

August 01, 2025

Natco Pharma Limited: Update on material event

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating outstanding
Long-term/short-term - Fund-based Working Capital Limits	930.00	930.00	[ICRA]AA (Stable)/ [ICRA]A1+; outstanding
Long Term/Short Term - Non-fund Based Working Capital Limits	120.00	120.00	[ICRA]AA (Stable)/ [ICRA]A1+; outstanding
Long Term/ Short Term – Unallocated Limits	100.00	100.00	[ICRA]AA (Stable)/ [ICRA]A1+; outstanding
Commercial Paper	400.00	400.00	[ICRA]A1+; outstanding
Total	1,550.00	1,550.00	

*Instrument details are provided in Annexure I

Rationale

Material event

On July 23, 2025, Natco Pharma Limited (Natco) informed the stock exchanges that its board of directors has approved acquisition of a 35.75% stake in Adcock Ingram Holdings Limited, South Africa. Following the same, Natco has submitted a firm intention of offer to AIHL to buy out AIHL's minority shareholders. Founded in 1890 in South Africa, AIHL is a pharmaceutical company operating across four segments namely prescription, consumer, OTC and hospitals. ICRA understands that AIHL has a diverse portfolio of products ranging from generic and branded formulations to critical care hospital products and consumer and home care products. The total consideration payable by Natco towards the acquisition of the aforesaid stake in AIHL would be Rs. 2,000 crore including transaction cost and other expenses. . The proposed transaction shall be subject to certain regulatory approvals and is expected to be completed on or before December 31, 2025. The proposed transaction will be subject to certain regulatory approvals, including compliance with Foreign Exchange Management Act governed by the Reserve Bank of India and South Africa's Takeover Regulation Panel by way of bank guarantee submission for cash confirmation, and approval from the South African Reserve Bank. The transaction is expected to be completed on or before December 31, 2025.

Impact of material event

The acquisition will enable Natco to gain access to the South African market through AIHL's strong market position in the country's pharmaceutical market. This is expected to result in relatively higher geographical diversity for Natco over the medium term. Post the consummation of the transaction, Natco will consolidate 35.75% of AIHL's net profits in accordance with its shareholding. The aforesaid transaction is expected to be funded through a mix of its existing cash reserves, estimated at around Rs.3500 crores, and debt (if any). Post the cash outflow towards the transaction, the overall liquidity position and debt metrics of the company are expected to remain strong, given the healthy cash flow generation. Thus, the proposed acquisition of shareholding in AIHL is unlikely to have any adverse material impact on Natco's credit profile. Nonetheless the company's ability to achieve the desired scale-up in the South African market over the medium term will remain a key monitorable.

Please refer to the following link for the previous detailed rationale that captures the Key rating drivers and their description, Liquidity position and Rating sensitivities: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial statement of Natco.

About the company

Natco is a medium-sized pharmaceutical company, which develops, manufactures and markets formulations and APIs. Founded in 1981, Natco has emerged as an established pharmaceutical company with a presence in formulations and APIs in both the domestic and export markets. The company owns eight manufacturing facilities and two research centres, Natco Research Centre in Hyderabad and Research Centre Kothur, (Telangana). Its manufacturing facilities have been approved by multiple authorities of regulated markets. Its formulations units in Kothur (Telangana) and Visakhapatnam (Andhra Pradesh) and API facilities in Chennai and Mekaguda (Telangana) have been approved by USFDA. The company had also set up an agrochemical facility for APIs/technical and formulations in Attivaram Industrial Area, Nellore (Andhra Pradesh) to diversify its portfolio. The company's API business drives in-house captive requirements for key molecules as well as direct customer sales.

As an early entrant with strong R&D capabilities, Natco has established itself as a leading player in the oncology segment in India. In addition, it generates a sizeable proportion of its formulations business from exports. It is present in the generics business in the regulated markets of North America and Europe and branded generics in the rest of the world. As on March 31, 2025, the promoter group held 49.62% of the company's share, with the rest held by various institutions and the public.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	4,003.1	4,429.5
PAT	1,388.3	1,883.4
OPBDIT/OI	43.9%	49.6%
PAT/OI	34.7%	42.5%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	91.6	91.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based working capital limits	Long-term/Short-term	930.00	Aug 01, 2025	[ICRA]AA (Stable)/[ICRA]A1+	April 30, 2024	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-
			Apr 29, 2025	[ICRA]AA (Stable)/[ICRA]A1+			-	-	-	-
Non-fund based working capital limits	Long term/Short term	120.00	Aug 01, 2025	[ICRA]AA (Stable)/[ICRA]A1+	April 30, 2024	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-
			Apr 29, 2025	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-	-	-
Unallocated limits	Long term/Short term	100.00	Aug 01, 2025	[ICRA]AA (Stable)/[ICRA]A1+	April 30, 2024	[ICRA]AA (Stable)/[ICRA]A1+	Apr 28, 2023	[ICRA]AA (Stable)/[ICRA]A1+	Apr 28, 2022	[ICRA]AA (Stable)/[ICRA]A1+
			Apr 29, 2025	[ICRA]AA (Stable)/[ICRA]A1+						
Commercial paper	Short term	400.00	Aug 01, 2025	[ICRA]A1+	April 30, 2024	[ICRA]A1+	Apr 28, 2023	[ICRA]A1+	Apr 28, 2022	[ICRA]A1+
			Apr 29, 2025	[ICRA]A1+						
Fund based working capital limits	Long term	-	-	-	-	-	Apr 28, 2023	[ICRA]AA (Stable)	Apr 28, 2022	[ICRA]AA (Stable)
Non-fund based working capital limits	Short term	-	-	-	-	-	Apr 28, 2023	[ICRA]A1+	Apr 28, 2022	[ICRA]A1+
Fund based/ non-fund based limits	Long term/Short term	-	-	-	-	-	Apr 28, 2023	[ICRA]AA (Stable)/[ICRA]A1+	Apr 28, 2022	[ICRA]AA (Stable)/[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term/Short Term - Fund Based Working Capital Limits	Simple
Long Term/Short Term - Non-Fund Based Working Capital Limits	Very Simple
Long Term/Short Term – Unallocated Limits	Not Applicable
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund Based Working Capital Limits	NA	NA	NA	930.00	[ICRA]AA (Stable)/[ICRA]A1+
NA	Non-Fund Based Working Capital Limits	NA	NA	NA	120.00	[ICRA]AA(Stable)/[ICRA]A1+;
NA	Unallocated Limits	NA	NA	NA	100.00	[ICRA]AA (Stable)/[ICRA]A1+;
Not Placed	Commercial Paper	NA	NA	NA	400.00	[ICRA]A1+;

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NATCO Pharma Limited	100.00%	Full Consolidation
NATCO Pharma Inc., United States of America ('USA')	100.00%	Full Consolidation
NATCO Pharma USA LLC, USA (Formerly known as Dash Pharmaceuticals LLC, USA name changed w.e.f. 12 April 2023) (Subsidiary of NATCO Pharma Inc.)	100.00%	Full Consolidation
Time Cap Overseas Limited, Mauritius ('TCOL')	100.00%	Full Consolidation
NatcoFarma do Brasil Ltda., Brazil (Subsidiary of TCOL)	100.00%	Full Consolidation
NATCO Pharma (Canada) Inc., Canada	100.00%	Full Consolidation
NATCO Pharma Asia Pie. Ltd., Singapore	100.00%	Full Consolidation
NATCO Pharma Australia Pty Ltd., Australia	100.00%	Full Consolidation
NATCO Lifesciences Philippines Inc., Philippines	100.00%	Full Consolidation
NATCO Pharma UK Limited, United Kingdom (incorporated on 04 September 2023)	100.00%	Full Consolidation
PT. NATCO Lotus Farma, Indonesia (incorporated on 28 August 2023)	100.00%	Full Consolidation
NATCO Pharma Colombia S.A.S. (incorporated on 15 August 2023)	100.00%	Full Consolidation

Source: Company Annual Report FY2024

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