Secretary &
Vice President (Legal & Corp. Affairs)



INVESTOR PRESENTATION
Q1 FY 2019-20



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BUSINESS OVERVIEW



Vertically integrated pharmaceutical company with presence across geographies - India, US and ROW

Strong brand position in domestic pharma segments

- Largest pharmaceutical player in oncology with brands catering to diseases including breast, bone, lung and ovarian cancer
- Leading position for the treatment of Hep-C in India
- Strong product launches in CnD leading to robust outlook

Focused on **complex generics for the US Markets** with niche Para IV and Para III filings

Strong focus on R&D with over 400 employees dedicated to R&D ⁽³⁾

Expanding into Niche Agrichemical business, leveraging on its Chemistry and manufacturing skills

Total revenues⁽¹⁾ of INR 22,247 mn for the financial year ended 31st March 2019

Listed on the BSE and NSE with a market capitalization ⁽²⁾ of **USD 1.42 bn**

Incorporated in 1981 and headquartered in Hyderabad with around 5,000 employees across all locations ⁽³⁾

(1) Represents consolidated revenue from operations (gross)

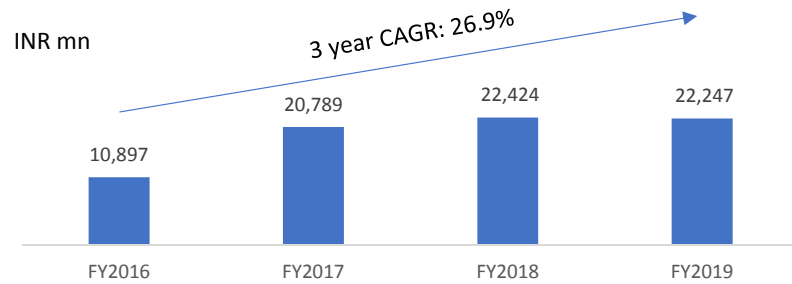
(2) Market capitalization as of June 30, 2019 using INR / USD exchange rate of 68.94950

(3) As of March 31, 2019

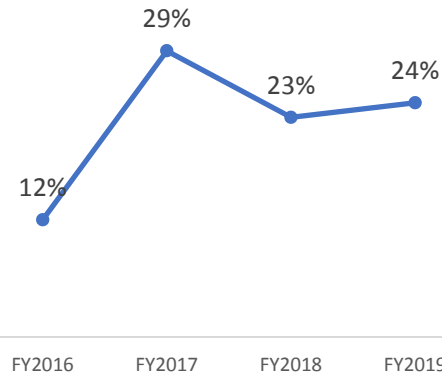
PERFORMANCE AT A GLANCE



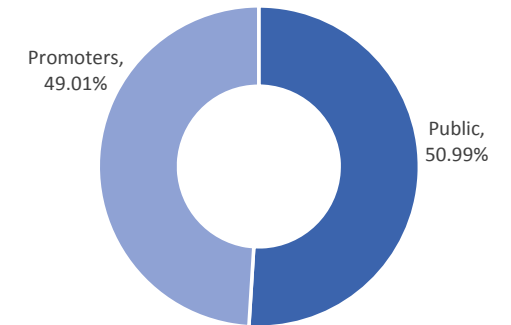
Revenue⁽¹⁾



ROE (%)



Ownership Structure⁽³⁾

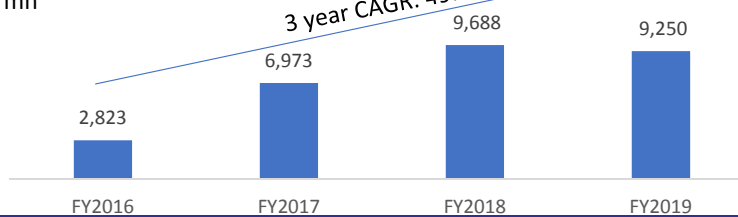


EBITDA & EBITDA Margins



INR mn

3 year CAGR: 49.8%

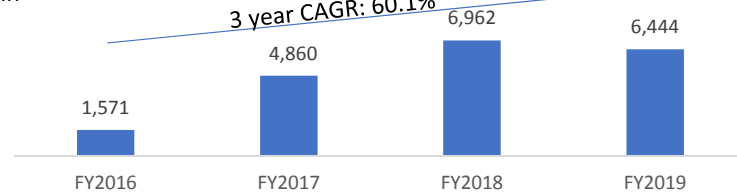


PAT & PAT Margins⁽²⁾

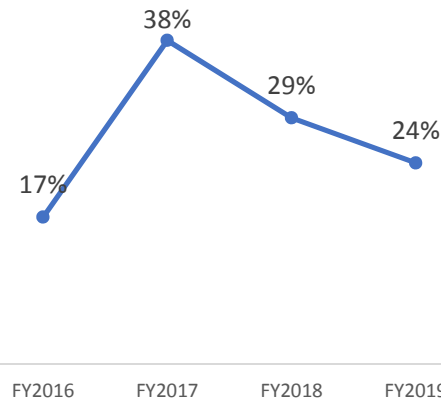


INR mn

3 year CAGR: 60.1%



ROCE (%)



Natco Pharma's Stock Performance over the years⁽⁴⁾



FY numbers have been prepared under Ind AS

(1) Represents consolidated gross revenue and includes other income

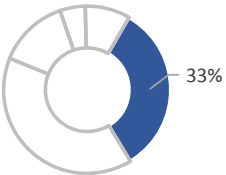
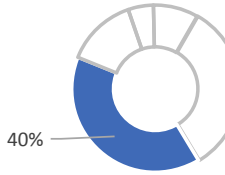
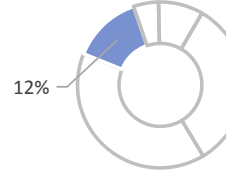
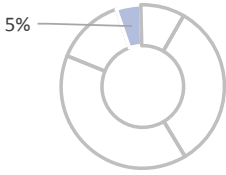
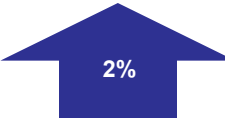

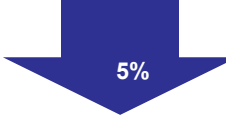
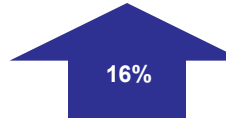
(2) Represents PAT after minority interest

(3) Data as on June 30, 2019 post buy-back of shares

(4) Data as on June 30, 2019 closing

KEY BUSINESS SEGMENTS- PHARMA



	Formulations		API (Domestic & Exports)	Subsidiaries
	Domestic	International Exports		
Overview	<ul style="list-style-type: none"> Strong brand position in the domestic oncology and Hepatitis - C segments Launched strong portfolio of products in the Cardiology and Diabetology segments Specialist sales force of over 350 personnel and over 400 distributors Targeting over 15% growth in domestic business with a goal to launch 6-8 products a year 	<ul style="list-style-type: none"> Focused on complex generics for the US Front end partnerships with leading global generic pharma companies Niche Para IV and First-to-File molecules Strengthening presence in Asia and developing markets with front end partnerships Foraying into key countries of Africa 	<ul style="list-style-type: none"> Strategically important division Vertical integration for its Finished Dosage Formulation ('FDF') portfolio Filed 45 DMFs in the US with niche products under development Exports focused on Europe and emerging markets 	<ul style="list-style-type: none"> Operations in Brazil, Canada, Singapore, Australia and Philippines Demonstrated growth in Canada In Brazil, couple of approvals and more to go. Positioned well for monetization in FY20 and beyond
FY19 Revenue (INR mn)	7,347	8,791	2,719	1,086
FY19 Revenue Contribution				
Growth FY19 over FY18				

Other Operating & Non-Operating Income amounting to Rs. 2,304 mn is exclusive of the above data

Note: All numbers are Gross Revenue
All data as of March 31, 2019

- Includes third party sales
- Figures regrouped wherever necessary

US MARKET- FOCUS ON COMPLEX GENERICS



US FDF product portfolio is predominantly focused on high-barrier-to-entry products that are typically characterised by one or more of the following:

- Intricate chemistry
- Challenging delivery mechanism
- Difficult or complex manufacturing process
- May face complex legal and regulatory challenges

Key Para IV Products in Pipeline

	Key Brand	Molecule	Therapeutic Segment / Primary Indication
To Be Launched	Nexavar	Sorafenib	Cancer/Kidney & Liver
	Tykerb	Lapatinib Ditosylate	Cancer/Breast
	Revlimid	Lenalidomide	Cancer/Multiple Myeloma
	Afinitor	Everolimus (higher strength)	Cancer/Breast
	Zytiga	Abiraterone	Cancer/Prostate
	Aubagio	Teriflunomide	CNS/Multiple Sclerosis
	Tarceva	Erlotinib	Cancer/NSCLC & Pancreatic
	Kyprolis	Carfilzomib	Cancer/Multiple Myeloma
	Pomalyst	Pomalidomide	Cancer/Multiple Myeloma
	Sovaldi	Sofosbuvir	Anti-Viral / Hep C
Ibruvica	Ibrutinib	Cancer/Leukaemia	

Low Risk Business Model through Partnerships with Global Pharmaceutical Players

- Adopted and successfully implemented partnership strategy for international formulation products
 - Has product specific partnerships with global generic players at different stages of a potential ANDA filing
 - Low risk business model:
 - Marketing partner typically responsible for the litigation and regulatory process to secure the ANDA approval
 - Multi-site approvals
 - Multi-sourcing arrangements
 - Profit sharing arrangements with the front end partners.

- Pipeline of niche and complex generics products in US
- 36 approved ANDAs⁽¹⁾
- 20 Para IVs in the pipeline ⁽¹⁾

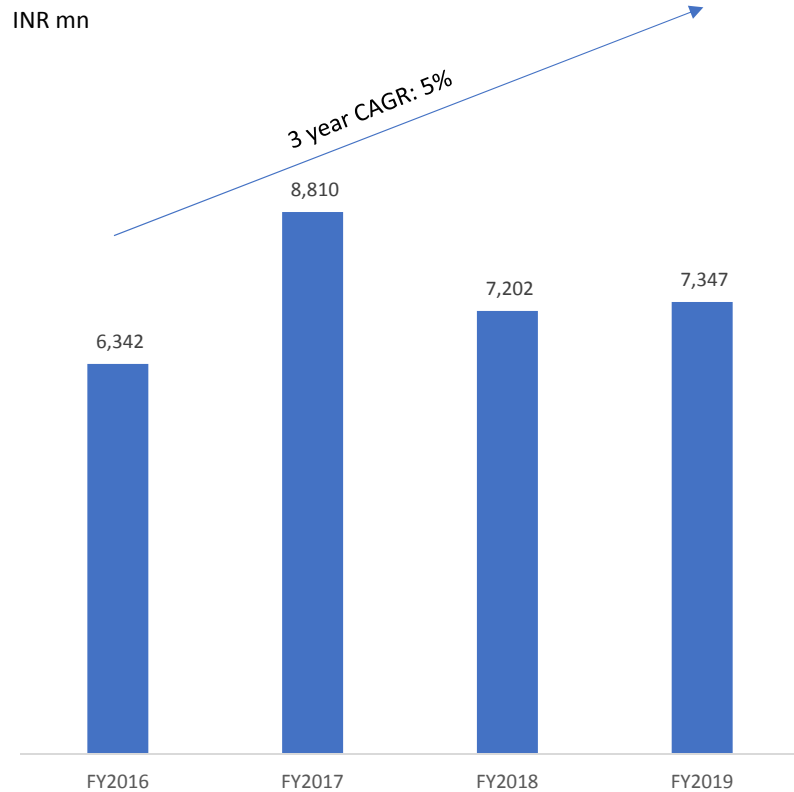
(1) As of March 31, 2019. Approval received either by Natco or its marketing partner

STRONG GROWTH IN DOMESTIC FORMULATIONS BUSINESS



Domestic Formulation Sales⁽¹⁾: Market Leading Growth

Domestic Product Launches in FY2019



- Launched 6 products during the year. Target to launch 6-8 products a year.
- Positioned #1 in sales of branded oncology medicines in India.
- Market leading positions across the Hep-C class of drugs in India, in spite of market size reduction
- In the C&D segment, after first launches of drugs for treatment of patients with thrombosis syndrome, other strong recent launches driving growth of the segment
- Continue to focus and attempt launches of niche molecules with high barriers to entry. Expect unlocking of value in near future with existing and other molecules in the pipeline.

Strong position in Oncology and Hepatitis-C domains

10

Brands in excess of INR 100mn+ sales in Oncology and Pharma Specialty segment

10+

Natco Brands occupy the #1 position in its indicated prescription

350+

Sales force in India across Oncology, Gastro Hepatology, Cardiology and Diabetology

FY numbers have been prepared under Ind AS

(1) Represents gross revenue
* Includes third party sales

STRONG MARKET POSITION IN DOMESTIC ONCOLOGY SEGMENT



Oncology Division Overview

- Over 15 years of strong presence in oncology segment. Positioned #1 in sales of branded oncology medicines in India.
- Portfolio of well recognized brands – 6 brands with INR 100mn+ sales in the oncology segment
- Widened its oncology product range from 6 in 2003-04 to 29⁽¹⁾ in 2018-19
- Sales and marketing of the product is supported by approximately 75 sales representatives and strategically located logistics network of distributors
- Re-balance portfolio regularly to phase-out low value products

Oncology Portfolio

Hematology

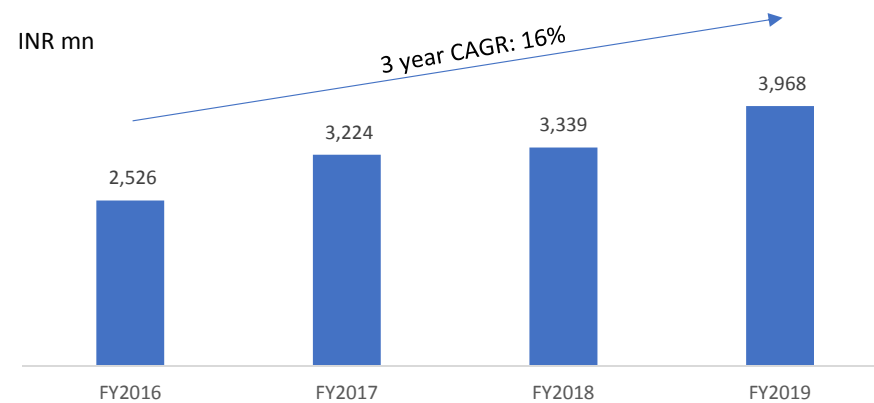
Solid Tumors

of Active Brands⁽¹⁾

13

16

Oncology Revenue – Gross (INRmn)



INR100mn+ Brands (FY19)⁽²⁾



FY numbers have been prepared under Ind AS

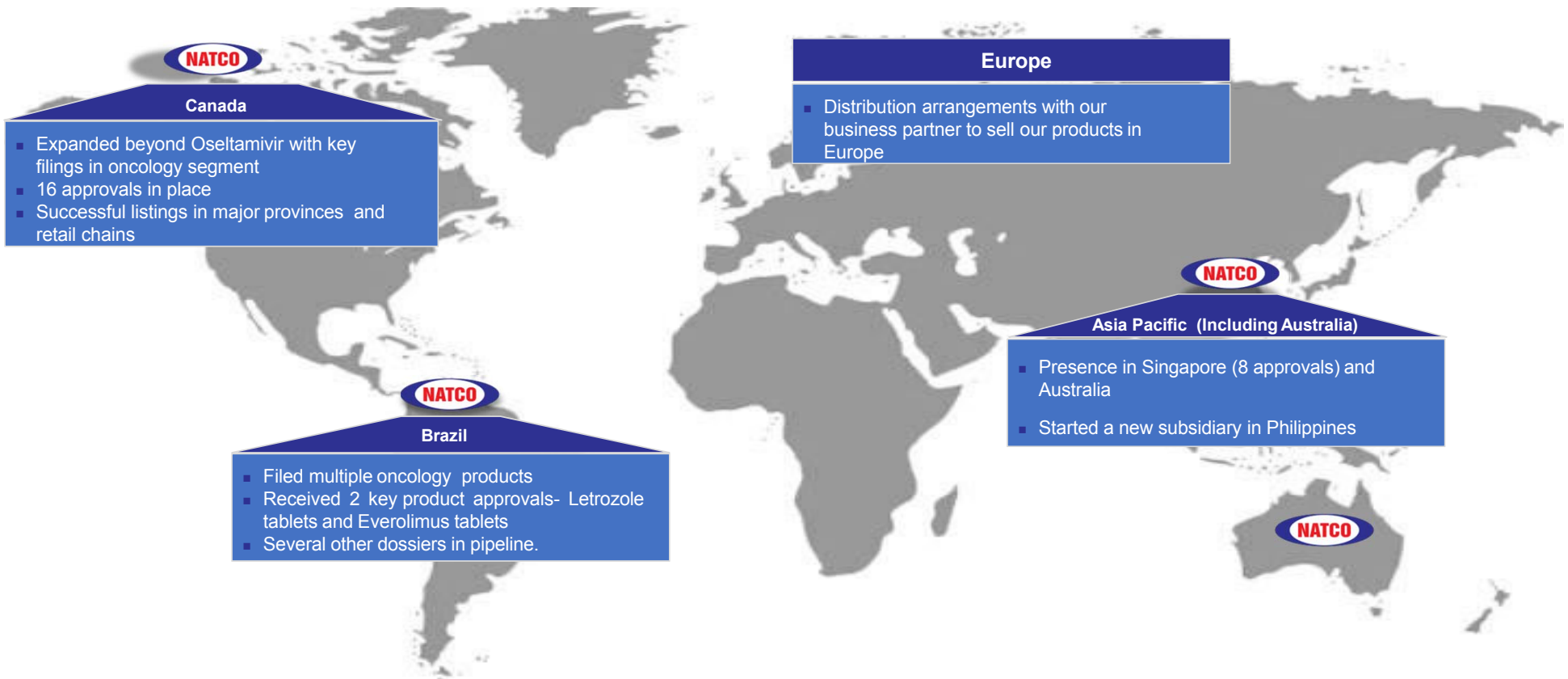
(1) As on March 31, 2019

(2) Source: Company

EXPANDING ROW PRESENCE



Focus on Canada, Brazil and other RoW markets



(1) Including India
Note: All data as of March 31, 2019

IN-HOUSE API DEVELOPMENT WITH VERTICAL INTEGRATION FOR KEY FORMULATION PRODUCTS



- Strategically important business – develops APIs primarily for captive consumption of its FDF portfolio as well as third party sales
- Portfolio of 45 US DMFs⁽¹⁾ with niche products under development
- Focuses on complex molecules in oncology and CNS segments
 - Other therapeutic areas of focus includes Anti-asthmatic, Anti-depressant, Anti-migraine, Anti-osteoporosis and G I Disorders
- Exports are focused on the US, EU, Canada, Latin America and South-East Asia
- Vertical integration for several APIs a key competitive advantage

API Strengths

- Complex multi-step synthesis & scale-up
- Semi-synthetic fusion technologies
 - Fermentation / Biotech / Synthetic / Separation technologies
- Containment / High potency APIs
- Peptide (Solid phase) pharmaceuticals

Mekaguda Facility

Chennai Facility



Chemistry Skills

- Complex chemistry peptides

- Cytotoxic API's and Biotechnology based products
- Synthetic chemistry

Key Regulatory Approvals

- USFDA, PMDA (Japan), COFEPRIS (Mexico), EDQM (Europe), Korean FDA, WHO, EU GMP (Germany)

- WHO GMP (CDSCO), USFDA

Last US FDA Audit

- USFDA audit in August 2019. Awaiting EIR

- USFDA audit with Establishment Inspection Report (EIR) received in July 2019

Expansion plans to augment API manufacturing capacity

(1) As of March 31, 2019

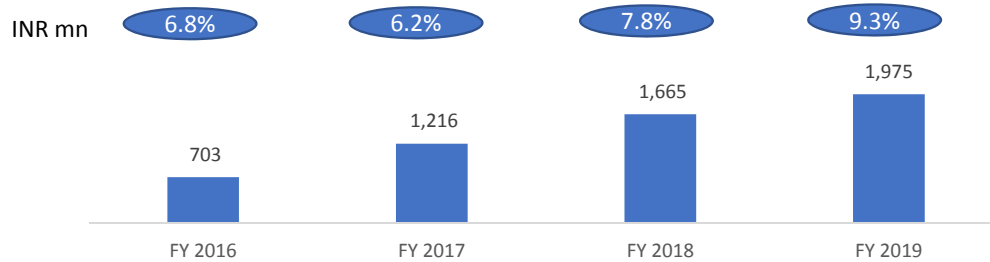
RESEARCH & DEVELOPMENT CAPABILITIES



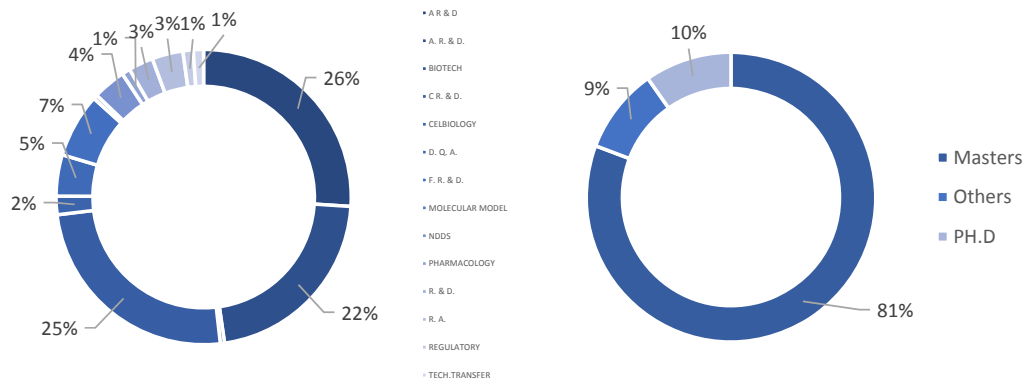
R&D capabilities demonstrated by its complex and niche product filings in formulations and API segments

- Two research facilities with capabilities across synthetic chemistry, biotech & fermentation, nano pharmaceuticals, new drug discovery & cell biology

R&D Expense (INR mn) (#)



Talented Pool of Scientists (Total no: 442)⁽¹⁾



Over 40 R&D laboratories in 2 research facilities

FY numbers have been prepared under Ind AS
(1) As of March 31, 2019

(2) As of March 31, 2019. Approval received either by Natco or its marketing partner

36 ANDAs Approved⁽²⁾

20 Para IVs in pipeline⁽²⁾

45 US DMFs Filed⁽²⁾

Several International and Indian patents filed and granted

% of standalone revenues

COMMITMENT TO MANUFACTURING EXCELLENCE WITH A CULTURE OF QUALITY AND COMPLIANCE



International Markets Formulations

Kothur Facility



- Oral and solid dosages including cytotoxic Orals, cytotoxic injectables and pre-filled syringes

- USFDA, GMP, (DCA), German, Health Authority, Australia TGA, ANVISA (Brazil)

- USFDA audit with Establishment Inspection Report (EIR) received in August 2019

Visakhapatnam Facility⁽¹⁾



- Solid oral tablet and capsule manufacturing

- Operationally ready
- Validation batches in progress

- Targeted towards US & other International regulated markets
- Located in a Special Economic Zone (SEZ)
- Facility license received. Qualification batches in progress

Capability

Key Regulatory Approvals

Other Highlights

Domestic Market Formulation

Nagarjuna Sagar Facility



Oncology, Antibiotics and Antiviral

WHO GMP and Kenya MOH

Dehradun Unit 6 Facility



Tablets, Capsules, Injectables

GMP

Dehradun Unit 7 Facility



Tablets, Capsules

GMP, Public Health Service of the Netherlands (EU GMP)

Guwahati Facility



Tablets, Capsules

GMP Compliant Facility

Capability

Key Regulatory Approvals

(1) The facility is expected to commence commercial operations during FY 2019-20

KEY MANAGEMENT



Mr. V.C Nannapaneni
Chairman and Managing Director

- Holds Masters degree in Pharmaceutical Administration from the Long Island University, USA
- Over 4 decades of experience in the pharmaceutical industry



Mr. Rajeev Nannapaneni
Vice Chairman & CEO

- Holds bachelors degree in Quantitative Economics and History from Tufts University, Boston, USA
- Has over 15 years of experience in the pharmaceutical industry



Mr. P.S.R.K Prasad
Executive Vice President (Corp. Engineering Services)

- Holds B.E. Mech. Engg. from Andhra University, Visakhapatnam
- Responsible for looking after the general administration, engineering, regulatory, training, environmental matters, safety, health, production and maintenance activities of the Company



Dr. Linga Rao
President (Technical Affairs)

- Holds Masters degree in Science (Applied Chemistry) & Ph.D in Chemistry from JNTU, Hyderabad
- Over 4 decades of experience in the pharmaceutical industry and has been working with Natco for 23+ years



M. Adinarayana
Company Secretary & VP-Legal & Corporate Affairs

- Bachelors in Commerce and Law from Andhra University, Fellow Member of Institute of Company Secretaries of India (ICSI)
- Over 34 years of experience including 25 years with the Company in legal, secretarial, corporate affairs and patent litigation areas



Mr. S.V.V.N.Appa Rao
CFO

- 27+ years of experience including 22 years within the Company covering areas of accounting, financial controller, treasury
- Responsible for finance and treasury functions at the Company



Dr. Pulla Reddy M
Executive Vice President - R&D

- Holds Masters in Science (Chemistry) and Ph.D in Chemistry, both from University of Hyderabad. Did postdoctoral research for 2.5 years at University of Zurich, Switzerland
- 24+ years experience at Natco with key role in developing novel commercially viable processes for over 100 APIs and intermediates



Dr. Rami Reddy B
Director - Formulations

- Holds M. Pharm and Ph.D. (Pharmaceutics) degree from Nagpur University
- 32+ years of experience in the Pharmaceutical Formulation industry. Responsible for Formulation plant operations, Product development and Regulatory compliance



Mr. Rajesh Chebiam,
Vice President - Acquisitions, Institutional Investor Mgmt. & Corporate Communications

- Holds MBA from Babson College (USA) and Masters degree in Chemical Engineering from University of Rhode Island
- 24+ years of experience across supply chain, operations, business development, sales and strategy

GOALS- NEAR TERM & LONG TERM



Domestic Branded Formulations

Complex Generics & Export Markets

Near-term Strategies

- Maintain leadership position in Oncology and Hepatitis-C segment
- Intensify the focus of CnD pipeline for niche launches
- Launch 6-8 products across all three segments a year
- Build manufacturing capability & capacity in Crop Health Sciences segment

- Focus on growth in key subsidiaries of Canada & Brazil
- Intensify regulatory filings rate in RoW markets with a global portfolio approach

Long-term Strategies

- Access new attractive segments
- Strengthen pipeline and strategy for Crop Health sciences
- Growth through inorganic strategies

- Focus on a select few high-potential filings, predominantly differentiated products through either drug delivery systems or niche chemistries
- Strategic alliances in RoW markets for further growth in pharma and Crop Health Sciences businesses

CONSOLIDATED FINANCIALS



Consolidated Profit and Loss Statement (INRmn)		
Particulars	31 March 2019	31 March 2018
Revenue		
Revenue from operations	20,945	22,020
Other income	1,302	404
Total revenues	22,247	22,424
Expenses		
Cost of materials consumed	3,331	3,905
Excise duty	-	172
Purchases of stock-in-trade	550	459
Changes in inventories of finished goods, stock-in-trade and work-in-progress	-339	-253
Employee benefits expense	3,559	3,256
Finance costs	193	154
Depreciation and amortisation expense	810	662
Other expenses	5,896	5,197
Total expenses	14,000	13,552
Profit before tax	8,247	8,872
Tax expense / (credit)		
Current tax	1,883	2,199
Deferred tax	-60	-279
Profit after tax	6,424	6,952
Other comprehensive income (net of taxes)		
Items that will not be reclassified to profit or loss		
Re-measurement gains/(losses) on defined benefit plans	-85	-42
Net (loss)/gain on FVTOCI equity securities		-2
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	9	-8
Total comprehensive income	6,348	6,900
Profit attributable to:		
Owners of the parent	6,444	6,962
Non-controlling interests	-20	-10
Total comprehensive income attributable to:		
Owners of the parent	6,368	6,910
Non-controlling interests	-20	-10
Earnings per share (non-annualised)		
Basic (in ₹)	34.98	39.26
Diluted (in ₹)	34.87	39.13

Consolidated Balance Sheet (INRmn)		
Particulars	31 March 2019	31 March 2018
ASSETS		
Non-current assets		
(a) Property, plant and equipment	12,185	10,127
(b) Capital work-in-progress	6,376	4,800
(c) Intangible assets	87	59
(d) Financial assets		
Investments	199	81
Loans	20	
Other financial assets	165	150
(e) Current-tax assets (net)	-	18
(f) Other non-current assets	527	609
	19,559	15,844
Current assets		
(a) Inventories	5,290	4,384
(b) Financial Assets		
Investments	1,487	684
Trade receivables	5,062	6,375
Cash and cash equivalents	283	217
Bank balances other than cash and cash equivalents	2,512	1,620
Loans	71	45
Other financial assets	6,947	6,142
(c) Other current assets	1,820	1,840
	23,472	21,307
Total assets	43,031	37,151
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	365	369
(b) Other equity	34,525	30,353
Equity attributable to owners	34,890	30,722
Non-controlling interest	20	38
Total Equity	34,910	30,760
Liabilities		
Non-current liabilities		
(a) Financial liabilities		
Other financial liabilities	8	8
(b) Provision for employee benefits	710	324
(c) Deferred tax liabilities (net)	116	139
	834	471
Current liabilities		
(a) Financial liabilities		
Borrowings	3,863	1,732
Trade payables		
-total outstanding dues of micro & small enterprises	79	41
-total outstanding dues of creditors other than micro and small enterprises	2,091	2,650
Other financial liabilities	782	1,024
(b) Other current liabilities	316	310
(c) Provision for employee benefits	90	137
(d) Current-tax liabilities (net)	66	26
	7,287	5,920
Total liabilities	8,121	6,391
Total equity and liabilities	43,031	37,151

QUARTERLY FINANCIAL SUMMARY



SEGMENTAL BREAKDOWN (INR Mn)			
Revenue Division	Q1 FY20	Q1 FY19	FY19
A) API Gross Revenue	717	673	2,719
B) Formulation:			
B1) Formulation export and profit share	2,132	2,347	8,791
B2) Domestic Formulation:			
Formulations, Onco	799	914	3,968
Formulations, Brand Pharma Non – Onco	314	742	2,457
Cardiology & Diabetic (CnD)	295	15	79
Formulations, 3rd party & misc.	231	242	843
Formulations Total Revenue	3,771	4,260	16,138
C) Service Income	-	25	68
D) Other Operating and Non - operating incomes	363	557	2,236
Stand-Alone Total Revenue (A+B+C+D)	4,851	5,514	21,161
Revenue, all subsidiaries	282	231	1,086
Consolidated Total Revenue	5,133	5,745	22,247

CONSOLIDATED FINANCIAL RESULTS (INR Mn)			
	Q1 FY20	Q1 FY19	FY19
Total Revenues	5,133	5,745	22,247
EBITDA	2,123	2,535	9,250
EBITDA Margin (%)	41.4%	44.1%	41.6%
PAT (after minority interest)	1,432	1,816	6,444
PAT Margin (%)	27.9%	31.6%	29.0%