Natco Pharma Limited
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Telangana, INDIA. Tel : +91 40 23547532, Fax : +91 40 23548243
CIN : L24230TG1981PLC003201, www.natcopharma.co.in

9th August, 2019

The Manager - CRD
M/s. BSE Limited
Dalal Street, Fort
Mumbai 400 001
Scrip Code: 524816

The Manager - Listing
M/s. National Stock Exchange of India Ltd
"Exchange Plaza", Bandra Kurla Complex,
Bandra (E) **Mumbai 400 051**
Scrip Code: NATCOPHARM

Dear Sir,

Dear Sir
Sub:- Annual Report for the year 2018-2019

As per Regulation 34 of SEBI (LODR) Regulations, 2015, please find enclosed herewith the 36th Annual Report for the financial year ended 31st March, 2019.

This is for your information and record.

Thanking you,

Yours faithfully,
For NATCO Pharma Limited
MAnarayana
CS M Adinarayana
Company Secretary &
Vice President (Legal & Corp. Affairs)

Building on Synergies.

Driving Diversification.

2018-19

36th Annual Report

NATCO PHARMA LIMITED

Index

Key numbers of FY 2018-19 on consolidated basis

Total Revenue
₹ **22,247** million

PAT
₹ **6,444** million

EBITDA
₹ **9,250** million

Basic EPS
₹ **34.98**

Disclaimer

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Revenue splits for different geographies used in the Corporate Overview and Management Discussion & Analysis sections are based on management assessments.

The global pharmaceutical and lifesciences sector is ever evolving, thereby creating the demand for unexplored synergies, innovation and diversification. Ever since we began our journey, we have consistently reinvented ourselves and course-corrected our strategies to remain resilient and create value for our stakeholders.

In all these years, we have meticulously built businesses across different molecules, multiple therapy segments and global markets, through strategic alliances and manufacturing capabilities. The intersecting synergies between all these activities act as a force multiplier for us to grow and diversify our business.

We have steadily increased our presence from an oncology-focused product portfolio to multiple therapy segments. Similarly, we have widened our footprint from India and the US, to many other markets globally. This has been possible only due to our deep focus and niche approach.

We have strengthened our business through a carefully selected portfolio of products and markets which has contributed to our sustainable growth. Despite economic volatility and sector-specific headwinds, we have successfully demonstrated our ability to adapt ourselves to the changing business climate by streamlining our resources and focusing on growth areas.

After our initial high-impact foray into oncology in 2003, through Imatinib, we have made our mark in the gastro hepatology segment through the launch of Hep C; Further, we capitalised through well-recognised product launches of Glatiramer Acetate, Liposomal Doxorubicin and Oseltamivir in the US.

A few years ago, we made a conscious decision to diversify our exposure into other non-US markets to minimise the impact from economic and geographic risks. This was possible by leveraging our research and manufacturing skills as well as reinforcing our regulatory efforts across regions.

We have also taken a unique global portfolio approach towards our products by filing for approvals across different markets. The result is that today, we have a much stronger presence in Canada, promising opportunities in Brazil and incremental growth coming in from India and the rest of the world.

During the year, we continued to file carefully chosen high-potential products. The result of one such filing is Ibrutinib tablets, which we believe is a first-to-file. We continue to build niche products for the US, which we hope will lead to blockbuster returns in future.

With sustainability deeply embedded in our business model, we have made selective investments in crop health sciences, by building on our existing resources and skill sets in both chemistry and manufacturing. We have also fostered value-accretive alliances with partners at all levels to ensure the continuity of our business growth.

About NATCO Pharma

Growing with quality and consistency

We are in the business of pharmaceuticals with research, manufacturing and marketing of Finished Dosage Formulations (FDF) and Active Pharmaceutical Ingredients (API). Creativity runs deep in our DNA; and with emphasis on quality, we have stringently run our research programmes to develop unique products that help us stay ahead of the curve. NATCO has invested in developing well-built systems in its manufacturing facilities to ensure consistent delivery of products.

Our capability is to manufacture niche pharma products in line with market requirements and patient needs. We have a strong presence in India and the US, with growing market potential in Canada, Brazil and rest of the World (ROW).

We bring dedicated focus on a limited set of molecules and we bring those out into the market at affordable prices for people in need.

We have come a long way from where we started. The seeds of today's NATCO were sown over 15 years ago with our foray into India's oncology segment. We have consistently delivered products since then, which have kept us ahead of the competition.

Our success in the oncology segment enabled us to expand into the US market; and we followed the same approach of filing for select high-value molecules across markets. Our growth in India and the US enabled us to establish our footprint with our subsidiaries in Canada, Brazil and other regions. Today, we reach out to 40+ countries either directly or through our alliance partners.

We have adopted a differentiated approach unlike many of our peers with focus on limited competition products that help maximise our earnings. Within the FDF business, our strengths emanate from our success in oncology, which remains a flagbearer with a continued strong pipeline of molecules.

We have strong focus on the strategically important active ingredient manufacturing business, a significant proportion of which is captively consumed in the manufacturing of the finished dosage formulation.

Our capability to develop multi-step cytotoxic high-potency APIs is also well demonstrated.

We have shown an inherent ability to take calculated bets, leverage on their success and diversify into new geographies and businesses. We have done so, through growth in India and then expansion in the US, and most recently in Brazil and Canada. Our recent diversification into the business of crop health sciences is an example of our ability to leverage our strengths across sectors.

The foundation of NATCO's business is built on experienced management with strong R&D focus and deft decision-making, which equips us to monetise on emerging opportunities.

Our mission

Making specialty medicines accessible to all

Experience

35+
Years of rich experience in the ever-evolving pharmaceutical industry

Assets

6 FDF
2 API
Manufacturing facilities

2
Well-established research centres

Filings

51
Cumulative ANDAs filed till date

45
Cumulative USDMFs filed till date

5
ANDAs filed in FY 2018-19

3
USDMF's filed in FY 2018-19

Patents

218
International patents filed

152
International patents granted

213
India patents filed

87
India patents granted

Abbreviated New Drug Application (ANDA)
Drug Master File (DMF)

About NATCO Pharma

Business segments at a glance*#

Domestic FDF

₹ 7,347 million
Revenue in FY 2018-19

33%
Revenue contribution in FY 2018-19

- Strong brand position in the domestic oncology and Hepatitis-C segments
- Has ten brands in excess of ₹ 100 million revenue in the domestic oncology and pharma specialty segment
- Launched six products during the year; target to launch 6-8 products a year
- 350+ specialist sales force
- 400+ distributors

API (domestic and exports)

₹ 2,719 million
Revenue in FY 2018-19

12%
Revenue contribution in FY 2018-19

- Our APIs are used for both - captive consumption and third party customers
- Portfolio of 45 USDMFs with niche products under development
- Exports made predominantly to Europe and South America

International FDF

₹ 8,791 million
Revenue in FY 2018-19

40%
Revenue contribution in FY 2018-19

- Portfolio of niche and complex products for the US market
- Front-end partnerships with leading global generic pharma companies
- Niche Para-IV and Para-III filings

Subsidiaries

₹ 1,083 million
Revenue in FY 2018-19

5%
Revenue contribution in FY 2018-19

- Operations in Brazil, Canada, Singapore, Philippines and Australia
- Demonstrated growth in Canada
- Positioned well for monetisation in Brazil for FY 2019-20 and beyond

* Figures regrouped wherever necessary
# The revenues excludes certain operating and non-operating incomes not related to major segments

Our manufacturing facilities

In India, we have two API manufacturing facilities and six FDF production facilities. We manufacture a wide range of dosage forms-including tablets, capsules and injectables.

At NATCO, we have demonstrated our ability to handle different manufacturing processes, such as lyophilisation and complete isolation technology to manufacture cytotoxic products. Our experience and insight also enable us to handle products that require a specialised environment.

New plant at Vishakhapatnam, Andhra Pradesh

Our FDF facility in Vishakhapatnam is a part of Special Economic Zone (SEZ) and is intended to cater primarily to the export market. We have completed the manufacturing set-up and readiness, and the facility is expected to commence commercial operations during FY 2019-20. It will focus mostly on oral solid dosages (tablets and capsules). It also has a cytotoxic block for products in the oncology space.

FDF

Locations	Capability	Key product categories	Major approvals
Kothur, Telangana	Oral solid dosages including Cytotoxic Orals, Cytotoxic Injectables and Pre Filled Syringes	Oncology, Gastroenterology, Central Nervous System, Antiviral and Cardiology	USFDA, GMP (DCA), German Health Authority, Australia TGA, ANVISA (Brazil)
Nagarjunasagar, Telangana	Lyophilised Injectables, Liquid Injectables, Dry Powder Injectables and Large Volume Parenterals	Oncology, Antibiotics and Antiviral	WHO GMP and Kenya MOH
Pharma City, Dehradun, Uttarakhand	Oral solid dosages including Cytotoxic Orals Cytotoxic Injectables	Oncology and Antiviral	WHO GMP
UPSIDC Industrial Area, Dehradun, Uttarakhand	Oncology Oral Solid Dosages	Oncology	WHO GMP and EU GMP
Guwahati, Assam	Oral Solid Dosages	Gastroenterology	GMP
Vishakapatnam, Andhra Pradesh	Oral Solid Dosages	Oncology	In Process

United States Food and Drug Administration (USFDA), Good manufacturing practice (GMP), Agência Nacional de Vigilância Sanitária (ANVISA), Ministry of Health (MOH), Therapeutic Goods Administration (TGA)

APIs

Locations	Capability	Key product categories	Major approvals
Mekaguda, Telangana	Active Pharmaceutical Ingredients (APIs) & API Intermediates	Antineoplastic, Hepatitis C, Anti emetic, Antidepressant, Antimigraine, Antiulcerative, Immunomodulator, Multiple sclerosis, Hyperphosphatemia	USFDA, PMDA (Japan), COFEPRIS (Mexico), EDQM (Europe), Korean FDA, WHO, EU GMP (Germany)
Manali, Chennai, Tamil Nadu	Active Pharmaceutical Ingredients (APIs) & API Intermediates	Antineoplastic	WHO GMP (CDSCO), USFDA

Pharmaceuticals and Medical Devices Agency (PMDA), Comisión Federal para la Protección contra Riesgos Sanitarios (COFEPRIS), Central Drugs Standard Control Organisation (CDSCO)

Research and development centres

Locations	Team size	Capability
Hyderabad, Telangana	**Over 250**	**API**
Kothur, Telangana	**Over 150**	**FDF**

Two units are under construction for Crop Health Sciences: Chemical and Formulations.

Key milestones

Building on a firm foundation

1981
Incorporated **NATCO Pharma Division** at Kothur, Telangana

1984
First full year in operations with **sales of ₹ 0.5 million**

1986
Inaugurated **Parenterals manufacturing facility** at Nagarajuna Sagar in Telangana

1993
Inaugurated **NATCO's chemical division** at Mekaguda in Telangana

1995
Founded **NATCO Trust,** Hyderabad, Telangana

1997
Inaugurated **NATCO Research Centre**, Hyderabad, Telangana

2003
Launched **Oncology division** following the introduction of flagship brand Veenat (generic Imatinib Mesylate) to treat chronic Myelogenous Leukaemia

2006
Incorporated a finished **dosage facility at Dehradun,** Uttarakhand

2007
Received **approval of first ANDA** in the US

2008
Filed **first ANDA with Para IV** Certification in the United States

2011
Incorporated **NATCOfarma do Brazil LTDA**

2012

Compulsory License was granted by **Government of India for patent protected anti-cancer drug Nexavar of Bayer**

2013

Established **NATCO Pharma Canada Inc.** for sales and distribution in Canada

2014

Set up **NATCO Pharma Australia Pty Ltd.** for sales and distribution in Australia

2015

Launched **generic Sofosbuvir in India and Nepa**l for Hepatitis C

2016

Launched **generic version of Oseltamivir Phosphate capsules** in the US

2017

Started **Cardiology and Diabetology divisions** for domestic market with launches like Dabigatran

Launched **Glatiramer Acetate injection** (20 & 40 mg/ml) in the US

Launched **complex drug delivery product, liposomal doxorubicin** in the US

2018

USFDA completed inspection of **NATCO's Mekaguda API facility with zero observations**

NATCO launched its **first generic version of oral tablets Teriflunomide** for Multiple Sclerosis in India

NATCO introduced **generic Posaconazole injection**, available for the first time in India

Business highlights FY 2018-19

Every quarter takes us farther

Q1

(April – June)

- Launched Tetrabenazine tablets in the US market
- First company to launch a generic version of Teriflunomide in India
- First company to launch Posaconazole injection in India

Q2

(July-September)

- Received tentative approval for Cabazitaxel vials ANDA
- Received tentative approval for Teriflunomide tablets ANDA
- Launched Everolimus tablets and Letrozole tablets in Brazil
- Launched NAT-Tenofovir tablets 300 mg in Canada (Entry into HIV/Hepatitis space)
- Launched Imatinib tablets in Malaysia through our marketing partner

Q4

(January-March)

- Received final approval for Imatinib tablets ANDA
- Received final approval for Abiraterone tablets ANDA
- Filed ANDA for Bosentan tablets for oral suspension, possibly sole first-to-file

Q3

(October-December)

- Received tentative approval for Erlotinib Tablets ANDA
- Filed ANDA for Ibrutinib tablets, possibly sole first-to-file
- Filed ANDA for Carfilzomib 10mg vials, possibly sole first-to-file
- Launched Herduo, first Indian brand of Lapatinib tablets

Key performance indicators

Performance highlights

Revenue (₹ in million)

26.9% 3-year CAGR

FY 2018-19	22,247
FY 2017-18	22,424
FY 2016-17	20,789
FY 2015-16	10,897

Net worth (₹ in million)

39.1% 3-year CAGR

FY 2018-19	34,890
FY 2017-18	30,722
FY 2016-17	16,493
FY 2015-16	12,957

PAT (₹ in million)

60.1% 3-year CAGR

FY 2018-19	6,444
FY 2017-18	6,962
FY 2016-17	4,860
FY 2015-16	1,571

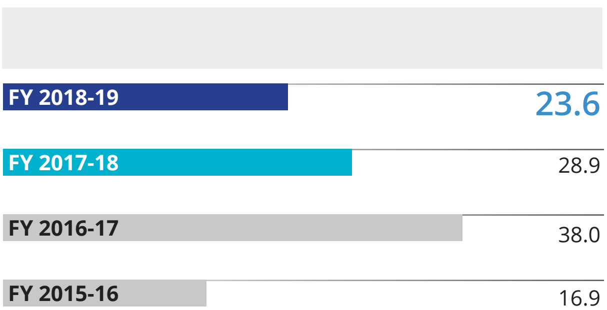
EBITDA (₹ in million)

48.5% 3-year CAGR

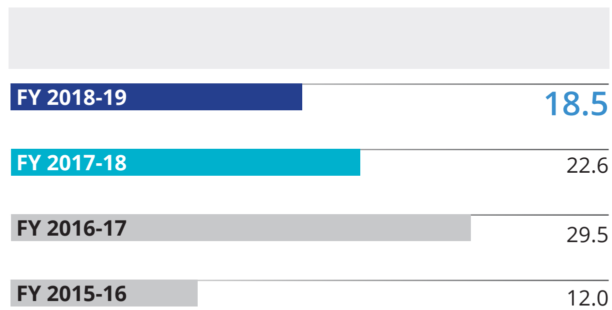
FY 2018-19	9,250
FY 2017-18	9,688
FY 2016-17	6,973
FY 2015-16	2,823

All figures and percentages are on a consolidated basis

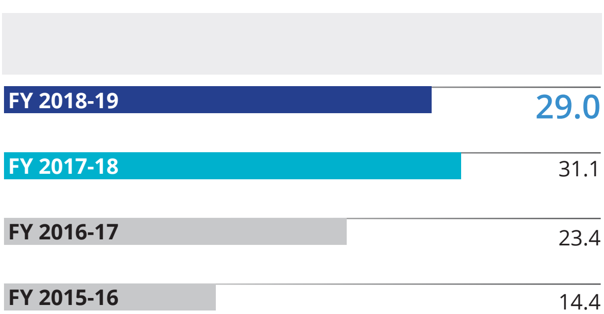
ROCE (%)



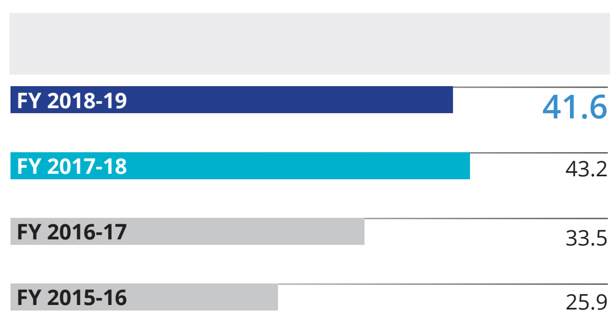
ROE (%)



PAT Margin (%)



EBITDA Margin (%)



All figures and percentages are on a consolidated basis

Megatrends

Macrotrends influencing overarching strategies

The global pharma landscape is seeing strategic shifts that are likely to have long-term consequences for the industry. Here are a few key trends that we closely observe to constantly course-correct our actionable insights to take advantage of opportunities and minimise business risks.

1. US

Generics face pricing pressures, specialty drugs command higher value

There have been significant pricing pressures across the globe for pharmaceutical products. Market consolidations have further intensified the price pressures.

The number of generic players have also significantly increased which will also add to the tough pricing environment. However, list prices of recently launched drugs, especially in the specialty, orphan and oncology areas are often at higher prices.

We believe the interesting opportunities in the US market will be restricted to niche products and complex generics. Given that it is our area of focus, With niche products like Liposomal Doxorubicin, Glatiramer Acetate and others in the pipeline we hope to continue on the path of sustainable growth in the US.

2. Brazil

Moving towards generics

With an estimated spending of $31.8 billon, the Brazilian healthcare market is the world's seventh largest. The Brazilian government's largest spending is on healthcare and 80% of the pharmaceutical market is being driven by federal and local tenders. To contain its healthcare costs, the Brazilian government is moving towards generics.

The Brazilian Health Surveillance Agency—Agência Nacional de Vigilância Sanitária—(ANVISA) has announced that it is working on clearing the backlog of new and generic drug approvals, leading to multiple opportunities for players who have filed for such approvals.

We are present in Brazil through our subsidiary 'NATCO farma do Brazil'. With our strong pipeline of oncology products we hope to leverage on the prevailing opportunities. During the year we launched Everolimus tablets and Letrozole tablets, which will help us to grow in the market.

3. India

Increasing healthcare needs

In the last two decades, India has witnessed an alarming rise in the incidence of heart disease, diabetes and cancers. Incrementally rising pace of public awareness, with wider access to information, is driving demand for higher provision of services and quality of care.

Notably, the Government's Ayushman Bharat-Pradhan Mantri Jan Aarogya Yojana (AB-PMJAY), which targets over 50 crore beneficiaries is seen as the 'world's largest healthcare programme'.

NATCO is focused on launching several oncology, cardiology and diabetology products. We believe that delivering niche products at affordable pricing will position us to reach a wider population. It will also help us to participate in inclusive government schemes.

4. China

An exciting opportunity

Pharmaceutical spending in China reached $137 billion in 2018, making it the world's second largest pharma market. Over the last year or so, there has been a shift in China's drug approval policy. In the forthcoming, years China could be a significant opportunity for Indian players.

We are closely observing the developments in China and working on filing of oncology products that are in line with our larger business objectives.

Management message

Strengthening synergies, accelerating execution

Dear Shareholders,

I am glad to report that despite a challenging operating environment, we put up a resilient performance during the year. Encouragingly, we are setting up a sound platform for sustainable growth by building on our synergies and diversifying strategically.

A few years ago, we perceived risks surrounding our business, especially the onset of strong headwinds in the US market and had taken firm steps to increase our pace of development in the emerging markets, especially India, Brazil and Canada.

Our investments in emerging markets are bearing fruit and we are growing our footprints in Canada, Brazil and South East Asia. NATCO has seen strong growth in the oncology segment in India and through our high barrier-to-entry products, Liposomal Doxorubicin and Glatiramer Acetate in the US.

FY 2018-19 was a testing time for the pharmaceutical sector as a whole. The market dynamics in the US and India were largely unfavourable, and there were several macro pressures on the business. Some of our key products in the US have seen strong competitive pressures while in India, we have seen market size reduction in the Hepatitis C portfolio.

Despite pressures on the pharmaceutical sector and changing market scenario in the US, NATCO had a rather steady year. We are aware that our affordable, life-saving products have a market across the world and are formulating new strategies to take our products to all relevant markets.

Performing stably with diversity focus

A few years ago, we perceived risks surrounding our business, especially the onset of strong headwinds in the US market and had taken firm steps to increase our pace of development in the emerging markets, especially India, Brazil and Canada.

Currently, we are reaping the fruits of NATCO's foresight, and all the above-mentioned markets gave us considerable reasons to cheer during the year. Our consolidated revenue in the non-US markets stood at ₹ 11,727 million for FY 2018-19.

Our domestic FDF business contributed to about 33% of our revenues for FY 2018-19. During the year, we expanded our oncology portfolio through the launch of two new products. Similarly, we extended our portfolio of products in other non-oncology segments in India through four diverse launches.

Our subsidiaries in Canada and Brazil showed promising progress. Our Canadian subsidiary continued its path of profitability and generated revenues of ₹ 960 million in FY 2018-19 vis-à-vis revenues of ₹ 737 million in the previous year. Our Canadian subsidiary has 20+ filings in total as of FY 2018-19. With our robust portfolio in oncology filings, we see a significant good growth potential in the coming years.

> Deriving growth through synergistic efforts was the focus. We laid the foundation towards holistic growth by expanding existing products into new geographies through global portfolio strategy.

In the Brazilian market, we were successful through approvals of two oncology products - Everolimus tablets and Letrozole tablets. Everolimus tablets was the first generic to be launched in Brazil and we hope to build a firm market position this year. We continue to upgrade our laboratories, facilities and expand with more key team members.

In the US, as we operate in the complex molecules space where the competitive intensity is low; our existing products continued to gain market share.

During the year, we filed for five ANDAs in the US, of which we believe three are potential first-to-file products. We strengthened our pipeline through the filing of Ibrutinib tablets which we believe to be a large potential opportunity for the company.

We remain focused on developing and filing more ANDAs in the US in the area of niche, differentiated products, which we believe will provide more rewarding opportunities. As we continually balance our portfolio of products and growth in the US, we expect majority of revenue to be coming from non-US markets.

NATCO is focusing on filing of oncology products for markets in China and has begun exploratory work for expansion into Africa. We believe that this will help us diversify further into new geographies for growth.

Enhancing capacities

Our endeavour to create complex and niche products for various markets and therapeutic areas is only possible with the untiring efforts of scientists and technicians in our R&D team. We have a dedicated R&D team of 400+ personnel. For the year, our R&D spend stood at ₹ 1,976 million or 9% of our revenue. In keeping with our objective to diversify into emerging markets and new therapeutic areas, we have earmarked a larger share of our R&D spend towards developing products for these new initiatives.

We have worked on increasing our capacities across various units and have spent ₹ 4,413 million on it. Our new plant at Visakhapatnam is operationally ready and will commence operations in FY 2019-20.

Further, we have added new capacities, predominantly at our Kothur and Mekaguda facilities.

Building on synergies

During the year, NATCO has carefully assessed opportunities to diversify its business using existing skills and capabilities. Deriving growth through synergistic efforts was the focus. We laid the foundation towards holistic growth by expanding existing products into new geographies through global portfolio strategy. This strategy of filing a single product in multiple regions will help in building multiple revenue sources, and thereby increase the return on investment.

As we had seen the imminent headwinds in the pharma sector and the US market, we began diversifying our resources towards building businesses in new markets and those investments are now reaping rewards. We see our near-term growth driven by the markets of India, Brazil and Canada and believe these markets will increasingly contribute to a larger percentage of our topline over the next few years.

We are currently investing to further establish our presence in Australia, Singapore, China and South East Asian countries and are confident that our businesses in these markets will propel growth in the future.

A key decision taken during the year was to leverage our skills in organic chemistry and foray into the crop health sciences space. We believe there are opportunities in the current agrichemicals market that we could leverage to address unmet needs in Integrated Pest Management (IPM). We are investing in greenfield plants at Nellore in Andhra Pradesh to manufacture the technical (active ingredient) and formulated crop protection changes.

Focusing on sustainable priorities

NATCO has always focused on being a sustainable business. Responsible operations, people and products have been the key pillars, based on which we deliver in a financially, socially and environmentally responsible manner.

Currently, ~24% of our energy requirements are met by making use of renewable sources like wind and solar energy. Using systemic approaches for continual improvements over the years, our onus on safety and environmental systems, stand us in good stead to ensure an empowering work culture.

NATCO practices energy conservation efforts with a variety of initiatives from rainwater harvesting, waste treatment to domestic organic waste conversion. We have embarked on the journey of NATCO's very first formal sustainability report as well.

> We have embarked on the journey of NATCO's very first formal sustainability report as well.

> A key decision taken during the year was to leverage our skills in organic chemistry and foray into the crop health sciences space.

Giving back to shareholders

In FY 2018-19, the pharma sector witnessed pressures from domestic and international markets, leading to a correction in the market value of companies.

During the year, we announced a buyback and purchased about 30 lakh shares worth ₹ 1.86 billion. The buyback reflects our faith in NATCO's long-term prospects, and a move to improve the return on equity for shareholders.

During the year we have given three interim dividends amounting to Rs 1382 million including dividend distribution tax of Rs 236 million and it results in a pay-out of 20.72% of standalone profit after tax of the company for FY 2018-19.

Evolving a holistic growth approach

At NATCO, we believe that sustainable growth and progress is not just about revenues and profits but also includes adding value to communities we work with and people at large. Through our CSR initiatives we work towards making a positive contribution to the lives of the under-privileged sections of society. We aim to enrich the lives of people and communities through our work in the fields of education, healthcare, nutrition, potable water, improving sanitation and developing community infrastructure.

Our Environment, Health and Safety (EHS) philosophy is to conduct our business in a manner whereby we have minimal impact on the planet; we continue to take multiple initiatives to reduce our carbon emissions across functions.

Summing up

The Company is thankful for the efforts put together by teams who work across various countries, plants and departments making critical medicines accessible to all and creating meaningful impact in the lives of millions of stakeholders.

V. C. Nannapaneni,
Chairman and Managing Director

Rajeev Nannapaneni,
Vice Chairman and CEO

Building businesses in diverse markets

From India to the world, this has been our journey over the decades. Starting from India, we carefully crafted our foray into the US, and several other regions globally. Our products are now sold in over 40 nations, catering to the unmet needs of millions of patients.

We had built our foundation in India by expanding into a portfolio of oncology products. To ensure the best return on invested capital, we made a strong entry into US with limited competition molecules as well as through select products from our oncology portfolio. Leveraging on this strategy and with incremental resources we have seen continual growth from Brazil, Canada and several South East Asian countries.

Our growth markets

Our domestic business in India continues to be one of the foundational pillars, despite pressure in the Hep C portfolio. We were able to launch first-in-India products like Teriflunomide and Posaconazole. We believe that we are the largest oncology firm supplying medicines in India with a clear lead over our peers.

This underlines the fact that we have committed resources to bring oncology medicines in India. Our strong pipeline of products are expected to grow in the gastro-hepatology and cardiology and diabetology (CnD) segments in the near future.

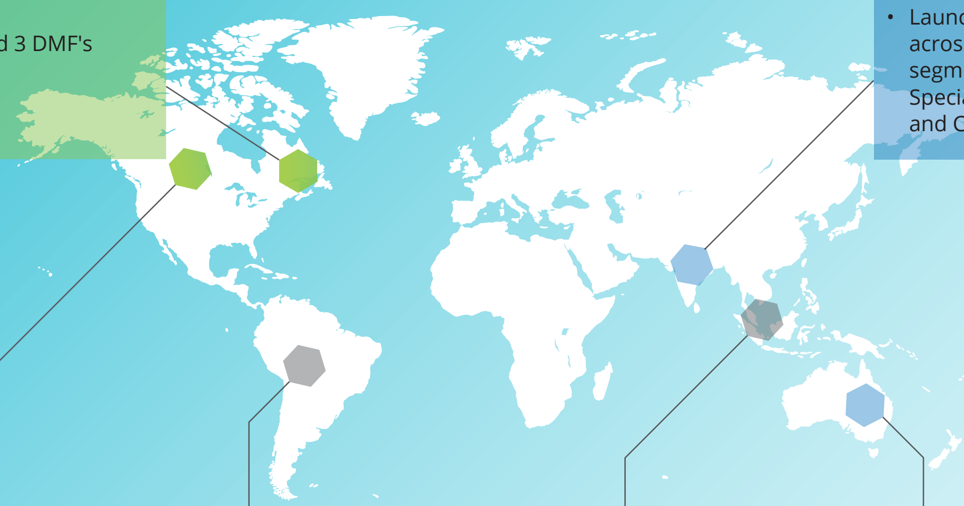
In the Canadian market, we continued to strengthen our foothold through aggressive entries into new provinces. During the reporting year, we had seven filings at Health Canada taking our cumulative total to over 20 filings.

Our Brazilian entity made good traction during the year with approvals on two oncology products – Everolimus tablets and Letrozole tablets.

We believe that this is the beginning of our growth story in the region. We have done high-potential filings, including products in the oncology segment.

US
- Filed for 5 ANDA's and 3 DMF's

India
- Launched 6 products across our three segments of Oncology, Specialty Pharma and CnD



Canada
- Filed for 7 Abbreviated New Drug submissions (ANDs)
- Successful listings in major provinces and retail chains

Brazil
- Filed for multiple oncology products
- Launched two oncology products; Everolimus tablets and Letrozole tablets

Asia Pacific
- Started a subsidiary in the Philippines

Australia
- Received approvals for Imatinib tablets

The above data pertains to FY 2018-19

Consolidating our US business

In the US market, we grew our market share in both complex molecules of generic Glatiramer Acetate and Liposomal Doxorubin. We truly believe these two products to be high barrier to enter with potential recurring earnings in the near term.

We have benefited significantly from the sale of Oseltamivir during the past two years with an expected decline in revenue in the coming years due to increased competition and price erosion.

Forging diverse partnerships

As we move into multiple markets, with geography specific niche products, it is important for us to strengthen partnerships that complement our capabilities.

Towards this aim, we are teaming up with partners who follow industry leading practices. This will help us in bringing unique products to the market in shorter time frames. In 2019, we have formed a fully owned subsidiary in the Philippines, NATCO Lifesciences Philippines Inc.

The subsidiary will focus on oncology products and we are expecting a couple of key launches in the next few years. Leveraging on our presence in the region, we hope it will be a key growth lever in the region in the coming years.

In the domestic market, we are actively using third-party manufacturers when appropriate, to support and ensure sustainable supply of active ingredients. While for emerging and regulated markets we are forging new alliances for front-end marketing.

Leveraging synergies through diversity

At NATCO, our success is the outcome of our ability to deep-dive into the fundamentals of chemistry, to identify more efficient ways to manufacture and deliver products with speed and precision. We have identified a unique set of products for India and the US, and devised a strategy to expand them to several other geographies.

Evolving a new approach to regulatory filings

Over the past year, we have made a conscious effort to adopt a global portfolio strategy for product development and filing in several regulatory markets across. Under this strategy, we incorporate elements in design process and quality systems that enable us to file and launch products across several geographies.

While there are incremental costs incurred in filing for the product in multiple regions, it results in increased returns on investment. Historically, we have focused on specific pipeline for India and for the US. With a global portfolio approach this has expanded into several regions, such as Brazil, Canada and South East Asian countries.

Success of the global portfolio strategy

NATCO has followed the strategy of using its niche oncology portfolio to further its presence across different geographies. One such product which follows the strategy mentioned is Everolimus.

With a global developmental approach in mind, we have filed for the drug in the US and targeted other regions with a potential demand.

As such, we have launched the product in Brazil.

Liposomal Doxorubicin is another example of this strategy wherein we have filed for marketing authorisation in several countries across the world including countries within the EU.

The flu medicine Oseltamivir, too, was initially launched in India and then in 2016, in the US and Canada as the first generic version of capsules. We are targeting to launch the product in other markets.

Everolimus tablet is another example, which has multiple layers of difficulty in its development and manufacturing. And, the company was able to successfully launch the product.

Diversifying into products with more entry barriers

It was important for us to continually migrate towards higher entry barrier products to ensure a sustainable business. The result is that we are developing products with new synthetic routes, alternate manufacturing techniques, improved and efficient production systems.

We believe that identifying and developing products with diverse barriers is the new way to be ahead of the competitive curve. This approach helps ensure that our competitive advantage is not eroded by marketing uncertainties or evolving business climates.

Our approach towards diverse products

During the past several years the Company has carefully chosen to enhance certain capabilities into new manufacturing techniques such as spray drying and hotmelt extrusion technologies to enable novel solid dispersion methodologies.

We are also leveraging our success in liposomal formulations and peptide chemistry to diversify into other product opportunities.

Everolimus tablet is another example, which has multiple layers of difficulty in its development and manufacturing. And, the company was able to successfully launch the product.

Advancing R&D diversification

Our research and development team continues to propel NATCO's overall business outcomes. The team is instrumental in creating high-quality complex products that have helped us attain positive outcomes across markets.

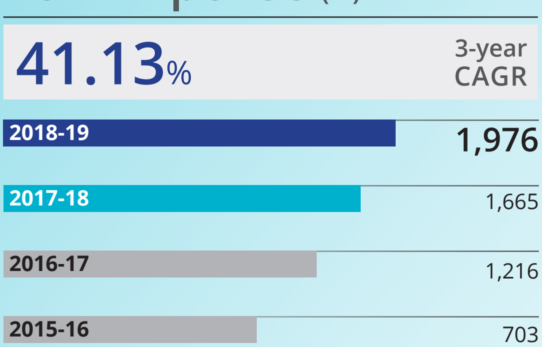
Our 400+ R&D team work on a range of activities, including developing new products, improving existing products, drug delivery systems and expanding product applications.

The diversification that we see today is driven by ideas generated by senior management and executed effectively by our research team in creating multiple products, combination products and innovative dosages.

Diversifying research for new markets
Over the last three years, our R&D investment expanded by 41.13% CAGR with total spend being ₹ 1,976 million or 9% of our revenues for the year FY 2018-19. The Company has continued to advance its technology platforms of peptide chemistry and liposomes, with an intent to diversify its product portfolio. With a specific focus on diversifying its technological capabilities, the company has also added novel solid dispersion technologies.

We believe that with this and other technical expertise it would enable the company to target newer difficult molecules.

R&D Expense (%)



Mixing it up with diverse dosage combinations

Fixed-dose combination (FDC)
A combination drug is an FDC that includes two or more active pharmaceutical ingredients (APIs) combined in a single dosage form. While these are more complex to manufacture, they ensure increased compliance by patients and result in lower side effects.

During the year, we launched an FDC of Sofosbuvir-Daclatasvir tablets to treat Hepatitis C under the brand name Hepcinat Plus and an oral fixed-dose combination of Sofosbuvir and Velapatasvir under our brand Velpanat.

The Company is also working on other dosage forms to cater for the unmet needs of patients.

Leveraging crop health sciences

We are using our expertise in organic chemistry to leverage our skillsets and expand into the agrichemical space. After carefully assessing the market potential and understanding our own strengths, we are targeting a unique set of molecules for the Indian market, which have a potential to expand to other regions.

NATCO has also entered strategic alliances with partners who will help us in making inroads into the segment. We have already initiated activities related to the construction of facilities in Nellore area, Andhra Pradesh for both active ingredient and crop protection products.

Our agrichemical venture complements our differentiated R&D approach and will be a key growth lever in the coming years.

We are using our expertise in organic chemistry to leverage our skillsets and expand into the agrichemical space.

Board of Directors

V.C. Nannapaneni
Chairman &
Managing Director

G.S. Murthy
Independent Director

T.V. Rao
Independent Director

Rajeev Nannapaneni
Vice Chairman & CEO

D.G. Prasad
Independent Director

Dr. Leela Digumarti
Independent Director

P.S.R.K. Prasad
Director and Executive
Vice President Corp
Engineering Services

Dr. M.U.R. Naidu
Independent Director

Dr. Linga Rao Donthineni
Director and President -
Technical Affairs

Sridhar Sankararaman
Non-Executive and
Non-Independent Director

Key management team

V.C. Nannapaneni
Chairman & Managing Director

Rajeev Nannapaneni
Vice Chairman & CEO

P.S.R.K. Prasad
Director and Executive Vice President
Corp Engineering Services

Dr. Linga Rao Donthineni
Director and President - Technical Affairs

M. Adinarayana
Company Secretary & Vice President - Legal & Corporate Affairs

Appa Rao S.V.V.N.
Chief Financial Officer

Dr. Apte S. S.
Vice President - R&D, NDDS

Dr. Durga Prasad K.
Vice President - R&D, Chemical Synthesis

Dr. Gopalakrishnan Vaidyanathan
Vice President - Analytical R&D

Lakshminarayana A.
Vice President - HR & OD

Dr. Pavan Bhat
Executive Vice President - Technical Operations

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

Rajesh Chebiyam
Vice President - Acquisitions, Institutional Investor Management and Corporate Communications

Dr. Ramesh Dandala
Executive Vice President – Technology Transfer, Intellectual Property Rights and Regulatory Affairs (API)

Dr. Rami Reddy B.
Director - FDF

Dr. Satyanarayana K.
Vice President - R&D

Dr. Shankar Reddy B.
Vice President - R&D, Chemical Synthesis

Srivatsava K.
Vice President - Marketing & Sales, Domestic

Subba Rao Mente
Vice President - Global Generics

Sunil Kotaru
Vice President - Supply Chain Management

Suresh Prabhakar Kamath
Vice President - Operations (Visakhapatnam Unit)

Venkat Rao Tummala
Vice President – Manufacturing, Chemical Division

Srinivas Ch.
Vice President - Demand and Supply Planning

Risk framework and mitigation strategy

Pre-emptive measures for a resilient business

Risks			
Regulatory risk	**Business portfolio risk**	**Currency volatility risk**	**Geographic risk**
Nature of risks			
An unfavourable facility inspection from USFDA or other major regulatory body can lead to a significant delay of product exports.	NATCO is exposed to the risk of revenue generation from limited therapeutic segments. This could have an impact on the financial viability of the Company.	Fluctuations in foreign currency could result in variations in margins for the Company.	Being excessively dependent on the domestic and US market could affect sustainability in the long run.
Controls and actions			
The Company has rigorous training programmes for all employees in the manufacturing facilities and detailed internal processes and quality monitoring systems to ensure full compliance.	The company is currently diversified into multiple therapeutic segments in India such as oncology, hepatology, cardiology and diabetology. NATCO has been aggressively been launching products across these segments. In the US and many other markets, the company has chosen molecules independent of therapy segment.	The Company is naturally hedged with imports. With the expected depreciation in the rupee, the Company stands to gain on exports.	Today the company has notable revenues from India, US and Canada with escalating monetisation from Brazil and South East Asian regions. Given the company's strategy, going forward we expect even lesser dependency on any one specific geography.

Human Capital risk	Health, Safety and Environment	Price control risk	Patent risk
Our success depends on our ability to retain and attract key qualified personnel, and if we are not able to retain them or recruit additional qualified personnel, we may be unable to successfully develop our business.	Being in the business of healthcare, it is imperative for the Company to ensure 'no risk' in regards to health and safety of its stakeholder fraternity. Non-compliance with domestic and international regulations may lead to business disruptions.	Increased adoption of tender systems and other forms of price controls in the market could reduce revenue/profit realisation for our products.	The Company's inability to defend patent challenges could prevent the Company from selling products or may result in financial liabilities.
The Company has a policy of providing excellent working environment for employees across all sections for a better work-life balance. The compensation paid by the Company is comparable with industries of its class and size. The Company has formulated an ESOP scheme to award and retain talent.	The Company endeavours to achieve zero incidents and maintains full compliance with the laws and regulations it is governed with. All its manufacturing facilities and R&D centres are compliant with regulatory laws, and are periodically audited.	The Company usually sets its prices at competitive rates. Any impact of price control would be felt to a similar extent by its competitors, thereby making it indifferent to the situation.	The Company enters strategic partnerships for product launches with major distributors and renowned pharma companies, wherein the downside risks (legal costs) are shared. For domestic markets, certain products entail risks but the Company carefully asses the risks before any launch.

Corporate social responsibility (CSR)

Strengthening our community connect

At NATCO, we are firm believers in participatory growth and in sharing the fruits of our labour with the communities we work with. We believed that there were significant sections of society that were left untouched by development. To bridge this gap, the NATCO Trust was established in 1995.

The core areas of NATCO Trust

Education

NATCO Trust is committed to create an enabling environment for children through education initiatives, with emphasis on quality as well as on providing appropriate infrastructure, skilled teachers, innovative teaching methodology and curriculum.

Our work in the area of education includes supporting NATCO nurtured institutions as well as addressing the need gaps of government schools and anganwadis. During the year, we had the privilege of adding value to the lives of over 14,000 students through our initiatives in education.

NATCO High School: NATCO High School was established in the Rangapur village of Kothur mandal (Rangareddy district) of Telangana in the year 1995. The journey started with over 70 students and 10 staff members while today it has over 1400 students.

At NATCO High school we introduced the XSEED methodology of teaching for pre-primary to primary students and the Butterfly methodology for students in the 6th to 10th class. The study of field-based agriculture was added to the curriculum. Infrastructure at the school was upgraded as we added a multi-purpose auditorium, sports facilities and agriculture lab to the campus.

The NATCO School Of Learning: NATCO School of Learning (CBSE Syllabus) was established at Gollamudipadu village, Ponnur Mandal of Guntur District, Andhra Pradesh in 2011, with an objective of providing good education to the local communities.

The school located in a serene environment of 9 acres of land with state of art facilities, trained teachers, XSEED – idiscovery methodology of teaching, well equipped computer lab, library, science laboratory, art and craft, gardening, landscaping and sports facility. It follows the CBSE Syllabus and the students excelled academically in the 10th standard examination, with around 90% of them passing with distinction.

NATCO Government High School: NATCO Trust entered a public private partnership (MoU) with the district administration of Hyderabad to partner in the construction of additional classrooms for a Government High School located in a highly concentrated urban slum, of Borabanda near Jubilee Hills, Hyderabad, Telangana.

NATCO Government High School currently has over 2000 children, and has both Primary and High Schools in the same compound and teaches through both Telugu and English medium.

It is the only Government high school for entire Borabanda slum (more than 3 lakhs population) and NATCO has aided in the construction of basic facilities like 30 classrooms; a science lab and a library; separate sanitation facilities for female, male students and teaching staff and a public addressing system.

NATCO TRUST – SCORECARD FY 2018-19

Education
Touched over 14,000 children

Nutrition
Over 500 mothers and children benefited

Livelihoods
Over 200 youth and farmers benefited

Sports
Promotion of community sports in over 40 schools

Health
Community outreach over 48,000 patients with 5000 patients reached daily through hospital services

Potable water
Over 30,000 people benefited in over 40 villages

Sanitation and Plantation
Over 40 schools and 30 *Anganwadis* in targeted areas

Creation of community infrastructure
Additional classrooms, speciality wards community halls, sanitation facilities and other such infrastructure units

Health

20,000

People benefited through our satellite healthcare unit at Mekaguda village

We have set up various healthcare facilities across therapeutic areas. A number of such facilities have had a far-reaching impact on the community.

NATCO Digital Primary Health Centre: This is a standalone satellite healthcare unit at Rangareddy district in Telangana that addresses all basic outpatient healthcare facilities and caters to neighbourhood villages. It served over 20,000 people from 74 surrounding villages in FY 2018-19.

L. V. Prasad - NATCO Eye Center: This is a modern, fully equipped facility in the Kothur mandal, Rangareddy district located in 2.2 acres of land. It is now fully operational and caters to over 60 patients a day and conducts over five surgeries every day.

Comprehensive Cancer Care Unit, Guntur: NATCO Trust is constructing a cancer center at Guntur General Hospital (GGH), Andhra Pradesh (AP) for which the government has allotted land to the extent of 4,000.sq yards within the premises of GGH. This will be the first medical linear accelerator (LINAC) facility among Government hospitals in AP. Spread over 77,000 sqft, it is expected to commence operations in the FY 2019-20 and would serve the needs of patients from several districts in the state.

Mobile Clinics: NATCO Trust's comprehensive mobile health care units were started with the objective of reaching out to the rural population. They travel the length and breadth of 32 villages at Kothur and Nagarjunasagar locations in Telangana reaching over 36000 patients in the FY 2018-19. The clinics are equipped with a qualified doctor, nurse and a pharmacist and provide both consultation and medicines, free of cost.

Nutritional centres and kitchen gardens

33

Nutritional centres in 23 villages

The Nutritional Centres provide support in the form of a supplementary food on a daily basis to pregnant women and lactating mothers and their children from underprivileged families. We support 33 nutritional centres in 23 villages

To increase awareness about nutritious food and promote self-sufficiency, training is provided on cultivating nutritional backyard kitchen gardens. We distributed different varieties of vegetable seeds and saplings to promote Non-Pesticide Management (NPM) and organic backyard kitchen gardens

Potable water plants

2,200

Children benefited through centralised potable water distribution

To prevent water-borne diseases and to provide potable water to the community we established potable water plants for the communities in over 40 villages

Provided centralised potable water distribution to 17 *anganwadis*, 13 government primary and high schools. This benefited over 2,200 children in five gram panchayats at Nandigama and Kothur mandal of Ranga Reddy district of Telangana state

Livelihoods

₹6,00,000

Earned by women trained at the centre

We have set up skill development centres that help individuals improve their farming and non-farming skills, thereby increasing their ability to earn income

Organising basic tailoring, IT, beautician and pre-primary teacher training certificate courses (PPTTC) for women. About 80 women trained at the centre earned an income of over ₹ 6,00,000 for two months by stitching school uniforms Taught natural farming and non-pesticide management to over 50 farmers who are applying these practices in 78 acres of land

Supported over 65 farmers to promote organic cultivation with buy-back facility and cultivation extended to ~70 acres of land

Environment, health & safety (EHS)

Delivering on our sustainability commitments

Safety by design

NATCO provides utmost importance to safety and practices the 'Safety By Design' concept for its drug molecules. This concept is followed at every stage including conception, development and commercial manufacture.

For the purpose, we have established a state-of-the-art Process Safety Engineering Lab at NATCO Research Centre, Hyderabad with an investment of ₹ 50 million.

So far, the laboratory has executed over dozens of projects and delivered their Process Safety Engineering reports.

The lab classifies the hazards in the process with respect to chemicals, process equipment and environment. It then provides proper mitigation solutions by modifying the process, making required changes in the manufacturing facility and coordinating with concerned departments and stakeholders.

Energy efficiency

During the year, we continued to enhance our dependence on renewable energy through the following processes:

- Increased our onsite solar power generation plant to 3 MW at Mekaguda unit from 1MW earlier
- Began the installation of an onsite rooftop solar power plant at Kothur unit
- Initiated the use of solar energy for boiler feed water pre-heating by using a parabolic Solar Dish concentrator at the Sagar unit
- Installed windmill at Ananthapur, Andhra Pradesh and started generating power; during FY 2018-19 ~1.16 million KWH of power was supplied to the grid. The power generated from the wind mill is expected to cater to the needs of our facilities in Vishakapatnam and Nellore
- In our Chennai facility over 90% of the power requirement is met through renewable sources

The Eco Park

Two years ago, an idea was conceived to convert a construction waste material yard at the Mekaguda site into a park. The objective of the Eco Park was to use the waste materials present and convert it into a sustainable space, which can be used by everyone.

The former construction waste material yard has now been transformed into a park where birds come calling, greenery is in abundance and where nature reigns supreme. The unique feature of the Eco Park is that it's sustainable at its very core – for example, waste concrete posts and using leftover stones from other construction sites have been used as benches.

Spread over an acre, the garden, also has a small hut, steeped in old world charm – with a bullock cart, old village furniture and some outdoor seating, which further accentuates the beauty of the park.

The plan is to use the garden for monthly review meetings and special occasions. The sylvan surroundings and chirping birds would be a refreshing addition to the formal proceedings.

Management Discussion and Analysis

Economic review

Global economy

Global economic growth slowed in 2018 to 3.6% from 3.8% in 2017 (Source: International Monetary Fund's World Economic Outlook). A slowdown in the Eurozone, trade tensions in China and macro-economic stress in developing economies such as Argentina and Turkey led to this slowdown. Escalating trade tensions between the US and China coupled with uncertainty on Brexit added to the volatility in financial markets and delayed investment decisions, putting further brakes on economic activity.

Eurozone's economic growth dipped to 1.8% in 2018 from 2.4% in 2017 due to weak export performance and low domestic demand. China's growth rate also fell to 6.6% from 6.9% in 2017 as tight monetary policy reduced demand in the domestic market. The US economy, however managed to buck the trend and register a 2.9% growth in 2018. Good employment rates, favourable business conditions and marginal inflation helped the world's largest economy grow at its strongest pace in nearly a decade.

Global growth pattern

(%)

	2018	2019 (P)	2020 (P)
World output	3.6	3.3	3.6
USA	2.9	2.3	1.9
Euro Area (Germany, France, Italy, Spain)	1.8	1.3	1.5
Japan	0.8	1.0	0.5
Canada	1.8	1.5	1.9
UK	1.4	1.2	1.4
Other advanced economies[1]	2.9	2.6	2.2
Emerging market and developing economies	4.8	4.5	4.4
China	6.6	6.3	6.1
Brazil	1.1	2.1	2.5

[1]Excludes Canada, Japan, the UK, the US and the Euro area countries | P: Projections

IMF expects global economic growth to slow down further to 3.3% in 2019. To address such tepid growth forecasts, central banks of most major economies migrated to a more accommodative policy and the US Federal Reserve has also indicated that it will not hike rates this year. IMF expects growth to pick up in the second half before stabilising at 3.6% in 2020.

Indian economy

In FY 2018-19, the Indian economy recorded a growth of 6.8%, making it one of the fastest growing large economies of the world. This growth was driven by strong capital formation, rising exports and an increase in private consumption. During the year, India's ranking in the World Bank's Ease of Doing Business index improved for second year in a row, moving up 23 places to reach 77th position. This was the outcome of government's focus on structural reforms and improving infrastructure. An upswing in consumption and investment, lower oil prices and a favourable monetary policy are the factors that are likely to help India's economic growth bounce back to 7.2% in 2019-20.

India's GDP growth (%)

Source: CSO, RBI e = estimate; f = forecast

India's growth over the next few years is likely to be driven by a number of factors including:

Stable government

Given the continuation of a strong and stable government at the centre, the work done in the areas of structural reforms will continue uninterrupted. It will also ensure a steady and sustained policy framework. This stable environment is a key positive for economic growth.

Foreign Direct Investment (FDI)

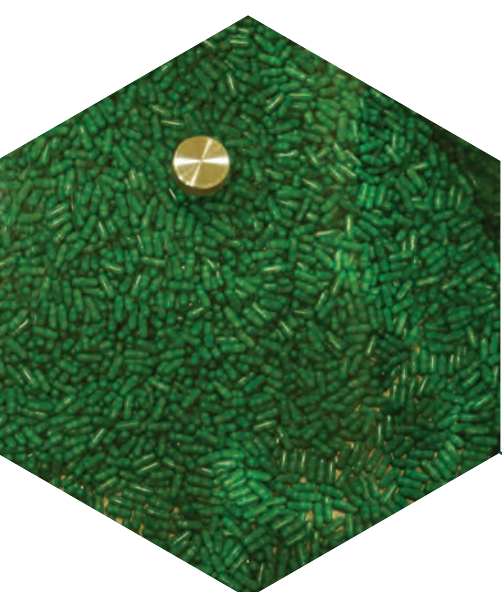
India has been ranked 11th in the Global FDI Confidence Index 2018, making it the second highest ranked emerging market for FDI. India's FDI equity inflows reached US $33.49 billion during FY 2018-19 while the cumulative FDI equity inflows to the country from April 2000 to December 2018 reached US $409.15 billion. FDI is important as the country needs significant investments to upgrade its infrastructure and propel growth.

Encouragement to manufacturing

The 'Make in India' programme launched by the government aims to encourage manufacturing in the country which will lead to large-scale job creation and foster economic growth. The unique initiative aims to utilise the existing Indian talent base, creating additional employment opportunities and empowering secondary and tertiary sector Moreover, it represents a complete change of the Government's mindset - a shift from issuing authority to business partner.

Consumption-driven economy

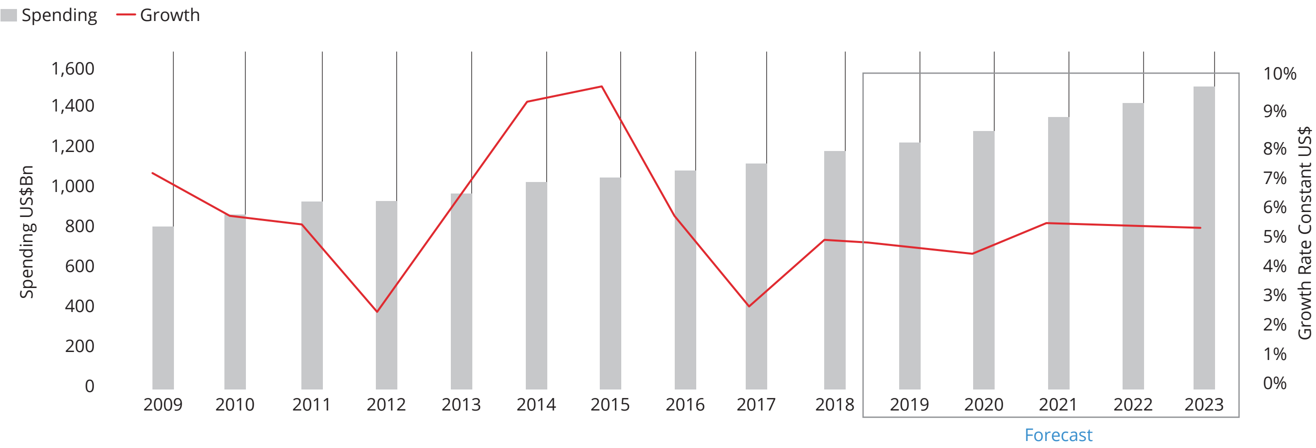
The fact that almost 60% of India's economy is fuelled by domestic consumption makes it resilient to the fluctuations in the global economy. Given the accommodative monetary policy and government initiatives such as deductions given in direct tax, people will be left with more money in their hands; this is likely to boost the consumption and investment cycle.



Global pharmaceutical market review

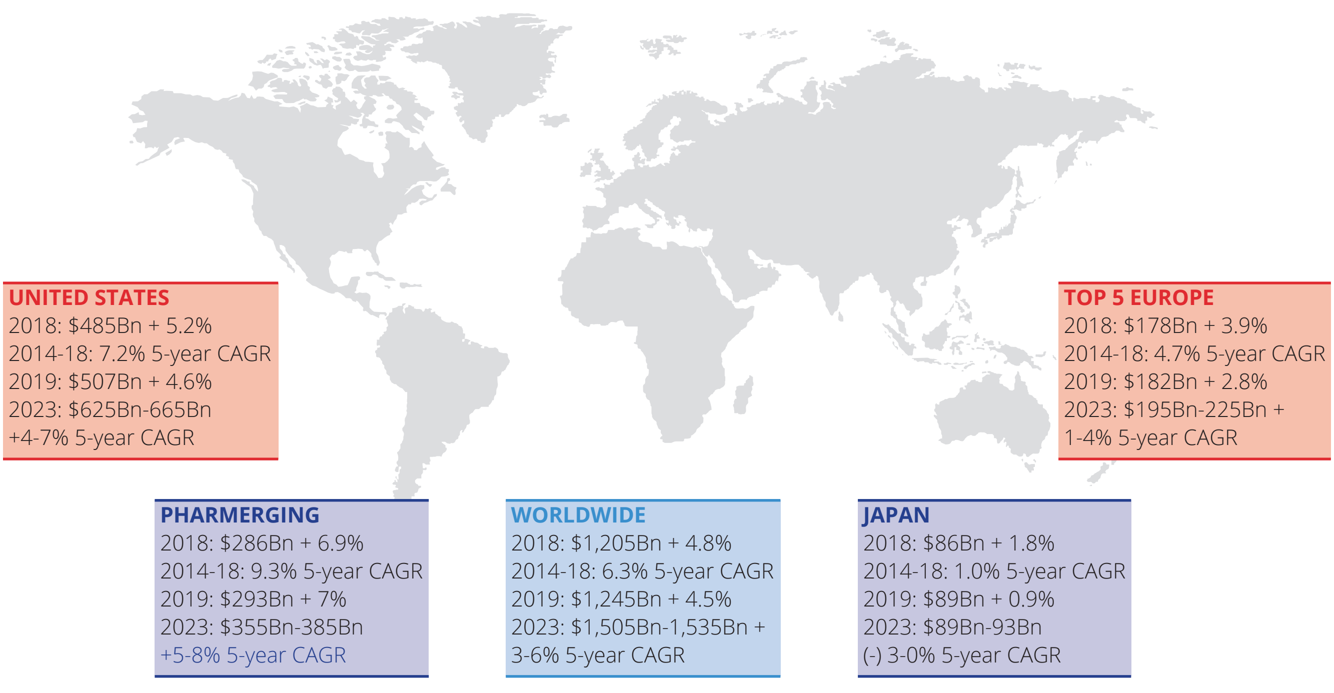
The global spending on medicines reached $1.2 trillion in 2018 and is expected to exceed $1.5 trillion by 2023; growing at a compounded annual growth rate (CAGR) of 3–6% over the next five years (Source: IQVIA: The Global Use of Medicine in 2019 and Outlook to 2023). The growth curve will be driven by factors such as aging populations, longer life expectancy rates, improved purchasing power and prevalence of chronic diseases.

Exhibit 1: Global medicine spending and growth 2009-2023



Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

Exhibit 2: Global medicine spending and growth in selected region, 2018-2023



Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

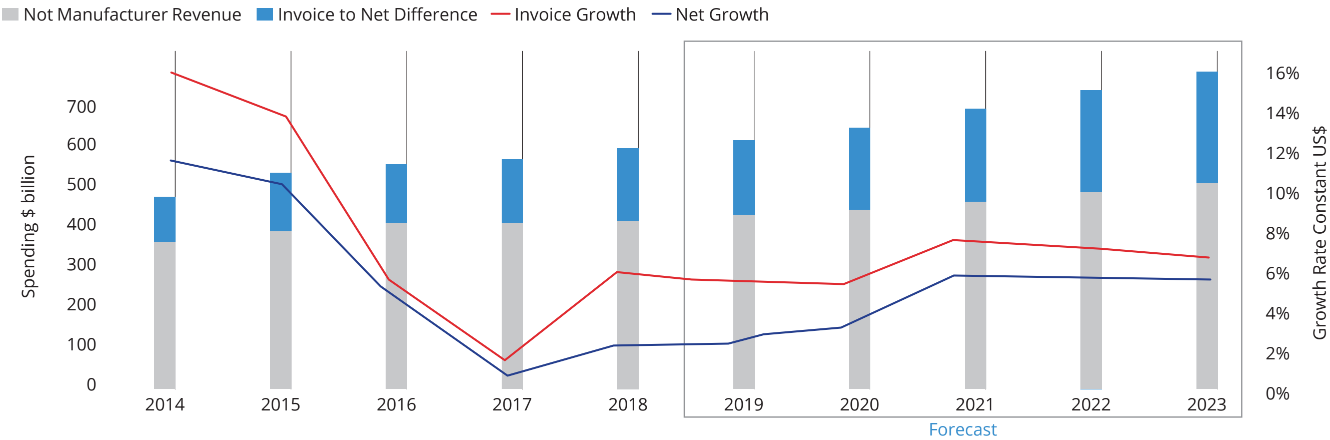
Notes: Market sizes shown in US$ with actual and forecasting exchange rates; growth shown in constant dollars at Q2 2018 exchange rates; Japan growth decline on constant dollar basis is due to exchange rate dynamics

US

The US pharma spending registered $484.9 billion in 2018 on the back of new product updates and brand pricing. Most drug makers limited their annual price hike to 6% for branded products due to criticism of price hikes by manufacturers on established products.

While there was a move to cap prices of established drugs, the list prices of recently launched specialty, orphan and oncology drugs were still high. The median annual cost for new medicines in these segments rose significantly with oncology and orphan drugs likely to have median prices well above $100,000 per year by 2023.

Exhibit 5: U.S.invoice spending on medicines and net manufacturer revenue and growth ($ billion)



(Source: IQVIA Market Prognosis, September 2018; IQVIA Institute, December 2018)

Outlook

The US pharma market is seen growing at a CAGR 4-7% to US $625-655 billion in 2023, which is lower compared to the 7.2% CAGR in 2014-18.

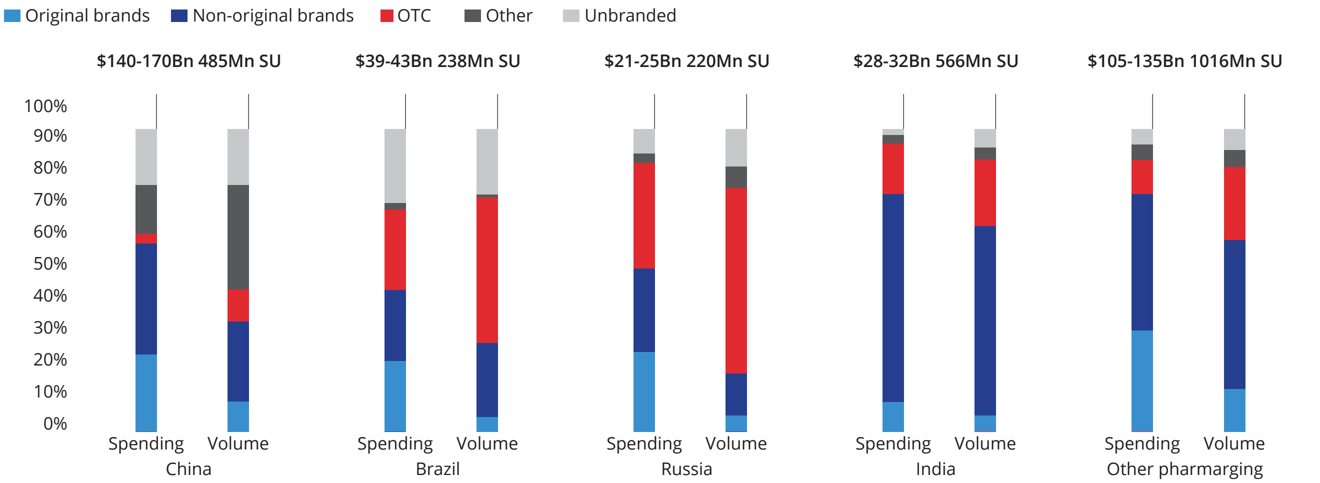
While overall invoice spending growth is expected to increase to 6% in 2023, from 1.2% in 2017, net manufacturer revenue growth is likely to be 1–2% lower than invoice growth. Off-invoice discounts, rebates, statutory payments are expected to keep net revenue growth below inflation levels for the next five years.

Pharmerging markets

Pharmerging markets are emerging markets in the pharma space; characterised by less than $30,000 GDP/per capita and greater than $1 billion absolute prescription medicines market growth potential between 2014 and 2019.

Spending on medication in pharmerging markets recorded a robust 9.3% CAGR in 2014-18 to register $285.9 billion. Factors such as governments' efforts to make healthcare products accessible to multiple geographies and consumers' ability to afford better healthcare products on the back of higher disposable income bolstered overall spending.

Exhibit 31: Pharmerging medicine spending by volume and type, 2023



Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

Outlook

Pharmerging markets are expected to grow at CAGR 5–8% over the next five years. This dip from 9.3% in the past five years is ascribed to the absence of growth driving factors encountered in the last five years.

Within the pharmerging markets, China, Brazil and India have the greatest medicine spending. China is the second largest pharmaceutical market globally with total spending of $137 billion in 2018. Government reforms to improve insurance access and recent upgrades in the hospital and primary care infrastructure boosted spend. China's pharma market is likely to grow at 3-6% and register $140-170 billion by 2023 vis-à-vis Brazil which is likely to grow at 5-8% to $30-43 billion.

Pharmaceutical spending growth for pharmerging markets by region (US$ billion)

Region/Country	2018	2014-2018 CAGR	2023	2019-2023 CAGR
China	132.3	7.6	140-170	3-6
Tier II markets	67.7	10.7	91-95	7-10
Brazil	31.8	10.8	39-43	5-8
India	20.4	11.2	28-32	8-11
Russia	15.5	9.9	21-25	7-10
Tier III markets	85.9	11.3	105-135	7-10
Pharmerging markets	**285.9**	**9.3**	**355-385**	**5-8**

(Source: IQVIA Market Prognosis, September 2018; IQVIA Institute, December 2018)

India

Pharma spending in India stood at $20.4 billion for 2018 and is expected to grow at a CAGR 8-11% in the next five years to touch $28-32 billion, making India one of the top 10 pharma markets by 2020. The rise in the number of middle-class households, improved medical infrastructure and increased penetration of health insurance will enhance growth. Domestic Active Pharmaceutical Ingredient (API), consumption is expected to reach US $18.8 billion by FY 2021-22.[1]

India's research and development competency and efficient production facilities helped it secure a leading rank among global producers of cost-effective generic medicines and vaccines. India supplied 20% of the total global pharma demand by volume. In FY 2017-18, India exported pharma products worth $17.27 billion and by 2020, the industry estimates the exports to grow by 30% to reach $20 billion.

1RNCOS, BMI, Datamonitor, KemwellBiopharma, Chemical Pharmaceutical Generic Association, ICRA Report estimates, pharmanewsprwire.com, DGCI&S

The Government of India has taken several initiatives to promote healthcare in the country. Targeting more than 500 million beneficiaries, Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PMJAY) is the largest government-funded healthcare programme in the world. Additional benefits such as rural healthcare programmes and extension of comprehensive primary healthcare are expected to augment growth for pharmaceutical sector.

Business overview

NATCO Pharma Ltd. (NATCO) is a vertically integrated pharma company, which manufactures Finished Dosage Formulations (FDF), Active Pharmaceutical Ingredients (API) and Intermediates. NATCO markets its products in India, the US and the rest of the world (ROW) markets. With its niche focus and nimble strategy, NATCO has created a stronghold in oncology and gastro hepatology segments in India.

During recent years, NATCO has launched complex molecules like Glatiramer Acetate Injections (both 20 mg and 40 mg), and Liposomal Doxorubin in US, which are contributing to stable business. During the reporting period the company filed for five ANDA's and three DMF's in unique segments in line with its objective of niche molecule filings in US. The Company is well positioned for growth in emerging markets like Canada and Brazil with launches and approvals in both markets

In India, NATCO has built a strong presence in the oncology and gastro-hepatology segment and is building up its products in the Cardiology and Diabetology (CnD) segment.

The Company has fortified its position further in domestic business through six new product launches, including two in oncology and four, collectively in pharma specialty and CnD.

NATCO's FDF facility in Vishakhapatnam is a part of Special Economic Zone (SEZ) and is intended to cater predominantly to the export market. The Company has completed the manufacturing set-up, and the facility is expected to commence commercial operations during the FY 2019-20.

In the long term, the Company sees its growth driven by multiple markets, products and businesses. NATCO expects good prospects in Canada, Brazil and India, apart from establishing a presence in Singapore and other regions of South East Asia.

Over the past couple of years, the company has made a conscious decision to select products, which could have a potential market in the US, India and other emerging ROW countries by following the global portfolio strategy. This strategy of selecting multiple markets for a single product increases the possibility of better return on investment.

On the emerging markets front, the Company has strengthened its position in Brazil and Canada with good approvals and launches and is positive about its prospects in the region.

The Company is also leveraging its core competency in organic chemistry to foray into the Crop Health Sciences space.

Business segments

NATCO's business can be broadly classified into two categories: FDF and API. Its formulations business caters to the domestic and international markets. In the domestic formulations market, the Company operates in the divisions of oncology, pharma specialties and CnD.

The Company's international formulations business caters to the US and ROW markets predominantly in Brazil and Canada and is currently increasing its footprints in South East Asia. The API manufactured has both captive consumption and is sold to customers.

Domestic formulations

In the domestic market, NATCO Pharma is one of the largest players in the oncology segment and a key player in the pharma specialty space.

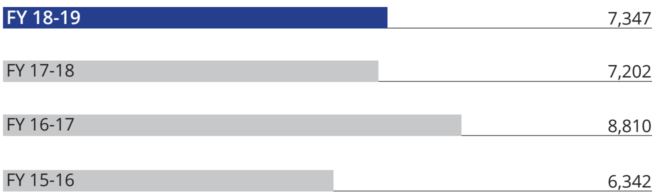
During the year FY 2018-19, the domestic business grew with strong support from the oncology segment. The Company believes that it will maintain a strong growth in the domestic segment through both, its existing products and new launches. NATCO plans to launch 6-8 products across all three domestic formulation business divisions in the coming year.

NATCO regularly hosts Continuous Medical Education (CME) programmes for the doctor community, keep them abreast of the latest developments. The Company's endeavour is to bring affordable products in the market.

NATCO is well placed to meet the rigorous regulatory requirements due to the company's strong culture of manufacturing high-quality medicines with strict process controls. This, we believe will help us continue on the path of sustainable growth.

Domestic FDF sales

Revenue (₹ in million)



3-year CAGR

5.03%

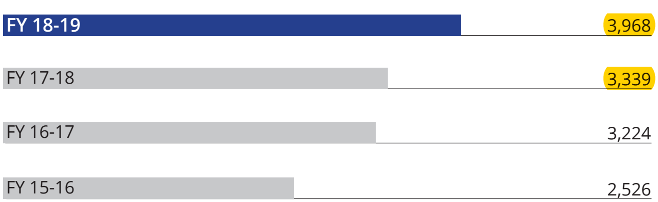
Oncology

With a portfolio of 29 products, the Company is amongst the largest players in the Indian oncology market. It has six brands- Veenat, Lenalid, Erlonat, Geftinat, Sorafenat and Bortenat- which have recorded sales of over ₹ 100 million in FY 2018-19. During the year, the Company launched Lepatinib and Certinib, contributing to the overall growth in the segment. NATCO has a dedicated sales force of representatives and strategically located network of distributors who are driving the business ahead.

The revenue of the oncology segment has grown from ₹ 3,339 million to ₹ 3,968 million reflecting a growth of 18.84%. This was in spite of competitive pressures and pricing controls during the year.

Oncology revenues

Revenue (₹ in million)



3-year CAGR

16.25%

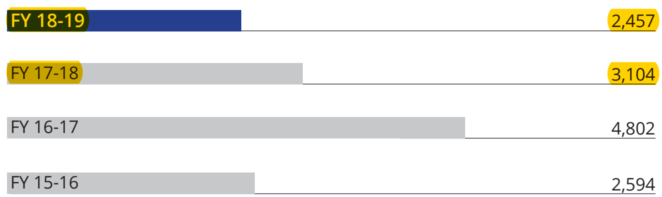
Pharma specialties

NATCO's specialties division caters predominantly to the gastroenterology segment, in addition orthopaedics and critical care. The Company continues to be a market leader in the Hep C segment of drugs, despite the overall decline in the size of the market. While our revenues have fallen from ₹ 3,104 million to ₹ 2,457, we hope to regain the market due to our robust portfolio.

In orthopaedics, the Company currently markets two brands while it has four niche brands in the critical care segment. The Company has strong pipeline of products to be launched under this division in the coming years.

Pharma speciality excluding third party

Revenue (₹ in million)



3-year CAGR

-1.74%

Cardiology and Diabetology

Since the start of the Cardiology and Diabetology (CnD) division by NATCO, there have been unique first-to-launch products such as Argatroban and Dabigatran injections to treat patients with thrombosis syndrome.

The Company has several other unique molecules in the pipeline some of which have been attempted for launch during the year. Although the net revenue generated by the segment has been less than ₹ 10 crore in the financial year, NATCO confident that the Company will carve out a niche area for itself in this segment. For FY 2019-20, the Company has multiple new product launches planned in the CnD segment.

International formulations

The Company exports its FDF products from India to several international geographies either through its local partners or directly through its subsidiaries such as in Canada and Brazil.

During the year the Company has increased revenue streams from regions beyond the US.

During the year, the total international exports were ₹ 8,791 million. Additionally, the contribution from its subsidiaries stood at ₹ 1,083 million.

Total Revenues

₹ 8,791 million

International formulation sales: Geography-wise (₹ in million)

Year	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Export sales to the US, including profit share	1,125.6	7,696.8	9,542.0	8,246.0
Export sales to RoW (all non-US)	1,168.2	673.2	816.0	545.0
Sales from subsidiaries (net)	1,194.4	630.0	937.0	1,083.0

US

During the financial year, NATCO has seen an increase in market share in both Liposomal Doxorubicin and Glatiramer Acetate, which are well-positioned for increased earnings while we expect Oseltamivir to face competition and decline in revenues.

During the year, the Company's niche focus strategy in the US was further attested with the filing of another high value product - Ibrutinb tablets. We believe this is a potential first-to-file (FTF) blockbuster molecule. The Company's strategy is to continuously identify such molecules for its future growth.

In FY 2018-19, the Company filed five ANDAs in the US, which includes three potential first-to-file opportunities. As of 31 March, 2019, the Company has 36 approved ANDAs and 20 Para IVs yet to be launched. The key products are:

Key Para-IV products in the pipeline

Key Brand	Molecule	Therapeutic segment /Primary indication
Nexavar	Sorafenib	Cancer/Kidney and 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 and Pancreatic
Kyprolis	Carfilzomib	Cancer/Multiple Myeloma
Pomalyst	Pomalidomide	Cancer/Multiple Myeloma
Sovaldi	Sofosbuvir	Anti-Viral / Hep C
Imbruvica	Ibrutinib	Cancer/Leukemia

ROW markets

Canada

The Canadian market is serviced through NATCO's subsidiary, NATCO Pharma Canada Inc. The Company's key product Oseltamivir (all strengths) continues to be in a strong market position even in the third year since its launch. During the year, NATCO Canada also entered the HIV/Hepatitis space with the launch of Tenofovir Disoproxil Fumarate. With these initiatives, the Canadian operations recorded revenues of ₹ 960 million, representing a healthy growth of 24.3% over revenues of ₹ 737 million in FY 2017-18.

In FY 2018-19, the Canadian subsidiary filed seven generic submissions to Health Canada and received approval for three products. As of 31 March, 2019, NATCO Canada obtained a total of 16 approvals with the total number of filings over 20.

Brazil

It was a landmark year for our subsidiary, NATCO farma do Brazil as it has received approvals for its Everolimus tablet as the first generic in Brazil and Letrozole tablets as the third-generic player. The launch of Everolimus through hospital tenders helped establish its footprints in the country.

The Brazilian market is tender-driven, with government and regional tenders accounting for about 80% of medicine sales in the country. Directionally, the Brazilian market is moving towards generics.

Given the growth prospects that Brazilian markets offers, the subsidiary is investing in upgrading its infrastructure and participating in more government tenders. During the year, NATCO has received two significant approvals and is expecting approvals of two significant products which will drive near-term growth. As on 31 March, 2019, we have eight filings in Brazil.

Other ROW markets

The Company is taking its range of existing products to markets where it sees a significant potential for them. Currently, NATCO commenced marketing of its products in Singapore and has received approval for several products. In Singapore, considering the smaller size of the market, it remains optimistic of growth given the diverse portfolio of products being filed.

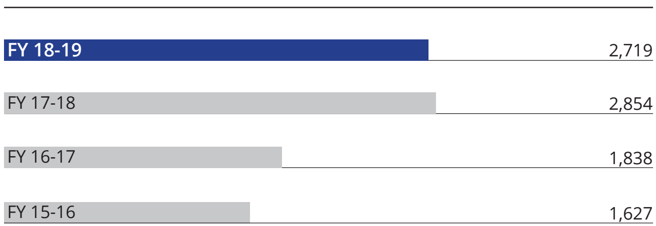
The Company is also in the process of taking its products to a host of emerging markets such as Taiwan, Indonesia, the Philippines, Commonwealth of Independent States (CIS) Countries and Africa.

API

The API business is strategically important since it develops APIs for the captive consumption of many of NATCO's critical FDF products in addition to supplying to direct customers. The vertically integrated API facility is one of the core strengths of the Company as it helps in sustaining the business in times of margin pressures or disruption in raw material supply. This division also sells API for its regulatory customers.

Gross API revenues

Revenue (₹ in million)



3-year **CAGR**

18.67%

In FY 2018-19, revenues from the API division stood at ₹ 2,719 million. As of 31 March, 2019, NATCO has a total of 45 active DMFs with the USFDA for products in therapeutic areas such as oncology, central nervous system, anti-asthmatic, anti-depressant and gastrointestinal disorders.

Financial overview

In FY 2018-19, NATCO's revenue from operations on a consolidated basis amounted to ₹ 22,247 million, recording a 26.9% CAGR over the last 3 years. Profit after tax stood at ₹ 6,444 million, representing a CAGR of 60.1% over the last 3 years.

The EBITDA for the year was ₹ 9,250 million, representing an EBITDA margin of 41.6%.

The market capitalisation of the Company as on 31 March 2019, ₹ 97.21 billion.

The Company declared three interim dividends for the FY 2018-19 and the dividend pay-out for the 1st and 2nd interim dividend amounted to ₹ 919 million while the dividend distribution tax amounted to ₹ 189 million. A third interim dividend payout in 2019 was given out which will amount to ₹ 227 million with a dividend distribution tax amounting to ₹ 47 million. Collectively, all the three dividends stand to 17.18% of standalone profit (excluding divided distribution tax) .

Threats, risks and concerns

Adverse assessment of a manufacturing facility by any key regulatory body has the potential to significantly change the business prospects of any pharmaceutical company.

Environment, Health and Safety

NATCO constantly strives to provide its employees with a safe and healthy work environment and has taken multiple initiatives to reduce its impact on the environment.

To improve occupational health and safety, the Company motivates its employees to achieve 'Goal Zero' where the aim is to have zero incidents, zero harm to people and zero damage to the environment. In order to achieve this goal, the Company has scheduled training programmes to increase awareness on environment, health and safety for employees across all units.

Reducing carbon footprint is another key priority for NATCO. Towards this aim, during FY 2018-19 the Company undertook multiple clean energy initiatives such as upgrading the solar power plant at Mekaguda to 3 MW from 1 MW and commissioned a windmill at Anantapur that will supply power to the Vishakhapatnam unit.

Board's Report

Dear Members,

The Board is pleased to present the Thirty-Sixth Annual Report on the business and operations of the Company together with the Audited Financial Statements for the year ended 31st March, 2019.

Company Overview

Your company is a vertically integrated pharmaceutical company having presence in multiple speciality therapeutic segments. Over the years, the Company has developed an innate ability to deliver molecules, which are complex and hard to manufacture. The Company has constantly innovated and manufactured speciality medicines and niche pharmaceutical products. The Company has its corporate headquarters at Hyderabad.

Financial Results

A summary of the Company's financial results for the Financial Year 2018-19 is as under:

(₹ in million)

	Standalone		Consolidated	
	Year ended 31st March, 2019	Year ended 31st March, 2018	Year ended 31st March, 2019	Year ended 31st March, 2018
Net Revenue /Income	21,161	21,479	22,247	22,424
Gross profit before interest and depreciation	9,463	9,678	9,250	9,688
Finance Cost	188	147	193	154
Profit before depreciation and amortisation - (Cash Profit)	9,275	9,531	9,057	9,534
Depreciation and Amortisation	801	655	810	662
PBT before exceptional items	8,474	8,876	8,247	8,872
Exceptional items	-	-	-	-
Profit before Tax (PBT)	8,474	8,876	8,247	8,872
Provision for Tax –Current	1,863	2,173	1,883	2,199
Provision for Tax –Deferred	(60)	(279)	(60)	(279)
Profit after Tax	6,671	6,982	6,424	6,952
Other comprehensive income (OCI)	(91)	(47)	(76)	(52)
Total Comprehensive income for the period	6,580	6,935	6,348	6,900

Dividend

The Company declared three interim dividends for the FY 2018-2019, the details of which are as follows:

S. No.	Date of Board Meeting	Date of payment	Interim Dividend Declared per equity share of face value ₹ 2/- each in ₹
1.	8th August, 2018	20th August, 2018	1.50
2.	12th February, 2019	21st February, 2019	3.50
3.	27th May, 2019	On or before 14th June, 2019	1.25
	Total		**6.25**

The dividend pay-out for the 1st and 2nd Interim dividend amounted to ₹ 919 million and dividend distribution tax amounted to ₹ 189 million. Thus the 1st and 2nd Interim dividend resulted in total pay-out of 16.61% of the standalone profit after tax of the Company for the year under review.

The two Interim Dividends have been paid to all eligible shareholders and the third interim dividend is declared on 27th May, 2019 which is due for payment on or before 14th June, 2019. The pay-out proposed for 3rd interim dividend amounts to ₹ 227 million and dividend distribution tax of ₹ 47 million. The aggregate of three interim dividends amounts to ₹ 1382 million including dividend distribution tax of ₹ 236 million and it results in a pay-out of 20.72% of Standalone Profit after tax of the company for F.Y. 2018-19.

Accordingly your Directors recommend that the above three interim dividends be treated as the final dividend of the Company for the Financial Year 2018-19. The Dividend Distribution Policy of the company is annexed to this report as "**Annexure VIII**" and is also available on the Company's website www.natcopharma.co.in.

Transfer to Reserves

The Board has decided to retain the entire amount of profits in the profit and loss account for the year under review.

Share Capital

During the year under review, 2,68,735 equity shares were issued and allotted under Employee Stock Option Schemes (ESOP- NATSOP 2015, NATSOP 2016 & NATSOP 2017) and a total of 20,15,656 shares were bought back by the Company through open market route under the SEBI (Buy-back of Securities) Regulations, 2018, out of which 18,77,640 shares were extinguished before 31st March, 2019. Accordingly, the issued and subscribed share capital of the company as on 31st March, 2019 stood at ₹ 365 million divided into 18,27,46,479 equity shares of ₹ 2/- each as against ₹ 369 million divided into 18,44,93,400 equity shares of ₹ 2/- each as on 31st March, 2018.

Buyback

During the year under review, the company announced buyback of shares commencing from 19th November 2018 for a sum of ₹ 250 crores through open market for a price not exceeding ₹ 1000 per share. During the year ended 31st March 2019, the Company bought back 20,15,656 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 1,329 million, excluding transaction costs. Out of the total shares bought back, 18,77,640 equity shares of ₹ 2 each were extinguished before 31st March, 2019 and the balance 1,38,016 equity shares were extinguished in two tranches on 5th April, 2019 and 22nd April, 2019.

Deposits

During FY 2018-19, the Company did not accept any fixed deposit within the meaning of Sections 73 and 74 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014 and therefore no amount of principal or interest was outstanding, as on the date of balance sheet.

Change in the nature of Business, if any

During the year, the company has taken approval from shareholders to venture into agro chemical business.

Subsidiaries

The Consolidated Financial Statements of the Company are prepared in accordance with relevant Indian Accounting Standards (Ind AS) issued by the Institute of Chartered Accountants of India and forms an integral part of this Report.

During the period under review NATCO Life sciences Philippines Inc. was added as a subsidiary of the company

Pursuant to Section 129 (3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules 2014, a statement containing the salient features of the financial statements of our Subsidiaries is given in Form AOC-1, which is attached as "**Annexure I**" to the Board's Report.

Particulars of Loans, Guarantees and Investments

The Company provides investments, loans and guarantees to its subsidiaries for its business purpose. Details of investments, loans, and guarantees covered under Section 186 of the Companies Act, 2013, form part of the notes to the financial statements provided in this annual report.

Corporate Governance and additional Share holders Information

Pursuant to the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), a detailed report on the corporate governance systems and practices of the Company is given under Corporate Governance Report which is part of this Annual Report. Similarly, other detailed information for shareholders is provided in the chapter Additional Shareholders' Information.

A certificate from CS P Renuka, Company Secretary in Practice (C.P.No. 3460) on the compliance with the conditions of corporate governance is part of the Corporate Governance Report. A certificate from her that none of the Directors on the Board of the company are disqualified from being appointed or continuing as a Directors of company by the Ministry of Corporate Affairs or any statutory authority is attached to this Annual Report.

Management Discussion and Analysis

A detailed report on the Management Discussion and Analysis is provided as a separate chapter in the annual report.

Board of Directors

In accordance with the provisions of the Companies Act, 2013, Mr Rajeev Nannapaneni (DIN: 00183872) is liable to retire by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting of the Company.

Board in its meeting held on 23rd May, 2018 appointed Mr. Sridhar Sankararaman (DIN: 06794418) as an additional director and his appointment as a Non-Executive and

Non-Independent Director of the Company who is liable to retire by rotation was approved by the shareholders in their meeting held on 15th September, 2018. Mr. Vivek Chhachhi (DIN: 00496620) resigned as a Non-executive and Non-independent director w.e.f from 23rd May, 2018 due to his professional obligations and other pre-occupations.

Board Evaluation

As per provisions of the Companies Act, 2013 and the Listing Regulations as amended from time to time, an evaluation of the performance of the Board was undertaken. The contribution and impact of individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation in board/committee meetings, flow of information, independence of judgment, conflicts resolution, managing relationships within the Board and their contribution in enhancing the Board's overall effectiveness. The feedback obtained from the interventions was discussed in detail and, where required, independent and collective action points for improvement put in place.

Appointment of Directors and Remuneration Policy

The assessment and appointment of members to the Board is based on a combination of criterion that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualification required for the position. The independent Board member is also assessed on the basis of independence criteria defined in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations

In accordance with Section 178(3) of the Companies Act, 2013, and on recommendations of Nomination and Remuneration Committee, the Board adopted a remuneration policy for Directors, Key Management Personnel (KMPs) and Senior Management which is available on the website of the Company www.natcopharma.co.in.

Upon recommendation of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 27th May, 2019 approved the re-appointment of the following Independent Directors for a further term of five (5) years i.e up to 41st Annual general Meeting to be held in the Calendar year 2024 in terms of the provisions of the Companies Act, 2013, subject to the consent of the Members of the Company at their ensuing Annual General Meeting:

1. Mr. G.S. Murthy (DIN: 00122454)
2. Mr. D.G. Prasad (DIN: 00160408)
3. Mr. T.V. Rao (DIN: 05273533)
4. Dr. Mrs. Leela Digumarti (DIN: 06980440)

Declaration by Independent Directors

All Independent Directors of the Company have submitted requisite declarations confirming that they continue to meet the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013 and Regulation 16(1) (b) of the SEBI Listing Regulations. The Independent Directors have also confirmed that they have complied with the Company's Code of Conduct.

Number of Meetings of the Board and its Committees and other Committees

The Board currently has eight (8) committees, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee, Corporate Social Responsibility Committee, Risk Management Committee and Buy back Committee.

Other Committees

Other Committees includes Share Transfer Committee, Internal Complaints Committee and Land Committee.

A detailed update on the Board, its composition, detailed charter including terms of reference of various Board Committees, number of Board and Committee meetings held during FY 2018-19 and attendance of the Directors is provided in the Corporate Governance Report, which forms part of the Annual report.

All the recommendations made by the Committees of Board including the Audit Committee were accepted by the Board. During the year the Board constituted Buyback Committee comprising of the Chairman and Managing Director, Vice Chairman and Chief Executive Officer, Company Secretary and the Chief Financial Officer for the purpose of Buyback.

Business Risk Management

The Company has a risk management mechanism in place to manage uncertainties through identification, analysis, assessment, implementing and monitoring to reduce the impact of risks to the business which is discussed in detail in the Management Discussion and Analysis section.

Material changes and commitments affecting financial position between end of financial year and date of report

No material changes and commitments have occurred after the close of the financial year till the date of this report which may affect the financial position of the Company.

Business Responsibility Report

As mandated by the Securities and Exchange Board of India (SEBI), the Business Responsibility Report (BRR) forms part of this Annual Report. The BRR contains a detailed report on business responsibilities vis-à-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Ministry of Corporate Affairs.

Internal Financial Controls

The Company has in place adequate Internal Financial Controls commensurate with the business operations of the Company which are operating effectively. Your Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial disclosure.

Reporting of Frauds

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and/or Board under section 143(12) of the Companies Act, 2013 and Rules framed thereunder.

Insurance

The Company's plant, property, equipment and stocks are adequately insured against all major risks. The Company also has appropriate liability insurance covers particularly for product liability and clinical trials. The Company has also taken Directors' and Officers' Liability Policy to provide coverage against the liabilities arising on them.

Directors Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013 in relation to financial statements of the company for the year ended 31st March 2019, the board of directors state that:-

a) The applicable accounting standards have been followed in preparation of the financial statements and there are no material departures from the said standards.

b) Reasonable and prudent accounting policies have been used in preparation of the financial statements and that they have been consistently applied and that reasonable and prudent judgements and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the company as at 31st March, 2019 and of the profit for the year ended on that date.

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) The financial statements have been prepared on a going concern basis.

e) Proper internal financial controls were in place and were adequate and operating effectively and

f) Proper systems were devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract(s) or arrangement(s) entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "**Annexure II**" to this Board's Report.

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Vigil Mechanism/Whistle Blower Policy

The Company believes in upholding professional integrity and ethical behaviour in the conduct of its business. To uphold and promote these standards, the Company has a Vigil Mechanism / Whistle Blower Policy which serves as a mechanism for its Directors and employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of the Code of Conduct without fear of reprisal. The policy also provides employee(s) access to the Chairperson of the Audit Committee under certain circumstances. The details of the procedures are also available on the website of the Company www.natcopharma.co.in.

A brief note on the Whistle Blower Policy is also provided in the Report on Corporate Governance, which forms part of this Annual Report.

Internal Complaints Committee

The Company has Internal Complaints Committees in place in all the units in line with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. A brief note on the same is provided in the Report on Corporate Governance, which forms part of this Annual Report.

Auditors

Statutory Auditors

The members of the Company at their Annual General Meeting held on 27th September, 2014 appointed M/s Walker Chandiok & Co. LLP (Firm Registration No. 001076N/N500013) as the statutory auditors of the Company to act as such from the conclusion of the Annual

General Meeting (AGM) held for the financial year 2013-14 till the conclusion of the AGM to be held for the Financial Year 2018-19.

Pursuant to Section 139 of the Companies Act, 2013 and the rules made thereunder, it is mandatory for the Company to rotate the current statutory auditors on completion of a maximum term of ten (10) years permitted thereunder. Accordingly, based on the recommendation of the Audit Committee of the Company, the Board of Directors of the Company have appointed M/s. B S R & Associates LLP (ICAI FRN: 116231W/W-100024) as the Statutory Auditors of the Company to hold office for a period of five (5) years i.e. from the conclusion of the ensuing Annual General Meeting till the conclusion of the 41st Annual General Meeting of the Company to be held for the financial year 2023-2024 in the place of retiring auditors i.e. M/s.Walker Chandiok & Co. LLP (Firm Registration No.001076N/N500013), subject to the consent of the members of the company at the ensuing Annual General Meeting.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, CS Balachandra Sunku with Certificate of Practice (CP) No. 12745, a practicing Company Secretary conducted the secretarial audit of the Company for FY 2018-19. The Secretarial Audit Report in form No. MR-3 is attached as "**Annexure III**" to this Board's Report.

Upon recommendation of the Audit Committee, the Board has appointed CS B. Kiran Kumar (CP No. 15876), M/s BK Associates, a practicing Company Secretary as secretarial auditor of the Company for the FY 2019-2020.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Amendment Rules, 2014, the Company maintains the cost audit records in respect of its pharmaceutical business. The Board has, on the recommendation of the Audit Committee, appointed M/s. S.S. Zanwar & Associates (Firm Registration No.:100283) as cost auditors of the Company for FY 2018-19. The provisions also require that the remuneration of the cost auditors be ratified by the shareholders and accordingly the same is put forward to the shareholders for their ratification in the ensuing AGM. The cost audit report for the FY 2018-19 will be filed with the Central Government within the stipulated timeline and the relevant cost audit reports for FY 2017-18 were filed within the due date to the Central Government.

Significant and Material Orders Passed by the Courts/Regulators

During FY 2018-19, there were no significant and/or material orders, passed by any Court or Regulator or Tribunal, which may impact the going concern status or the Company's operations in future.

Corporate Social Responsibility Initiatives

The Board formulated a Corporate Social Responsibility (CSR) Policy which is in full force and operation and is subject to monitoring by the CSR Committee of Directors from time to time.

The details about the CSR initiatives taken during the FY 2018-19 are discussed in a separate head which forms a part of this Annual Report.

The Annual Report on CSR activities of the Company is attached as "**Annexure IV**" to this Board's Report

Transfer of unpaid and unclaimed dividend amounts and shares to Investor Education and Protection Fund

Pursuant to the provisions of Section 124(5) & (6) of the Companies Act, 2013, the dividends which remained unclaimed for a continuous period of seven years and the shares pertaining to the shareholders who have not claimed dividend for a continuous period of seven years were transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. The details of which are disclosed in the Corporate Governance Report.

Employees Stock Option Scheme

Details pertaining to the Employee Stock Option Schemes are disclosed in the Corporate Governance Report which forms a part of this Annual Report.

Credit Rating

ICRA Limited has reaffirmed their rating "AA" (which means high degree of safety regarding timely servicing of financial obligations and has very low credit risk) for various banking facilities enabling your company to avail facilities from banks at attractive interest rates indicating a very strong degree of safety for timely payment of financial obligations such as payment of interest and repayment of principal, if any.

Particulars of Employees

The information as required under Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in Annexure V which forms part of this report.

The information required under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial

Personnel) Rules, 2014, is provided in an Annexure forming part of this Report. In terms of the second proviso to Section 136 of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. The said annexure is open for inspection at the Registered Office of the Company and any member interested in obtaining the same may write to the Company Secretary at the Registered Office of the Company.

Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

The details of Energy Conservation, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo as required under section 134(3) (m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is annexed to this report as "**Annexure VI**".

Extract of Annual Return

As required under Sections 92(3) and 134(3)(a) of the Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules, 2014, the extract of Annual Return in Form MGT-9 forms part of this report as "**Annexure VII**".

Compliance with Secretarial Standards

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India.

Acknowledgements

The Board wish to place on record their appreciation to shareholders, government authorities, banks, business partners, medical practitioners and other stakeholders for the assistance, co-operation and encouragement extended to the Company. The Board also commend the continuing commitment and dedication of the employees at all levels, which has been critical for the Company's success. The Board look forward to their continued unstinted support in future also.

For and on behalf of the Board of Directors

V.C. Nannapaneni
Chairman and Managing Director
(DIN:00183315)

Place: Hyderabad
Date: 27th May, 2019

Annexure-I to the Board's Report

FORM NO. AOC-1

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries:

(₹ in Millions)*

	NATCO Pharma INC	NATCO Canada Inc	Time cap Overseas Ltd	NATCO Do Brasil Ltda	NATCO Pharma Asia PTE Ltd	NATCO Pharma Australia Pty Ltd	NATCO Life sciences Philippines Inc
Share Capital	41.85	146.55	819.38	710.52	88.95	48.97	13.66
Reserves & Surplus	233.12	123.23	(41.61)	(629.93)	(78.68)	(48.78)	(4.49)
Total Assets	402.93	520.62	1034.97	494.79	123.04	0.86	17.35
Total Liabilities	127.96	250.84	257.20	414.20	112.77	0.68	8.17
Investments	-	-	918.40	-	-	-	-
Turnover	-	959.80	-	314.89	12.55	-	0.79
Profit before taxation	3.34	69.38	(3.81)	(266.15)	(16.55)	(7.11)	(6.44)
Provision for taxation	1.07	18.42	-	39.91	-	-	1.93
Profit after taxation	2.27	50.96	(3.81)	(226.24)	(16.55)	(7.11)	(4.51)
Proposed Dividend							
Report Currency	USD	CAD	USD	BRL	SGD	AUD	PESO
Closing exchange rate	69.32	51.91	69.32	17.66	51.13	49.20	1.31
Average exchange rate	69.76	53.15	69.76	18.48	51.34	50.84	1.32
% of Shareholding	100%	99.04%	90.36%	90.90%	99.73%	100%	100%**

* all amounts are in rupees millions except closing and average exchange rates

** Includes the shares held by the nominee shareholders of the subsidiaries on behalf of the Company.

For and on behalf of the Board of Directors

V.C. Nannapaneni
Chairman and Managing Director
(DIN:00183315)

Place: Hyderabad
Date: 27th May, 2019

Annexure-II to the Board's Report

Form No. AOC – 2

(Pursuant to Clause (h) of Sub-Section (3) of section 134 of the Act and Rule 8(2) of the companies (Accounts) Rules, 2014)

Disclosure of particular of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. There are no contracts/arrangements/transactions entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 which are not at arm's length basis.

2. The following are the contracts/arrangements/transactions entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 which are at arm's length basis.

Sl. No.	Name(s) of the related party and nature of relationship	Nature of Contract / arrangements / transaction	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any in ₹ million	Date(s) of approval by the Board if any:	Amount paid as advances, if any in ₹
1.	Mr. V.C. Nannapaneni, Chairman & Managing Director	Renewal of Lease Agreement	2 years	To locate western India Marketing Office and accommodation to Senior Executives visiting Mumbai Rent payable ₹ 2.1 million p.a.	6th February, 2018	Nil
2.	Mr. Rajeev Nannapaneni, Vice Chairman & CEO	Renewal of Lease Agreement	2 years	To locate Chennai Marketing Office and Guest House – Rent payable ₹ 1.2 million p.a.	6th February, 2018	Nil
3.	Mr. Rajeev Nannapaneni, Vice Chairman & CEO	Renewal of Lease Agreement	2 years	To locate Chemical Division, Chennai city office Rent payable -₹ 0.12 million p.a.	6th February, 2018	Nil
4.	M/s. Time Cap Pharma Labs Ltd Shareholding of Mr. V. C. Nannapaneni	Renewal of Lease Agreement	2 years	To locate Delhi office and Guest house Rent payable-₹ 2.1 million p.a.	6th February, 2018	Nil
5.	M/s. Time Cap Pharma Labs Ltd Shareholding of Mr. V. C. Nannapaneni	Renewal of Lease Agreement	2 years	To locate godown at Kothur, Rangareddy Dist. Rent payable - ₹ 1.2 million p.a.	23rd May, 2018	Nil
6.	M/s. Time Cap Pharma Labs Ltd Shareholding Of Mr. V. C. Nannapaneni	Renewal of Lease Agreement	2 years	To locate Company's Solar Panel Production at Kothur, Rangareddy Dist. Rent payable - ₹ 1.2 million p.a.	23rd May, 2018	Nil

Sl. No.	Name(s) of the related party and nature of relationship	Nature of Contract / arrangements / transaction	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any in ₹ million	Date(s) of approval by the Board if any:	Amount paid as advances, if any in ₹
7.	M/s. Time Cap Pharma Labs Ltd. Shareholding of Mr. V.C. Nannapaneni	Lease agreement	2 year	To locate Time Cap Pharma Labs Ltd C & F office at Sanathnagar Rent received ₹ 0.18 million*	23rd May, 2018	Nil
8.	M/s. Time Cap Pharma Labs Ltd. Shareholding of Mr. V.C. Nannapaneni	Sale of raw-materials	1 year	Sale of raw materials to Time Cap Pharma Labs Ltd. ₹ 0.07 million	6th February, 2018	Nil
9.	Natco Pharma (Canada) Inc. Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma (Canada) Inc. ₹ 150 million	6th February, 2018	Nil
10.	Natco Pharma Asia Pte. Ltd. Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma Asia Pte Ltd. ₹ 7 million	6th February, 2018	Nil
11.	NatcoFarma Do Brasil Step-down Subsidiary	Sales	1 year	To sell finished goods to Natco Pharma Do Brasil Ltda ₹ 48 million	6th February, 2018	Nil
12.	Time Cap Pharma Labs Ltd. Shareholding of Mr.V.C. Nannapaneni	Purchase of land	One time	Purchase of 23,232 sq. yards industrial land from M/s. Time Cap Pharma Limited for ₹ 49 million including registration charges	23rd May,2018	Nil
13.	Time Cap Pharma Labs Ltd. Shareholding of Mr. V.C. Nannapaneni	Commission and expenses reimbursement	1 year	To pay commission and reimburse expenses related to C&F services provided by M/s. Time Cap Pharma Limited ₹ 6 million*	6th February, 2018	Nil

Note: *Company terminated w.e.f. January, 2019, the Clearing & Forwarding Agreement with Time Cap Pharma Labs Limited and accordingly the transactions pertaining to payment of commission and reimbursement of expenses to Time Cap Pharma Labs Limited and payment of rent by Time Cap Pharma Labs Limited for its C&F warehouse located in the Company's premises, reported earlier, were not entered into by the Company.

All the above transactions were entered by the Company with Related Parties in the ordinary course of business at prevailing market rates.

For and on behalf of the Board of Directors

V.C. Nannapaneni
Chairman and Managing Director
(DIN:00183315)

Place: Hyderabad
Date: 27th May, 2019

Annexure-III to the Board's Report

Form MR-3

SECRETARIAL AUDIT REPORT

(For the financial year ended 31st March, 2019)
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To
The Members
NATCO Pharma Limited
NATCO House, Road No.2
Banjara hills, Hyderabad.
Telangana – 500034.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **NATCO Pharma Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable to the Company:-

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

  (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client, and amendments thereto;

  (e) The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

  (f) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments thereto; and

  (g) The SEBI (Buy-back of securities) Regulations, 2018

(h) The SEBI (Issue and Listing of Debt Securities) Regulations, 2008

(i) The SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.

(j) The SEBI (Delisting of Equity Shares) Regulations, 2009

And the circulars/guidelines issued thereunder;

(vi). Other laws applicable specifically to the Company namely:

(a) The Drugs and Cosmetics Act, 1940 and The Drugs and Cosmetics Rules, 1945.

(b) The Narcotic Drugs and Psychotropic Substances (Amendment) Act, 2014 and the Narcotic Drugs and Psychotropic Substances Rules, 1985.

(c) The Drugs (Prices Control) Order, 2013 made under Essential Commodities Act, 1955.

(d) Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954 and the rules made thereunder;

(e) The Air (Prevention and Control of Pollution) Act, 1981

(f) The Water (Prevention and Control of Pollution) Act, 1974

(g) The Environment Protection Act, 1986.

(h) The Harzardous and other wastes (Management, Handling and Transboundary Movement) Rules, 2016 and amendments thereof.

(vii). Labour Laws applicable to the Company:

(a) The Factories Act, 1948

(b) The Payment of Wages Act, 1936

(c) The Payment of Gratuity Act, 1972

(d) The Payment of Bonus Act, 1965 and amendments thereto;

(e) Employees Provident Fund and Miscellaneous Provisions Act, 1952

(f) Employees State Insurance Act, 1948 and Employees State Insurance (General) Regulations, 1950.

(g) The Employees Exchanges (Compulsory notification of vacancies) Act, 1959 and Rules, 1960

(h) The Contract Labour (Regularisation and Abolition) Act, 1970

(i) The Maternity Benefits Act, 1961 and amendments thereto;

(j) AP Shops and Establishment Act, 1988.

(viii) The other General Laws applicable to the Company.

(a) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to be read with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by the Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with the BSE Limited and National Stock Exchange of India Limited, including the compliances as specified under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

I report that, during the year under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines and Standards etc., mentioned above.

I further report that, there were no events/actions in pursuance of:

a) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

b) The SEBI (Issue and Listing of Debt Securities) Regulations, 2008

c) The SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013.

I hereby report that:

(a) The Company has, in my opinion, complied with the provisions of the Companies Act, 2013 and the Rules made under the Act as notified by Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company in all respects.

(b) The Company has complied with the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made under that Act, with regard to maintenance of minimum public shareholding.

(c) The Company has complied with the provisions of the Depositories Act, 1996 and the Byelaws framed thereunder by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

(d) The Company has complied with the provisions of the FEMA, 1999 and the Rules and Regulations made under that Act, to the extent it is applicable.

(e) The Company has complied with the requirements under the Equity Listing Agreements entered into with BSE Limited, NSE Limited and regulations of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent applicable.

(f) The Company has complied with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules and Regulations made under the Act, to the extent it is applicable.

I further report that:

(a) The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the said Regulations;

(b) The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 including the provisions with regard to disclosures and maintenance of records required under the said Regulations;

(c) The Company has complied with the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 including the provisions with regard to disclosures and maintenance of records required under the said Regulations;

I further report that:

(a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Independent Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

(b) Adequate notice is given to all the directors about schedule of the Board Meetings, Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

(c) Decisions at the Board Meetings, as represented by the management, were duly approved and no dissenting views have been observed so as to record.

(d) The Company has obtained all necessary approvals under the various provisions of the Act;

(e) There was no prosecution initiated and no fines or penalties imposed during the year under review under the Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against / on the Company, its Directors and Officers.

(f) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;

With reference to the compliance of Industry Specific Acts of the Company, I relied upon Management Representation letter issued by the Compliance Officer of the Company. My report of compliance would be limited to their reporting and subject to the observations and comments made by them in their report, if any.

With reference to the compliance of the Labor and Financial Laws, I relied upon Management Representation Letter issued by the Compliance Officer, Chief Financial Officer of the Company and also report of Statutory Auditors. My report of compliance would be limited to their reporting and subject to the observations and comments made by them in their report, if any.

Based on the information received and records maintained, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. I further report that during the audit period:

i) The Board of Directors at its meeting held on 08th August, 2018 recommended to alter the existing objects clause of the Memorandum of Association of the Company to enable it to manufacture all kinds of chemicals, including industrial chemicals, laboratory chemicals, photographic chemicals, fine chemicals, biological chemicals, agrichemicals and specialty chemicals and same was approved by the Shareholders at the 35th Annual General Meeting of the Company held on 15th of September, 2018.

ii) The Compensation Committee of the Company its meeting held on 27th September, 2018 pursuant to NATCO Employees Stock Option Scheme 2015 (NATSOP 2015) approved the allotment of third tranche of the options entitling 1,40,965 equity shares of ₹ 2/- (Rupees Two Only) to eligible employees, which was earlier approved by the Shareholders at their Extra Ordinary General Meeting held on 27th June, 2015.

iii) The Board of Directors at its meeting held on 05th November, 2018 pursuant to NATCO Employees Stock Option Scheme 2016 (NATSOP 2016) approved the allotment of second tranche of the options entitling 17,500 equity shares of ₹ 2/- (Rupees Two Only) to eligible employees, which was earlier approved by the Shareholders at the 33rd Annual General Meeting held on 30th September 2016.

iv) The Board of Directors at its meeting held on 05th November, 2018 pursuant to NATCO Employees Stock Option Scheme 2017 (NATSOP 2017) approved the allotment of first tranche of the options entitling 1,10,270 Equity Shares of ₹ 2/- (Rupees Two Only) to eligible employees, which was earlier approved by the Shareholders at the 34th Annual General Meeting held on 28th September 2017.

v) The Board of Directors at its meeting held on 05th November, 2018 approved the Buy-back by the company of fully paid-up equity shares of face value of ₹ 2 (Rupees Two Only) each of the Company from all the shareholders of the company (except promoters, promoter group and persons in control of the Company) at a price not exceeding ₹ 1,000/- (Rupees One Thousand Only) per Equity Share ("Maximum buyback Price") excluding any other expenses ("Transaction Costs"), further Board approved buyback of a minimum of ₹ 1,250 Million (Rupees One Thousand Two Hundred and Fifty Millions only) being 50% of Maximum buyback size, and the buyback not to exceed 10% of the aggregate of the total paid-up equity capital and free reserves of the Company for which approval of Shareholders is not required as per the Provisions of the Companies Act, 2013.

And there were no specific events /actions in pursuance of the above referred laws, rules, regulations, guidelines, etc., having a major bearing on the Company's affairs.

CS Balachandra Sunku
M. No. F5496
CP. No. 12745

Place: Hyderabad
Date: 27th May, 2019

Note: This report is to be read with my letter of even date which is annexed herewith and which forms an integral part of this report.

Annexure to Form MR-3

(For the financial year ended 31st March 2019)

To
The Members
NATCO Pharma Limited

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management Representation Letter about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

CS Balachandra Sunku
M. No. F5496
CP. No. 12745

Place: Hyderabad
Date: 27th May, 2019

Annexure-IV to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

1. A brief outline of the Company's CSR policy, including overview of Projects or Programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:

   Your company as a responsible corporate entity framed CSR policy as stipulated by the Companies Act, 2013 to undertake all or any of the objectives contained in Schedule VII of the Companies Act, 2013. Your company intends to actively contribute to the social and economic development of the communities in which it operate by participating actively in building a better, sustainable way of life for the weaker sections of society. The CSR Policy may be accessed on the Company's website at the link: www.natcopharma.co.in.

2. The Composition of CSR Committee:
   The CSR Committee comprises of the Directors namely Shri G.S.Murthy (Chairman), Shri V.C.Nannapaneni and Shri Rajeev Nannapaneni

3. Average net profits of the Company for last three financial years: ₹ 5776.33 million.

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 115.53 million.

5. Details of CSR spent during the financial year:

a) Total amount spent for the financial year 2018-19: ₹ 116.00 million

b) Amount unspent, if any: Nil.

c) Manner, in which the amount spent during the financial year is detailed below:

(₹ in Millions)

	CSR Project / Activity	Sector	Location of the project /Programme	Amount spent on the projects / programs	Amount spent direct / implementing agency
A.	**Expenditure on Projects / Programs**				
1	NATCO Trust Managed School:				
	a. NATCO High School	Education	Rangapur Village, Kothur Mandal, Ranga Reddy District, Telangana	17.00	NATCO Trust
	b. NATCO School of Learning	Education	Gollamudipadu Village, Ponnuru Mandal, Guntur District, A.P.	11.35	NATCO Trust
2	Sports for Development Project	Education	Kothur Mandal, Ranga Reddy District, Telangana	0.35	NATCO Trust
3	Infrastructure and manpower support to anganwadi centres	Early childhood Education	Kothur and Nandigam Mandals in Ranga Reddy District , Telangana	11.73	NATCO Trust
4	After school Tuition Centres	Education	Pedavoora Mandal, Nalgonda District, Govt Primary School, Borabanda, Hyderabad, Kothur and Nandigam Mandals of Telangana. Ponnuru Mandal, Guntur district, Andhra Pradesh	1.94	NATCO Trust

(₹ in Millions)

	CSR Project / Activity	Sector	Location of the project /Programme	Amount spent on the projects / programs	Amount spent direct / implementing agency
5	Infrastructure support to Government schools	Education	Chiluvuru and Tadikonda villages in Guntur District, A.P.	17.82	NATCO Trust
6	Infrastructure support to Government primary and high schools	Education	Kothur and Nanhigam Mandals in Rangareddy District, Telangana	5.49	NATCO Trust
7	NATCO Mobile Health Clinics	Health	Ranga Reddy and Nalgonda District, Telangana	4.81	NATCO Trust
8	Community health camps	Health	Ranga Reddy District in Telangana and Prakasam District in A.P.	2.50	NATCO Trust
9	Nutrition Centre	Health	Ranga Reddy and Nalgonda District, Telangana	1.85	NATCO Trust
10	Patient Counselling	Health	Hyderabad & Rangareddy , Hyderabad District, Telangana	2.25	NATCO Trust
11	Construction cancer block at Govt General Hospital	Health	Guntur District, A.P.	22.17	NATCO Trust
12	Operation theatre and modular machine support to Guntur General Hospital	Health	Guntur District, A.P.	6.48	NATCO Trust
13	Refurbishment to Government Maternity hospital	Health	Hyderabad District , Telangana	1.59	NATCO Trust
14	Digital PHC	Health	Mekaguda, Ranga Reddy District	3.86	NATCO Trust
15	NATCO Career Counselling and Guidance Centre	Livelihood	Ranga Reddy,Nalgonda District, Telangana,Guntur District,A.P.	1.28	NATCO Trust
	Total (A)			**112.47**	
B.	**Administrative expenses**				
1	Implementing expenses	Education		2.05	NATCO Trust
2	Implementing expenses	Health		1.12	NATCO Trust
3	Implementing expenses	Livelihood		0.36	NATCO Trust
	Total (B)			**3.53**	
	Total (A+B)			**116.00**	

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:

   Not Applicable.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company:

“The directors report that your company has complied with its CSR Policy along with the provisions of the Companies Act, 2013 and rules made there under and the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company”.

For and on behalf of the Board of Directors

V.C. Nannapaneni
Chairman and Managing Director
(DIN:00183315)

Place: Hyderabad
Date: 27th May, 2019

Annexure-V to the Board's Report

Information required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company, the percentage increase in remuneration of each director, CEO, CFO and CS, for FY 2018-19 and comparison of the remuneration of each Key Managerial Personnel (KMP) against the performance of the Company:

Name	Designation	Ratio of Remuneration of each Director/KMP to the median remuneration of employees	% increase in remuneration during FY2019
Mr. V. C. Nannapaneni	Chairman and Managing Director	52	0
Mr. Rajeev Nannapaneni	Vice Chairman and CEO	47	0
Mr. P.S.R.K Prasad	Whole Time Director	41	7
Dr. D Linga Rao	Whole Time Director	41	7
Mr. M. Adinarayana	Company Secretary	12	11
Mr. S.V.V.N Apparao	Chief Financial Officer	16	10

Mr. T.V. Rao, Mr. G.S. Murthy, Mr. D.G. Prasad, Dr. Leela Digumarthi and Dr. M.U.R. Naidu, Independent Directors were paid only sitting fees for attending the Board / Committee Meetings.

(ii) The median remuneration of employees increased by 14.07% in FY 2018-19.

(iii) The number of permanent employees on the rolls of Company as on 31st March 2019 is 4957.

(iv) The average increase in remuneration paid to employees is 15.67 % for FY 2018-19 compared to 2017-18. Compared to FY 2017-18, the standalone revenue in FY 2018-19 fell by 1.50% and profit before tax fell by 4.52 %

(v) It is hereby affirmed that the remuneration paid during FY 2018-19 is as per the remuneration policy of the company

Annexure-VI to the Board's Report

Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

Conservation of Energy, Technology Absorption

A) Conservation of Energy –

a) During the year, the Company has implemented energy conservation projects across its various business units. A few of the key initiatives include:

1. Installation of Energy efficient equipment & optimization of processes consuming energy: Major projects in this category:

    a) Installed new high efficiency Utility equipment during the last fiscal and achieved significant saving of INR 1 million in various utility areas.

    b) Conversion of CFL based lighting to LED lighting has been taken up during FY 2018-19 and completed the replacement at continuous use area.

2. Identifying cheaper power sources both in-house and external and Utilizing the alternate sources of energy:

    a) Installed 1.15 Mw Solar plant at Chemical Division, Mekaguda, which lead to savings of approximately INR 0.3 million for part of the year since installation.
    Expected saving per annum is approximately INR 10 million.

    b) Installed 2.1 MW wind mill at Anantapur, for captive power use for Vizag plant. Expected saving for FY 2019-20 is INR 20 million.

3. Steps in progress for increasing the utilization of alternate renewable sources of energy:

    a) Feasibility studies for Wind Power Generation for captive power utilization at Chemical Division, Mekaguda has been completed and as per data evaluated by consultant there is low potential for commercial installation of wind mill in this area.

(B) Technology Absorption

Efforts made towards technology absorption: As part of the technology absorption, the Company engages in in-house development of bulk drugs & formulations, conducts pilot studies for potential scale-up so as to improve efficiency both in terms of time and productivity of products is positive and can be installed at Chemical plant Mekaguda.

Disclosure of particulars with respect to conservation of energy.

A: Power and Fuel Consumption	For the year ended 31.03.2019	For the year ended 31.03.2018
1. Electricity		
a) Purchased Units	67600362	61998529
Total amount (₹ million)	401.12	361.89
Rate / Unit (₹)	5.93	5.84
b) Own Generation:		
i) Through Diesel		
Generator Units	1637558	1463650
Units / ltr. Of Diesel Oil	3.51	3.52
Cost / Unit (₹)	20.28	17.77
ii) Through Windmill		
Generator Units	4050102	3605733
Total Cost Per Year (₹ million)	7.03	7.04
Cost / per Unit (₹)	1.74	1.95
iii) Through Solar		
Generator Units	4940174	1559907
Total Cost Per Year (₹ million)	7.42	7.62
Cost / per Unit (₹)	1.50	4.88
2. Coal D/C grade		
Quantity (Tonnes)	5368	5511
Total amount (₹ million)	42.02	49.46
Average rate per tonne (₹)	7828	8975
3. Furnace Oil		
Quantity (Ltr)	2275037	726798
Total amount (₹ million)	94.15	20.35
Average rate per Ltr (₹)	41.38	27.99

(B) Expenditure on R&D

Amount (₹ in Million)

		For the year ended 31.03.2019	For the year ended 31.03.2018
a)	R&D Expenditure	1976	1665
b)	Total R&D Expenditure as percentage of Net Revenue from Operations (Including capital expenditure)	9.34%	7.75%

(C) Foreign Exchange Earnings and Outgo

The Company earned foreign exchange amounting to ₹ 11536 million and used foreign exchange amounting to ₹ 2939 million during the year ended 31st March, 2019

For and on behalf of the Board of Directors

V.C. Nannapaneni
Chairman and Managing Director
(DIN:00183315)

Place: Hyderabad
Date: 27th May, 2019

Annexure VII to the Board's Report

Form No.MGT-9
Extract of Annual Return

as on Financial year ended on 31.03.2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014]

I. Registration and other details

CIN	L24230TG1981PLC003201
Registration Date	19th September, 1981
Name of the Company	NATCO Pharma Limited
Category / Sub-category of the Company	Company Limited by Shares / Public Company
Address of the Registered Office & Contact details	NATCO House, Road # 2, Banjara Hills Hyderabad 500 034, Telangana, India Tel: 040-23547532
Whether Listed Company	Yes
Name, Address & Contact details of the Registrars and Share Transfer Agents	Venture Capital and Corporate Investments Pvt Ltd 12-10-167 Bharat Nagar Hyderabad 500016 Tel Nos.040-23818475/23818476/23868023 Fax No.040-23868024 Email: info@vccilindia.com

II. Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No	Name and Description of main products/services	NIC Code of the product/ services	% to total turnover of the Company
1.	Pharmaceuticals	21005	100%

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	NATCO Pharma Inc., Address : C/o SaveMart, 241W, Roseville Road, Suite:6, Lancaster, PA 17601	SRV 060928109-4232479	Subsidiary	100	2(87)
2	Time Cap Overseas Limited Address: C/o IQ EQ Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis 11324 Mauritius.	098889-C2/GBL	Subsidiary	90.36	2(87)
3	NATCO Pharma (Canada) Inc Address: PLAZA 1, SUITE # 200, 2000 ARGENTIA RD, MISSISSAUGA, ON.L5N 1P7.	834474-4	Subsidiary	99.04	2(87)
4	NATCO Pharma Asia Pte.Ltd Address: 62, UBI Road 1, #03-21, Oxley Bizhub 2, Singapore 408734	201230076Z	Subsidiary	99.73	2(87)
5	NATCO Pharma Australia Pty Ltd Address: Level 1, 313 Burwood Road,Hawthron, VIC,Australia 3122	601 572 301	Subsidiary	100	2(87)
6	NATCO farma Do Brasil Ltda Address: Av. Nossa Senhora dos Navegantes Nº 955 Edif. Global Tower sala 1702,	08.157.293/0001-27 MATRIZ	Step down Subsidiary	90.90	2(87)
7	NATCO Lifesciences Philippines Inc Address: Unit-1-B Ground Floor, Manor Building 2629 Taft Avenue Brgy, 719 Zone 78 Malate Manila, Philippines	CS201803730	Subsidiary	100*	2(87)

*includes the shares held by nominee shareholders of the subsidiaries on behalf of the Company.

IV. SHAREHOLDING PATTERN

i. Category-wise Shareholding

Category of shareholder	No. of Shares held at the beginning of he Financial year				No. of Shares held at the end of the Financial year				% of Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
A. Promoters									
(1) Indian									
a) Individual / HUF	4,90,93,560	0	4,90,93,560	26.61	4,89,25,885	0	4,89,25,885	26.75	0.14
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt.(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corporate	3,30,34,470	0	3,30,34,470	17.9095	3,30,34,470	0	3,30,34,470	18.06	0.16
e) Banks / FI	0	0	0	0					0
f) Trust	46,82,750	0	46,82,750	2.54	46,82,750	0	46,82,750	2.56	0.02
Sub-Total (A)(1):	**8,68,10,7800**	**0**	**8,68,10,780**	**47.05**	**8,66,43,105**		**8,66,43,105**	**47.37**	**0.32**
(2) Foreign									
a) NRIs – Individuals	24,38,540	0	24,38,540	1.32	24,38,540	0	24,38,540	1.33	0.01
b) Other – Individuals	0	0	0	0		0			0
c) Bodies Corporate	0	0	0	0		0			0
d) Banks / FI	0	0	0	0		0			0
e) Any Other….	0	0	0	0		0			0
Sub-Total (A)(2):	**24,38,540**	**0**	**24,38,540**	**1.32**	**24,38,540**	**0**	**24,38,540**	**1.33**	**0.01**
Total Shareholding of Promoters (A) = (A) (1)+(A)(2)	**8,92,49,320**	**0**	**8,92,49,320**	**48.38**	**8,90,81,645**	**0**	**8,90,81,645**	**48.71**	**0.33**
B. Public									
(1) Institutions									
a) Mutual Funds / UTI	1,04,53,487	500	1,04,53,987	5.66	1,07,63,368	500	1,07,63,868	5.89	0.23
b) Venture Capital Funds	0	0	0	0	0	0	0	0	0
c) Alternate Investment funds	4,54,344	0	4,54,344	0.25	4,77,645	0	4,77,645	0.26	0.01
d) Foreign Portfolio Investors – Corporate (FPI)	4,42,03,975	0	4,42,03,975	23.96	3,91,12,525	0	3,91,12,525	21.39	(2.57)
e) Banks / FI	7,35,641	1,000	7,36,641	0.40	18,12,725	1,000	18,13,725	0.99	0.59
f) Venture Capital Funds	0	0	0	0	0	0	0	0	0
g) Insurance Companies	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Foreign Nation	0	0	0	0	0	0	0	0	0
Sub-Total (B)(1):	5,58,47,447	1,500	5,58,48,947	30.27	5,21,66,263	1,500	5,21,67,763	28.52	(1.74)
(2) Non-Institutions									
a) Bodies Corporate									
i) Indian	44,53,565	17,400	44,70,965	2.42	53,33,167	17,400	53,50,567	2.93	0.51
ii) Overseas	0	0	0						
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹ 2 lakh	2,00,54,695	11,63,030	2,12,17,725	11.50	2,14,73,120	8,97,108	2,23,70,228	12.23	0.73
ii) Individual Shareholders holding nominal share capital in excess of ₹2 lakh	1,15,42,319	0	1,15,42,319	6.31	1,13,80,477	0	1,13,80,477	6.22	0.09
(C) Others (specify)									
i) Non-Resident Indians	10,23,790	45,900	10,69,690	0.58	15,25,270	11,600	15,36,870	0.84	0.26
ii) Clearing Members	3,77,796	0	3,77,796	0.20	3,66,836	0	3,66,836	0.20	0.00
iii) Trusts	90,837	0	90,837	0.05	5,108	0	5,108	0	(0.05)
iv) Investor Education Protection Fund	6,25,801	0	6,25,801	0.34	6,25,001	0	6,25,001	0.34	0.00
Sub-Total (B)(2):	3,81,68,803	12,26,330	3,93,95,133	21.35	4,07,08,979	9,26,108	4,16,35,087	22.77	1.42
Total Public Shareholding (B)=(B)(1)+(B)(2)	9,40,16,250	12,27,830	9,52,44,080	51.62	9,28,75,242	9,27,608	9,38,02,850	51.29	0.33
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	18,32,65,570	12,27,830	18,44,93,400	100.00	18,19,56,887	9,27,608	18,28,84,495	100.00	0.88

(ii) Shareholding of Promoters:

	Category of shareholder	No. of Shares held at the beginning of the Financial year			No. of Shares held at the end of the Financial year			% of change in share holding during the year
		No of Shares	% of total Shares	% shares Pledged / encumbered to total shares	No of Shares	% of total Shares	% shares Pledged / encumbered to total shares	
A	**Promoter**							
1	V C NANNAPANENI	3,53,11,270	19.14	Nil	3,53,11,270	19.31	Nil	0.17
2	VENKAIAH CHOWDARY NANNAPANENI HUF	54,40,045	2.95	Nil	54,40,045	2.97	Nil	0.02
3	DURGA DEVI NANNAPANENI	35,39,100	1.92	Nil	35,39,100	1.94	Nil	0.02
4	Vistra ITCL (India) Limited (Account Durga Devi Nannapanei FamilyTrust)	6,00,000	0.33	Nil	6,00,000	0.33	Nil	0.00
5	RAJEEV NANNAPANENI	11,26,175	0.61	Nil	11,28,000	0.62	Nil	0.01
6	NEELIMA SITA NANNAPANENI	1,82,960	0.10	Nil	1,82,960	0.10	Nil	0.00
7	VISTRA ITCL (INDIA) LTD A/c Neelima Nannapaneni Trust	40,82,750	2.21	Nil	40,82,750	2.23	Nil	0.02
B	**Promoter Group**							
1	N RAMAKRISHNA RAO	7,46,410	0.40	Nil	7,46,910	0.41	Nil	0.01
2	T ANILA	6,29,920	0.34	Nil	6,29,920	0.34	Nil	0.00
3	T ANANDA BABU	4,73,205	0.26	Nil	4,73,205	0.26	Nil	0.00
4	VIDYADHARI TUMMALA	4,42,200	0.24	Nil	4,42,200	0.24	Nil	0.00
5	JHANSI TUMMALA	2,47,100	0.13	Nil	77,100	0.04	Nil	(0.09)
6	ALAPATI BAPANNA	18,300	0.01	Nil	18,300	0.01	Nil	0.00
7	DEVENDRANATH ALAPATI	15,000	0.01	Nil	15,000	0.01	Nil	0.00
8	VENKATA SATYA SWATHI KANTAMANI	32,60,000	1.77	Nil	32,60,000	1.78	Nil	0.01
9	T BAPINEEDU	415	0.00	Nil	415	0.00	Nil	0.00
10	KANTAMANI RATNAKUMAR	1,00,000	0.05	Nil	1,00,000	0.05	Nil	0.00
11	TIME CAP PHARMA LABS LTD	1,71,57,220	9.30	Nil	1,71,57,220	9.38	Nil	0.08
12	NATSOFT INFORMATION SYSTEMS PVT LTD	1,57,67,500	8.55	Nil	1,57,67,500	8.62	Nil	0.07
13	NATCO AQUA LTD	16,000	0.01	Nil	16,000	0.01	Nil	0.00
14	NDL INFRA TECH PVT LTD	93,750	0.05	Nil	93,750	0.05	Nil	0.00
	Total	**8,92,49,320**	**48.38**	**Nil**	**890,81,645**	**48.71**	**Nil**	**0.32**

(iii) Change in Promoters' shareholding:

	Category of shareholder	Shareholding at the beginning of the year		No. of Shares held at the end of the Financial year	
		No of shares	% of Total Share of the company	No of shares	% of Total Share of the company
1	At the beginning of the year	8,92,49,320	48.38		
	Add: Bought by Rajeev Nannapaneni (on 9th February, 2018)	1,825	0.00	8,92,51,145	48.80
	Bought by N Ramakrishna Rao (on 21st February, 2018)	500	0.00	8,92,51,645	48.80
Less:	Off Market Transfer by T Jhansi on 3rd October, 2018	1,70,000	0.09	8,90,81,645	48.71
2	At the ending of the year			8,90,81,645	48.71

(iv) Shareholding pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs & ADRs):

Sl. No.	Name of the Share holder	Shareholding at the beginning of financial year		Shareholding at the beginning of financial year	
		No of shares	% of Total Share of the company	No of shares	% of Total Share of the company
1	DILIP.S.SHANGHVI	57,50,000	3.12	57,28,460	3.13
2	PLENTY PRIVATE EQUITY FII I LIMITED	31,66,178	1.72	31,66,178	1.73
3	NOMURA SINGAPORE LIMITED	17,87,500	0.97	30,87,500	1.69
4	MATTHEWS INDIA FUND	Nil	0.00	29,22,192	1.60
5	NOMURA INDIA INVESTMENT FUND MOTHER FUND	42,84,700	2.32	25,48,756	1.39
6	FRANKLIN TEMPLETON MUTUAL FUND A/C FRANKLIN INDIA FOCUSED EQUITY FUND	Nil	0.00	23,00,000	1.26
7	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE EQUITY ADVANTAGE FUND	24,30,197	1.32	19,48,397	1.07
8	STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY POOL	19,24,105	1.04	19,24,105	1.05
9	STEADVIEW CAPITAL MAURITIUS LIMITED	26,25,581	1.42	18,06,109	0.99
10	TATA AIA LIFE INSURANCE CO LTD-WHOLE LIFE MID CAP EQUITY FUND-ULIF 009 04/01/07 WLE 110	5,09,454	0.28	15,59,454	0.85

Note: 1. The Shares of the Company are traded on a daily basis (i.e. on trading days) on the Stock Exchanges and hence date wise increase / decrease shareholding is not provided.

2. The details of date-wise increase / decrease will be provided at the request of shareholder

V. Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors	Shareholding at the beginning of financial year		Cumulative shareholding during the financial year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1	**V C Nannapaneni (including HUF) Chairman & Managing Director**				
	At the beginning of the year	4,07,51,315	23.38		
	At the end of the year			4,07,51,315	22.29
2	**Rajeev Nannapaneni (including NRI) Vice Chairman & Chief Executive officer**				
	At the beginning of the year	11,26,175	0.96		
	Add: Shares bought during the year	1,825	0.00		
	At the end of the year			11,28,000	0.62
3	**P S R K Prasad Director & Executive Vice President (Corporate Engineering Services)**				
	At the beginning of the year	47,150	0.03		
	Add: Shares bought during the year	1500	0.00		
	At the end of the year			48,650	0.03
4	**Dr.D Linga Rao Director & President (Technical Affairs)**				
	At the beginning of the year	56,655	0.03		
	At the end of the year			56,655	0.03
5	**Dr M U R Naidu Director - Independent**				
	At the beginning of the year	15,000	0.01		
	At the end of the year			15,000	0.01

Sl. No.	For Each of the Directors	Shareholding at the beginning of financial year		Cumulative shareholding during the financial year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
6	**CS M Adinarayana Company Secretary & Vice president (Legal & Corp Affairs)**				
	At the beginning of the year	32,450	0.02		
	Add: Shares bought during the year	800	0.00		
	At the end of the year			33,250	0.018
7	**Mr. S V V N Appa Rao Chief Financial Officer**				
	At the beginning of the year	1,750	0.00		
	At the end of the year			1,750	0.00

Note: Shareholding of only those Directors who hold shares in the Company is provided.

VI. INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/ accrued but not due for payment

(₹ in Lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the year				
i) Principal Amount	9,857.85	7,440.03	0.00	17,297.88
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	0.00	0.00	0.00
Total (i+ii+iii)	**9,857.85**	**7,440.03**	**0.00**	**17,297.88**
Change in Indebtedness during the financial year				
Addition	354.38	20,853.36	0.00	21,207.74
Reduction	0.00	0.00	0.00	0.00
Net Change	354.38	20,853.36	0.00	21,207.74
Indebtedness at the end of the financial year				
i) Principal Amount	10,212.23	28,232.90	0.00	38,445.13
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	60.49	0.00	60.49
Total (i+ii+iii)	**10,212.23**	**28,293.39**	**0.00**	**38,505.62**

VII. REMUNERATION OF DIRECTORS AND MANAGERIAL PERSONNEL

A. Remuneration of Managing Director, Whole-time Directors and/or Manager:

(₹ In Lakhs)

S. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Mr. V C Nannapaneni	Mr. Rajeev Nannapaneni	Mr. P.S.R.K Prasad	Dr. D Linga Rao	
1	Gross Salary					
	a. Salary as per provisions contained in Section 17(1) of the IT Act, 1961	174.96	159.96	138.19	138.19	**611.30**
	b. Value of Perquisites U/s 17(2) of IT Act, 1961	-	-	-	-	
	c. Profits in lieu of Salary under section 17(3) of It Act, 1961	-	-	-	-	
2	Stock Options	-	-	-	-	
3	Sweat Equity	-	-	-	-	
4	Commission* -% of profits	-	-	-	-	
5	Others, Provident Fund	20.16	18.21	17.81	17.81	**73.99**
6	EL encashment	8.40	7.59	4.38	4.38	**24.75**
	Total (A)	**203.52**	**185.76**	**160.38**	**160.38**	**710.04**
	Ceiling as per the Act	₹ 8,402.07 lakhs (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)				

B. Remuneration to other Directors:

(₹ In Lakhs)

S. No.	Particulars of Remuneration	Name of the Independent directors					Total Amount
		Mr. G S Murthy	Mr. T V Rao	Mr. D G Prasad	Dr. Mrs. Leela Digumarti	Dr M U R Naidu	
1	Fee for attending Board / Committee Meeting	3.70	2.10	2.60	1.00	1.60	**11.00**
2	Commission		-	-	-	-	**-**
3	Other, please specify	-	-	-	-	-	
	Total (B)	**3.70**	**2.10**	**2.60**	**1.00**	**1.60**	**11.00**
	Ceiling as per the Act	₹ 840.20 lakhs (being 1% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)					
	Total Managerial Remuneration (A+B)						**721.04**
	Overall Ceiling As Per The Act	₹ 9,242.27 lakhs (being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)					

* Total remuneration to Managing Director, Whole-Time Directors and other Directors (being the total of A and B).

Note: Mr. Sridhar Sankararaman, Non-Executive and Non-Independent Director is not taking any Sitting fees.

C. Remuneration to Key Managerial Personnel

(₹ In Lakhs)

S. No.	Particulars of Remuneration	Name of KMP		Total Amount
		CS M Adinarayana	Mr. S V V N Appa Rao	
1	Gross Salary			
	a. Salary as per provisions contained in Section 17(1) of the IT Act, 1961	41.71	53.11	94.82
	b. Value of Perquisites U/s 17(2) of IT Act, 1961	-	-	-
	c. Profits in lieu of Salary under section 17(3) of It Act, 1961	-	-	-
2	Stock Options	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
5	Others, Please Specify	5.29	6.89	12.18
6	Arrears	-	-	-
	Incentive	0.20	0.08	0.28
	EL encashment	1.30	1.69	2.99
	Total (A)	**48.5**	**61.77**	**110.27**

VIII PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type		Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/COURT)	Appeal made, if any
A.	COMPANY					
	Penalty					
	Punishment			None		
	Compounding					
B.	DIRECTORS					
	Penalty					
	Punishment			None		
	Compounding					
C.	OTHER OFFICERS IN DEFAULT					
	Penalty					
	Punishment			None		
	Compounding					

Annexure VIII to the Board's Report

NATCO Dividend Distribution Policy

The Board of Directors (the "Board") of NATCO Pharma Limited (the "Company") has adopted the NATCO Dividend Distribution Policy (the "Policy") of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") in its meeting held on 11 November 2016.

Effective Date

The Policy shall become effective from the date of its adoption by the Board i.e. 11 November 2016.

Purpose

To help the investors in taking well informed investment decisions.

Definitions

Any term used in this policy shall have the meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act, 1992 or Rules and Regulations made thereunder or any other relevant legislation/law applicable to the Company

Statutory Provisions:

Chapter VIII of the Companies Act, 2013 and rules made there under contain the provisions pertaining to declaration and payment of dividend. The following points set out the statutory obligations of a Company with respect to declaration / payment of dividend:

- Company shall declare or pay dividend, for any financial year, only out of the profits of the Company for that financial year.
- Such profits shall be after providing for depreciation in accordance with the provisions of the law.
- In case of inadequacy or absence of profits in any year, a maximum of 10% of paid-up capital can be declared as dividend, subject to other provisions contained in the Companies (Declaration and Payment of Dividend) Rules, 2014.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 also specify certain conditions as to declaration of dividend such as prior intimation to the stock exchanges, record date etc.

A. General Policy of the Company and other Considerations as Regards Dividend

The Board shall consider the following, while taking decisions of a dividend pay-out during a particular year–

1. **Statutory requirements**
   The Company shall observe the relevant statutory requirements which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

2. **Prudential requirements**
   Prior to declaration / recommendation of any dividend as per this policy, the Company may consider any applicable covenants / conditions or restrictions imposed by any lenders, JV partners of the Company or its subsidiaries. The Company may decide to retain earnings in entirety for a particular year(s) for its growth / expansion, consequently resulting in shareholders' wealth creation.

3. **Extent of realized profits as a part of the IND AS profits of the Company**
   The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

4. **Expectations of stakeholders, including small shareholders**
   The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the stakeholders including the small shareholders of the Company who generally expects for a regular dividend payout.

B. Other Financial Parameters

In addition to the aforesaid parameters such as realised profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based the following-

1) Current earnings of the Company
2) Operating cash flow of the Company
3) Dividend History
4) Repayment/Pre-payment of Borrowings
5) Future Earnings Expectation
6) Capital Expenditure Requirements requiring ploughing back of profits i.e. future capital expenditure program including
   - Market expansion plan;
   - Product expansion plan;
   - Increase in production capacity;
   - Modernization plan;
   - Diversification of business;
   - Long-term strategic plans;
   - Acquiring new businesses/products
7) Crystallization of contingent liabilities, if any
8) Exchange Risk
9) Sale of businesses
10) Economic / Geo-political factors / risks
11) Regulatory requirements

C. Interim/Final Dividend Payout

Pursuant to the provisions of applicable laws and the Policy, interim dividend approved by the Board of Directors will be confirmed by the shareholders and final dividend, if any, recommended by the Board of Directors, will be subject to shareholders approval, at the relevant Annual General Meeting of the Company. The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

D. Classes of Shares

At present, the issued and paid-up share capital of the Company comprises only of equity shares. As and when the Company issues any other class(es) of shares, the Board of Directors may suitably declare dividend on such class(es) in accordance with the provisions of the Companies Act, 2013 and this policy.

E. Disclosures

Company is required to disclose this policy on its website and also in the Annual Report of the Company. The Company shall make other appropriate disclosures pertaining to declaration of dividend as required under the Companies Act, 2013 and the rules made thereunder, the SEBI Act, 1992 or the rules and regulations made thereunder and any other law applicable.

F. Amendment

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy in conformity with the provisions of Companies Act, 2013 and the rules made thereunder, the SEBI Act, 1992 or the rules and regulations made thereunder and any other law applicable.

G. Declaration of Dividend on Parameters not Mentioned in the Policy

If the Company proposes to declare dividend on the basis of parameters in addition to those mentioned in the policy it shall disclose such changes along with the rationale for the same in its annual report and on its website.

H. Limitations

The Policy shall not apply to:

- Special dividend, if any, to be outside the scope of this policy but would be governed by the provisions under the Companies Act, 2013.
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law.
- Buyback of equity shares.

Corporate Governance Report

Philosophy on Corporate Governance

NATCO Pharma Limited believes that transparency in the form of disclosures, presence of strong Board with adequate composition of Independent Directors, compliance of law in letter and spirit, responsible corporate conduct and being accountable ensures good Corporate Governance and enhances the reputation of the Company globally without hindering with the shareholder's faith in the Company.

At NATCO, we consider stakeholders as our partners in success, and we remain committed to maximising stakeholder value and their interest is taken into account before taking any business decision.

Your Company is a law abiding responsible corporate citizen and believes that to achieve success in business, highest standard of Corporate Governance behaviour is required. This is our road path to consistent, competitive, profitable and responsible growth which creates a long term value to our shareholders/stakeholders.

Materially Significant related party transactions

There have been no materially significant related party transactions, monetary transactions or relationship between the Company and its directors, the management, subsidiaries or relatives, except for those disclosed in the Board's Report. Detailed information related to related party transactions is enclosed in Annexure-2 to the Board's Report.

Management Discussion and analysis

Management discussion and analysis is provided as a separate chapter in the Annual Report.

Disclosure of Accounting Treatments:

The Company has followed the Indian Accounting Standards and accounting principles generally accepted in India in preparation of its Financial Statements for the financial year 2018-19.

Board of Directors

The Board of your Company is a combination of ten (10) eminent personnel from varied fields having immense knowledge in the relevant subjects which provides strategic guidance to the Company in arriving at judicious decisions by exercising independent judgement.

(a) Board Meetings

Proper decision-making is vital for the success of any Company and we at NATCO believe that the Board Meetings are of high significance to achieve this .

During the financial year 2018-19, four (4) board meetings were held on 23rd May, 2018, 8th August, 2018, 5th November, 2018 and 12th February, 2019 within the time limits stipulated under the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("Listing Regulations"). However, proper care is being taken to see that adequate time is provided for the meetings for thorough discussions for arriving at consensus and better decision making. Prior intimation and outcome of Board Meeting is duly informed to the Board in compliance with the Act and the Listing Regulations.

(b) Board Composition

The Composition of the Board is made keeping in view the growth of the company and compliance with the statutory requirements under the Act and the rules made thereunder and the Listing Regulations.

Composition of the Board of Directors of NATCO is as follows:

Sl. No.	Name	DIN	Category	Number of Board meetings during FY 2018-19		Attendance at the last AGM Held on 15th September, 2018	No. of Directorships in other companies	Name of other listed entities holding directorship	Category of directorship in other listed entities	No. of Committee positions held in other listed entities	
				Held	Attended					Chairman	Member
1.	Mr. V.C.Nannapaneni [a]	00183315	Executive Director	4	4	Yes	3	NIL	NIL	NIL	NIL
2.	Mr. G.S.Murthy	00122454	Independent Director	4	4	Yes	NIL	NA	NA	NA	NA
3.	Mr. T.V.Rao	05273533	Independent Director	4	3	No	8	Ladderup Finance Ltd.	Independent Director	NIL	2

Sl. No.	Name	DIN	Category	Number of Board meetings during FY 2018-19		Attendance at the last AGM Held on 15th September, 2018	No. of Directorships in other companies	Name of other listed entities holding directorship	Category of directorship in other listed entities	No. of Committee positions held in other listed entities	
				Held	Attended					Chairman	Member
4.	Mr. Rajeev Nannapaneni[(a)]	00183872	Executive Director	4	4	Yes	2	NIL	NIL	NIL	NIL
5	Mr. D.G.Prasad	00160408	Independent Director	4	4	Yes	4	(i) Gokak Textiles Limited	Independent Director	1	NIL
								(ii) Moschip Technologies Limited	Independent Director	NIL	1
								(iii) Suven Life Sciences Limited	Independent Director	2	NIL
6.	Dr.Mrs.Leela Digumarti	06980440	Independent Director	4	2	No	NIL	NA	NA	NA	NA
7.	Mr. P.S.R.K.Prasad	07011140	Executive Director	4	4	No	NIL	NA	NA	NA	NA
8.	Dr.MUR Naidu	05111014	Independent Director	4	2	No	NIL	NA	NA	NA	NA
9.	Dr.D.Linga Rao	07088404	Executive Director	4	4	Yes	NIL	NA	NA	NA	NA
10.	Mr.Sridhar Sankararaman[(b)]	06794418	Non-Executive and Non-Independent Director	4	2	No	NIL	NA	NA	NA	NA

Note:

(a) Mr.V.C.Nannapaneni and Mr. Rajeev Nannapaneni are related to each other.
The company doesn't have pecuniary relationship with any of the non-executive Directors.

(b) Mr.Vivek Chhachhi resigned w.e.f. 23rd May, 2018 and Mr. Sridhar Sankararaman joined the Board as an Additional Director w.e.f. 23rd May, 2018. In Annual General Meeting held on 15th September, 2018 with member's approval, appointed as a Non- Executive and Non- Independent Director who is liable to retirement by rotation.

(c) Independent Directors

NATCO is always of the belief that an independent eye makes a difference to the way the Board functions. The presence of Independent Directors on the Board ensures that decision making of the Board is unbiased and the interests of the stakeholders are best safeguarded. There is no instance of Resignation of Independent Director(s) during the financial year before the expiry of their term. Your company is in strict compliance of the several conditions in respect of Independent Directors prescribed under the Act and the Listing Regulations.

Separate Meeting for Independent Directors

The Independent Directors of your company met on 12th February, 2019 and considered those items of business as required under Schedule IV to the Act as well as the Listing Regulations. The Company Secretary of your company facilitated the convening and holding of the meeting of Independent Directors.

Familiarisation Programme for Independent Directors

The Company has organised Familiarisation Programmes for the Independent Directors of the Company to familiarise them with the Company with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company etc. The details regarding the programme is available on our website www.natcopharma.co.in.

(d) Board Evaluation

A formal annual evaluation has been made by the Board of its own performance, Chairman of the board, its Committees and individual Directors. The performance evaluation has been done by the entire Board of Directors, excluding the Director being evaluated. Various evaluation techniques are used to assess the performance of the Directors. All the Directors have participated in this evaluation process. The Independent Directors in their separate meeting have also evaluated the performance of the Chairman of the Company, Non-Independent Directors and the Board as a whole.

(e) The following is the Criteria for evaluation of performance of Independent Director:

I. Participation at Board/ Committee Meetings:

a) Director comes well prepared and informed for the Board / committee meeting(s)

b) Director demonstrates a willingness to devote time and effort to understand the Company and its business and a readiness to participate in events outside the meeting room, such as site visits?

c) Director has ability to remain focused at a governance level in Board/ Committee meetings.

d) Director's contributions at Board / Committee meetings are of high quality and innovative.

e) Director's proactively contributes in to development of strategy and to risk management of the Company.

II. Managing Relationship:

a) Director's performance and behaviour promotes mutual trust and respect within the Board / Committee.

b) Director is effective and successful in managing relationships with fellow Board members and senior management?

III. Knowledge and Skill:

a) Director understands governance, regulatory, financial, fiduciary and ethical requirements of the Board / Committee.

b) Director actively and successfully refreshes his/ her knowledge and skills and up to date with the latest developments in areas such as corporate governance framework, financial reporting and the industry and market conditions

c) Director is able to present his/ her views convincingly yet diplomatically.

d) Director listens and takes on Board the views of other members of Board.

e) Director exercises objective independent judgment in the best interest of Company

f) Director has effectively assisted the Company is implementing best corporate governance practices and then monitors the same.

g) Director helps in bringing independent judgment during board deliberations on strategy, performance, risk management etc.

h) Director keeps himself/ herself well informed about the Company and external environment in which it operates.

i) Director acts within his/her authority and assists in protecting the legitimate interest of the Company, Shareholders and employees.

j) Director adheres to the applicable code of conduct for independent directors.

(f) Key skills/expertise/competence identified by the Board:

Leadership& Management	Leadership experience, strategic decision making, risk management. Skilled and expertise in driving change, planning succession and long term growth.
Finance/Accounting Knowledge	Knowledge on financial reporting, accounting principles, internal controls, auditing process and related considerations and issues.
Governance	Experience as a board member and aware of corporate governance principles.
Industry knowledge	Knowledge of one or more important business lines of the organisations in the same industry.
Legal/Regulatory knowledge	Experience in working in legal firms, regulatory organisations and Aware of legal matters relevant to the industry.
Sales, Distribution & Brand Marketing	Experience in developing strategies to grow sales, and market share, create distribution models and build brand awareness to enhance company's reputation.
International / Global Knowledge	Awareness about relevant markets at global level and diversification of Company's business, global trends.
Operations	Expertise in managing the operations of the Company
Technology	Experience with information technology systems and developments and recent trends in technology.

The above key skills/expertise/competence stated above are adequate to function efficiently and effectively in managing the affairs of the company.

Committees

(i) Committees of Board

The Board currently has eight (8) committees, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Allotment Committee, Corporate Social Responsibility Committee, Risk Management Committee and Buy back Committee.

Other Committees
Other Committees includes Share Transfer Committee, Internal Complaints Committee and Land Committee. Board at its meeting held on 27th May, 2019 has constituted Risk management committee as per the SEBI (Listing obligations and Disclosure Requirements) (Amendment) Regulations, 2018, as it is mandatory for top 500 listed entities, (Our Company ranked 213 as on 31st March, 2019) as per NSE website determined based on market capitalization. The membership in committees is decided based on the traits of the Directors keeping in view the statutory requirement of composition of directors in the committees. The brief description of terms of reference, composition, meetings and attendance of the committee(s) during the financial year 2018-19 are provided below:

(a) Audit Committee

The Audit Committee is vested with the responsibility to review, inter alia, the financial reporting, internal control systems, risk management systems and the internal and external audit functions. The qualifications of the directors, composition, quorum, frequency of meetings and the terms of reference of the Audit Committee are in line with the requirements under the Act and the Listing Regulations. During the year, all the recommendations made by the committee were accepted by the board.

During the financial year 2018-19, four (4) audit committee meetings were held on 23rd May, 2018, 8th August, 2018, 5th November, 2018 and 12th February, 2019.

Details of Composition of the Audit Committee and attendance at the meetings are given below :

Name of the Director	Category	Audit Committee attendance	
		Held	Attended
Mr. G.S.Murthy (Chairman)	Independent Director	4	4
Mr. T.V.Rao	Independent Director	4	3
Mr. D.G.Prasad	Independent Director	4	4
Mr. V.C.Nannapaneni	Executive Director	4	4
Mr. Vivek Chhachhi*	Non-Executive and Non-Independent Director	4	0
Dr.M.U.R.Naidu	Independent Director	4	2
Mr.Sridhar Sankararaman*	Non-Executive and Non- Independent Director	4	2

* In the Board Meeting held on 23rd May, 2018 committee was re-constituted by inclusion of Mr.Sridhar Sankararaman as a member of the Committee in place of Mr. Vivek Chhachhi who has resigned as a Director with effect from the 23rd May, 2018.

(b) Stakeholders Relationship Committee

The Stakeholders Relationship Committee is constituted by the Board to consider and resolve the grievances of security holders of the company. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Stakeholders Relationship Committee are in line with the requirements under the Act and the Listing Regulations. During the financial year 2018-19, two (2) stakeholder relationship committee meetings were held on 23rd May, 2018 and 5th November, 2018. Details of composition of the Stakeholders Relationship Committee and attendance of the meetings are as given below:

Name of the Director	Category	Stakeholders Relationship Committee Attendance	
		Held	Attended
Mr. G.S.Murthy (Chairman)	Independent Director	2	2
Mr. V.C.Nannapaneni	Executive Director	2	2
Mr. Rajeev Nannapaneni	Executive Director	2	2
Dr.M.U.R.Naidu	Independent Director	2	1

(c) Nomination and Remuneration Committee

The Nomination and Remuneration Committee is empowered to oversee the company's policies relating to the nomination and evaluation of every Director's performance and to determine the company's policies relating to remuneration of the Directors, senior management of the Company and one level below the Board of Directors. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Nomination and Remuneration Committee are in line with the requirements under the Act and the Listing Regulations.

During the financial year 2018-19, two (2) Nomination and Remuneration Committee meetings were held on 23rd May, 2018 and 12th February, 2019.

The details of composition of Nomination and Remuneration Committee and attendance of the meeting are given below:

Name of the Director	Category	Nomination and Remuneration Committee Attendance	
		Held	Attended
Mr. G.S.Murthy (Chairman)	Independent Director	2	2
*Mr.Vivek Chhachhi	Non-Executive and non-independent Director	2	0
*Mr.Sridhar Sankararaman	Non-Executive and Non-independent Director	2	1
Mr. V.C.Nannapaneni	Executive Director (Chairman of the Board)	2	2
Dr.M.U.R.Naidu	Independent Director	2	2

* In the Board Meeting held on 23rd May, 2018 committee was re-constituted by inclusion of Mr.Sridhar Sankararaman as a member of the Committee in place of Mr. Vivek Chhachhi who has resigned as a Director with effect from the 23rd May 2018.

(d) Compensation Committee

The Compensation Committee is constituted, inter alia, to consider recommendation of any share based employee benefit schemes for the approval of the Board and for grant of options / allotment of shares approved under such schemes. During the financial year 2018-19 the Compensation Committee meeting was held on 27th September, 2018 and all the members attended wherein it had allotted the third tranche of options under NATCO Employee Stock Option Scheme, 2015 (NATSOP 2015) to the eligible employees of the Company. The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Compensation Committee are in line with the requirements under the Act, the Listing Regulations and the SEBI (Share Based Employee Benefits) Regulations, 2014 and consists of Mr. G.S.Murthy, Mr. V.C.Nannapaneni, Mr. Rajeev Nannapaneni and Dr.M.U.R.Naidu as members of the Compensation Committee.

(e) Allotment Committee

The Allotment Committee is constituted to facilitate allotment of securities of the Company after obtaining requisite approvals, if any. There was no Allotment Committee meeting held during the financial year 2018-19. Mr. V.C. Nannapaneni, Mr. G. S. Murthy, Dr. M.U.R. Naidu and Mr. Rajeev Nannapaneni are the members of the Allotment Committee.

(f) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is vested with the responsibility to, inter alia, monitor the compliance of Corporate Social Responsibility Policy of the Company and to recommend any changes to the same.

The qualifications of the Directors, composition, quorum, frequency of meetings and the terms of reference of the Corporate Social Responsibility Committee are in line with the requirements under the Act and the Listing Regulations.

During the financial year 2018-19, two (2) Corporate Social Responsibility Committee meetings were held on 23rd May, 2018 and 5th November, 2018.

The details of composition of Corporate Social Responsibility Committee and attendance of the meeting are given below:

Name of the Director	Category	Corporate Social responsibility committee attendance	
		Held	Attended
Mr. G.S.Murthy	Independent Director	2	2
Mr. V.C.Nannapaneni	Executive Director	2	2
Mr. Rajeev Nannapaneni	Executive Director	2	2

(g) Risk Management Committee

The Board has constituted Risk management committee in the Board meeting held on 27th May, 2019 according to listing regulations amended from time to time. The terms of the reference, quorum, and frequency of the committee meetings etc. are in line with the requirements of the Listing Regulations. No meetings were held during the year. The composition of the committee is as follows:

DIRECTORS

1) Mr.V.C. Nannapaneni (DIN: 00183315), Chairman & Managing Director
2) Mr.Rajeev Nannapaneni (DIN: 00183872), Vice Chairman &Chief Executive Officer
3) Mr.P.S.R.K.Prasad (DIN:07011140), Director & Executive Vice President (Corporate Engineering Services)
4) Dr.D.Linga Rao (DIN: 07088404), Director & President (Technical Affairs)

OTHER MEMBERS

5) Mr. A. Lakshminarayana, Vice President – HR & OD
6) Mr.S.V.V.N.Appa Rao – Chief Financial Officer
7) Dr.B.Rami Reddy, Director – Formulations
8) Dr. M. Pulla Reddy – Executive Vice President – R&D

h) Buyback Committee

Buy- back Committee is constituted by the Board to deal with matters relating to the buy-back of equity shares of the Company. The Buy-back Committee comprises of Mr. V.C. Nannapaneni, Chairman and Managing Director, Mr. Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer, Mr. M. Adinarayana, Company Secretary and Vice President (Legal & Corp. Affairs) and Mr. S.V.V.N Appa Rao, Chief Financial Officer as its members. The details of the meetings of the Buy-back committee are as follows:

S. No.	Date of the Meeting	Purpose
1.	14th March, 2019	Approval of Corrigendum to the Public Announcement
2.	16th May, 2019	Public Announcement for Closure of Buyback

(ii) Other Committees

(a) Share Transfer Committee

The transfer/transmission of equity shares of the Company are approved by the Share Transfer Committee, the power of which has been delegated to the Share Transfer Agents/Registrars of the Company. The Company Secretary approves share transfers/transmissions and related matters. Physical shares lodged for transfer either at Company's Registered Office or at the Company's Registrars are processed within 15 days from the date of lodgement, if the documents are valid in all respects. All requests for dematerialisation of shares are processed and the confirmation(s) thereto are given to depositories within 15 days.

During the financial year 2018-19, 134 (One hundred and thirty four only) instruments of transfer for 64,625 (Sixty Four thousand six hundred and twenty five only) equity shares and 15 (fifteen only) instruments of transmission for 2,800 (Two thousand eight hundred only) equity shares were received and the same were effected.

(b) Internal Complaints Committee – Committee constituted under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company has in place Internal Complaints Committee at each of its offices and factories to resolve any issues related to sexual harassment of women at workplace. The composition of the Committees is strictly as per the statutory requirement in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year 2018-19, there were no complaints received.

The Committee comprises of one Presiding Officer who is a woman employed at a senior level, two members from amongst the employees and one member from a non-governmental organisation at each place of work. It was ensured that the committee constitutes with at least half of the total members are women.

(c) **Land Committee**
The Board has constituted Land committee in the Board meeting held on 27th May, 2019. The composition of the committee consists of Mr. V. C. Nannapaneni, Chairman and Managing Director, Mr. Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer, Mr. M. Adinarayana, Company Secretary & Vice President (Legal & Corp. Affairs) and Mr. S.V.V.N. Appa Rao, Chief Financial Officer.

The Committee is authorised to approve purchase / sale of land property for / by the Company, to approve mortgage of land property owned by the Company, to approve execution of Agreement of Sale, Memorandum of Understanding, Sale Deed, Exchange Deed, Gift Settlement Deed, Mortgage Deed and such other documents as may be required and necessary and to do all such things that are necessary and incidental thereto.

GENERAL MEETINGS

(a) Annual General Meetings

The following are the details of the previous three Annual General Meetings of your Company:

Financial Year	Date of the AGM	Venue	Time	Special Resolution(s) passed, if any
2017-18	15th September, 2018	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	4
2016-17	28th September, 2017	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.30 A.M.	7
2015-16	30th September, 2016	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033	10.00 A.M.	5

(b) Postal ballot

i) No resolution was passed through postal ballot for the financial year 2018-19.

ii) No special resolution is proposed to be conducted through postal ballot.

REMUNERATION OF DIRECTORS

a) Executive Directors

The remuneration of Executive Directors of the Company is fixed based on the remuneration policy of the Company and as recommended by NRC and the remuneration paid to them for the financial year 2018-19 is as below and are in line with the applicable provisions of the Act.

S. No.	Name	Designation	Total amount (₹ in Lakhs per annum)
1.	Mr. V. C. Nannapaneni	Chairman & Managing Director	₹203.52
2.	Mr. Rajeev Nannapaneni	Vice Chairman & CEO	₹185.76
3.	Mr. P.S.R.K. Prasad	Director & Executive Vice President (Corp. Engg. Services)	₹160.38
4.	Dr. D. Linga Rao	Director & President (Tech. Affairs)	₹160.38
TOTAL			**₹710.04**

b) Non-Executive Directors

Sitting fees is paid for the non-executive directors for attending the Board meetings and the Committee Meetings and such amounts are paid within the ceiling limits under Act. Criteria for making payments to Non-executive directors are available at company's website www.natcopharma.co.in

The details of the sitting fees paid to Non-Executive Directors for the Financial Year 2018-19 is given below:

S. No.	Name	Designation	Total amount (₹ in Lakhs per annum)
1.	Mr. G.S.Murthy	Independent Director	3.70
2.	Mr. T.V.Rao	Independent Director	2.10
3.	Mr. D.G.Prasad	Independent Director	2.60
4.	Dr.Mrs.Leela Digumarti	Independent Director	1.00
5.	Dr.M.U.R.Naidu	Independent Director	1.60
6.	Mr.Sridhar Sankararaman*	Non-Executive and Non-independent Director	Nil
TOTAL			**11.00**

* Mr Sridhar Sankararaman has voluntarily opted not to take any sitting fee.

Shareholding of Non-Executive Directors

As on 31st March, 2019, Dr.M.U.R Naidu is holding 15,000 equity shares of ₹ 2/-each which amounts to 0.008% of equity shares of the Company as on 31st March, 2019. None of the other Non- Executive Directors are holding any shares of the company.

Prevention of insider trading

Your company has in place Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information which is in adherence to the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time.The policy on Insider trading was amended during the Financial Year 2018-19 in line with SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit. Report of compliance officer was duly placed before the Board meetings. The Code is available on the Company's website at the following link:

https://www.natcopharma.co.in/wp-content/uploads/2019/04/Code-of-Conduct-_PIT-2015-Natco.pdf

Compliances

a. Reconciliation of Share Capital Audit Report

The Reconciliation of Share Capital Audit Report was prepared on a quarterly basis by Mrs. P.Renuka, Practising Company Secretary (ACS No.11963; CP No. 3460) as required under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 and the same was filed with the Stock Exchanges within the statutory time limits.

b. Compliance Report on Corporate Governance

Your Company submits compliance report on Corporate Governance to the Stock Exchanges on quarterly, half-yearly and annual basis within the statutory time limits.

c. Secretarial Standards

Your company's practices and procedures meet with the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

Legal Compliance

The Company follows a formal management policy and system of legal compliance and reporting to facilitate periodical review by the Board of the Compliance of laws applicable to the Company and steps taken to rectify non-compliance, if any. There were no instances of material non-compliance and strictures imposed on the Company either by SEBI, Stock Exchange or any statutory authority, on any matter related to capital markets, tax / excise matters, and such other related matters during the last three years.

Whistle Blower Policy

The Company has a Whistle Blower Policy to deal with instances of fraud and mismanagement, if any. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. Pursuant thereto, anyone can directly approach the Chairman of the Audit Committee or through Company Secretary to report any suspected or confirmed incident of fraud / misconduct. It is affirmed that no personnel has been denied access to the Audit Committee.

Environmental Policy

Our Company complies with all the applicable environmental legislations and regulations, by incorporating suitable modern techniques for combating the environmental pollutants and to ensure the compliance. We have adopted state of the art technologies for treatment and recycling of effluents, recycling of wastes, converting wastes to by-products and energy, conservation of natural resources, energy efficiency, rain water harvesting, etc. A number of initiatives and programs conducted to create awareness among our employees & all our stake holders. Our well defined policy over the year built a frame work for setting and reviewing of environmental objectives and targets for continual improvement.

Non-Mandatory Requirements

- **Separate posts of Chairperson and Chief Executive Officer**

The Chairman of the Board and the Chief Executive Officer are two different persons

Related Party Transactions

All related party transactions with related parties during the financial year 2018-19 were done in accordance with the provisions of the Act and the Listing Regulations. No materially significant transactions with related parties were entered during the financial year which was in conflict with the interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or material transactions with the Company for the year ended 31st March, 2019. The Company had formulated a Related Party Transactions Policy which is available on the Company's Website at the following link:

http://natcopharma.co.in/wp-content/uploads/2015/03/RPT-Policy.pdf)

EMPLOYEE STOCK OPTION SCHEMES

Based on the recommendation of the Compensation Committee, the Board and members of the Company approved the following Employee Stock Option Schemes, which are currently in force, for which your company had received in-principle approval from both the stock exchanges (NSE and BSE) to list the shares issued pursuant to the schemes as and when alloted:

Scheme	Particulars	No of Options
NATSOP2015	Opening Balance as on 1st April, 2018	4,38,945
	Options vested and Exercised (allotted on 27th September, 2018)	1,40,965
	Closing Balance of Options as 31st March, 2019	**2,97,980***
NATSOP2016	Opening Balance as on 1st April, 2018	1,65,630
	Options Vested	18,350
	Options Exercised (allotted on 5th November, 2018)	17,500
	Closing Balance of Options as on 31st March, 2019	**1,47,280***
NATSOP2017	Opening balance as on 1st April, 2018	6,00,000
	Options vested and Exercised (allotted on 5th November, 2018)	1,10,270
	Closing balance of Options as on 31st March, 2019	**4,89,730***

* includes forfeited shares

UNCLAIMED DIVIDEND

Section 124 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("the Rules"), mandates that companies transfer dividend that has remained unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund (IEPF). Further, the Rules mandate that the shares on which dividend has not been paid or claimed for seven consecutive years or more also be transferred to the IEPF.

The following table provides list of years and dividend amount for which unclaimed dividends would become eligible to be transferred to the IEPF on the dates mentioned below as on 31st March, 2019:

Year	Type of Dividend	Dividend per share(₹)	Date of declaration	Due date of transfer	Amount (₹)
2012-13	Interim	4.00	13th February, 2013	22nd March, 2020	15,75,460.00
2013-14	Interim	5.00	13th February, 2014	22nd March, 2021	13,51,385.00
2014-15	Interim	5.00	11th February, 2015	20th March, 2022	11,99,860.00
2015-16	Interim	1.25*	11th February, 2016	19th March, 2023	15,65,690.00
2016-17	1st Interim	0.75*	9th August, 2016	15th September, 2023	9,41,386.00
	2nd Interim	6.00*	14th February, 2017	23rd March, 2024	54,97,518.00
2017-18	1st Interim	1.25*	7th August, 2017	13th September, 2024	15,11,508.75
	2nd Interim	7.00*	6th February, 2018	15th March, 2025	45,64,966.00
2018-19	1st interim	1.50*	8th August, 2018	14th September, 2025	10,95,196.00
	2nd interim	3.50*	12th February, 2019	21st March, 2026	25,19,296.50

*On Equity share of₹ 2/- each

The company sends intimation to the shareholder(s) concerned, advising them to lodge their claims with respect to unclaimed dividends. Shareholder(s) may note that both the unclaimed dividend and corresponding shares transferred to IEPF, including all benefits accruing on such shares, if any, can be claimed from IEPF by following the procedure prescribed in the Rules. The details of which are available at your Company's website. No claim (s) of whatsoever nature shall lie in respect thereof with the company.

Dividend remitted to IEPF during the last five years

Year	Dividend declared on	Amount transferred to IEPF (₹)	Date of transfer
2007-2008	25th October, 2007	4,64,055.00	18th November, 2014
2008-2009	25th May, 2009	5,79,399.00	21st June, 2016
2009-2010	27th January, 2010	9,18,554.00	28th February, 2017
2010-2011	14th February, 2011	7,80,368.00	9th March, 2018
2011-2012	9th February, 2012	10,68,983.00	14th March, 2019

Transfer of shares to IEPF

Pursuant to Section 124(6) all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company in the name of Investor Education and Protection Fund (IEPF). During the year there are no transfer of equity shares to IEPF made by the Company.

Means of Communication

At NATCO, dissemination of information is considered crucial since many stakeholders are interested in the affairs of the Company. The Company is in strict compliance of the Listing Regulations pertaining to disclosure of Audited/Unaudited quarterly, half-yearly and annual financial results of the Company both on standalone and consolidated basis within thirty (30) minutes of the conclusion of the Board Meeting to the Stock Exchanges and publication of the same in both Vernacular and National newspapers and disclosure of presentations on Financial Results made to Institutional investors / analysts to the Stock Exchanges. The same disclosures are also published on the website of the Company (www.natcopharma.co.in).

It is ensured that any material information under Regulation 30 of the Listing Regulations is promptly intimated to the Stock Exchanges and updated on the Company's website (www.natcopharma.co.in) as well as made part of press releases. Any price sensitive information is brought to the notice of both the Stock Exchanges (NSE and BSE), Press and Electronic Media in order to avoid any possible insider trading practices with such information.

The following table provides the details regarding the publishing of quarterly results in the newspapers:

For Quarter ended	Date of Board meeting	Date of Publication	Name of the English Daily	Name of the Regional Daily
30th June, 2018	8th August, 2018	9th August, 2018	• Business Line	• Eenadu
30th September, 2018	5th November, 2018	6th November, 2018	• Business Standard • Financial Express	• Eenadu
31st December, 2018	12th February, 2019	13th February, 2019	• Business line	• Eenadu
31st March, 2019	27th May, 2019	28th May, 2019	• Business Line	• Eenadu

General shareholder information

(a) Details regarding Annual General Meeting

Date	5th September, 2019
Time	10.30 a.m.
Venue	Daspalla Hotel, Road No.37, Jubilee Hills, Hyderabad - 500 033
Book Closure Dates	3rd September, 2019 to 5th September, 2019 (both days inclusive)

(b) Financial Year

The Company adopted the financial year beginning on 1st April of every year and ending on 31st March of the following year. Accordingly, all the quarterly, half yearly and annual compliance are taken care of in accordance with the Act, Listing Regulations and other applicable Acts, rules and regulations.

(c) Listing on Stock Exchanges

The ISIN of the Company is INE987B01026. Details of the Stock Exchanges in which the equity shares of the Company are listed are as below:

Name of the Stock Exchange	Address	Scrip Code
BSE Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001	524816
National Stock Exchange of India Limited	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051	NATCOPHARM

The Company confirms that it has duly paid the annual listing fee for the year 2018-19 to the above mentioned Stock Exchanges and the custodial fee for the year 2018-19 to both the Depositories, namely National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

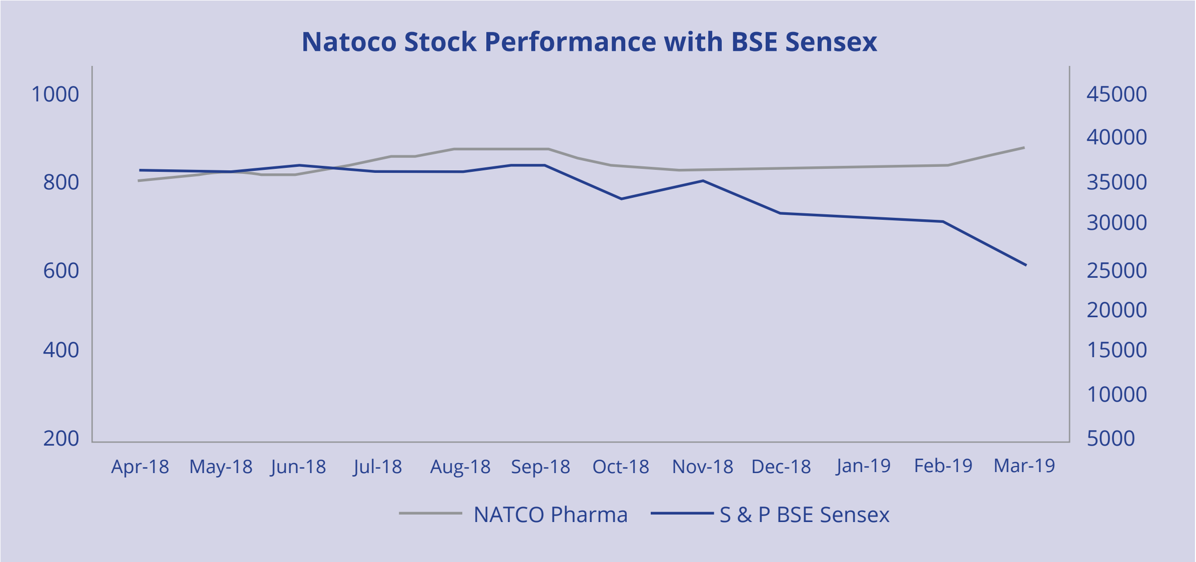
(d) Market Price Data

The market price data (high and low closing prices during each month) for the financial year 2018 -19 is as below:

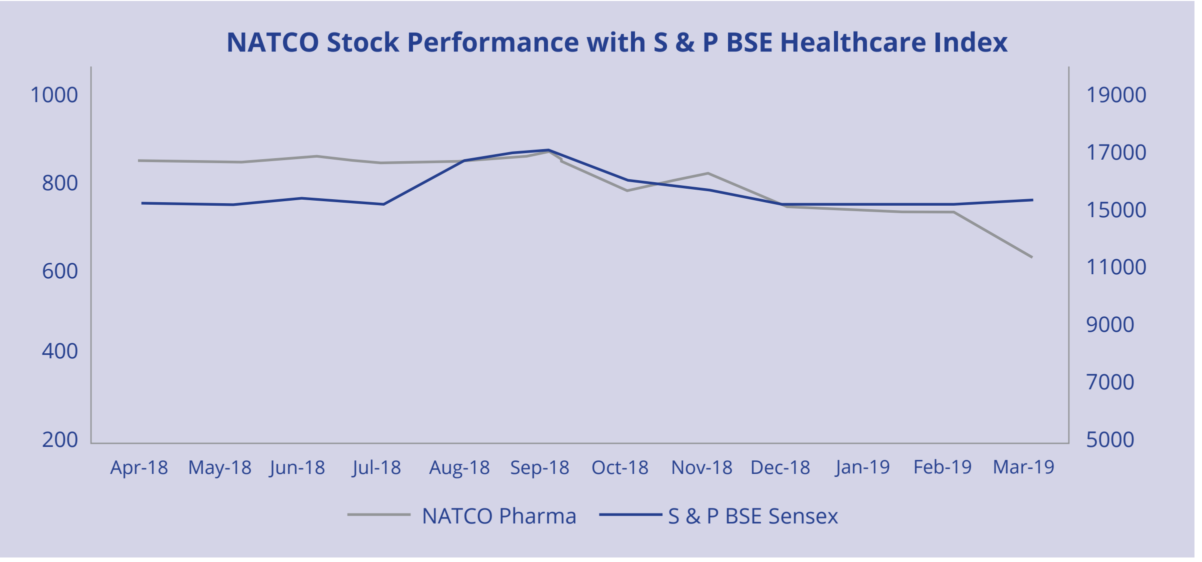
Month	Bombay Stock Exchange		National Stock Exchange	
	High ₹	Low ₹	High ₹	Low ₹
April 2018	829.55	751.00	830.00	750.00
May 2018	828.00	754.00	827.75	751.05
June 2018	841.70	735.00	843.85	732.00
July 2018	827.40	750.80	828.90	758.00
August 2018	825.00	749.10	824.00	748.00
September 2018	849.00	740.00	848.30	742.75
October 2018	763.30	637.40	763.40	636.00
November 2018	801.20	705.00	799.90	704.75
December 2018	725.75	666.40	728.80	669.70
January 2019	717.40	660.00	709.80	659.40
February 2019	707.00	563.15	709.75	562.00
March 2019	610.00	557.00	610.80	555.00

(e) Performance in comparison to broad-based indices

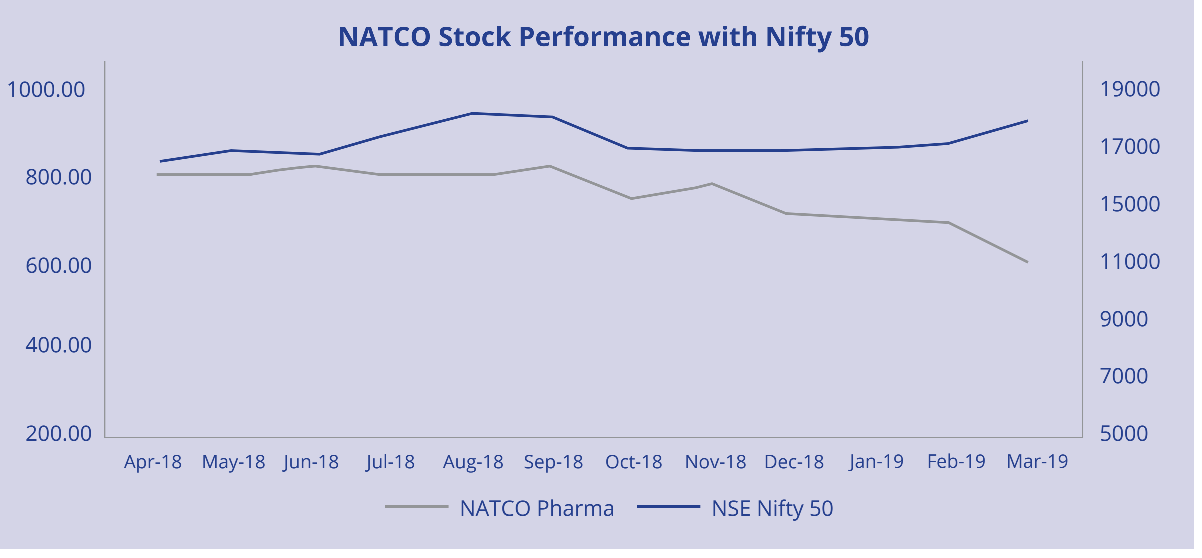
(i) Compared to S & P BSE Sensex



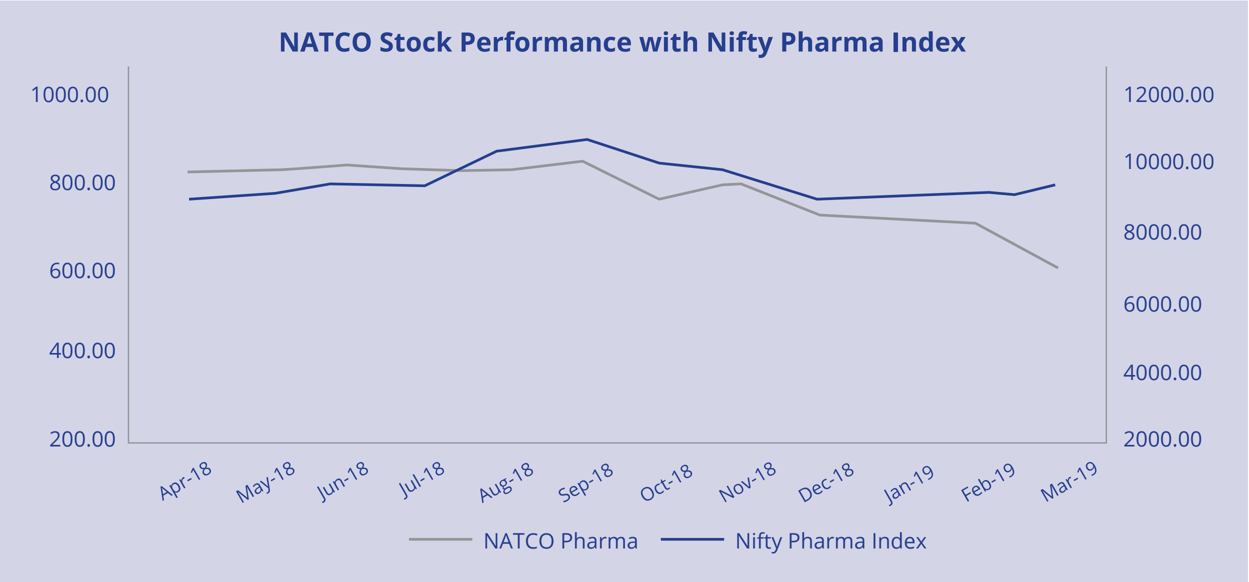
ii) Compared to S&P BSE HEALTHCARE INDEX



(iii) Compared to Nifty 50



(iv) **Compared to Nifty Pharma Index**



(f) Registrar and share transfer agent and share transfer system;

Venture Capital and Corporate Investments Pvt. Ltd. (VCCIPL) is the Registrar and Share Transfer Agent of the Company which undertakes the Share Transfer Work for both physical and electronic forms.

Address: 12-10-167, Bharat Nagar,
Hyderabad - 500 018, Telangana
Tel Nos.040-23818475/23818476/23868023
Fax No.040-23868024
Contact Person: Mr. P V Srinivas / Mr. E V S N Murthy
Email: info@vccilindia.com

(g) Dematerialization of shares and liquidity

As on March 31, 2019, 99.49% of the shares of your company is dematerialised. As the trading of your company's shares are being conducted only in electronic form all other members holding physical shares are requested to convert their shareholdings to electronic form at the earliest.

(h) Distribution of Shareholding

Nominal Value ₹	Shareholders		Amount ₹	
	Number	% To Total	In ₹	% To Total
Up to - 5000	75,122	97.7	2,45,57,320	6.71
5001 - 10000	837	1.09	62,69,342	1.71
10001 - 20000	406	0.53	59,34,098	1.62
20001 - 30000	127	0.17	31,50,560	0.86
30001 - 40000	67	0.09	23,01,796	0.63
40001 - 50000	51	0.07	23,45,318	0.64
50001 - 100000	97	0.13	69,38,040	1.9
100001 and above	184	0.24	31,42,72,516	85.92
Total	**76,891**	**100**	**36,57,68,990**	**100**

(i) Unclaimed Shares

The status of unclaimed shares of the Company transferred to a demat account "NATCO Pharma Limited – Unclaimed Suspense Account", in accordance with Listing Regulations, are given below:

Particulars	No. of Shareholders	No. of Shares
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 1st April, 2018	1,798	2,54,200
Number of shareholders and shares transferred to IEPF	0	0
Number of shareholders / legal heirs to whom the shares were transferred from the unclaimed suspense account upon receipt of and verification of necessary documents during the year 2018-19	85	8,300
Aggregate number of shareholders and outstanding shares held in the Unclaimed Suspense Account as on 31st March, 2019	1,713	2,45,900

(k) Plant Locations

i)	Pharma Division Kothur Post & Mandal, Rangareddy District -509 228 Telangana, India	ii)	Pharma Division - Parenterals Vijayapuri North, Nagarjunasagar, Peddavura Mandal, Nalgonda Dist.-508 202 Telangana, India
iii)	Chemical Division Mekaguda, Nandigama Mandal Rangareddy District - 509 228 Telangana, India	iv)	R & D Division (NATCO Research Centre) B-11, B-13 & B-14, Industrial Estate, Sanathnagar, Hyderabad - 500 018, Telangana, India.
v)	Formulations Division Plot No.19, Pharma City Selaqui Industrial Area Vikas Nagar, Dehradun 248 197 Uttarakhand, India	vi)	Formulations Division Plot No.A3, UPSIDC, Selaqui Industrial Area Dehradun 248 197. Uttarakhand, India
vii)	Chemical Division, Chennai No.74/7B, Vaikkadu TPP Salai, Manali Chennai - 600 103, Tamilnadu, India	viii)	Pharma Division DAG No.749, 750 Kokjhar Village, Revenue Circle - Mirza Kamrup (Rural) Guwahati Dist. 781 125, Assam, India
ix)	Formulations Division UNIT-10, Parawada, JNPC, Ramky SEZ Visakapatnam-531 019, Andhra Pradesh, India (Trail runs are on, ready to operate)		
	Units under Implementation		
x)	Crop Health Science (CHS) – Chemical Unit Plot No. 29,Sy . No. 56 (P) & 60 (P), APIIC Industrial Park-Attivaram Village, Ozili Mandal, SPSR Nellore District -524421, Andhra Pradesh	xi)	Crop Health Science (CHS) – Formulations Unit No. 3,8/1, Sy . No. 56 (P) & 60 (P), APIIC Industrial Park-Attivaram VIllage, Ozili Mandal, SPSR Nellore District - 524421, Andhra Pradesh

(l) Compliance Officer
CS M. Adinarayana, FCS 3808
Company Secretary &
Vice President (Legal & Corp. Affairs)
Email: man@natcopharma.co.in

(m) Address for correspondence
Registered Office:
Company Secretary Natco Pharma Limied
NATCO House, Road No. 2, Banjara Hills,
Hyderabad - 500034, Telangana
Tel. No.: 040-23547532, Fax No.: 040-23548243
Email: investors@natcopharma.co.in /
dasaradhi@natcopharma.co.in
Website: www.natcopharma.co.in

(n) Credit Ratings
The company has obtained credit ratings from ICRA on long term borrowings as “AA” and on short term borrowings as “A1+”

(o) Qualified Institutional Placement (QIP) utilisation:
Your Company had raised a sum of ₹ 915 Crores by allotment of 100,00,000 equity shares of ₹ 2/- each at a premium of ₹ 913 per share through Qualified Institutional Placement (QIP) pursuant to approval accorded by the shareholders in their Extra-ordinary Meeting held on 29th November, 2017. Following are the details of the utilisation of funds raised through QIP as on 31st March, 2019:

Particulars	Amount in Crores (₹)
(A) Amount received on allotment of 1,00,00,000 (One Crore Only) equity shares through QIP	₹ 915
(B) Utilisation Of Funds:	
Amount paid to lead Bankers including TDS	(18.50)
Loans Repaid to Bankers	(209.07)
Payments made to legal advisors,NSE,BSE etc. including TDS	(2.73)
Total	(230.30)
(C) Balance left (A - B)	684.70
(D) Capital expenditure incurred up to FY 18-19	(452.43)
(E) Balance of funds in fixed deposits	**232.27**

(p) Details of the fees paid to Statutory Auditors
The details of the total fees for all services paid by the company, on a consolidated basis, to the statutory auditor for the financial year

Particulars	Amount (₹)
Audit Fees	₹ 40,00,000
Out of pocket expenses	₹ 34,400
Total	**₹ 40,34,400**

(q) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 : Company is in compliance of the disclosures of corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) provided as separate section under the head "Investors" in the company's website www.natcopharma.co.in

Certificate on Compliance with Code of Conduct

The Members of
NATCO Pharma Limited

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that the Company has adopted a code of conduct for all Board Members and Senior Management and the same has been placed on the Company's Website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the Financial Year ended 31st March, 2019.

For **NATCO Pharma Limited**

V C Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Place: Hyderabad
Date: 27th May, 2019

CEO / CFO Certification to the Board

(as per 17(8) of Listing Regulations)

To
The Board of Directors,
NATCO Pharma Limited

A. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2019 and that to the best of our knowledge and belief:

   (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (2) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the auditors and the Audit committee

   (1) significant changes in internal control over financial reporting during the year;

   (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

Place: Hyderabad
Date: 27th May, 2019

S V V N Appa Rao
CFO

CERTIFICATE OF COMPLIANCE

To
The Members of
NATCO Pharma Limited

I have examined the compliance of conditions of Corporate Governance by M/s. NATCO Pharma Limited, for the year ended 31st March 2019 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

The Compliance of conditions of Corporate Governance is the responsibility of the management. My Examination has been limited to review of the procedure and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the Listing Regulations. It is neither an audit nor an expression of opinion on the financial statements of the Company.

No Investor grievance(s) are pending for a period exceeding one month against the Company as per the records maintained by the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable.

I further state that such compliance is neither an assurance as to the further viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

P Renuka
Company Secretary in Practice
C P No.3460

Place: Hyderabad
Date: 27th May, 2019

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members of
M/s. NATCO Pharma Limited
NATCO HOUSE, ROAD # 2
Banjara Hills, Hyderabad 500 034

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of M/s. NATCO Pharma Limited having CIN L24230TG1981PLC003201 and having registered office at NATCO House, Road # 2, Banjara Hills, Hyderabad 500 034 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications including Directors Identification Number (DIN) status at the portal www.mca.gov.in as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sl No.	Name of Director	DIN	Date of Appointment in the company
1	SREERAMA MURTHY GUBBALA	00122454	31st January, 2000
2	RAJEEV NANNAPANENI	00183872	1st June, 2012
3	GOVINDA PRASAD DASU	00160408	13th February, 2014
4	VENKATESWARA RAO THALLAPAKA	05273533	25th August, 2014
5	LEELA DIGUMARTI	06980440	22nd September, 2014
6	VENKAIAH CHOWDARY NANNAPANENI	00183315	1st April, 2015
7	UMAMAHESHWARRAO NAIDU MADIREDDI	05111014	11th February, 2015
8	POTLURI PRASAD SIVARAMAKRISHNA	07011140	12th November, 2014
9	LINGARAO DONTHINENI	07088404	11th February, 2015
10	SRIDHAR SANKARARAMAN	06794418	23rd May, 2018

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

P Renuka
Company Secretary in Practice
C P No.3460

Place: Hyderabad
Date: 27th May, 2019

Business Responsibility Report

Section – A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L24230TG1981PLC003201
2.	Name of the Company	NATCO Pharma Limited
3.	Registered Address	NATCO House Road # 2, Banjara Hills, Hyderabad - 500034, Telangana, India
4.	Website	www.natcopharma.co.in
5.	E-mail id Financial Year Reported	investors@natcopharma.co.in 1st April, 2018 to 31st March, 2019
6.	Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 210 Description: Pharmaceuticals
7.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Description: Pharmaceuticals Imatinib, Oseltamivir, Liposomal doxorubicin
8.	Total number of locations, where business activity is undertaken by the Company	Our business activity spreads over 40 countries through either sales or alliances. Our major products include Finished Dosage Formulations (FDF) and Active Pharmaceutical Ingredients (API). Number of locations in India (National) - eight manufacturing units, two R&D centres in addition to several distribution/ warehouse locations across India. International locations - The Company has 6 subsidiaries and one Step-down subsidiary
9.	Markets served by the Company – Local/ State/ National/ International	The Company sells its products in India, USA, Europe and several other emerging countries, totalling over 40 countries.

Section – B: Financial Details of the Company

1.	Paid-up Capital (INR)	₹ 365 million (As on 31st March, 2019).
2.	Total Turnover (INR)	Gross turnover of ₹ 22,247 million on a consolidated basis (As on 31st March 2019).
3.	Total profit after Taxes (INR)	₹ 6,444 million on a consolidated basis (As on 31st March 2019).
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Total percentage on CSR as a percentage of Profit after Tax of FY 2018-2019 is 1.74% on standalone basis. The Company spent over 2% of its average Profit before Tax of preceding 3 financial years. Additionally, the Company also made donations for CSR activities.
5.	List of activities in which the above expenditure has been incurred	The Company has undertaken several CSR Projects / Programmes during FY 2018-19: majority of the focus being in Education and Healthcare sectors. The detailed list of activities where the CSR expenditure was incurred is included in the Board's Report which forms a part of this Annual Report.

Section – C: Other Details

1. Does the Company have any Subsidiary Company/ Companies?

Yes, the Company has six subsidiaries and one step-down subsidiary, all are located overseas.

2. Does the Subsidiary Company/ Companies participate in the Business Responsibility (BR) initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s):

The parent company undertakes majority of the BR initiatives.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30%-60%, More than 60%]:

Entities like suppliers, distributors did not participate in the Company's BR initiatives in the reporting period.

Section – D: Business Responsibility Information

1. Details of Director/Directors responsible for BR

(a) Details of the Director responsible for the implementation of BR policy/policies

- DIN Number: 00183872
- Name: Mr. Rajeev Nannapaneni
- Designation: Vice-Chairman and Chief Executive Officer

(b) Details of the BR Head

Sr. No.	Particulars	Details	
1	DIN Number (if applicable)	07011140	-
2	Name	Mr. P. S. R. K. Prasad	Mr. Rajesh Chebiyam
3	Designation Director	Director and Executive VP, Corporate Engineering Services	VP-Acquisitions, Institutional Investor Management and Corporate Communications
4	Telephone number	+91 8542 226611	+91 40 23547532
5	E-mail ID	psrk@natcopharma.co.in	rajesh.chebiyam@natcopharma.co.in

2. **Disclosures on the nine principles as charted by the Ministry of Corporate Affairs in the "National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business".**

Principle 1

Ethics,Transparency & Accountability
Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

Principle 2

Product Life Cycle Sustainability
Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle

Principle 3

Employee Well–Being
Businesses should promote the well-being of all employees

Principle 4

Stakeholder Management
Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

Principle 5

Human Rights
Businesses should respect and promote human rights

Principle 6

Environment
Businesses should respect, protect and make efforts to restore the environment

Principle 7

Policy Advocacy
Businesses, when engaged in influencing public regulatory policy, should do so in a responsible manner

Principle 8

Equitable Development
Businesses should support inclusive growth and equitable development

Principle 9

Customer Value
Businesses should engage with and provide value to their customers and consumers in a responsible manner

Table: Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	NA	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	The Company is abiding by the various laws while framing the policies, the best practices are taken into account. (P7 Not applicable)								
4.	Has the policy being approved by the Board? If yes, has it being signed by the MD/Owner/CEO/ appropriate Board Director?	The policies have been approved by the CEO (P7 not applicable)								
5.	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	NA	Y	Y
6.	Indicate the link for the policy to be viewed online?	Policies are available on the website of the Company www. natcopharma.co.in and the policies which are internal to the Company are available on the Intranet of the Company. (P7 not applicable)								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	NA	Y	Y

2(a) If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)
NA

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committees of the Board or CEO to assess the BR performance of the Company.**
  Half yearly

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**
  The Company's Annual Report includes a Business Responsibility Report which is available on the website. This year we have come out with our first sustainability report. The copy of the same will be available on the website of the Company at www.natcopharma.co.in

Principle 1 Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?

Yes. The Company firmly believes and adheres to transparent, fair and ethical governance practices to foster professionalism, honesty, integrity and ethical behaviour. The company extends the policy with respect to ethics, bribery and corruption to the Group and Joint ventures.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

The company encourages all its stakeholders to freely share their concerns and grievances. The Company has received 19 complaints from various stakeholders during the FY 2018-19, which were 100% promptly resolved.

Principle 2 Products Life Cycle Sustainability

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

1. Doxorubicin Liposomal
2. Lanthanum Carbonate
3. Letrozole

For all the above mentioned products, NATCO has done continuous improvement programs which has resulted in yield improvement without compromising on compliance requirements.

For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product (optional):

(i) Reduction during sourcing/production/distribution achieved since the previous throughout the value chain?

(ii) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The company strives to improve its energy and water footprints by reducing the power and fuel consumption

1. New water cooled chiller, air compressor and APFC panel installed. Resulting in reduction in electricity bill.
2. Roof top rain water collection to enhance the ground water resources in factory.
3. Energy Saving in plant area lighting facility – Lamp watts reduced from 0.4 KW/bulb to 0.09 KW/bulb without compromising the Illumination level.

2. Does the Company have procedures in place for sustainable sourcing (including transportation)?

Sustainable sourcing, production and distribution practices are followed ensuring quality and safety of raw materials and packaging materials procured from suppliers as well as of products manufactured, stored and distributed throughout the value chain. The Company has in place a robust vendor selection and vendor evaluation mechanism and promotes local suppliers, where adequate. The Company lays emphasis on safe transportation, optimisation of logistics, lowering of transportation costs, and reduction of vehicular air emission.

3. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company consciously endeavours to source its procurement of goods and services from medium and small vendors from local areas where feasible and if it meets the quality standards of the Company. For example, Local vendors were developed and vendor qualification activities are initiated for development of suitable cost effective materials of primary, secondary and tertiary packing material.

4. Does the Company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycling the products and waste (separately as 10%). Also, provide details thereof, in about 50 words or so.
The company is committed to recycle wastes - both process and non-process. The initiatives around recycling are:

1. Converting spent Sulphuric acid into gypsum and supplying it to cement companies.
2. In four of our manufacturing facilities, we are converting non-process organic waste into compostable material using organic waste converter.
3. RO reject is recycled for non-process application.
4. Implemented condensate recovery system.

In the pharmaceutical business, it is not recommended to recycle products and therefore, we responsibly destroy products that do not meet quality requirements.

Principle 3 Employee Well-Being

1. Please indicate the total number of employees.
The total number of employees is 4957 as on 31st March, 2019.

2. Please indicate the total number of employees hired on temporary/contractual/casual basis.
The total number of employees hired on temporary/ contractual/casual basis is 78 as on 31st March, 2019.

3. Please indicate the number of permanent women employees.
The total number of permanent women employees is 553 as on 31st March, 2019.

4. Please indicate the number of permanent employees with disabilities.
The total number of permanent employees with disabilities is 5 as on 31st March, 2019.

5. Do you have an employee association that is recognised by management?
Yes. The Company does have employee associations at certain manufacturing locations, which encourage the employees to participate freely in constructive dialogue with the management. Moreover, workers' wages are decided through Collective Bargaining System.

6. What percentage of your permanent employees are members of this recognised employee association?
33% of permanent employees at our manufacturing locations are members of employee associations.

7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.
The Company does not employ any child labor. No case of sexual harassment at work place was reported during the year 2018-19 and we have an Internal Complaints Committee at all our locations under SHWW Act, 2013.

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?
We continue to devote resources and efforts to continuously upgrade the skills of employees and they are given regular safety training. All Employees including casuals working in manufacturing facilities are given regular safety training, conflict management and Learning Development programs.

Principle 4 Stakeholder Management

1. Has the Company mapped its internal and external stakeholders? Yes/No.
Yes, we recognise stakeholders relevant to the Company's operations.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?
Yes.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

Various initiatives have been taken by the Company to engage with marginalised stakeholders at locations in and around its operations in the areas of: Community Health Care, Sanitation and Hygiene, Education and Knowledge Enhancement. For details of projects undertaken during the FY 2018-19, please refer the 'Annual Report on CSR Activities' titled "Strengthening our community connect"

Principle 5 Human Rights

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Company's policy is extended only to the Group.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

No complaints were received during the year in this regard.

Principle 6 Environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/others.

NATCO's EHS policy is applicable to all subsidiaries and manufacturing locations within the group. For suppliers and contractors, we include EHS requirements as part of the contract and service agreement. We also ensure that contractor staff deployed on our premises are part of safety training and safety pep talks. While sourcing critical raw materials, we select suppliers keeping in perspective their environmental compliance.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

The company is proactive in addressing greenhouse gas emissions. We have installed solar energy facility in two of our manufacturing facilities with a total capacity of 4.15MW, with another 500KW rooftop solar facility ready for commissioning in another manufacturing facility and have also invested in a 2.1 MW wind energy facility in Chennai. For our recently commissioned manufacturing facility in Vishakhapatnam, we have installed a 2.1 MW wind energy facility.

3. Does the Company identify and assess potential environmental risks? Y/N

Yes. We continually identify and assess potential environmental risks in our manufacturing process. This is not a onetime process and we ensure that the risks are addressed through environment management programs and continual improvement initiatives. In two of our API facilities, we have instituted the Environment Management Systems which periodically have a mechanism to identify and address environmental risks. At R&D, we evaluate process development on the basis of effluent load generated, minimise wherever possible and plan for appropriate actions to recycle, reuse and treat wastes.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Yes. We have invested in renewable energy capacities in the past few years. Currently two of the API facilities and two of the Formulation facilities have renewable energy plants (solar/ wind). A solar roof top facility is being commissioned at a formulations facility which will be operational in the current year. However, we have not applied these project as per CDM.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The following are efforts taken towards renewable energy:

1. 3MW solar power plant at our API Mekaguda facility.
2. 1.15MW solar power plant at our Formulation Nagarjuna Sagar facility.

3. 500KW roof top solar power facility (under commissioning) at our formulations facility at Kothur.
4. 2.1MW wind power plant at our API Chennai facility.
5. 2.1 MW wind power plant at our API Vishakhapatnam facility.

In addition, we have initiatives driving the message on energy conservation through all our facilities:

1. Replacement of reciprocating compressors for refrigeration units with screw compressors fitted with VFD modulators. As a practice we are incorporating during plant design for installation of new refrigeration units.
2. Installation of VFDs (Variable Frequency Drive) for all motors rating 15HP and above, for all continuously running motors rating 5HP and above and all HVAC units.
3. Plug type blowers in place of belt drive blowers for AHU units.
4. LED based lighting instead of CFL based lighting.

6. **Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**
Yes, All the emissions or waste generated by the company are within the permissible limits given by CPCB/SPCB and we have made all the mandatory submissions in this regard.

7. **Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**
During the FY 2018-2019, the Company has not received any show cause/ legal notices from CPCB / SPCB.

Principle 7 Policy Advocacy

1. **Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**
Yes. The Company is a member of various trade/industry associations like Federation of Indian Chambers of Commerce & Industry (FICCI), Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCI), Bulk Drug Manufacturers Association (India) (BDMA), Indian Pharmaceutical Alliance (IPA), Indian Drug Manufacturing Association (IDMA), Pharmaexcil, confederation of Indian Industry (CII) etc.

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good?**
Yes, we have advocated for reforms through these associations for the advancement of public good.

Principle 8 Equitable Development

1. **Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**
Yes, the Company has identified specified programmes / projects in the pursuit of the policy related to Principle 8. For details of projects undertaken during the FY 2018-19, please refer the 'Annual Report on CSR Activities' under "Strengthening our community connect".

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?**
NATCO Pharma Ltd., is implementing the CSR programmes through NATCO Trust, a non-profit entity registered under Trust Act. NATCO Trust is based in Hyderabad and employs coordinators, executives, doctors, nurses, pharmacists & volunteers to implement & supervise day to day activities. The team at corporate office is involved in design & development of programmes, monitoring progress & supporting the field teams for progressive implementation of the activities.

3. **Have you done any impact assessment of your initiative?**
   Yes, the Company undertakes timely impact assessments of projects under implementation for ensuring their desired impact and continued sustenance. The impact assessment is also presented to the CSR committee.

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**
   During the year under review the Company had contributed ₹ 116 million to various community development programmes / projects as part of its CSR initiatives. The details of projects undertaken are mentioned in the Annexure IV of the Board's Report.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so,**
   All the community development initiatives are planned based on need assessment studies done with target communities to make sure projects are successfully adopted by the community. We involve stakeholders right from identifying a project until implementation and monitoring.

Principle 9 Customer Value

1. **What percentage of customer complaints / consumer cases are pending as on the end of financial year?**
   No significant complaints are pending as on the end of the financial year.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information).**
   The Company displays all the product information on the product label, which is mandatory. Besides, the Company also displays general information for patients in order to guide them with respect to usage of the certain products.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**
   No.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**
   The marketing and sales team of the Company regularly interacts with doctors and other Healthcare professionals and takes their feedback on the Company's products.

Independent Auditor's Report

To the Members of
NATCO Pharma Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of NATCO Pharma Limited ('the Company'), which comprise the Standalone Balance Sheet as at 31st March, 2019, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Cash Flow Statement and the Standalone Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matter described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment in a group entity Refer note 4 (l) for the accounting policy and note 8 for the financial disclosures in the standalone financial statements. The Company through its subsidiary Timecap Overseas Limited ("Timecap") has made investments in NATCO farma Do Brasil Ltda. ('NATCO Brazil'), which is engaged in marketing of pharmaceutical products in Brazil. 90.90% of NATCO Brazil's stake is indirectly held through Timecap and NATCO Pharma Inc., by the Company as at 31st March, 2019. During the year ended 31st March, 2019 NATCO Brazil has reported loss of ₹ 226 million and as at that date its accumulated losses aggregating ₹ 817 million have significantly eroded its capital.	Our audit procedures in relation to assessing the carrying value of investments included but were not limited to, the following: • Obtained an understanding of management's processes and controls for determining the value-in-use of investments; • Evaluated the design of and tested the operating effectiveness of the key controls around determining the value-in-use; • Evaluated the appropriateness of the valuation methodology used to arrive at the estimated fair value of the investments using an auditor's expert;

Key audit matter	How our audit addressed the key audit matter
Equity investments in subsidiaries are measured at cost less impairment. As at 31 March 2019, management has assessed that the recoverable amount computed using value in use method is higher than the carrying value of the investment in Timecap. However, there is a risk that the investment in Timecap may be impaired if the projections used in computation of value in use method are not met. The aforesaid investments were valued as at 31 March 2019 by an independent valuation specialist in the capacity of a management's expert using Discounted Cash Flow (DCF) valuation method. Management's assessment of value in use requires estimation and judgement around assumptions used. The key assumptions underpinning management's assessment include, but are not limited to, projections of future cash flows, growth rates, discounts rates, estimated future operating expenditure. Accordingly, considering the materiality, complexity and significance of judgement involved, the valuation of aforesaid investment has been considered as a key audit matter for the current year's audit.	• Tested the accuracy of the input data provided by the management to the valuation specialist by reconciling the projected cash flows to approved business plans of the investee entity; • Evaluated the reasonableness of the key assumptions used in the cash flow projections, such as growth rates, discount rate, etc. considering our understanding of the business, industry and relevant market factors. • Obtained and evaluated sensitivity analysis performed by the management on aforesaid key assumptions and performed further independent sensitivity analysis to determine impact of estimation uncertainty on the valuation; • Tested the mathematical accuracy of the cash flow projections and fair valuation computation; and • Evaluated the appropriateness and adequacy of the related disclosures made in the standalone financial statements in accordance with the applicable accounting standards.

Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Standalone Financial Statements

7. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for explaining our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.

16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.

17. Further to our comments in Annexure A, as required by section 143(3) of the Act, we report that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c) the standalone financial statements dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;

e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of section 164(2) of the Act;

f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report as per Annexure B expressed unmodified opinion; and

g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. the Company has disclosed the impact of pending litigations on its financial position as at 31 March 2019;

ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2019;

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2019; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No.: 108840

Place: Hyderabad
Date: 27th May 2019

Annexure A to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the standalone financial statements for the year ended 31 March 2019

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company except for the following properties which according to the information and explanation given to us, pertains to a land parcel which shall be registered in the name of the Company subsequent to fulfilment of certain conditions laid out by the Andhra Pradesh Industrial Infrastructure Corporation.

Nature of property	Total Number of Cases	Whether leasehold / freehold	Gross block as on 31 March 2019 (₹) in millions	Net block on 31 March 2019 (₹) in millions	Remarks
Land	One	Freehold	66	66	Land parcel which shall be registered in the name of the Company subsequent to fulfilment of certain conditions laid out by the Andhra Pradesh Industrial Infrastructure Corporation Limited.

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management. No material discrepancies were noticed on the aforesaid verification.

(iii) The Company has granted unsecured loans to parties (foreign subsidiaries) covered in the register maintained under Section 189 of the Act; and with respect to the same:

a. in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the company's interest.

b. the schedule of repayment of principal and payment of interest has been stipulated and the principal and interest amount is not due;

c. there is no overdue amount in respect of loans granted to such party.

(iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of investments and loans. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of guarantees and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of sales-tax, service-tax, duty of customs on account of disputes, are as follows:

Name of the statute	Nature of dues	Amount (₹ in millions)		Period to which the amount relates	Forum where dispute is pending
		Total Claim	Amount paid under protest		
The Central Sales Tax, 1956	Central Sales Tax	9	3	Financial Year ("FY") 1997-98	High Court for the State of Telangana
The Customs Act, 1962	Customs Duty	2	-	July 2006 to 2010	The Customs Excise and Service Tax Appellate Tribunal
The Finance Act, 1994	Service Tax	2	1	FY 2011-12	The Customs Excise and Service Tax Appellate Tribunal
The Finance Act, 1994	Service Tax	15	1	FY 2007-11	The Customs Excise and Service Tax Appellate Tribunal

There were no disputed dues in respect of income-tax, duty of excise and value added taxes

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank during the year. The Company has no loans or borrowings payable to financial institutions or government and does not have any outstanding debentures during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of lause 3(ix) of the Order are not applicable.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid / provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the standalone financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Accordingly, provisions of the clause 3(xiv) of the order are not applicable.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, the provisions of clause 3(xv) of the order are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No.: 108840

Place: Hyderabad
Date: 27st May, 2019

Annexure B to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited, on the standalone financial statements for the year ended 31 March 2019

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of NATCO Pharma Limited ('the Company') as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No.: 108840

Place: Hyderabad
Date: 27th May, 2019

Balance Sheet

as at 31st March, 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
(a) Property, plant and equipment	6	12,067	10,096
(b) Capital work-in-progress		6,375	4,800
(c) Intangible assets	7	82	57
(d) Investment in subsidiaries	8	977	932
(e) Financial assets			
Investments	9	199	81
Loans	10	496	78
Other financial assets	11	164	149
(f) Current tax assets (net)		-	18
(g) Other non-current assets	12	527	609
Total non-current assets		**20,887**	**16,820**
Current assets			
(a) Inventories	13	5,084	4,258
(b) Financial assets			
Investments	9	1,268	483
Trade receivables	14	4,916	6,060
Cash and cash equivalents	15	115	101
Bank balances other than cash and cash equivalents	16	2,512	1,620
Loans	10	70	46
Other financial assets	11	6,959	6,140
(c) Other current assets	12	1,750	1,834
Total current assets		**22,674**	**20,542**
Total assets		**43,561**	**37,362**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	17	365	369
(b) Other equity	18	35,267	30,885
Total equity		**35,632**	**31,254**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
Other financial liabilities	20	8	8
(b) Provision for employee benefits	21	710	324
(c) Deferred tax liabilities (net)	22	113	138
Total non-current liabilities		**831**	**470**
Current liabilities			
(a) Financial liabilities			
Borrowings	19	3,845	1,730
Trade payables	24		
- total outstanding dues of micro and small enterprises		79	41
- total outstanding dues of creditors other than micro and small enterprises		1,939	2,413
Other financial liabilities	20	771	1,009
(b) Other current liabilities	23	314	308
(c) Provision for employee benefits	21	90	137
(d) Current tax liabilities (net)		60	-
Total current liabilities		**7,098**	**5,638**
Total liabilities		**7,929**	**6,108**
Total equity and liabilities		**43,561**	**37,362**

The accompanying notes form an integral part of the standalone financial statements.

This is the Standalone Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Statement of Profit and Loss

for the year ended 31st March, 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2019	31 March 2018
Income			
Revenue from operations	25	19,863	21,085
Other income	26	1,298	394
Total income		**21,161**	**21,479**
Expenses			
Cost of materials consumed	27	3,331	3,905
Excise duty		-	172
Purchases of stock-in-trade		315	227
Changes in inventories of finished goods, stock-in -trade and work-in-progress	28	(255)	(247)
Employee benefits expense	29	3,402	3,122
Finance costs	30	188	147
Depreciation and amortisation expense	6 & 7	801	655
Other expenses	31	4,905	4,622
Total expenses		**12,687**	**12,603**
Profit before tax		**8,474**	**8,876**
Tax expense/(credit)	32		
Current tax		1,863	2,173
Deferred tax		(60)	(279)
Profit for the year		**6,671**	**6,982**
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		(6)	(5)
Total comprehensive income for the year		**6,580**	**6,935**
Earnings per equity share (₹) (Nominal value per share ₹2)	33		
Basic		36.22	39.38
Diluted		36.10	39.24

The accompanying notes form an integral part of the standalone financial statements.

This is the Standalone Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Cash Flow Statement

for the year ended 31st March 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2019	31 March 2018
Cash flows from operating activities			
Profit before tax		8,474	8,876
Adjustments :			
Depreciation and amortisation expense		801	655
Finance cost		188	147
Employee share-based payment expense		253	180
Interest income		(911)	(248)
Bad debts written - off		20	133
Dividend income		(0)	(2)
Gain on sale of investments		-	(0)
Gain on sale of property,plant and equipment		(135)	(103)
Unrealised foreign exchange gain, net		(95)	(13)
Liabilities no longer required, written back		-	(5)
Operating profit before working capital changes		**8,595**	**9,620**
Changes in working capital:			
Changes in trade payables		(428)	(60)
Changes in employee benefit obligations		254	171
Changes in other financial liabilities		(64)	25
Changes in other liabilities		6	59
Changes in other financial assets		(73)	(25)
Changes in loans		(25)	(11)
Changes in other assets		85	(591)
Changes in inventories		(825)	(889)
Changes in trade receivables		1,212	(1,491)
Cash generated from operating activities		**8,737**	**6,808**
Income taxes paid (net)		(1,749)	(2,044)
Net cash generated from operating activities	A	**6,988**	**4,764**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,470)	(4,224)
Proceeds from sale of property, plant and equipment		178	177
Purchase of intangible assets		(48)	(18)
Investments in subsidiaries		(45)	(74)
Loans given to subsidiary companies, net		(398)	(46)
Loans given to others		(20)	-
Payments for purchase of investments other than subsidiaries		(908)	(481)
Movement in other bank balances, net		(892)	(1,496)
Interest received		525	98
Deposits with financial institutions		(374)	(5,249)
Dividends received		0	2
Net cash used in investing activities	B	**(6,452)**	**(11,311)**

Cash Flow Statement

for the year ended 31st March 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2019	31 March 2018
Cash flows from financing activities			
Proceeds from issue of shares		0	8,959
Buy-back of shares, including transaction costs		(1,347)	-
(Repayments) / proceeds from current borrowings, net		2,115	(476)
Dividends paid to Company's shareholders		(1,106)	(1,811)
Changes in the unclaimed dividend bank balances		(2)	(3)
Interest paid		(182)	(149)
Net cash (used in) / from financing activities	C	**(522)**	**6,520**
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	**14**	**(27)**
Cash and cash equivalents as at the beginning of the year		101	128
Cash and cash equivalents as at the end of the year [Refer Note 15]		**115**	**101**

This is the Standalone Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Statement of Changes in Equity

for the year ended 31st March 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

A Equity Share Capital

	Notes	Number of shares	Amount
As at 1 April 2017		**17,43,07,800**	**349**
Changes in equity share capital	17	1,01,85,600	20
As at 31 March 2018		**18,44,93,400**	**369**
Changes in equity share capital	17	(17,46,921)	(4)
As at 31 March 2019		**18,27,46,479**	**365**

B Other equity

	Reserves and Surplus						Other comprehensive income		
	Securities premium	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI equity securities	Remeasurement of defined benefit plans	Total
Balance as at 1 April 2017	**6,178**	**207**	**5**	**595**	**154**	**9,544**	**42**	**(77)**	**16,648**
Profit for the year	-	-	-	-	-	6,982	-	-	6,982
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(5)	(42)	(47)
Issue of equity shares	9,130	-	-	-	-	-	-	-	9,130
Share issue expenses	(191)	-	-	-	-	-	-	-	(191)
Employee stock option expense	-	-	-	-	180	-	-	-	180
Dividend paid	-	-	-	-	-	(1,509)	-	-	(1,509)
Tax on distributed profits	-	-	-	-	-	(308)	-	-	(308)
Share options exercised	92	-	-	-	(92)	-	-	-	-
Balance as at 31 March 2018	**15,209**	**207**	**5**	**595**	**242**	**14,709**	**37**	**(119)**	**30,885**
Profit for the year	-	-	-	-	-	6,671	-	-	6,671
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(6)	(85)	(91)
Employee stock option expense	-	-	-	-	253	-	-	-	253
Dividend paid	-	-	-	-	-	(919)	-	-	(919)
Tax on distributed profits	-	-	-	-	-	(189)	-	-	(189)
Share options exercised	186	-	-	-	(186)	-	-	-	-
Buyback of shares	(1,325)	-	-	-	-	-	-	-	(1,325)
Share buyback expenses	(18)	-	-	-	-	-	-	-	(18)
Transfer from securities premium on account of buyback of equity shares	(4)	-	4	-	-	-	-	-	-
Balance as at 31 March 2019	**14,048**	**207**	**9**	**595**	**309**	**20,272**	**31**	**(204)**	**35,267**

This is the Standalone Statement of Changes in Equity referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Notes

Summary of significant accounting policies and other explanatory information

1. General information

NATCO Pharma Limited ("the Company") is a public limited company domiciled and incorporated in India in accordance with the provisions of the Companies Act, 1956. The registered office of the Company is at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange and Bombay Stock Exchange.

The Company is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs and finished dosage formulations. The Company has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

These financial statements for the year ended 31st March 2019 were authorized and approved for issue by the Board of Directors on 27th May, 2019.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'), as amended from time to time. The Company has uniformly applied the accounting policies during the periods presented.

These financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date 31st March, 2019.

These financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value; and
- Share based payments which are measured at fair value of the options.
- Defined benefit plan assets which are measured at fair value.

3. Standards, not yet effective and have not been adopted early by the Company

a) Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments:

On 30th March, 2019, the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount of the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

- Full retrospective approach – Under this approach Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight, and
- Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives

The Company is currently assessing the detailed financial impact of this standard on its standalone financial statements.

b) Ind AS 116, Leases:

Ind AS 116 removes the current distinction between operating and finance leases and requires recognition of an asset (the right to

Notes

Summary of significant accounting policies and other explanatory information

use the leased item) and a financial liability (the obligation to pay rentals). An optional exemption exists for short-term and low value leases. The standard may not have a significant impact on the Company's financial statements considering the number of assets under operating lease arrangement as at 31st March, 2019. On implementation of Ind AS 116, the operating lease charges will be replaced with interest and depreciation expenses. These changes will affect key ratios like profit margin, operating margin, EBITDA margin etc. Further, operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities.

The effect on adoption of Ind AS 116 would be insignificant in the standalone financial statements.

c) **Amendment to Ind AS 12, Income Taxes:**
On 30 March 2019, the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, Income Taxes, in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after 1st April, 2019. The Company is currently evaluating the effect of this amendment on the standalone financial statements.

4. Summary of significant accounting policies

The financial statements have been prepared using the accounting policies and measurement basis summarized below:

a. **Current versus non-current classification**
The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b. **Foreign currency**

Functional and presentation currency
The financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Company.

Transactions and balances
Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of

Notes

Summary of significant accounting policies and other explanatory information

the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

c. **Revenue recognition**

The Company derives revenues primarily from sale of finished dosage formulations, active pharmaceutical ingredients (APIs), including niche and technically complex molecules.

The Company has adopted Ind AS 115 - Revenue from Contracts with Customers, using modified retrospective application method with effect from 1st April 2018 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 115. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements of the Company.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers for an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not require to adjust any of the transaction prices for the time value of money.

Income from profit-sharing arrangements with collaboration partners is recognised as underlying sales and cost of sales are recorded by the collaboration partners.

Other operating revenue - Export incentives

Export Incentives under various schemes are accounted in the year of export.

Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

Other income - Dividend income

Dividend income is recognised when the Company's right to receive the payment is established, which is generally, when shareholders approve the dividend.

d. **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

e. **Property, plant and equipment (PPE)**

Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other

Notes

Summary of significant accounting policies and other explanatory information

repair and maintenance costs are recognised in statement of profit or loss as incurred.

Subsequent measurement (depreciation and useful lives)
Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Cost of the leasehold land is amortized on a straight-line basis over the term of the lease.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation
Depreciation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

De-recognition
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss, when the asset is derecognised.

f. Intangible assets

Recognition and initial measurement
Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

Subsequent measurement (amortisation)
The cost of capitalized software is amortized over a period of 6 years, on a straight line basis. Amortisation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

g. Government grants

The Company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

h. Operating leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight line basis. (Refer 3b. above)

i. Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized

Notes

Summary of significant accounting policies and other explanatory information

are accordingly reversed in the statement of profit and loss.

j. Financial instruments

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

Subsequent measurement

i. Debt instruments at amortised cost – A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

ii. Equity investments – All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

iii. Mutual funds – All mutual funds in scope of Ind-AS 109 are measured at fair value through other comprehensive income (FVTOCI).

De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortised cost.

Subsequent measurement

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Notes

Summary of significant accounting policies and other explanatory information

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

k. Impairment of financial assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

l. Investment in instruments of subsidiaries

Investments in subsidiaries are recognised at cost as per Ind AS 27. Such investments are accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale. Impairment in the cost of these investments is recognised in accordance with the principles given under para 4(i) above.

m. Inventories

Raw material, packaging material, stores and spare parts are carried at cost or net realisable value, whichever is lower. Cost includes purchase price excluding taxes those are subsequently recoverable by the Company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are also valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis.

n. Income taxes

Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Notes

Summary of significant accounting policies and other explanatory information

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

o. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments (original maturity of 3 months or less) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

p. Post-employment, long term and short term employee benefits

Defined contribution plan

The Company's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

Defined benefit plan

The Company has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date net of fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries, by adopting the projected unit credit method. Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹ 2. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits

The Company also provides benefit of compensated absences to its employees which are in the nature of long -term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Notes

Summary of significant accounting policies and other explanatory information

q. Share based payments

Certain employees of the Company are entitled to remuneration in the form of equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants. The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest using fair value in accordance with Ind AS 102, Share based payment.

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

r. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company; or

- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

s. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Recognition of deferred tax liability on undistributed profits: The extent to which the Company can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several

Notes

Summary of significant accounting policies and other explanatory information

external and internal factors which could result in deterioration of recoverable amount of the assets.

Recoverability of advances/receivables: At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable/amortisable assets: Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgement.

Notes
Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

6. Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross carrying amount									
At 1 April 2017	1,456	262	2,987	6,222	32	114	170	139	11,382
Additions	376	-	596	1,510	3	36	33	21	2,575
Disposals/retirement	63	-	-	40	-	0	4	-	107
Balance as at 31 March 2018	**1,769**	**262**	**3,583**	**7,692**	**35**	**150**	**199**	**160**	**13,850**
Additions	363	-	789	1,547	1	39	35	18	2,792
Disposals/retirement	41	-	-	3	-	-	10	-	54
Balance as at 31 March 2019	**2,091**	**262**	**4,372**	**9,236**	**36**	**189**	**224**	**178**	**16,588**
Accumulated depreciation									
Up to 1 April 2017	-	5	614	2,271	27	41	80	110	3,148
Charge for the year	-	3	109	473	2	11	22	18	638
Adjustments for disposals/retirement	-	-	-	29	-	-	3	-	32
Balance as at 31 March 2018	**-**	**8**	**723**	**2,715**	**29**	**52**	**99**	**128**	**3,754**
Charge for the year	-	3	126	588	2	16	24	19	778
Adjustments for disposals/retirement	-	-	-	2	-	-	9	-	11
Balance as at 31 March 2019	**-**	**11**	**849**	**3,301**	**31**	**68**	**114**	**147**	**4,521**
Net book value as at 31 March 2018	1,769	254	2,860	4,977	6	98	100	32	10,096
Net book value as at 31 March 2019	**2,091**	**251**	**3,523**	**5,935**	**5**	**121**	**110**	**31**	**12,067**

(i) Contractual obligations

Refer to note 39 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Leasehold land includes land acquired from the State Industrial Development Corporation of Uttarakhand Limited, Uttar Pradesh State Industrial Development Corporation Limited for a period of 90 years and 87 years respectively. Further the Company has also acquired land from Ramky Pharma City (India) Limited under a lease arrangement for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

(iii) During the year, the Company was provisionally alloted a parcel of land from Andhra Pradesh Industrial Infrastructure Corporation Limited ('APIIC') in Attivaram, Nellore Disctrict, Andhra Pradesh for a consideration of ₹ 66 which shall be registered in the name of the Company based on fulfillment of certain conditions laid down by APIIC.

(iv) Capital work-in-progress^

31 March 2019	6,375
31 March 2018	4,800

^Capital-work-in-progress mainly relates to expansion projects on-going at Company's existing facilities and new projects under implementation.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

7. Intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2017	128	128
Additions	18	18
As at 31 March 2018	**146**	**146**
Additions	48	48
As at 31 March 2019	**194**	**194**
Accumulated amortization		
Up to 1 April 2017	72	72
Charge for the year	17	17
Up to 31 March 2018	**89**	**89**
Charge for the year	23	23
Up to 31 March 2019	**112**	**112**
Net carrying amount		
As at 31 March 2018	57	57
As at 31 March 2019	**82**	**82**

8. Investment in subsidiaries (At cost)

	31 March 2019	31 March 2018
Non-current		
Investment in equity instruments, unquoted		
1,000 (31 March 2018: 1,000) fully paid-up, common shares of US$1,000 each in NATCO Pharma Inc., Delaware, United States of America.	42	42
1,061,612 (31 March 2018: 1,061,612) equity shares of US$10 each, fully paid-up in Time Cap Overseas Limited * Mauritius	638	638
Share application money pending allotment in Time Cap Overseas Limited	2	-
2,783,813 (31 March 2018: 2,783,813) equity shares of Canadian Dollar 1 each, fully paid-up in NATCO Pharma (Canada) Inc. Canada	145	145
1,845,000 (31 March 2018: 1,370,000) equity shares of Singapore Dollar 1 each, fully paid-up in NATCO Pharma Asia PTE Ltd. Singapore	89	65
978,572 (31 March 2018: 853,572) equity shares of Australian Dollar 1 each, fully paid-up in NATCO Pharma Australia PTY Ltd	49	42
103,995 (31 March 2018: Nil) equity shares of 100PHP each fully paid-up in NATCO Lifesciences Philippines Inc.	12	-
	977	**932**
Aggregate book value of unquoted investments	977	932
Aggregate amount of impairment in the value of investments	-	-

*The Company through its subsidiary Timecap Overseas Limited ("Timecap") has made investments in NATCO farma Do Brasil Ltda. ('NATCO Brazil'), which is engaged in marketing of pharmaceutical products in Brazil. The Company indirectly holds 90.90% of NATCO Brazil through Timecap and NATCO Pharma Inc. During the year ended 31st March, 2019, NATCO Brazil reported a loss of ₹ 226 and as at that date its accumulated losses aggregating ₹ 817 have substantially eroded its net worth which indicates a possible impairment in the carrying value of the investment. Accordingly, the management with the help of a valuation specialist, has carried out an impairment assessment and concluded that the estimated recoverable amount computed using value-in-use method, is higher than the carrying value of the investment in Timecap and accordingly, there is no impairment. Determination of recoverable amount using Discounted Cash Flow (DCF) valuation method by the independent valuer involved consideration of key assumptions including, but are not limited to, projections of future cash flows, growth rates, discounts rates, estimated future operating expenditure. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience and management's

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for NATCO Brazil. The management based on sensitivity analysis performed believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the investment.

Details of proportion of ownership and voting rights

Name of the subsidiaries	Country of Incorporation	Percentage holding/interest (%)	
		31 March 2019	31 March 2018
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	90.36	89.81
NATCO Farma Do Brazil	Brazil	90.90	88.30
NATCO Pharma (Canada), Inc.	Canada	99.04	99.04
NATCO Pharma Asia Pte. Ltd.	Singapore	99.73	100.00
NATCO Pharma Australia PTY Ltd.	Australia	100.00	100.00
NATCO Lifesciences Philippines Inc.	Philippines	100.00*	-

* includes the shares held by the nominee shareholders of the subsidiaries on behalf of the Company.

9. Investments

	31 March 2019	31 March 2018
I. Non-current (At fair value through other comprehensive income)		
Investment in equity instruments		
Unquoted		
4,054 (31 March 2018: 4,054) shares of 1BYR NATIVITA Joint Limited Liability Company	0	0
30 (31 March 2018: Nil) shares of Euro 0.5 per share of Pharnasanta B.V	0	-
750 (31 March 2018: 750) equity shares of ₹ 100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	0	0
139,451 (31 March 2018: 109,569) equity shares of ₹ 10 each, fully paid-up in OMRV Hospital Private Limited	105	74
21,769 (31 March 2018: Nil) equity shares of ₹ 10 each, in Veda Seedsciences Private Limited	79	-
1,060 (31 March 2018: 588) units of ₹ 10,000 each, fully paid-up in Endiya Trust	11	6
34,400 (31 March 2018: 34,400) equity shares of ₹ 10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	0	0
27,000 (31 March 2018: 27,000) equity shares of ₹ 10 each, fully paid-up in Jayalakshmi Spinning Mills Limited	0	0
Total investments in equity instruments (A)	**196**	**81**
Government securities, unquoted		
National savings certificates	0	0
Total investments in government securities (B)	**0**	**0**
Other investments, unquoted		
Advance towards investment in Kotak Alternate Investment Plan	3	-
Total investments in other non-current investments (C)	**3**	**0**
Total non-current investments (A+B+C)	**199**	**81**
Less: Provision for diminution in value of investments	0	0
Aggregate book value of unquoted investments	199	81
Aggregate amount of impairment in the value of investments	0	0

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2019	31 March 2018
II. Current		
Investments in equity instruments, Quoted (At fair value through other comprehensive income)		
10,000 (31 March 2018: 10,000) equity shares of ₹ 10 each, fully paid-up in Neuland Laboratories Limited	7	7
5,500 (31 March 2018: 5,500) equity shares of ₹ 1 each, fully paid-up in Sun Pharmaceuticals Industries Limited	3	3
778 (31 March 2018: 778) equity shares of ₹ 2 each, fully paid-up in Alkem Laboratories Limited	1	2
15,000 (31 March 2018: 15,000) equity shares of ₹ 1 each, fully paid-up in Cadila Healthcare Limited	5	6
100,000 (31 March 2018: 100,000) equity shares of ₹ 10 each, fully paid-up in Laurus Labs Limited	40	50
150,000(31 March 2018: 150,000) equity shares of ₹ 1 each, fully paid-up in Lanco Infratech Limited	0	0
22,700 (31 March 2018: 22,700) equity shares of ₹ 1 each, fully paid-up in GMR Infrastructure Limited	0	0
50,400 (31 March 2018: 50,400) equity shares of ₹ 1 each, fully paid-up in GVK Power & Infrastructure Limited	0	1
50,000 (31 March 2018: 50,000) equity shares of ₹ 1 each, fully paid-up in Panacea Biotech Limited	10	13
3,176 (31 March 2018: 3,176) equity shares of ₹ 10 each, fully paid-up in ICICI Prudential Life Insurance Company Limited	1	1
Investments in Debentures, unquoted (At amortised cost)		
12,000 (31 March 2018: 2,000) non-convertible debentures of ₹ 100,000 in Citicorp Finance India Limited	1,200	200
Nil (31 March 2018: 200) non-convertible debentures of ₹ 1,000,000 in Citicorp Finance India Limited	-	200
Total current investments	**1,268**	**483**
Aggregate book value of unquoted investments	1,200	400
Aggregate book value of quoted investments	68	83
Aggregate market value of quoted investments	68	83
Aggregate amount of impairment in the value of investments	-	-

10. Loans

(Unsecured, considered good)

	31 March 2019	31 March 2018
Non-current		
Loans to related parties*	476	78
Loans to others	20	-
	496	**78**

* The above loans have been given to the subsidaries solely in connection with its business operations.

	31 March 2019	31 March 2018
Current		
Loans to employees	70	46
	70	**46**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

11. Other financial assets

	31 March 2019	31 March 2018
Non-current		
Security deposits	99	87
Restricted deposits*	60	57
Interest accrued on deposits	5	5
	164	**149**

*Given against bank guarantees/performance guarantees

	31 March 2019	31 March 2018
Current		
Deposits with financial institutions	6,316	5,942
Interest accrued on fixed deposits and loans	565	179
Other advances	78	19
	6,959	**6,140**

12. Other assets

	31 March 2019	31 March 2018
Non-current		
Capital advances	492	575
Prepaid leasehold	18	18
Balances with statutory authorities	17	16
	527	**609**
Current		
Advances to material/service providers	564	193
Prepaid expenses	137	125
Export incentives receivable	304	228
Balances with statutory authorities	745	1,288
	1,750	**1,834**

13. Inventories

	31 March 2019	31 March 2018
Raw materials [including goods-in-transit of ₹ 4 (31 March 2018: ₹ 16)]	2,111	1,587
Packing materials	258	193
Work-in-progress	1,405	1,239
Finished goods	735	621
Stores and spares [including goods-in-transit of ₹ 44 (31 March 2018: ₹ 26)]	562	580
Stock-in-trade	13	38
	5,084	**4,258**

During the year, ₹ 2 (31st March , 2018: ₹ 87) was recognised as an expense for valuing the inventories at net realisable value.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

14. Trade receivables

	31 March 2019	31 March 2018
Trade receivables		
- Unsecured, receivables considered good	4,916	6,060
- Unsecured, receivables with significant increase in credit risk	-	-
	4,916	**6,060**
Less: Allowance for trade receivables	-	-
	4,916	**6,060**

15. Cash and cash equivalents

	31 March 2019	31 March 2018
Balances with banks in current accounts	96	86
Cash on hand	19	15
	115	**101**

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period.

16. Bank balances other than cash and cash equivalents

	31 March 2019	31 March 2018
Bank deposits		
- With maturity of more than three months and upto twelve months	2,490	1,600
- In unclaimed dividend accounts	22	20
	2,512	**1,620**

17. Equity share capital

i. Authorised share capital

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	20,00,00,000	400	20,00,00,000	400

ii. Issued, subscribed and fully paid up

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	18,27,46,479	365	18,44,93,400	369
	18,27,46,479	**365**	**18,44,93,400**	**369**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	18,44,93,400	369	17,43,07,800	349
Add: Issued during the year	2,68,735	0	1,01,85,600	20
Less: Bought back during the year and extinguished before year-end*	(18,77,640)	(4)	-	-
	18,28,84,495	**365**	**18,44,93,400**	**369**
Less: Bought back during the year and extinguished after year-end*	(1,38,016)	(0)	-	-
Balance at the end of the year	**18,27,46,479**	**365**	**18,44,93,400**	**369**

*During the year ended 31 March 2019, the Company bought back 2,015,656 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 1,329 at an average price of ₹ 659 per share, excluding transaction costs. Out of the total shares bought back, 1,877,640 equity shares of ₹ 2 each were extinguished before 31 March 2019 and the balance 138,016 equity shares were extinguished in two tranches on 5th April, 2019 and 22nd April, 2019.

iv. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors (except interim dividend) is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. Details of shareholder holding more than 5% share capital as at the end of the year

Name of the equity shareholder	31 March 2019		31 March 2018	
	Number	% holding	Number	% holding
V C Nannapaneni*	4,07,51,315	22.30%	4,07,51,315	22.09%
Time Cap Pharma Labs Limited	1,71,57,220	9.39%	1,71,57,220	9.30%
Natsoft Information Systems Private Limited	1,57,67,500	8.63%	1,57,67,500	8.55%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating 5,440,045 (31 March 2018: 5,440,045)

vi. Shares reserved for issue under options

(a) The Company has instituted the NATCO Employee Stock Option Plan ‘ESOP-2015’, NATCO Employee Stock Option Plan ‘ESOP-2016’ and NATCO Employee Stock Option Plan 'ESOP-2017' (“the ESOP Schemes”). The ESOP Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India (“SEBI”). Pursuant to the terms of the ESOP Schemes, the Board of Directors of the Company have granted 750,000 options (post split), 174,330 options and 600,000 options to eligible employees on 12th August, 2015, 11th November, 2016 and 2nd November, 2017 respectively. The terms of the ESOP Schemes provide that each option entitles the holder to one equity share of ₹ 2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest on an annual basis over a period of 4-5 years from the date of grant and the options are entirely time-based with no performance conditions.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(b) During the year ended 31st March 2019, the Company had accrued stock compensation cost of ₹ 253 (31st March, 2018: ₹ 180) in respect of the ESOP Schemes. The details of options are as follows:

	31 March 2019		31 March 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	11,44,380	2	7,90,775	2
Granted during the year	-	-	6,00,000	2
Exercised during the year	2,68,735	2	1,85,600	2
Forfeited during the year	27,330	2	60,795	2
Outstanding at the end of the year	8,48,315	2	11,44,380	2
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life of unvested options is 16.83 months (31st March, 2018: 22.98 months).

The fair value of options was estimated at the date of grant using the Black-Scholes-Merton formula with the following assumptions:

	ESOP 2017	ESOP 2016	ESOP 2015
Risk-free interest rate	6.14% - 6.61%	6.82% - 8.05%	7.14% - 8.18%
Expected life	1-4 years	1-5 years	1-5 years
Expected volatility	39.82%-43.28%	37.28%-43.76%	40.59%- 49.91%
Expected dividend yield	0.75%	0.20%	0.20%

vii. Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2014 to 31 March 2019	1 April 2013 to 31 March 2018
Aggregate number of equity shares allotted*	13,96,765	11,28,030

*Equity shares allotted pursuant to contract without payment being received in cash comprise of:

(a) During the year ended 31st March, 2015, the Company has issued 808,875 equity shares (post split) of ₹ 2 each to the erstwhile shareholders of NATCO Organic Limited ('NOL') in exchange of their holding of 19,310,000 equity shares of ₹ 10 each in NOL.

(b) Balance equity shares comprising of 587,890 (31st March, 2018: 319,155) (post split) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan wherein part consideration was received in the form of employee services.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

viii. Dividends declared

	31 March 2019	31 March 2018
First interim dividend of ₹ 1.5 (31 March 2018: ₹ 1.25) per share	277	218
Second interim dividend of ₹ 3.5 (31 March 2018: ₹ 7) per share	642	1,291
Dividend distribution tax on above	189	308
Dividends not recognised at the end of the reporting period		
Third interim dividend of ₹ 1.25 approved by the Board of Directors in the meeting held on 27 May 2019	227	-
Dividend distribution tax on above	47	-

18. Other equity

	31 March 2019	31 March 2018
Reserves and surplus		
Securities premium	14,048	15,209
Capital reserve	207	207
Capital redemption reserve	9	5
General reserve	595	595
Share options outstanding account	309	242
Retained earnings	20,272	14,709
Total reserves and surplus	**35,440**	**30,967**
Other comprehensive income		
Gain/(loss) on FVTOCI equity securities (net of taxes)	31	37
Remeasurement of defined benefit plans (net of taxes)	(204)	(119)
	(173)	**(82)**
	35,267	**30,885**

(i) Nature and purpose of other reserves

Securities premium

Securities premium is used to record the premium on issue of shares. It is utilised in accordance with provisions of the Act.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

Capital redemption reserve

In accordance with the requirements of the Act, the Company has created capital redemption reserve on buyback of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.

General reserve

The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

Share options outstanding account

The reserve represents the excess of the fair value of the options on the grant date over the exercise price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium account on the date of exercise of such options.

Gain/(loss) on FVTOCI equity securities

The Company has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Remeasurement of defined benefit obligations
The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to profit or loss.

19. Borrowings

	31 March 2019	31 March 2018
Current		
Loans repayable on demand		
Working capital loans from banks (secured)	1,021	986
Working capital loans from banks (unsecured)	1,495	744
Other loans		
Working capital loans from banks (unsecured)	1,329	-
	3,845	**1,730**

(i) Working capital loans (secured) represents cash credit, bills purchased and discounted with various banks.

(ii) Working capital loans (unsecured) represents overdraft, commercial paper, bills purchased and discounted with various banks.

(iii) Working capital loans are secured by joint pari-passu first charge on all the current assets (carrying value: ₹ 22,674 [31st March, 2018: ₹ 20,542]) and identified property, plant and equipment (carrying value: ₹ 1,171 [31st March ,2018: ₹ 1,099]) of the Company. During the current year, the Company has obtained approval for waiver of personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director and relatives of Chairman and Managing Director, Ms. Durga Devi Nannapaneni and Dr. N. Ramakrishna Rao.

20. Other financial liabilities

	31 March 2019	31 March 2018
Non-current		
Security deposits	8	8
	8	**8**
Current		
Interest accrued but not due on borrowings	6	-
Capital creditors	483	666
Unpaid dividend on equity shares	22	20
Employee related payables	258	321
Other payables	2	2
	771	**1,009**

21. Provision for employee benefits

	31 March 2019	31 March 2018
Non-current		
Gratuity (refer note (a))	439	229
Compensated absences	271	95
	710	**324**
Current		
Gratuity (refer note (a))	47	58
Compensated absences	43	79
	90	**137**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lumpsum after deduction of necessary taxes upto a maximum limit of ₹ 2 (31st March, 2018: ₹ 2). Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

		31 March 2019	31 March 2018
(i)	**Change in projected benefit obligation**		
	Projected benefit obligation at the beginning of the year	370	213
	Past service cost	-	60
	Service cost	69	38
	Interest cost	29	17
	Actuarial (gain) / loss	107	51
	Benefits paid	(21)	(9)
	Projected benefit obligation at the end of the year	**554**	**370**
(ii)	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	83	61
	Expected return on plan assets	7	5
	Employer contributions	-	26
	Return on plan assets (gain)/loss	(1)	-
	Benefits paid	(21)	(9)
	Fair value of plan assets at the end of the year	**68**	**83**
(iii)	**Reconciliation of present value of obligation on the fair value of plan assets**		
	Present value of projected benefit obligation at the end of the year	554	370
	Funded status of the plans	(68)	(83)
	Net liability recognised in the balance sheet	**486**	**287**
(iv)	**Expense recognized in the profit and loss**		
	Service cost	69	38
	Past service cost	-	60
	Interest cost	29	17
	Expected returns on plan assets	(7)	(5)
	Net gratuity costs in profit and loss	**91**	**110**
(v)	**Expense recognized in other comprehensive income**		
	Recognized net actuarial (gain)/ loss	107	51
	Return on plan assets (gain)/loss	1	1
	Net gratuity costs in other comprehensive income	**108**	**52**
(vi)	**Key actuarial assumptions**		
	Discount rate	7.70%	8.00%
	Salary escalation rate	10.00% for first 2 years and 7.00% thereafter	10.00%

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Assumptions regarding future mortality experience are set in accordance with the published rates under the Indian Assured Lives Mortality (2006-08) Ult table.

Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India Limited.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the salary growth rate. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

		31 March 2019	31 March 2018
(vi)	**Sensitivity analysis:**		
	Defined benefit obligation without effect of projected salary growth	554	370
	Salary escalation up by 1%	58	25
	Salary escalation down by 1%	(50)	(23)
	Discount rate up by 1%	(55)	(23)
	Discount rate down by 1%	64	26

		31 March 2019
(vii)	**Maturity profile of defined benefit obligation (valued on undiscounted basis):**	
	1 year	47
	2 to 5 years	142
	6 to 10 years	274
	More than 10 years	1,188

(viii) The Company expects to contribute around ₹ 549 to the funded plans in the financial year 2019-20 (2018-19: ₹ 143) for gratuity.

22. Deferred tax liabilities (net)

	31 March 2019	31 March 2018
Deferred tax liabilities/(asset) arising on account of :		
Property, plant and equipment	144	144
Provision for employee benefits	(20)	3
Investments	(11)	(9)
	113	**138**

(a) The Company has not recognized deferred tax assets in respect of unused tax credits (minimum alternate tax credits) of ₹ 1,608 (31 March 2018: ₹ 1,737). The above MAT credit expires at various dates ranging from 2023 through 2032.

(b) Movement in deferred tax liabilities (net)

	As at 31 March 2018	Profit and loss *	Other comprehensive income	As at 31 March 2019
Property, plant and equipment	144	-	-	144
Provision for employee benefits	3	-	(23)	(20)
Investments	(9)	-	(2)	(11)
	138	**-**	**(25)**	**113**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	As at 31 March 2017	Profit and loss *	Other comprehensive income	As at 31 March 2018
Property, plant and equipment	144	-	-	144
Provision for employee benefits	13	-	(10)	3
Investments	(7)	-	(2)	(9)
	150	**-**	**(12)**	**138**

* Defered tax credit recognized in the profit and loss represents utilization of unrecognised tax credits in the nature of minimum alternate tax. (Refer Note 32)

23. Other liabilities

	31 March 2019	31 March 2018
Current		
Payable to statutory authorities	92	124
Advance from customers	189	184
Others	33	-
	314	**308**

24. Trade payables

	31 March 2019	31 March 2018
Total outstanding dues of micro and small enterprises*	79	41
Total outstanding dues of creditors other than micro and small enterprises	1,939	2,413
	2,018	**2,454**

*Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act") as at 31 March 2019 and 31 March 2018:

Particulars		31 March 2019	31 March 2018
i)	the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	79	41
ii)	the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
iii)	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this MSMED Act;	-	-
iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	1	0
v)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

25. Revenue from operations

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sale of products	19,317	20,675
Sale of services	68	66
	19,385	**20,741**
Other operating revenues		
Job work charges	150	62
Export and other incentives	297	263
Scrap sales	31	19
	19,863	**21,085**

Disaggregation of revenue

	31 March 2019
Revenue based on Geography	
India	8,256
USA	8,741
Rest of the world	2,866
	19,863

	31 March 2019
Timing of revenue recognition	
Goods transferred at a point in time	19,317
Services transferred over time	68
	19,385

	31 March 2019
Reconciliation of Revenue from operations with contract price	
Contract price	21,764
Less:	
Sales returns	(257)
Trade discounts	(1,644)
Total Revenue from operations	**19,863**

26. Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income from fixed deposits and loans	911	248
Dividend income from investments designated at FVOCI	0	2
Liabilities no longer required, written back	-	5
Gain on sale of property, plant and equipment	135	103
Gain on sale of investment	-	0
Foreign exchange - gain (net)	250	33
Other non-operating income	2	3
	1,298	**394**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

27. Cost of material consumed

	For the year ended 31 March 2019	For the year ended 31 March 2018
Raw material and packing material at the beginning of the year	1,780	1,368
Add: Purchases during the year	3,920	4,317
Less: Raw material and packing material at the end of the year	2,369	1,780
	3,331	**3,905**

28. Changes in inventories of finished goods, stock-in-trade and work-in-progress

	31 March 2019	31 March 2018
Opening balance		
- Finished goods	621	613
- Work-in-progress	1,239	1,021
- Stock-in-trade	38	17
	1,898	**1,651**
Closing balance		
- Finished goods	735	621
- Work-in-progress	1,405	1,239
- Stock-in-trade	13	38
	2,153	**1,898**
	(255)	**(247)**

29. Employee benefits expense

	31 March 2019	31 March 2018
Salaries, wages and bonus	2,717	2,525
Contribution to provident fund and other funds (note (a) below)	199	172
Gratuity expense	91	110
Employee stock compensation expenses	253	180
Staff welfare expenses	142	135
	3,402	**3,122**

(a) During the year ended 31st March, 2019, the Company contributed ₹ 187 (31st March, 2018: ₹ 159) to provident fund and ₹ 12 (31st March, 2018: ₹ 13) towards employee state insurance fund.

30. Finance costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on borrowings	162	126
Other borrowing costs	26	21
	188	**147**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

31. Other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Consumption of stores and spares	372	383
Power and fuel	596	561
Rent	13	12
Repairs and maintenance		
- Buildings	50	78
- Plant and equipment	192	256
- Others	33	52
Insurance	101	97
Rates and taxes	280	208
Factory maintenance expenses	196	251
Analysis charges	283	122
Carriage and freight outwards	46	56
Donations #	287	99
Corporate social responsibility (CSR) expenses (refer note (i) below)	116	69
Communication expenses	47	59
Office maintenance and other expenses	71	60
Travelling and conveyance	246	248
Legal and professional fees	324	192
Auditors remuneration*		
- As auditors	4	3
- For reimbursement of expenses	0	0
Directors sitting fee	1	1
Bad debts written off	20	133
Royalty expense	226	222
Sales promotion expenses including sales commission	760	924
Research and development expenses	536	387
Printing and stationery	41	80
Miscellaneous expenses	64	69
	4,905	**4,622**

*Excludes ₹ Nil (31st March, 2018: ₹ 5) charged to securities premium in respect of share issue expenses incurred for shares issued through Qualified Institutional Placement.

Includes political contributions of ₹ 233 (31st March, 2018: ₹ Nil) made in accordance with Section 182 of the Act.

(i) Details of CSR expenditure :

	31 March 2019	31 March 2018
(a) Gross amount required to be spent by the Company during the year	116	69
(b) Amount spent on eligible activities	116	69

32. Income tax

	For the year ended 31 March 2019	For the year ended 31 March 2018
Tax expense/(credit) comprises of:		
Current income tax	1,863	2,173
Deferred tax	(60)	(279)
Income tax expense reported in the statement of profit or loss	**1,803**	**1,894**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.944% (31 March 2018: 34.608%) and the reported tax expense in profit or loss are as follows:

Reconciliation of tax expense and the accounting profit multiplied by India's tax rate		
Profit before tax	8,474	8,876
Tax at the Indian tax rate (34.944%) (31 March 2018: 34.608%)	2,961	3,072
Adjustments:		
CSR expenses and other donations	50	40
Weighted deduction on research and development expenses	(446)	(288)
Tax incentives	(685)	(632)
Capital gain tax	(17)	(19)
MAT credit utilisation	(60)	(279)
Income tax expense	**1,803**	**1,894**

33. Earnings per share (EPS)

	31 March 2019	31 March 2018
Profit attributable to equity shareholders	6,671	6,982
Weighted average number of equity shares outstanding during the year	18,42,05,422	17,73,13,783
Effect of dilution:		
Employee stock options	5,71,121	6,28,391
Weighted average number of equity shares adjusted for the effect of dilution	18,47,76,543	17,79,42,175
Earnings per equity share:		
Basic (in ₹)	36.22	39.38
Diluted (in ₹)	36.10	39.24
Nominal Value per equity share (in ₹)	2	2

34. Fair value measurements

(i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial assets and financial liabilities measured at fair value

	31 March 2019		31 March 2018	
	Level 1	Level 3	Level 1	Level 3
Financials assets				
Equity instruments (other than subsidaries)	68	196	83	81
Government securities	-	0	-	0
Other investments	-	3	-	-

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	31 March 2019		31 March 2018	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial assets				
Investments				
- Equity instruments	264	-	164	-
- Government securities	0	-	0	-
- Debentures	-	1,200	-	400
- Other investments	3	0	-	0
Trade receivables	-	4,916	-	6,060
Loans	-	566	-	124
Cash and cash equivalents	-	115	-	101
Bank balances other than cash and cash equivalents	-	2,512	-	1,620
Other financial assets	-	7,123		6,289
Total financial assets	**267**	**16,432**	**164**	**14,594**

	31 March 2019		31 March 2018	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial liabilities				
Borrowings	-	3,845	-	1,730
Trade payables	-	2,018	-	2,454
Other financial liabilities	-	779	-	1,017
Total financial liabilities	**-**	**6,642**	**-**	**5,201**

The Company's principal financial liabilities comprise borrowings, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds FVOCI investments and investment in its subsidiary.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value.

For financial assets measured at fair values, the carrying amounts are equal to the fair values.

35. Financial instruments risk management

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2019 and 31 March 2018. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

i. **Interest rate risk:**

The Company's entire borrowings carried at amortised cost are variable rate instruments and are subject to fluctuation because of a change in market interest rates. The Company considers the impact of fair value interest rate risk on variable rate borrowings as not material.

The Company's variable rate borrowing is subject to interest rate risk. Below is the details of exposure to fixed rate and variable rate instruments:

Particulars	31 March 2019	31 March 2018
Fixed rate instruments		
Financial assets	10,562	8,077
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	3,845	1,730

ii. **Foreign currency risk:**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company's exposure to foreign currency financial assets and financial liabilities expressed in ₹ in million are as follows:

Financial assets

	31 March 2019			31 March 2018		
	Trade receivables	Loans	Other financial assets	Trade receivables	Loans	Other financial assets
- USD	2,038	368	11	3,759	78	0
- EUR	55	-	-	79	-	-
- CAD	147	-	-	135	-	-
- SGD	3	108	1	1	-	-

Financial liabilities

	31 March 2019		31 March 2018	
	Borrowings	Trade payables	Borrowings	Trade payables
- USD	-	158	-	135
- EUR	-	45	-	47
- GBP	-	1	-	-
- CAD	-	-	-	1
- AUD	-	-	-	1
- JPY	-	-	-	2

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit after tax	
	31 March 2019	31 March 2018
USD sensitivity		
₹ /USD - Increase by 10%	226	370
₹ /USD - Decrease by 10%	(226)	(370)

iii. **Equity price risk:**

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

The Company has equity investments in publicly traded instruments which are listed on the National Stock Exchange (NSE) and other privately held companies.

The table below summarises the impact of increase/decrease of the index on the Company's equity and profit for the period. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant, and that off the Company's equity instruments moved in line with the index.

Particulars	Impact on other components of equity	
	31 March 2019	31 March 2018
NSE Nifty 50 - Increase by 10%	26	16
NSE Nifty 50 - Decrease by 10%	(26)	(16)

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2019 and 31 March 2018.

Ageing of receivable is as follows:

	31 March 2019	31 March 2018
Neither past due nor impaired	3,620	5,499
Past due not impaired:		
0-30 days	772	325
31-60 days	288	76
61-90 days	104	25
91-180 days	19	84
Greater than 180 days	113	51
	4,916	**6,060**

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company's principal sources of liquidity are the cash flows generated from operations. The Company has no long term borrowings and believes that the working capital is sufficient for its current requirments. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

31 March 2019	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	3,845	-	-	3,845
Trade and other payables	2,018	-	-	2,018
Other financial liabilities	771	8	-	779
Total	**6,634**	**8**	**-**	**6,642**

31 March 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	1,730	-	-	1,730
Trade payable	2,454	-	-	2,454
Other financial liabilities	1,009	8	-	1,017
Total	**5,193**	**8**	**-**	**5,201**

36. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the statement of financial position. Currently, the Company primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The capital for the reporting year under review is summarized as follows:

	31 March 2019	31 March 2018
Total borrowings (note 19)	3,845	1,730
Less: Cash and cash equivalents (note 15)	(115)	(101)
Net debt	**3,730**	**1,629**
Total equity	35,632	31,254
Total capital	**39,362**	**32,883**
Gearing ratio (%)	9%	5%

37. Related party disclosures

(a) Names of the related parties and nature of relationship (to the extent transactions have taken place during the year, except for control relationships where all the names are disclosed)

Names of related parties	Nature of relationship
NATCO Pharma Inc., United States of America	Subsidiary company
Time cap Overseas Limited, Mauritius	
NATCO Pharma (Canada) Inc., Canada	
NATCO Pharma Asia PTE Ltd., Singapore	
NATCO Pharma Australia PTY Ltd., Australia	
NATCO Lifesciences Philippines Inc., Philippines	
NATCO farma Do Brasil Ltda., Brazil	Step-down subsidiary company
Time Cap Pharma Labs Limited	Entities in which KMP have control or have significant influence
NATCO Trust	
Mr. V.C.Nannapaneni	Key management personnel ("KMP")
Mr. Rajeev Nannapaneni	
Mr. Sreerama Murthy Gubbala	
Mr. Govinda Prasad Dasu	
Mr. Umamaheshwarrao Naidu Madireddi	
Mr. Venkateswara Rao Thallapaka	
Mr. Sridhar Sankararaman	
Mrs. Leela Digumarti	
Mr. Potluri Prasad Sivaramakrishna	
Mr. Lingarao Donthineni	
Ms. Durga Devi Nannapaneni	Relative of KMP
Dr. N. Ramakrishna Rao	

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(b) Transactions with related parties

	For the year ended 31 March 2019	For the year ended 31 March 2018
Time cap Overseas Limited, Mauritius		
Investment in equity shares	-	28
Share application money pending allotment	2	-
Loan given	165	77
Interest on loans	10	1
Interest received	3	-
NATCO Pharma (Canada) Inc., Canada		
Investment in equity shares		-
Sale of products	150	118
Loan repaid	-	32
NATCO Pharma Asia PTE Ltd., Singapore		
Investment in equity shares	24	22
Loan given	108	-
Interest on loans	1	-
Loan repaid	-	80
Sale of products	7	4
NATCO farma Do Brasil Ltda., Brazil		
Sale of products	48	4
NATCO Pharma Australia PTY Ltd., Australia		
Investment in equity shares	7	17
Time Cap Pharma Labs Limited		
Sales promotion expenses	6	7
Purchase of Land	49	-
Rental expense	5	5
NATCO Pharma Inc., United States of America		
Loan given	114	-
Interest on loans	2	-
NATCO Lifesciences Philippines Inc., Philippines		
Investment in equity shares	12	-
Loan given	7	-
Interest on loans	0	-
NATCO Trust		
Donations	24	82
CSR activities	116	69
Mr. V.C. Nannapaneni		
Short-term employee benefits*	17	19
Leave encashment paid	1	1
Rental expenses	2	2
Commission on profits	-	70
Mr. Rajeev Nannapaneni		
Short-term employee benefits*	16	17
Leave encashment paid	1	1
Rental expenses	1	1

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Mr. Lingarao Donthineni		
Short-term employee benefits*	14	12
Leave encashment paid	0	0
Mr. Potluri Prasad Sivaramakrishna		
Short-term employee benefits*	14	12
Leave encashment paid	0	0
Mr. Govinda Prasad Dasu		
Sitting fees	0	0
Mrs. Leela Digumarti		
Sitting fees	0	0
Mr. Umamaheshwarrao Naidu Madireddi		
Sitting fees	0	0
Mr. Sreerama Murthy Gubbala		
Sitting fees	0	0
Mr. Venkateswara Rao Thallapaka		
Sitting fees	0	0

(c) Balances receivable / (payable) #

	31 March 2019	31 March 2018
NATCO Pharma Inc., United States of America	116	-
Time Cap Pharma Labs Limited	0	(3)
Time cap Overseas Limited, Mauritius	256	78
NATCO Pharma (Canada) Inc., Canada	132	109
NATCO farma Do Brasil Ltda., Brazil	47	-
NATCO Pharma Asia PTE Ltd., Singapore	112	0
NATCO Lifesciences Philippines Inc., Philippines	7	-
Mr. V.C. Nannapaneni	(2)	(71)
Mr. Rajeev Nannapaneni	(1)	(1)
Mr. Lingarao Donthineni	(1)	(1)
Mr. Potluri Prasad Sivaramakrishna	(1)	(1)
Mr. Venkateswara Rao Thallapaka	(0)	-

Notes:

(i) During the current year, the company has obtained approval of the waiver of personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director and relatives of Chairman and Managing Director, Ms. Durga Devi Nannapaneni and Dr. N. Ramakrishna Rao. Refer note 19.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(ii) *This aforesaid amount does not include amounts in respect of gratuity and compensated absences as the same are determined on actuarial basis for the Company as a whole.

(iii) #The aforesaid balances receivable from / (payable to) subsidiaries, includes adjustment on account of restatement of outstanding balances receivable / (payable) in foreign currency.

(d) Transaction with related parties - Transfer pricing

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that certain transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arm's length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2019. In opinion of the management, the same would not have an impact on these standalone financial statements. Accordingly, these standanlone financial statements do not include the effect of the transfer pricing implications, if any.

38. Segment reporting

In accordance with Ind AS 108 - 'Operating Segments', segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

39. Contingent liabilities and commitments

		31 March 2019	31 March 2018
(a)	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	753	1,067

(b) The Company has agreed to provide necessary financial support for the continuing operations of it's subsidiaries as to enable them to meet their liabilities as they fall due and carry on its business over the next 12 months from the balance sheet date.

(c) Contingent liabilities

		31 March 2019	31 March 2018
(i)	**Matters under appeal with tax authorities:**		
	Disputed sales tax liabilities	9	9
	Disputed service tax liabilities	17	2
	Disputed customs liability	2	2

(ii) The Company is contesting certain patent infringement cases filed against it by the innovators. A few of these cases pertain to products already launched by the Company in the market. These cases are pending before different authorities / courts and the outcome cannot be ascertained with reasonable certainty. Accordingly, a reliable estimate of the liability towards damages/penalties, if any, cannot be made at present. These amounts

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

will be recognised during the periods in which such liabilities can be reasonably measured. Further, at present, the management does not expect such liabilities to be significant.

(iii) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs. The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for computation of the provident fund contribution. On the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management has determined that the aforesaid ruling is applicable prospectively and, therefore there is no impact of such ruling on the financial statements of the Company.

40. Amounts incurred on research and development expenses

	31 March 2019	31 March 2018
Salaries and wages	501	462
Consumption of materials, spares	314	278
Power and fuel	29	26
Other research and development expenses	844	513
Capital equipments	288	386
	1,976	**1,665**

The aforementioned expenditure, other than capital equipments, are included under the respective heads of the Statement of Profit and Loss.

41. Net debt reconciliation

The following table sets out an analysis of the movements in net debt for the year:

	Current borrowings	Interest accrued	Cash and cash equivalents	Net debt
Net debt as at 31 March 2018	**1,730**	**-**	**101**	**1,629**
Cash flows	2,115	-	14	2,101
Finance cost	-	188	-	188
Interest paid	-	(182)	-	(182)
Net debt as at 31 March 2019	**3,845**	**6**	**115**	**3,736**

	Current borrowings	Interest accrued	Cash and cash equivalents	Net debt
Net debt as at 31 March 2017	**2,206**	**2**	**128**	**2,080**
Cash flows	(476)	-	(27)	(449)
Finance cost	-	147	-	147
Interest paid	-	(149)	-	(149)
Net debt as at 31 March 2018	**1,730**	**-**	**101**	**1,629**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

42. Expenditure during construction period (pending allocation)

	31 March 2019	31 March 2018
Opening Balance	**69**	**-**
Add:		
Cost of materials consumed, net	1	-
Employee benefits expense	54	1
Power and fuel	39	7
Factory maintenance	88	60
Rates and taxes	3	0
Legal and professional chargers	1	-
Others	23	1
Less:		
Capitalized during the year	-	-
	278	**69**

43. Events after reporting period

The Board of Directors, at the meeting held on 27 May 2019, had recommended an interim dividend of ₹ 1.25 per equity share of face value of ₹ 2/- each (excluding applicable dividend distribution tax).

44. Corresponding previous period's figures have been regrouped/reclassified wherever necessary.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Independent Auditor's Report

To the Members of
NATCO Pharma Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of NATCO Pharma Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the consolidated state of affairs (consolidated financial position) of the Group as at 31 March 2019, and its consolidated profit (consolidated financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined that there are no key audit matters to communicate in our report.

Information other than the Consolidated Financial Statements and Auditor's Report thereon

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

   Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

7. The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these

consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act, the respective Board of Directors /management of the companies included in the Group covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

8. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

15. We did not audit the financial statements of 7 subsidiaries, whose financial statements reflect total assets of ₹ 1,599 million and net assets of ₹ 512 million as at 31 March 2019, total revenues of ₹ 1,317 million and net cash inflows amounting to ₹ 52 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

    Further, all of these subsidiaries are located outside India, whose financial statements have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion, and matters identified and disclosed under key audit matters section above, in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act, based on our audit and on the consideration of the reports of the other auditors, referred to in paragraph 15, on separate financial statements of the subsidiaries, we report that the Holding Company covered under the Act, paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to the subsidiary companies as they are not covered under the Act.

17. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries we report, to the extent applicable, that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act;

e) on the basis of the written representations received from the directors of the Holding company and taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company, are disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and the operating effectiveness of such controls, refer to our separate report in 'Annexure A';

g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;

ii. the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2019;

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2019;

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No.: 108840

Place: Hyderabad
Date: 27th May, 2019

Annexure A to the Independent Auditor's Report of even date to the members of NATCO Pharma Limited on the consolidated financial statements for the year ended 31 March 2019

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of NATCO Pharma Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company as at that date. Further, as all the subsidiaries of the Holding Company are located outside India, the provisions of clause (i) of sub-section 3 of Section 143 of the Act are not applicable to them.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('the Guidance Note'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion the Holding Company, has in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No.: 108840

Place: Hyderabad
Date: 27th May, 2019

Consolidated Balance Sheet

as at 31st March, 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
(a) Property, plant and equipment	6	12,185	10,127
(b) Capital work-in-progress		6,376	4,800
(c) Intangible assets	7	87	59
(d) Financial assets			
Investments	8	199	81
Loans	9	20	-
Other financial assets	10	165	150
(e) Current tax assets (net)		-	18
(e) Other non-current assets	11	527	609
Total non-current assets		**19,559**	**15,844**
Current assets			
(a) Inventories	12	5,290	4,384
(b) Financial assets			
Investments	8	1,487	684
Trade receivables	13	5,062	6,375
Cash and cash equivalents	14	283	217
Bank balances other than cash and cash equivalents	15	2,512	1,620
Loans	9	71	45
Other financial assets	10	6,947	6,142
(c) Other current assets	11	1,820	1,840
Total current assets		**23,472**	**21,307**
Total assets		**43,031**	**37,151**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	16	365	369
(b) Other equity	17	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	19	8	8
(b) Provision for employee benefits	20	710	324
(c) Deferred tax liabilities (net)	21	116	139
Total non-current liabilities		**834**	**471**
Current liabilities			
(a) Financial liabilities			
Borrowings	18	3,863	1,732
Trade payables	23		
- total outstanding dues of micro and small enterprises		79	41
- total outstanding dues of creditors other than micro and small enterprises		2,091	2,650
Other financial liabilities	19	782	1,024
(b) Other current liabilities	22	316	310
(c) Provision for employee benefits	20	90	137
(d) Current tax liabilities (net)		66	26
Total current liabilities		**7,287**	**5,920**
Total liabilities		**8,121**	6,391
Total equity and liabilities		**43,031**	**37,151**

The accompanying notes form an integral part of the consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Consolidated Statement of Profit and Loss

for the year ended 31st March, 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

	Notes	31 March 2019	31 March 2018
Income			
Revenue from operations	24	20,945	22,020
Other income	25	1,302	404
Total income		**22,247**	**22,424**
Expenses			
Cost of materials consumed	26	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	27	(339)	(253)
Employee benefits expense	28	3,559	3,256
Finance costs	29	193	154
Depreciation and amortisation expense	6 & 7	810	662
Other expenses	30	5,896	5,197
Total expenses		**14,000**	**13,552**
Profit before tax		8,247	8,872
Tax expense/(credit)	31		
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		0	(2)
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		9	(8)
Total comprehensive income for the year		**6,348**	**6,900**
Profit for the year attributable to:			
Owners of the parent		6,444	6,962
Non-controlling interests		(20)	(10)
Total comprehensive income for the year attributable to:			
Owners of the parent		6,368	6,910
Non-controlling interests		(20)	(10)
Earnings per share (Nominal value per share ₹ 2)	32		
Basic (in ₹)		34.98	39.26
Diluted (in ₹)		34.87	39.13

The accompanying notes form an integral part of the consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Consolidated Cash Flow Statement

for the year ended 31st March 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2019	31 March 2018
Cash flows from operating activities			
Profit before tax		8,247	8,872
Adjustments :			
Depreciation and amortisation expense		810	662
Finance cost		193	154
Employee share-based payment expense		253	180
Interest income		(898)	(249)
Bad debts written - off		20	133
Liabilities no longer required written back		-	(5)
Dividend Income		-	(2)
Gain on sale of property,plant and equipment		(135)	(103)
Gain on sale of investments		-	(0)
Unrealised foreign exchange gain, net		(102)	(14)
Operating profit before working capital changes		**8,388**	**9,628**
Changes in working capital:			
Changes in trade payables		(512)	64
Changes in employee benefit obligations		254	171
Changes in other financial liabilities		(67)	6
Changes in other liabilities		7	53
Changes in other financial assets		(71)	(10)
Changes in loans		(25)	(10)
Changes in other assets		20	(583)
Changes in inventories		(906)	(895)
Changes in trade receivables		1,388	(1,742)
Cash generated from operating activities		**8,476**	**6,681**
Income taxes paid (net)		(1,788)	(2,045)
Net cash generated from operating activities	A	**6,688**	**4,636**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,566)	(4,225)
Proceeds from sale of property, plant and equipment		178	178
Purchase of intangible assets		(51)	(18)
Payments for purchase of investments		(921)	(445)
Movement in other bank balances, net		(892)	(1,497)
Loans given to others		(20)	-
Interest received		524	99
Deposits with financial institutions		(374)	(5,249)
Dividends received		-	2
Net cash used in investing activities	B	**(6,122)**	**(11,155)**

Consolidated Cash Flow Statement

for the year ended 31st March 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

		31 March 2019	31 March 2018
Cash flows from financing activities			
Proceeds from issue of shares		0	8,956
Buyback of shares		(1,347)	-
Movement in non-controlling interest		2	7
(Repayments) / proceeds from current borrowings, net		2,131	(484)
Changes in unclaimed dividend bank balances		(2)	(3)
Dividends paid to Company's shareholders		(1,106)	(1,811)
Interest paid		(187)	(156)
Net cash (used in) / from financing activities	C	**(509)**	**6,509**
Effect of currency translation adjustment	D	**9**	**(8)**
Net increase / (decrease) in cash and cash equivalents	(A+B+C+D)	**66**	**(18)**
Cash and cash equivalents as at the beginning of the year		217	235
Cash and cash equivalents as at the end of the year [Refer Note 14]		**283**	**217**

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Consolidated Statement of Changes in Equity

for the year ended 31st March 2019

(All amounts in ₹ millions, except share data and where otherwise stated)

A Equity Share Capital

	Notes	Number of shares	Amount
As at 1 April 2017		**17,43,07,800**	**349**
Changes in equity share capital	16	1,01,85,600	20
As at 31 March 2018		**18,44,93,400**	**369**
Changes in equity share capital	16	(17,46,921)	(4)
As at 31 March 2019		**18,27,46,479**	**365**

B Other equity

	Reserves and Surplus						Other comprehensive income				
	Securities premium	Capital reserve	Capital redemption reserve	General reserve	Share options outstanding account	Retained earnings	Gain/(loss) on FVTOCI equity securities	Foreign currency translation reserve	Remeasurement of defined benefit plans	Non-controlling interest	Total
Balance as at 1 April 2017	**6,178**	**207**	**5**	**595**	**154**	**9,094**	**42**	**(54)**	**(77)**	**41**	**16,185**
Profit for the year	-	-	-	-	-	6,962	-	-	-	(10)	6,952
Other comprehensive income (net of taxes)	-	-	-	-	-	-	(2)	(8)	(42)	-	(52)
Issue of equity shares	9,130	-	-	-	-	-	-	-	-	-	9,130
Share issue expenses	(191)	-	-	-	-	-	-	-	-	-	(191)
Employee stock option expense	-	-	-	-	177	-	-	-	-	-	177
Dividend paid	-	-	-	-	-	(1,509)	-	-	-	-	(1,509)
Tax on distributed profits	-	-	-	-	-	(308)	-		-		(308)
Share options exercised	92	-	-	-	(92)	-	-	-	-	-	-
Changes in controlling interest	-	-	-	-	-	-	-	-	-	7	7
Balance as at 31 March 2018	**15,209**	**207**	**5**	**595**	**239**	**14,239**	**40**	**(62)**	**(119)**	**38**	**30,391**
Profit for the year	-	-	-	-	-	6,444	-	-	-	(20)	6,424
Other comprehensive income (net of taxes)	-	-	-	-	-	-	0	9	(85)	-	(76)
Buyback of shares	(1,325)	-	-	-	-	-	-	-	-	-	(1,325)
Share buyback expenses	(18)	-	-	-	-	-	-	-	-	-	(18)
Employee stock option expense	-	-	-	-	255	-	-	-	-	-	255
Dividend paid	-	-	-	-	-	(919)	-	-	-	-	(919)
Tax on distributed profits	-	-	-	-	-	(189)	-	-	-	-	(189)
Share options exercised	186	-	-	-	(186)	-	-	-	-	-	-
Changes in controlling interest	-	-	-	-	-	-	-	-	-	2	2
Transfer from securities premium on account of buyback of equity shares	(4)	-	4	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	**14,048**	**207**	**9**	**595**	**308**	**19,575**	**40**	**(53)**	**(204)**	**20**	**34,545**

This is the Consolidated Statement of Changes in Equity referred to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

Notes

Summary of significant accounting policies and other explanatory information

1. General information

NATCO Pharma Limited ("the Company" or "the Parent") is a public limited company domiciled and incorporated in India in accordance with the provisions of the Companies Act, 1956. The registered office of the Company is at NATCO House, Road No. 2, Banjara Hills, Hyderabad – 500034. The equity shares of the Company are listed on the National Stock Exchange and Bombay Stock Exchange.

The Company along with its subsidiaries ("the Group") is engaged in the business of pharmaceuticals which comprises research and development, manufacturing and selling of bulk drugs and finished dosage formulations. The Group has manufacturing facilities in India which caters to both domestic and international markets including regulated markets like United States of America and Europe.

These consolidated financial statements for the year ended 31 March 2019 were authorized and approved for issue by the Board of Directors on 27 May 2019.

2. Basis of preparation

(i) Compliance with Ind AS

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'), as amended time to time. The Group has uniformly applied the accounting policies during the periods presented.

Transactions and balances with values below the rounding off norm adopted by the Group have been reflected as "0" in the relevant notes in these consolidated financial statements.

These financial statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective at the Group's annual reporting date 31 March 2019.

These financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value;
- Share based payments which are measured at fair value of the options;
- Defined benefit plan assets which are measured at fair value; and

(ii) Principles of consolidation

a. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The Group combines the separate financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, contingent liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary and practicable to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

The financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a

Notes

Summary of significant accounting policies and other explanatory information

member of the Group uses accounting policies other than those adopted in the financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's separate financial statements in preparing the financial statements to ensure conformity with the Group's accounting policies, wherever necessary and practicable.

Notes to the financial statements represent notes involving items which are considered material and are accordingly disclosed. Materiality for the purpose is assessed in relation to the information contained in the consolidated financial statements.

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

Name of the subsidiaries	Country of Incorporation	Percentage holding/interest (%) As at 31 March	
		2019	2018
NATCO Pharma, Inc.,	United States of America	100.00	100.00
Time Cap Overseas Limited	Mauritius	90.36	89.81
NATCO farma Do Brazil	Brazil	90.90	88.30
NATCO Pharma (Canada), Inc.	Canada	99.04	99.04
NATCO Pharma Asia Pte. Ltd.	Singapore	99.73	100.00
NATCO Pharma Australia PTY Ltd.	Australia	100.00	100.00
NATCO Lifesciences Philippines Inc.	Philippines	100.00*	NA

*includes the shares held by the nominee shareholders of the subsidiaries on behalf of the company

Note 1: Interest in NATCO Farma Do Brazil represent effective holding of the Company.

Note 2: Principal activity of all subsidiaries except Time Cap Overseas Limited is marketing of pharmaceutical products. Time Cap Overseas Limited is an intermediate investment holding company.

b. Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

3. Standards, not yet effective and have not been adopted early by the Group

Information on new standards, amendments and interpretations that are expected to be relevant to the consolidated financial statements is provided below.

a) Ind AS 116, Leases:

Ind AS 116 removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability (the obligation to pay rentals). An optional exemption exists for short-term and low value leases. The standard may not have a significant impact on the Group's financial statements considering the number of assets under operating lease arrangement as at 31 March 2019. On implementation of Ind AS 116, the operating lease charges will be replaced with interest and depreciation expenses. These changes will affect key ratios like profit margin, operating margin, EBITDA margin etc. Further, operating cash flows will be higher as cash payments for the principal

Notes

Summary of significant accounting policies and other explanatory information

portion of the lease liability will be classified within financing activities.

The effect on adoption of Ind AS 116 would be insignificant in the consolidated financial statements.

b) **Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments:**
On 30 March 2019, the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount of the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

- Full retrospective approach – Under this approach Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight, and

- Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives

The Group is currently assessing the detailed financial impact of this standard on its consolidated financial statements.

c) **Amendment to Ind AS 12, Income Taxes:**
On 30 March 2019, the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, Income Taxes, in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The Group is currently evaluating the effect of this amendment on the consolidated financial statements.

4. Summary of significant accounting policies

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below.

a. **Current versus non-current classification**
The Group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle

- Held primarily for the purpose of trading

- Expected to be realised within twelve months after the reporting period, or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Notes

Summary of significant accounting policies and other explanatory information

All other assets are classified as non-current.

A **liability** is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b. Foreign currency

Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the Group.

Transactions and balances

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing rate at the date of the balance sheet,
2. income, expenses and cash flow items are translated at average exchange rates for the respective periods; and
3. All resulting exchange differences are recognised in OCI.

When a subsidiary is disposed off, in full, the relevant amount is transferred to the Statement of Profit and Loss. However, when change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and borrowings and other financial instrument designated as hedges of such investment, are recognised in OCI. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

c. Revenue recognition

The Group derives revenues primarily from sale of finished dosage formulations, active pharmaceutical ingredients (APIs), including niche and technically complex molecules.

The Group has adopted Ind AS 115 - Revenue from Contracts with Customers, using modified

Notes

Summary of significant accounting policies and other explanatory information

retrospective application method with effect from 1 April 2018 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 115. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements of the Group.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers for an amount that reflects the consideration the Group expects to receive in exchange for those products or services.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not require to adjust any of the transaction prices for the time value of money.

Income from profit-sharing arrangements with collaboration partners is recognised as underlying sales and cost of sales are recorded by the collaboration partners.

Other operating revenue - Export incentives
Export Incentives under various schemes are accounted in the year of export.

Other income - Interest income
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

Other income - Dividend income
Dividend income is recognised when the Group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

d. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

e. Property, plant and equipment (PPE)

Recognition and initial measurement
Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Subsequent measurement (depreciation and useful lives)
Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

Cost of leasehold land is amortized on a straight-line basis over the term of the lease.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation
Depreciation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

Notes

Summary of significant accounting policies and other explanatory information

De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

f. Intangible assets

Recognition and initial measurement

Intangible assets (software) are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent measurement (amortisation)

The cost of capitalized software is amortized over a period of 6 years, on a straight line basis. Amortisation on the addition/disposals is charged on pro-rata basis from/until the date of such addition/disposal.

g. Government grants

The Group recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

h. Operating leases

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight line basis. Refer 3a. above

i. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

j. Financial instruments

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial asset is also adjusted.

Subsequent measurement

i. **Debt instruments at amortised cost –** A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

Notes

Summary of significant accounting policies and other explanatory information

ii. **Equity investments** – All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Group decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

iii. **Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These liabilities are classified as amortised cost.

Subsequent measurement

These liabilities include borrowings and deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of expected loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

k. **Impairment of financial assets**

In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. When estimating the cash flows, the Group is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables

The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Notes

Summary of significant accounting policies and other explanatory information

Other financial assets
For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

l. Inventories
Raw material, packaging material, stores and spare parts are carried at cost or net realisable value which is lower. Cost includes purchase price excluding taxes those are subsequently recoverable by the Group from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

The carrying cost of raw materials, packing materials, stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Finished goods and work in progress are also valued at the lower of cost and net realizable value. Cost of work in progress and manufactured finished goods is determined on weighted average basis and comprises cost of direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on weighted average basis. Excise duty liability is included in the valuation of closing inventory of finished goods.

m. Income taxes
Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

n. Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments (original maturity of 3 months or less) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

o. Post-employment, long term and short term employee benefits
Defined contribution plan
The Group's contribution to provident fund and employee state insurance schemes is charged to the statement of profit and loss. The Group's

Notes

Summary of significant accounting policies and other explanatory information

contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan.

Defined benefit plan

The Group has gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date net of fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries, by adopting the projected unit credit method. Actuarial gains and losses resulting from re-measurements of the liability are included in other comprehensive income.

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit of ₹ 2. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

Other long-term employee benefits

The Group also provides benefit of compensated absences to its employees which are in the nature of long -term benefit plan. Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the statement of profit and loss in the year in which such gains or losses arise.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

p. Share based payments

Certain employees of the Group are entitled to remuneration in the form of equity settled instruments, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants. The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest using fair value in accordance with Ind AS 102, Share based payment.

The employee benefits expense is measured using the fair value of the employee stock options and is recognised over vesting period with a corresponding increase in equity. The vesting period is the period over which all the specified vesting conditions are to be satisfied.

q. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group; or

- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Notes

Summary of significant accounting policies and other explanatory information

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

r. **Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 21).

Recognition of deferred tax liability on undistributed profits: The extent to which the Group can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.

Evaluation of indicators for impairment of assets: The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Recoverability of advances/receivables: At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

Useful lives of depreciable/amortisable assets: Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Defined benefit obligation (DBO): Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements: Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions: At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding warranties and guarantees. However, the actual future outcome may be different from this judgement.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

6. Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Office equipment	Furniture	Vehicles	Computers	Total
Gross carrying amount									
As at 1 April 2017	1,456	277	2,979	6,232	58	140	171	143	11,456
Additions	376	-	596	1,509	4	36	33	21	2,575
Disposals/retirement	63	-	-	40	-	-	4	-	107
Foreign exchange adjustments	-	1	-	-	1	1	-	-	3
Balance as at 31 March 2018	**1,769**	**278**	**3,575**	**7,701**	**63**	**177**	**200**	**164**	**13,927**
Additions	363	-	864	1,565	2	43	35	21	2,893
Disposals/assets written off	41	-	1	3	-	-	10	-	55
Foreign exchange adjustments	-	-	(3)	(1)	-	-	-	-	(4)
Balance as at 31 March 2019	**2,091**	**278**	**4,435**	**9,262**	**65**	**220**	**225**	**185**	**16,761**
Accumulated depreciation									
Up to 1 April 2017	-	15	614	2,275	31	56	82	111	3,184
Charge for the year	-	5	109	473	5	12	23	18	645
Adjustments for disposals	-	-	-	29	-	-	3	-	32
Foreign exchange translation	-	1	-	-	1	1	-	-	3
Balance as at 31 March 2018	**-**	**21**	**723**	**2,719**	**37**	**69**	**102**	**129**	**3,800**
Charge for the year	-	3	127	593	2	17	25	20	787
Adjustments for disposals	-	-	-	2	-	-	9	-	11
Foreign exchange translation	-	-	0	0	0	0	0	0	0
Balance as at 31 March 2019	**-**	**24**	**850**	**3,310**	**39**	**86**	**118**	**149**	**4,576**
Net book value as at 31 March 2018	1,769	257	2,852	4,982	26	108	98	35	10,127
Net book value as at 31 March 2019	**2,091**	**254**	**3,585**	**5,952**	**26**	**134**	**107**	**36**	**12,185**

(i) Contractual obligations

Refer to note 38 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Leasehold land includes land acquired from the State Industrial Development Corporation of Uttarakhand Limited, Uttar Pradesh State Industrial Development Corporation Limited for a period of 90 years and 87 years respectively. Further the Company has also acquired land from Ramky Pharma City (India) Limited under a lease arrangement for a period of 33 years which is renewable for a further period of 2 terms of 33 years each.

(iii) During the year, the Company was provisionally alloted a parcel of land from Andhra Pradesh Industrial Infrastructure Corporation Limited ('APIIC') in Attivaram, Nellore Disctrict, Andhra Pradesh for a consideration of ₹ 66 which shall be registered in the name of the Company based on fulfillment of certain conditions laid down by APIIC.

(iv) Capital work-in-progress^

31 March 2019	6,376
31 March 2018	4,800

^Capital-work-in-progress mainly relates to expansion projects on-going at Company's existing facilities and new projects under implementation.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

7. Intangible assets

	Computer Software	Total
Gross carrying amount		
As at 1 April 2017	131	131
Additions	18	18
As at 31 March 2018	**149**	**149**
Additions	51	51
Foreign exchange adjustments	0	0
As at 31 March 2019	**200**	**200**
Accumulated amortization		
Up to 1 April 2017	73	73
Charge for the year	17	17
Foreign exchange adjustment	(0)	(0)
Up to 31 March 2018	**90**	**90**
Charge for the year	23	23
Foreign exchange adjustment	(0)	(0)
Up to 31 March 2019	**113**	**113**
Net carrying amount		
As at 31 March 2018	59	59
As at 31 March 2019	**87**	**87**

8. Investments

		31 March 2019	31 March 2018
I.	**Non-current (At fair value through other comprehensive income)**		
	Investment in equity instruments		
	Unquoted		
	4,054 (31 March 2018: 4,054) shares of 1BYR NATIVITA Joint Limited Liability Company	0	0
	30 (31 March 2018: Nil) shares of Euro 0.5 per share of Pharnasanta B.V	0	-
	750 (31 March 2018: 750) equity shares of ₹ 100 each, fully paid-up, in Jeedimetla Effluent Treatment Limited	0	0
	139,451 (31 March 2018: 109,569) equity shares of ₹ 10 each, fully paid-up in OMRV Hospital Private Limited	105	74
	21,769 (31 March 2018: Nil) equity shares of ₹ 10 each, in Veda Seedsciences Private Limited	79	-
	1060 (31 March 2018: 588) units of ₹ 10,000 each, fully paid-up in Endiya Trust	11	6
	34,400 (31 March 2018: 34,400) equity shares of ₹ 10 each, fully paid-up, in Pattancheru Enviro-Tech Limited	0	0
	27,000 (31 March 2016: 27,000) equity shares of ₹ 10 each, fully paid-up in Jayalakshi Spinning Mills Limited	0	0
	Total investments in equity instruments (A)	**196**	**81**
	Government securities, unquoted		
	National savings certificates	0	0
	Total investments in government securities (B)	**0**	**0**
	Other investments, unquoted		
	Advance towards investment in Kotak Alternate Investment Plan	3	-
	Total investments in other non-current investments (C)	**3**	**-**
	Total non-current investments (A+B+C)	**199**	**81**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2019	31 March 2018
Less: provision for diminution in value of investments	0	0
	199	**81**
Aggregate book value of unquoted investments	199	81
Aggregate amount of impairment in the value of investments	0	0

	31 March 2019	31 March 2018
II. Current		
Investments in equity instruments, Quoted (At fair value through other comprehensive income)		
10,000 (31 March 2018: 10,000) equity shares of ₹ 10 each, fully paid-up in Neuland Laboratories Limited	7	7
5,500 (31 March 2018: 5,500) equity shares of ₹ 1 each, fully paid-up in Sun Pharmaceuticals Industries Limited	3	3
778 (31 March 2018: 778) equity shares of ₹ 2 each, fully paid-up in Alkem Laboratories Limited	1	2
15,000 (31 March 2018: 15,000) equity shares of ₹ 1 each, fully paid-up in Cadila Healthcare Limited	5	6
100,000 (31 March 2018: 100,000) equity shares of ₹ 1 each, fully paid-up in Laurus Labs Limited	40	50
150,000(31 March 2018: 150,000) equity shares of ₹ 1 each, fully paid-up in Lanco Infratech Limited	0	0
22,700 (31 March 2018: 22,700) equity shares of ₹ 1 each, fully paid-up in GMR Infrastructure Limited	0	0
50,400 (31 March 2018: 50,400) equity shares of ₹ 1 each, fully paid-up in GVK Power & Infrastructure Limited	0	1
50,000 (31 March 2018: 50,000) equity shares of ₹ 1 each, fully paid-up in Panacea Biotech Limited	10	13
3,176 (31 March 2018: 3,176) equity shares of ₹ 1 each, fully paid-up in ICICI Prudential Life Insurance Company Limited	1	1
Unquoted, (At amortised cost)		
Investments in Debentures	1,200	400
Investments in Global Dynamic Opportunities Fund Limited	219	201
Total current investments	**1,487**	**684**
Aggregate book value of unquoted investments	1,419	601
Aggregate book value of quoted investments	68	83
Aggregate market value of quoted investments	68	83
Aggregate amount of impairment in the value of investments	-	-

9. Loans

(Unsecured, considered good)

	31 March 2019	31 March 2018
Non-current		
Loans to others	20	-
	20	**-**
Current		
Loans to employees	71	45
	71	**45**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

10. Other financial assets

	31 March 2019	31 March 2018
Non-current		
Security deposits	99	87
Restricted deposits*	61	58
Interest accrued on deposits	5	5
	165	**150**

*Given against bank guarantees/performance guarantees

	31 March 2019	31 March 2018
Current		
Deposits with financial institution	6,316	5,942
Interest accrued on fixed deposits	553	179
Other advances	78	21
	6,947	**6,142**

11. Other assets

	31 March 2019	31 March 2018
Non-current		
Capital advances	492	575
Prepaid leasehold	18	18
Balances with statutory authorities	17	16
	527	**609**
Current		
Advance to material/service providers	618	193
Prepaid expenses	139	125
Export incentives receivable	304	228
Balances with statutory authorities	750	1,294
Other advances	9	-
	1,820	**1,840**

12. Inventories

	31 March 2019	31 March 2018
Raw materials [including goods-in-transit of ₹ 4 (31 March 2018: ₹ 16)]	2,111	1,587
Packing materials	258	193
Work-in-progress	1,406	1,239
Finished goods	735	621
Stores and spares [including goods-in-transit of ₹ 44 (31 March 2018: ₹ 26)]	561	580
Stock-in-trade	219	164
	5,290	**4,384**

During the year, ₹ 2 (31 March 2018: ₹ 87) was recognised as an expense for valuing the inventories at net realisable value.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

13. Trade receivables

	31 March 2019	31 March 2018
Trade receivables		
- Unsecured, receivables considered good	5,062	6,375
- Unsecured, receivables with significant increase in credit risk	-	-
	5,062	**6,375**
Less: Allowance for trade receivables	-	-
	5,062	**6,375**

14. Cash and cash equivalents

	31 March 2019	31 March 2018
Balances with banks		
- in current accounts	134	202
- in deposit accounts	131	-
Cash on hand	18	15
	283	**217**

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period.

15. Bank balances other than cash and cash equivalents

	31 March 2019	31 March 2018
Bank deposits		
- With maturity of more than three months and upto twelve months	2,490	1,600
- In unclaimed dividend accounts	22	20
	2,512	**1,620**

16. Equity share capital

i. Authorised share capital

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	20,00,00,000	400	20,00,00,000	400

ii. Issued, subscribed and fully paid up

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Equity shares of ₹ 2 each	18,27,46,479	365	18,44,93,400	369
	18,27,46,479	**365**	**18,44,93,400**	**369**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

iii. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	31 March 2019		31 March 2018	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	18,44,93,400	369	17,43,07,800	349
Add: Issued during the year	2,68,735	0	1,01,85,600	20
Less: Bought back during the year and extinguished before 31 March 2019*	(18,77,640)	(4)	-	-
	18,28,84,495	**365**	**18,44,93,400**	**369**
Less: Bought back during the year and extinguished after 31 March 2019*	(1,38,016)	(0)	-	-
Balance at the end of the year	**18,27,46,479**	**365**	**18,44,93,400**	**369**

*During the year ended 31 March 2019, the Company bought back 2,015,656 equity shares of ₹ 2 each for an aggregate purchase value of ₹ 1,329 at an average price of ₹ 659 per share, excluding transaction costs. Out of the total shares bought back, 1,877,640 equity shares of ₹ 2 each were extinguished before 31 March 2019 and the balance 138,016 equity shares were extinguished in two tranches on 5 April 2019 and 22 April 2019.

iv. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors (except interim dividend) is subject to the approval of the shareholders in the ensuing general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

v. Details of shareholder holding more than 5% share capital as at the end of the year

Name of the equity shareholder	31 March 2019		31 March 2018	
	Number	% holding	Number	% holding
V C Nannapaneni *	4,07,51,315	22.30%	4,07,51,315	22.09%
Time Cap Pharma Labs Limited	1,71,57,220	9.39%	1,71,57,220	9.30%
Natsoft Information Systems Private Limited	1,57,67,500	8.63%	1,57,67,500	8.55%

*including shares held in the capacity of Karta of Hindu Undivided Family (HUF) aggregating 5,440,045 (31 March 2018: 5,440,045)

vi. Shares reserved for issue under options

(a) The Company has instituted the NATCO Employee Stock Option Plan 'ESOP-2015', NATCO Employee Stock Option Plan 'ESOP-2016' and NATCO Employee Stock Option Plan 'ESOP-2017' ("the ESOP Schemes"). The ESOP Schemes were formulated in accordance with the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India ("SEBI"). Pursuant to the terms of the ESOP Schemes, the Board of Directors of the Company have granted 750,000 options (post split), 174,330 options and 600,000 options to eligible employees on 12 August 2015, 11 November 2016 and 2 November 2017 respectively. The terms of the ESOP Schemes provide that each option entitles the holder to one equity share of ₹ 2 each (post split) and that the options can be settled only by way of issue of equity shares. The options vest on an annual basis over a period of 4-5 years from the date of grant and the options are entirely time-based with no performance conditions.

(b) During the year ended 31 March 2019, the Company had accrued stock compensation cost of ₹ 253 (31 March 2018: ₹ 180) in respect of the ESOP Schemes.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The details of options are as follows :

	31 March 2019		31 March 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	11,44,380	2	7,90,775	2
Granted during the year	-	2	6,00,000	2
Exercised during the year	2,68,735	2	1,85,600	2
Expired during the year	27,330	2	60,795	2
Outstanding at the end of the year	8,48,315	2	11,44,380	2
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life of unvested options is 16.83 months (31 March 2018: 22.98 months).

The fair value of options was estimated at the date of grant using the Black-Scholes-Merton formula with the following assumptions:

	ESOP 2017	ESOP 2016	ESOP 2015
Risk-free interest rate	6.14% - 6.61%	6.82% - 8.05%	7.14% - 8.18%
Expected life	1-4 years	1-5 years	1-5 years
Expected volatility	39.82%-43.28%	37.28%-43.76%	40.59%- 49.91%
Expected dividend yield	0.75%	0.20%	0.20%

vii. Details of shares issued pursuant to contract without payment being received in cash during the last 5 years, immediately preceding the balance sheet date:

	Number of shares	
	1 April 2014 to 31 March 2019	1 April 2013 to 31 March 2018
Aggregate number of equity shares allotted *	13,96,765	11,28,030

* Equity shares allotted pursuant to contract without payment being received in cash comprise of:

(a) During the year ended 31 March 2015, the Company has issued 808,875 equity shares (post split) of ₹ 2 each to the erstwhile shareholders of NATCO Organic Limited ('NOL') in exchange of their holding of 19,310,000 equity shares of ₹ 10 each in NOL.

(b) Balance equity shares comprising of 587,890 (31 March 2018: 319,155) (post split) were allotted during the period of five years, on exercise of the options granted under the employee stock option plan wherein part consideration was received in the form of employee services.

viii. Dividends declared

	31 March 2019	31 March 2018
First interim dividend of ₹ 1.5 (31 March 2018: ₹ 1.25) per share	277	218
Second interim dividend of ₹ 3.5 (31 March 2018: ₹ 7) per share	642	1,291
Dividend distribution tax on above	189	308
Dividends not recognised at the end of the reporting period		
Third interim dividend of ₹ 1.25 approved by the Board of Directors in the meeting held on 27 May 2019	227	-
Dividend distribution tax on above	47	-

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

17. Other equity

	31 March 2019	31 March 2018
Reserves and surplus		
Securities premium	14,048	15,209
Capital reserve	207	207
Capital redemption reserve	9	5
General reserve	595	595
Share options outstanding account	308	239
Retained earnings	19,575	14,239
Total reserves and surplus	**34,742**	**30,494**
Other comprehensive income		
Gain/(loss) on FVTOCI equity securities (net of taxes)	40	40
Remeasurement of defined benefit plans (net of taxes)	(204)	(119)
Foreign currency translation reserve	(53)	(62)
	(217)	**(141)**
	34,525	**30,353**

(i) Nature and purpose of other reserves

Securities premium

Securities premium is used to record the premium on issue of shares. It is utilised in accordance with provisions of the Act.

Capital reserve

Capital reserve was created on amalgamation of certain entities into the Company in the earlier years. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

Capital redemption reserve

In accordance with the requirements of the Act, the Company has created capital redemption reserve on buyback of shares. The Company uses capital redemption reserve for transactions in accordance with the provisions of the Act.

General reserve

The Company generally appropriates a portion of its earnings to the general reserve to be used for contingencies. These reserves are freely available for use by the Company.

Share options outstanding account

The reserve represents the excess of the fair value of the options on the grant date over the strike price which is accumulated by the Company in respect of all options that have been granted. The Company transfers the proportionate amounts, outstanding in this account, in relation to options exercised to securities premium account on the date of exercise of such options.

Gain/(loss) on FVTOCI equity securities

The Group has elected to recognise the change in fair value of certain investments in equity shares in other comprehensive income. These changes are accumulated within the gain/(loss) on FVTOCI equity securities reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

Remeasurement of defined benefit obligations

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to profit or loss.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

18. Borrowings

	31 March 2019	31 March 2018
Current		
Loan repayable on demand		
Working capital loans from banks (secured)	1,039	988
Working capital loans from banks (unsecured)	1,495	744
Other loans		
Working capital loans from banks (unsecured)	1,329	-
	3,863	**1,732**

(i) Working capital loans (secured) represents cash credit, bills purchased and discounted with various banks.

(ii) Working capital loans (unsecured) represents overdraft, commercial paper, bills purchased and discounted with various banks.

(iii) Working capital loans are secured by joint pari-passu first charge on all the current assets (carrying value: ₹ 22,674 [31st March 2018: ₹ 20,542]) and identified property, plant and equipment (carrying value: ₹ 1,171 [31 March 2018: ₹ 1,099]) of the Company. During the current year, the Company has obtained approval for waiver of personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director and relatives of Chairman and Managing Director, Ms. Durga Devi Nannapaneni and Dr. N. Ramakrishna Rao.

19. Other financial liabilities

	31 March 2019	31 March 2018
Non-current		
Security deposits from customers	8	8
	8	**8**
Current		
Interest accrued but not due on borrowings	6	-
Capital creditors	482	666
Unpaid dividend on equity shares	22	20
Employee related payables	265	332
Other payables	7	6
	782	**1,024**

20. Provision for employee benefits

	31 March 2019	31 March 2018
Non-current		
Gratuity	439	229
Compensated absences	271	95
	710	**324**
Current		
Gratuity	47	58
Compensated absences	43	79
	90	**137**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(a) Gratuity

The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC). Under the said policy, the eligible employees are entitled for gratuity upon their resignation, retirement or in the event of death in lump sum after deduction of necessary taxes upto a maximum limit of ₹ 2 (31st March, 2018: ₹ 2). Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

		31 March 2019	31 March 2018
(i)	**Change in projected benefit obligation**		
	Projected benefit obligation at the beginning of the year	370	213
	Past service cost	-	60
	Service cost	69	38
	Interest cost	29	17
	Actuarial (gain) / loss	107	51
	Benefits paid	(21)	(9)
	Projected benefit obligation at the end of the year	**554**	**370**
(ii)	**Change in plan assets**		
	Fair value of plan assets at the beginning of the year	83	61
	Expected return on plan assets	7	5
	Employer contributions	-	26
	Return on plan assets (gain)/loss	(1)	-
	Benefits paid	(21)	(9)
	Fair value of plan assets at the end of the year	**68**	**83**
(iii)	**Reconciliation of present value of obligation on the fair value of plan assets**		
	Present value of projected benefit obligation at the end of the year	554	370
	Funded status of the plans	(68)	(83)
	Net liability recognised in the balance sheet	**486**	**287**
(iv)	**Expense recognized in the profit and loss**		
	Service cost	69	38
	Past service cost	-	60
	Interest cost	29	17
	Expected returns on plan assets	(7)	(5)
	Net gratuity costs in the profit and loss	**91**	**110**
(v)	**Expense recognized in other comprehensive income**		
	Recognized net actuarial (gain)/ loss	107	51
	Return on Plan Assets	1	1
		108	**52**
(vi)	**Key actuarial assumptions**		
	Discount rate	7.70%	8.00%
	Salary escalation rate	10.00% for first 2 years and 7.00% thereafter	10.00%

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Assumptions regarding future mortality experience are set in accordance with the published rates under the Indian Assured Lives Mortality (2006-08) Ult table.

Plan assets does not comprise any of the Company's own financial instruments or any assets used by the Company. The Company has the plan covered under a policy with the Life Insurance Corporation of India Limited.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the salary growth rate. The calculation of the net defined benefit liability is sensitive to these assumptions. However, the impact of these changes is not ascertained to be material by the management.

		31 March 2019	31 March 2018
(vii)	**Sensitivity analysis:**		
	Defined benefit obligation without effect of projected salary growth	554	370
	Salary escalation up by 1%	58	25
	Salary escalation down by 1%	(50)	(23)
	Discount rate up by 1%	(55)	(23)
	Discount rate down by 1%	64	26
(viii)	**Maturity profile of defined benefit obligation (valued on undiscounted basis):**		
	1 year		47
	2 to 5 years		142
	6 to 10 years		274
	More than 10 years		1,188

(ix) The Company expects to contribute around ₹ 549 to the funded plans in the financial year 2019-20 (2018-19: ₹ 143) for gratuity.

21. Deferred tax liabilities (net)

	31 March 2019	31 March 2018
Deferred tax liabilities/(asset) arising on account of :		
Property, plant and equipment	143	143
Provision for employee benefits	(20)	3
Investments	(7)	(7)
	116	**139**

(a) Deferred taxes have not been recognised on undistributed earnings of ₹ 289 (31st March, 2018: ₹ 234) of the subsidiaries, where it is expected that the profits of its subsidiaries will not be distributed in the foreseeable future. The Group reinvests the profits of its subsidiaries, and accordingly, has not recorded any defered tax for the same.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(b) The Company has not recognized deferred tax assets in respect of unused tax credits (minimum alternate tax credits) of ₹ 1,608 (31st March, 2018: ₹ 1,737). The above MAT credit expires at various dates ranging from 2023 through 2032. Further, the Group has not recognised deferred tax asset in respect of unabsorbed tax losses aggregating to ₹ 171 (31st March, 2018: ₹ 143) which can be carried forward indefinitely.

(c) Movement in deferred tax liabilities (net)

	As at 31 March 2018	Profit and loss *	Other comprehensive income	As at 31 March 2019
Property, plant and equipment	143	-	-	143
Provision for employee benefits	3	-	(23)	(20)
Investments	(7)	-	0	(7)
	139	**-**	**(23)**	**116**

	As at 31 March 2017	Profit and loss *	Other comprehensive income	As at 31 March 2018
Property, plant and equipment	143	-	-	143
Provision for employee benefits	13	-	(10)	3
Investments	(6)	-	(1)	(7)
	150	**-**	**(11)**	**139**

* Deferred tax credit recognized in the profit and loss represents utilization of unrecognised tax credits in the nature of minimum alternate tax. (Refer Note 31)

22. Other liabilities

	31 March 2019	31 March 2018
Current		
Payable to statutory authorities	94	126
Advance from customers	189	184
Others	33	-
	316	**310**

23. Trade payables

	31 March 2019	31 March 2018
Current		
Due to micro and small enterprises*	79	41
Due to others	2,091	2,650
	2,170	**2,691**

*Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act") as at 31 March 2019 and 31 March 2018:

Particulars	31 March 2019	31 March 2018
i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	79	41
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this MSMED Act;	-	-

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Particulars	31 March 2019	31 March 2018
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	1	0
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

24. Revenue from operations

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sale of products	20,400	21,611
Sale of services	68	66
	20,468	**21,677**
Other operating revenues		
Job work charges	150	62
Export and other incentives	297	263
Scrap sales	30	18
	20,945	**22,020**

Disaggregation of revenue

	31 March 2019
Revenue based on Geography	
India	8,256
USA	8,741
Rest of the world	3,948
	20,945

	31 March 2019
Timing of revenue recognition	
Goods transferred at a point in time	20,400
Services transferred over time	68
	20,468

	31 March 2019
Reconciliation of Revenue from operations with contract price	
Contract price	22,846
Less:	
Sales returns	(257)
Trade discounts	(1,644)
Total Revenue from operations	**20,945**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

25. Other income

	31 March 2019	31 March 2018
Interest income from fixed deposits and loans	898	249
Dividend income from investments designated at FVOCI	-	2
Liabilities no longer required written, back	-	5
Gain on sale of investments	-	0
Gain on disposal of property, plant and equipment	135	103
Foreign exchange - gain (net)	249	34
Other non-operating income	20	11
	1,302	**404**

26. Cost of material consumed

	For the year ended 31 March 2019	For the year ended 31 March 2018
Raw material and packing material at the beginning of the year	1,780	1,368
Add: Purchases during the year	3,920	4,317
Less: Raw material and packing material at the end of the year	2,369	1,780
	3,331	**3,905**

27. Changes in inventories of finished goods, stock-in -trade and work-in-progress

	31 March 2019	31 March 2018
Opening balance		
- Finished goods	621	613
- Work-in-progress	1,239	1,021
- Stock-in-trade	164	137
	2,024	**1,771**
Closing balance		
- Finished goods	735	621
- Work-in-progress	1,406	1,239
- Stock-in-trade	219	164
	2,360	**2,024**
Currency translation adjustment	3	0
	(339)	**(253)**

28. Employee benefits expense

	31 March 2019	31 March 2018
Salaries, wages and bonus	2,872	2,659
Contribution to provident fund and other funds (note (a) below)	200	172
Employee stock compensation expenses	255	177
Gratuity expense	91	110
Staff welfare expenses	141	138
	3,559	**3,256**

(a) During the year ended 31st March, 2019, the Company contributed ₹ 187 (31st March, 2018: ₹ 159) to provident fund and ₹ 12 (31st March, 2018: ₹ 13) towards employee state insurance fund.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

29. Finance costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on borrowings	162	132
Other borrowing costs	31	22
	193	**154**

30. Other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Consumption of stores and spares	372	383
Power and fuel	596	562
Rent	37	28
Repairs and maintenance		
- Buildings	50	78
- Plant and equipment	192	256
- Others	34	52
Insurance	103	98
Rates and taxes	380	247
Factory maintenance expenses	196	251
Analysis charges	283	122
Carriage and freight outwards	53	62
Donations#	287	99
Corporate social responsibility (CSR) expenses	116	69
Communication expenses	68	61
Office maintenance and other expenses	75	63
Travelling and conveyance	257	255
Legal and professional fees	343	222
Directors sitting fee	1	1
Bad debts written off	20	133
Foreign exchange loss, net	22	-
Royalty expense	226	222
Sales promotion expenses including sales commission	1,319	1,307
Research and development expenses	724	462
Printing and stationery	41	80
Miscellaneous expenses	101	84
	5,896	**5,197**

*Excludes ₹ Nil (31st March, 2018: ₹ 5) charged to securities premium in respect of share issue expenses incurred for shares issued through Qualified Institutional Placement.

Includes political contributions of ₹ 233 (31st March, 2018: ₹ Nil) made in accordance with Section 182 of the Act.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(i) Details of CSR expenditure :

	31 March 2019	31 March 2018
(a) Gross amount required to be spent by company during the year	116	68
(b) Amount spent on eligible activities	116	69

31. Income tax

	31 March 2019	31 March 2018
Tax expense/(credit) comprises of:		
Current income tax	1,883	2,199
Deferred tax	(60)	(279)
Income tax expense reported in the statement of profit or loss	**1,823**	**1,920**

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 34.944% (31st March, 2018: 34.608%) and the reported tax expense in profit or loss are as follows:

Reconciliation of tax expense and the accounting profit multiplied by India's tax rate		
Profit before tax	8,247	8,872
Tax at the Indian tax rate (34.944%) (31 March 2018: 34.608%)	2,881	3,070
Adjustments:		
CSR expenses and other donations	50	40
Weighted deduction on research and development expense	(446)	(288)
Tax incentives	(685)	(632)
Capital gain tax	(17)	(19)
MAT credit utilisation	(60)	(279)
Deferred tax assets not recognized / (utilized)	28	(11)
Effect of change in tax laws and rate in jurisdictions outside India	72	39
Income tax expense	**1,823**	**1,920**

32. Earnings per share (EPS)

The following reflects the income and share data used in the basic and diluted EPS computations:

	For the year ended 31 March 2019	For the year ended 31 March 2018
Profit attributable to equity shareholders	6,444	6,962
Weighted average number of equity shares outstanding during the year	18,42,05,422	17,73,13,783
Effect of dilution:		
Employee stock options	5,71,121	6,28,391
Weighted average number of equity shares adjusted for the effect of dilution	18,47,76,543	17,79,42,174
Earnings per equity share		
Basic (in ₹)	34.98	39.26
Diluted (in ₹)	34.87	39.13
Nominal Value per equity share (in ₹)	2	2

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

33 Fair value measurements

(i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Financial assets and financial liabilities measured at fair value

	31 March 2019		31 March 2018	
	Level 1	Level 3	Level 1	Level 3
Financials assets				
Equity instruments	68	196	83	81
Government securities	-	0	-	0
Other investments	-	3	-	-

Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	31 March 2019		31 March 2018	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial assets				
Investments				
- Equity instruments	264	-	164	-
- Government securities	0	-	0	-
- Debentures	-	1,200	-	400
- Mutual funds	-	219	-	201
- Other investments	3	0	-	0
Trade receivables	-	5,062	-	6,375
Loans	-	91	-	45
Cash and cash equivalents	-	283	-	217
Bank balances other than cash and cash equivalents	-	2,512	-	1,620
Other financial assets	-	7,112	-	6,292
Total financial assets	**267**	**16,479**	**164**	**15,150**

	31 March 2019		31 March 2018	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	3,863	-	1,732
Trade payables	-	2,170	-	2,691
Other financial liabilities	-	790	-	1,032
Total financial liabilities	**-**	**6,823**	**-**	**5,455**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The Group's principal financial liabilities comprise borrowings, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Group also holds FVOCI investments.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value.

For financial assets measured at fair values, the carrying amounts are equal to the fair values.

34. Financial instruments risk management

A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31st March, 2019 and 31st March, 2018. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

i. Interest rate risk

The Group's entire borrowings carried at amortised cost are variable rate instruments and are subject to fluctuation because of a change in market interest rates. The Group considers the impact of fair value interest rate risk on variable rate borrowings as not material.

The Group's variable rate borrowing is subject to interest rate risk. Below is the details of exposure to fixed rate and variable rate instruments:

	31 March 2019	31 March 2018
Fixed rate instruments		
Financial assets	10,086	7,999
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	3,863	1,732

ii. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The Group's exposure to foreign currency financial assets and financial liabilities expressed in ₹ are as follows:

Financial assets

	31 March 2019			31 March 2018		
	Trade receivables	Loans	Other financial assets	Trade receivables	Loans	Other financial assets
- USD	2,038	368	11	3,759	78	0
- EUR	55	-	-	79	-	-
- CAD	147	-	-	135	-	-
- SGD	3	108	1	1	-	-

Financial liabilities

	31 March 2019		31 March 2018	
	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities
- USD	158	-	135	-
- EUR	45	-	47	-
- GBP	1	-	1	-
- CAD	-	-	1	-
- JPY	-	-	2	-

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD. The Group's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit after tax	
	31 March 2019	31 March 2018
USD sensitivity		
₹/USD - Increase by 10%	226	370
₹/USD - Decrease by 10%	(226)	(370)

iii. Equity price risk:

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as FVOCI.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

The Group has equity investments in publicly traded instruments which are listed on the National Stock Exchange (NSE) and other privately held companies.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

The table below summarises the impact of increase/decrease of the index on the Group's equity and profit for the period. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant, and that off the Group's equity instruments moved in line with the index.

Particulars	Impact on other components of equity	
	31 March 2019	31 March 2018
NSE Nifty 50 - Increase by 10%	26	16
NSE Nifty 50 - Decrease by 10%	(26)	(16)

B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group, leading to a financial loss. The Group is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Group's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31st March, 2019 and 31st March, 2018.

Ageing of receivable is as follows:

	31 March 2019	31 March 2018
Neither past due nor impaired	3,886	5,809
Past due not impaired:		
0-30 days	750	327
31-60 days	207	76
61-90 days	83	25
91-180 days	20	84
Greater than 180 days	116	54
	5,062	**6,375**

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Group maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group's principal sources of liquidity are the cash flows generated from operations. The Group has no long term borrowings and believes that the working capital is sufficient for its current requirments. Accordingly, no liquidity risk is perceived.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

31 March 2019	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	3,863	-	-	3,863
Trade payables	2,170	-	-	2,170
Other financial liabilities	782	8	-	790
Total	**6,815**	**8**	**-**	**6,823**

31 March 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	1,732	-	-	1,732
Trade payables	2,691	-	-	2,691
Other financial liabilities	1,024	8	-	1,032
Total	**5,447**	**8**	**-**	**5,455**

35. Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Group may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the consolidated statement of financial position. Currently, the Group primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Group.

The capital for the reporting year under review is summarized as follows:

	31 March 2019	31 March 2018
Total borrowings (note 18)	3,863	1,732
Less: Cash and cash equivalents (note 14)	(283)	(217)
Net debt	**3,580**	**1,515**
Total equity	34,910	30,760
Total capital	**38,490**	**32,275**
Gearing ratio (%)	9%	5%

36. Related party disclosures, as per Ind AS 24

(a) Names of the related parties and nature of relationship (to the extent transactions have taken place during the year)

Names of related parties	Nature of relationship
Time Cap Pharma Labs Limited	Entities in which Directors have control or have significant influence
NATCO Trust	
Mr. V.C. Nannapaneni	Key management personnel ("KMP")
Mr. Rajeev Nannapaneni	
Mr. Sreerama Murthy Gubbala	
Mr. Govinda Prasad Dasu	
Mr. Umamaheshwarrao Naidu Madireddi	
Mr. Venkateswara Rao Thallapaka	
Mr. Sridhar Sankararaman	
Mrs. Leela Digumarti	
Mr. Potluri Prasad Sivaramakrishna	
Mr. Lingarao Donthineni	
Ms. Durga Devi Nannapaneni	Relative of KMP
Dr. N. Ramakrishna Rao	

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

(b) Transactions with related parties

	For the year ended 31 March 2019	For the year ended 31 March 2018
Transactions with entities where KMP have significant influence		
Time Cap Pharma Labs Limited		
Sales promotion expenses	6	7
Purchase of Land	49	-
Rental expense	5	5
NATCO Trust		
Donations	24	82
CSR activities	116	69
Transactions with KMP		
Mr. V.C. Nannapaneni		
Short-term employee benefits*	17	19
Leave encashment paid	1	1
Rental expenses	2	2
Commission on profits	-	70
Mr. Rajeev Nannapaneni		
Short-term employee benefits*	16	17
Leave encashment paid	1	1
Rental expenses	1	1
Mr. Potluri Prasad Sivaramakrishna		
Short-term employee benefits*	14	12
Leave Encashment	0	0
Mr. Lingarao Donthineni		
Short-term employee benefits*	14	12
Leave Encashment	0	0
Mr. Govinda Prasad Dasu		
Sitting fees	0	0
Mrs. Leela Digumarti		
Sitting fees	0	0
Mr. Umamaheshwarrao Naidu Madireddi		
Sitting fees	0	0
Mr. Sreerama Murthy Gubbala		
Sitting fees	0	0
Mr. Venkateswara Rao Thallapaka		
Sitting fees	0	0

(c) Balances receivable / (payable)

	As at 31 March 2019	As at 31 March 2018
Time Cap Pharma Labs Limited	(0)	(3)
Mr. V.C. Nannapaneni	(2)	(71)
Mr. Rajeev Nannapaneni	(1)	(1)
Mr. Lingarao Donthineni	(1)	(1)
Mr. Potluri Prasad Sivaramakrishna	(1)	(1)
Mr. Venkateswara Rao Thallapaka	(0)	-

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

Notes:

(i) During the current year, the company has obtained approval of the waiver of personal guarantees of Mr. V.C. Nannapaneni, Chairman and Managing Director, and relatives of Chairman and Managing Director, Ms. Durga Devi Nannapaneni and Dr. N. Ramakrishna Rao. Refer note 18.

(ii) *This aforesaid amount does not include amounts in respect of gratuity and compensated absences as the same are determined on actuarial basis for the Company as a whole.

(d) Transaction with related parties - Transfer pricing

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the related parties, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arm's length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2019. In opinion of the management, the same would not have an impact on these consolidated financial statements. Accordingly, these consolidated financial statements do not include the effect of the transfer pricing implications, if any.

37. Segment reporting

The management has assessed the identification of reportable segments in accordance with the requirements of Ind AS 108 'Operating Segment' and believes that the Group has only one reportable segment namely "Pharmaceuticals".

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) and revenue from major customers are given below:

i. Income (excluding other income)

	31 March 2019	31 March 2018
India	8,256	8,161
USA	8,741	9,631
Rest of the world	3,948	4,228

ii. Non-current assets

	31 March 2019	31 March 2018
India	19,051	15,580
USA	-	-
Rest of the world	124	33

iii. Major customer

The Group has one customer who contributed more than 10% of the Group's total revenue during the current year and two in the previous year. The revenue from such major customer(s) during the year is ₹ 5,245 (31 March 2018: ₹ 8,456).

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

38. Contingent liabilities and commitments

		31 March 2019	31 March 2018
(a)	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	753	1,067
(b)	**Contingent liabilities**		
(i)	**Matters under appeal with tax authorities:**		
	Disputed sales tax liabilities	9	9
	Disputed service tax liabilities	17	2
	Disputed customs liability	2	2

(ii) The Company is contesting certain patent infringement cases filed against it by the innovators. A few of these cases pertain to products already launched by the Company in the market. These cases are pending before different authorities / courts and the outcome cannot be ascertained with reasonable certainty. Accordingly, a reliable estimate of the liability towards damages/penalties, if any, cannot be made at present. These amounts will be recognised during the periods in which such liabilities can be reasonably measured. Further, at present, the management does not expect such liabilities to be significant.

(ii) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs. The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for computation of the provident fund contribution. On the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management of the Company has determined that the aforesaid ruling is applicable prospectively and, therefore there is no impact of such ruling on the financial statements of the Group.

39. Amounts incurred on research and development expenses

	31 March 2019	31 March 2018
Salaries and wages	501	462
Consumption of materials, spares	314	278
Power and fuel	29	26
Other research and development expenses	844	513
Capital equipments	288	386
	1,976	**1,665**

The aforementioned expenditure, other than capital equipment, are included under the respective heads of the Statement of Profit and Loss.

40. Expenditure during construction period (pending allocation)

	31 March 2019	31 March 2018
Opening Balance	**69**	**-**
Add:		
Cost of materials consumed, net of trial run inventory recognized	1	-
Employee benefits expense	54	1
Power and fuel	39	7
Factory maintenance	88	60
Rates and taxes	3	0
Legal and professional chargers	1	-

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

	31 March 2019	31 March 2018
Others	23	1
Less:		
Capitalized during the year	-	-
	278	**69**

41. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

For the year ended 31 March 2019

Name of the entity	Net assets		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
Parent company								
NATCO Pharma Limited	97%	33,936	100%	6,442	120%	(91)	100%	6,351
Foreign subsidiaries								
NATCO Pharma Inc.	1%	221	0%	2	-30%	23	0%	25
Time Cap Overseas Limited	1%	301	-4%	(249)	11%	(8)	-4%	(257)
NATCO Pharma (Canada), Inc.	1%	401	4%	252	-8%	6	4%	258
NATCO Pharma Asia Pte. Ltd.	0%	17	0%	10	8%	(6)	0%	4
NATCO Pharma Australia PTY Ltd.	0%	0	0%	(7)	0%	-	0%	(7)
NATCO Lifesciences Philippines Inc.	0%	14	0%	(6)	0%	-	0%	(6)
Non-controlling interests								
Time Cap Overseas Limited	0%	17	0%	(21)	0%	-	0%	(21)
NATCO Pharma (Canada) Inc.	0%	3	0%	1	0%	-	0%	1
Total	**100%**	**34,910**	**100%**	**6,424**	**100%**	**(76)**	**100%**	**6,348**

For the year ended 31 March 2018

Name of the entity	Net assets		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
Parent company								
NATCO Pharma Limited	98%	30,135	99%	6,858	90%	(47)	99%	6,811
Foreign subsidiaries								
NATCO Pharma Inc.	1%	210	0%	(1)	-8%	4	0%	3
Time Cap Overseas Limited	0%	53	-2%	(116)	37%	(19)	-2%	(135)
NATCO Pharma (Canada), Inc.	1%	320	3%	240	-6%	3	4%	243
NATCO Pharma Asia Pte. Ltd.	0%	3	0%	(17)	-13%	7	0%	(10)
NATCO Pharma Australia PTY Ltd.	0%	1	0%	(2)	0%	-	0%	(2)
Non-controlling interests								
Time Cap Overseas Limited	0%	36	0%	(11)	0%	-	0%	(11)
NATCO Pharma Australia PTY Ltd	0%	0	0%	0	0%	-	0%	-
NATCO Pharma (Canada) Inc.	0%	2	0%	1	0%	-	0%	1
Total	**100%**	**30,760**	**100%**	**6,952**	**100%**	**(52)**	**100%**	**6,900**

Notes

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ millions, except share data and where otherwise stated)

42. Net debt reconciliation

The following table sets out an analysis of the movements in net debt for the year:

	Current borrowings	Interest accrued	Cash and cash equivalents	Net debt
Net debt as at 31 March 2018	**1,732**	**-**	**217**	**1,515**
Cash flows	2,131	-	66	2,065
Finance cost	-	193	-	193
Interest paid	-	(187)	-	(187)
Net debt as at 31 March 2019	**3,863**	**6**	**283**	**3,586**

	Current borrowings	Interest accrued	Cash and cash equivalents	Net debt
Net debt as at 31 March 2017	**2,216**	**2**	**235**	**1,983**
Cash flows	(484)	-	(18)	(466)
Finance cost	-	154	-	154
Interest paid	-	(156)	-	(156)
Net debt as at 31 March 2018	**1,732**	**-**	**217**	**1,515**

43. Events after reporting period

The Board of Directors, at the meeting held on 27 May 2019, had recommended an interim dividend of ₹ 1.25 per equity share of face value of ₹ 2/- each (excluding applicable dividend distribution tax).

44. Corresponding previous period's figures have been regrouped/reclassified wherever necessary.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Adi P. Sethna
Partner
Membership No. 108840

Place: Hyderabad
Date: 27th May, 2019

For and on behalf of the Board of Directors
NATCO Pharma Limited

V.C. Nannapaneni
Chairman & Managing Director
(DIN: 00183315)

Rajeev Nannapaneni
Vice Chairman & CEO
(DIN: 00183872)

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

S.V.V.N. Appa Rao
Chief Financial Officer

Place: Hyderabad
Date: 27th May, 2019

NATCO

Notice to Members

Notice is hereby given that the 36th Annual General Meeting of the members of the Company will be held on Thursday, the 5th day of September, 2019 at 10.30 a.m. IST at Convention Centre, Hotel Daspalla, Road No.37, Jubilee Hills, Hyderabad 500 033 to transact the following business:

ORDINARY BUSINESS:

1. **Adoption of audited Annual Financial Statements for the Financial Year 2018-19**
   To receive, consider and adopt the audited financial statements, both on standalone and consolidated basis, of the Company for the financial year ended 31st March, 2019, together with the reports of Board of Directors and the Auditors thereon.

2. **To confirm the already paid three interim dividends on equity shares during the Financial Year 2018-19 as final dividend**
   To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

   "**RESOLVED THAT** the interim dividend of ₹ 1.50 ps (Rupees one and paisa fifty only) per equity share of ₹ 2/- each declared in the Board Meeting held on 8th August, 2018 amounting to ₹ 27,67,40,100 (Rupees Twenty seven crores sixty seven lakhs forty thousand and one hundred only) on 18,44,93,400 equity shares of ₹ 2/- each, second interim dividend of ₹ 3.50 (Rupees three and paisa fifty only) per equity share of ₹ 2/- each declared in the Board Meeting held on 12th February, 2019 amounting to ₹ 64,20,27,736 (Rupees Sixty four crores twenty lakhs twenty seven thousand seven hundred and thirty six only) on 18,34,36,496 equity shares of ₹ 2/- each and third interim dividend of ₹1.25 (Rupees one and paisa twenty five only) per equity share of ₹ 2/- each declared in the Board Meeting held on 27th May, 2019 amounting to ₹ 22,72,02,668.75 (Rupees twenty two crores seventy two lakhs two thousand six hundred and sixty eight and paisa seventy five only) on 18,17,62,135 equity shares of ₹ 2/- each thus total aggregating to ₹ 114,59,70,504.75 (Rupees one hundred fourteen crores fifty nine lakhs seventy thousand five hundred and four and paisa seventy five only) be and is hereby approved as the final dividend for the financial year 2018-19."

3. **Reappointment of Sri Rajeev Nannapaneni (DIN:00183872) as a Director liable to retire by rotation**
   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Sri Rajeev Nannapaneni (DIN: 00183872) who retires by rotation and being eligible offers himself for re-appointment, be and is hereby reappointed as a Director of the Company, who shall be liable for retirement by rotation."

4. **Appointment of Statutory Auditors**
   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and Companies (Audit and Auditors) Rules, 2014 thereunder, as amended from time to time, and pursuant to the recommendation of the Audit Committee and Board of Directors of the Company, M/s. B S R & Associates LLP (ICAI FRN: 116231W/W-100024) be and is hereby appointed as Statutory Auditors of the Company, in place of retiring auditors M/s. Walker Chandiok & Co. LLP (Firm Registration No.001076N/N500013) to hold office for a period of five (5) years i.e. from the conclusion of this Annual General Meeting till the conclusion of the 41st Annual General Meeting of the Company for the financial year 2023-2024 at such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other officer(s) of the company for obtaining permissions and approvals, if any, in this connection."

SPECIAL BUSINESS:

5. **Reappointment of Sri V.C. Nannapaneni (DIN: 00183315) as Chairman and Managing Director**

   To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the SEBI (Listing obligations and disclosure Requirements) Regulations, 2015 as amended from time to time, Sri V.C. Nannapaneni (DIN: 00183315), whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby reappointed as Chairman and Managing Director of the Company for a period of one (1) year from 1st April, 2019 to 31st March, 2020 with the remuneration as detailed below:

   a. Salary not exceeding ₹ 1,85,00,000 (Rupees one crore eighty five lakhs only) p.a. including dearness allowance and all other allowances.

   b. Managerial commission not exceeding 0.5% of the net profits calculated as per Section 198 of the Act.

   c. Perquisites:

      i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

      ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

      iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

      iv. Encashment of leave at the end of the tenure and

      v. Special incentive not exceeding 20% of gross remuneration per annum.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Sri V.C. Nannapaneni.

   RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on 31st March, 2020, if the Company has no profits or if its profits are inadequate, the Company shall pay to Sri V.C. Nannapaneni the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

6. **Reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive officer**

   To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Sri Rajeev Nannapaneni (DIN: 00183872), whose reappointment is recommended by the Nomination and Remuneration Committee of the Company be and is hereby reappointed as the Vice Chairman and Chief Executive Officer of the Company for a period of one (1) year from 1st April, 2019 to 31st March, 2020 with the remuneration as detailed below:

a. Salary not exceeding ₹ 1,70,00,000 (Rupees one crore seventy lakhs only) p.a including dearness allowance and all other allowances.

b. Managerial commission not exceeding 0.5% of the net profits calculated as per Section 198 of the Act.

c. Perquisites:

   i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

   ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

   iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

   iv. Encashment of leave at the end of the tenure and

   v. Special incentive not exceeding 20% of gross remuneration per annum.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Sri Rajeev Nannapaneni.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on 31st March, 2020, if the Company has no profits or if its profits are inadequate, the Company shall pay to Sri Rajeev Nannapaneni the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

7. Reappointment of Sri P.S.R.K Prasad (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Sri P.S.R.K.Prasad, (DIN: 07011140), whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act, proposing his candidature for the office of Director, be and is hereby reappointed as Director and Executive Vice President (Corporate Engineering Services) of the Company for a period of one (1) year from 1st April, 2019 to 31st March, 2020 with the remuneration as detailed below:

a. Salary not exceeding ₹ 1,63,80,000 (Rupees one crore sixty three lakhs eighty thousand only) p.a including dearness allowance and all other allowances.

b. Perquisites:

   i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

   ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

   iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

   iv. Encashment of leave at the end of the tenure and

   v. Special incentive not exceeding 20% of gross remuneration per annum.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Sri P.S.R.K. Prasad.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on 31st March , 2020, if the Company has no profits or if its profits are inadequate, the Company shall pay to Sri P.S.R.K. Prasad the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

8. **Reappointment of Dr.D.Linga Rao (DIN: 07088404) as Director and President (Tech. Affairs)**
To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 152, 196, 197, 198, and all other applicable provisions of the Companies Act, 2013 ("Act") read with provisions of Schedule V thereto and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Dr. D. Linga Rao (DIN: 07088404) whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby reappointed as Director and President (Tech. Affairs) of the Company for a period of one (1) year from 1st April, 2019 to 31st March, 2020 with the remuneration as detailed below:

a. Salary not exceeding ₹ 1,63,80,000 (Rupees one crore sixty three lakhs eighty thousand only) p.a. including dearness allowance and all other allowances.

b. Perquisites:

   i. Reimbursement of Medical Expenses for major ailments not exceeding 50% of the salary.

   ii. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under Income Tax Act, 1961.

   iii. Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

   iv. Encashment of leave at the end of the tenure and

   v. Special incentive not exceeding 20% of gross remuneration per annum.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the remuneration as may be agreed by the Board of Directors and Dr. D. Linga Rao.

RESOLVED FURTHER THAT notwithstanding as above in the financial year closing on 31st March, 2020, if the Company has no profits or if its profits are inadequate, the Company shall pay to Dr.D. Linga Rao the remuneration by way of salary, allowances and perks not exceeding the limits specified under Schedule V of the Act or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

9. **Reappointment of Sri G.S.Murthy (DIN: 00122454) as an Independent Director**
To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149,152, and any other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule IV thereto and the Companies (Appointment and Qualification of Directors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Sri G. S. Murthy (DIN: 00122454), whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby reappointed as an Independent Director, who is not liable to retire by rotation, to hold office for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

10. **Reappointment of Sri D.G.Prasad (DIN: 00160408) as an Independent Director**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 149,152, and any other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule IV thereto and the Companies (Appointment and Qualification of Directors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Sri D.G.Prasad (DIN: 00160408) whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby reappointed as an Independent Director to hold office who is not liable to retire by rotation, to hold office for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

11. **Reappointment of Sri T.V.Rao (DIN: 05273533) as an Independent Director**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149,152, and any other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule IV thereto and Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Sri T.V.Rao (DIN: 05273533) whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby reappointed as an Independent Director who is not liable to retire by rotation, to hold office for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

12. **Reappointment of Dr. Mrs. Leela Digumarti (DIN: 06980440) as an Independent Director**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149,152, and any other applicable provisions of the Companies Act, 2013 ("Act") read with the provisions of Schedule IV thereto and Companies (Appointment and Qualification of Directors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Dr. Mrs. Leela Digumarti (DIN: 06980440) whose reappointment is recommended by the Nomination and Remuneration Committee of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing her candidature for the office of Director, be and is hereby reappointed as an Independent Director who is not liable to retire by rotation, to hold office for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

13. **Alteration of Articles of Association**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 5, 14, 15 and all other applicable provisions, if any, of the

Companies Act, 2013, (including any amendment thereto or re-enactment thereof) for the time being in force and as per Investment Agreement entered with CX securities Limited, the consent of the members of the Company be and is hereby accorded to alter the existing Articles of Association of the Company ("Articles") by deletion of Part II of the Articles containing provisions of Articles 1 to 16.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

14. Ratification of remuneration of Cost Auditors

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to Section 148 of the Companies Act, 2013 ('Act') and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 and all other applicable provisions, if any, of the Act and the rules made thereunder, as amended, the members be and hereby ratify the remuneration of ₹ 1,75,000/- (Rupees one lakh seventy five thousand only) and taxes as applicable plus out of pocket expenses payable to M/s. S.S. Zanwar & Associates (Firm Registration No.100283) Cost Auditors appointed by the Board of Directors of the Company to conduct the Cost Audit for the financial year ending 31st March, 2020.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for obtaining permissions and approvals, if any, in this connection."

By Order of the Board
For **NATCO Pharma Limited**

M.Adinarayana
Company Secretary and
Vice President (Legal & Corp. Affairs) (FCS:3808)

Date: 27th May, 2019
Place: Hyderabad

NOTES

1. An explanatory statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of special businesses is annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF** and a proxy need not be a member of the Company.

3. The instrument of proxy in order to be valid must be deposited at the Registered Office of the Company duly completed, signed and stamped at least FORTY-EIGHT (48) hours before the commencement of the meeting.

4. A person may act as Proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total voting share capital of the Company. However, a member holding more than ten percent of the total voting share capital may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

5. During the period beginning 24 hours before the time fixed for the commencement of the AGM and until the conclusion of the meeting, a member would be entitled to inspect the proxies lodged during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.

6. Corporate/Institutional Members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote on their behalf at the AGM.

7. Members holding shares in physical form are requested to notify any change in their address or bank mandates immediately to the Registrars and Share Transfer Agents M/s. Venture Capital and Corporate Investments Pvt. Ltd., 12-10-167, Bharat Nagar, Hyderabad - 500 018 and members holding shares in electronic form are requested to notify any change in mailing address or bank mandates to their respective Depository Participants with whom they are maintaining their demat accounts.

8. The members, proxies and authorized representatives are requested to bring their copies of notice of the meeting and the Annual Report to the AGM and handover the attendance slips at the entrance hall of the meeting venue along with their Registered Folio No./ Client ID and DP ID numbers for easy identification.

9. Relevant documents referred to in Notice are open for inspection by the members at the Registered Office

of the Company on all working days, during business hours up to the date of the meeting.

10. Members who have not registered their e-mail addresses so far are requested to register their email addresses for receiving all communications including Annual Report, Notices and Circulars, etc. from the Company in electronic mode.

11. In case of Joint Holders attending the meeting, only such Joint Holder who is first in the order of names will be entitled to vote.

12. The Register of Members and Share Transfer Books will remain closed for 3 (Three) days i.e. from 3rd September, 2019 to 5th September, 2019, (both days inclusive).

13. Members holding shares in electronic form may note that the Bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend, if any. The Company or its Registrars and share Transfer Agents cannot act on any request received directly from the members holding shares in electronic form for any changes of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participants.

14. Members who wish to claim Dividends, which remain unclaimed within a period of seven (7) years are requested to either correspond with the Legal & Secretarial Department at the Company's registered office or the Company's Registrars and Share Transfer Agents (M/s. Venture Capital and Corporate Investments Private Limited). Members are requested to note that dividends not encashed or claimed within seven (7) years and 30 days from the date of declaration of, the dividend and shares will be transferred to the Investor Education and Protection Fund (IEPF) of Government of India as per Section 124(5) & 124(6) of the Companies Act, 2013. In view of this, members are advised to send the un-encashed dividend warrants to the Company or to our Registrars for issue of new warrants. The Unpaid Dividend, Shares & Dividend transferred to IEPF Authority are updated on our website of the company i.e. www.natcopharma.co.in

15. Information and other instructions relating to e-Voting and ballot paper voting are under:

    a) In Compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its members facility to exercise their right to vote at the 36th Annual General Meeting by Electronic means and the business may be transacted through e-voting services provided by National Securities Depository Limited (NSDL).

    b) For the benefit of Members who do not have access to e-voting facility, a ballot paper is being sent along with the Notice of AGM, to enable them to send their assent or dissent by Post. Members may send the duly completed ballot paper so as to reach the Scrutinizer at the Registered Office of the Company not later than 4th September, 2019 (5.00 p.m. IST). Ballot paper received after this date will be treated as invalid. Detailed instructions on process, manner for voting through post are given in the ballot paper.

    c) The facility of voting is also available at the Meeting and the members attending the Meeting, who have not cast their vote by remote e-voting or through Ballot paper shall be able to exercise their right to vote at the Meeting by means of electronic voting at the AGM.

    d) A member can opt for only one mode of voting. In case of member(s) who cast their votes by both the modes, then voting done through e-voting only shall be treated as valid.

    e) The members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again at the meeting.

    f) The remote e-voting facility will begin on 2nd September, 2019 at 9.00 a.m. (IST) and ends on 4th September, 2019 by 5.00 p.m. (IST) E-Voting shall not be allowed beyond 5.00 p.m. on 4th September, 2019 and e-voting module shall be disabled by NSDL upon expiry of aforesaid period. During the e-voting period, shareholder of the company, holding shares either in physical form or in dematerialised form, as on the cut-off date being Friday, 30th August, 2019 only shall be entitled to avail the facility of remote e-voting/ballot paper/Voting at the AGM.

    g) Any person who acquires shares of the company and becomes a member of the company after the dispatch of AGM notices and hold shares as on the cut-off date i.e. Friday, 30th August, 2019 may obtain the login id and password by sending a request at info@vccilindia.com / investors@natcopharma.co.in.

h) The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

i) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

ii) Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

iii) A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

iv) Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

v) Your password details are given below:

a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c) How to retrieve your 'initial password'?

(i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

(ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

vi) If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-voting system of NSDL

vii) After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.

viii) Now, you will have to click on “Login” button.

ix) After you click on the “Login” button, Home page of e-Voting will open.

Step 2: Cast your vote electronically on NSDL e-Voting system

i) After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

ii) After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.

iii) Select “EVEN” of company for which you wish to cast your vote.

iv) Now you are ready for e-Voting as the Voting page opens.

v) Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.

vi) Upon confirmation, the message “Vote cast successfully” will be displayed.

vii) You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

viii) Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

i. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.

j. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in

k. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to dvrao@dvraoassociates.com with a copy marked to evoting@nsdl.co.in

16. The Company has appointed Sri CS Vasudeva Rao Devaki, Practicing Company Secretary (C.P.No. 12123) as Scrutinizer to scrutinize the voting process in a fair and transparent manner.

a. The scrutinizer shall immediately after the conclusion of voting at the AGM, first unblock the votes cast at the meeting thereafter unblock the votes cast through e-voting / ballot paper in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company as per the norms.

b. The Results shall be declared immediately after the receipt of Scrutinizer’s Report. The Results declared along with the Scrutinizer’s Report shall be available for inspection and also placed on the website of the Company and the results shall simultaneously be communicated to the Stock Exchanges where the shares of the Company are listed.

17. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in Physical form can submit their PAN details to the Company / Share Transfer Agents.

18. **Brief profile of statutory Auditors to be appointed as new Auditors of the company:**

M/s B S R & Associates ('the firm') was constituted on 1st December 1996 having firm registration no. as 116231W. It was converted into limited liability partnership i.e. B S R & Associates LLP on 14th October, 2013 thereby having a new firm registration no. 116231W/ W-100024. The registered office of the firm is at 5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai, Maharashtra - 400 011.

B S R & Associates LLP is a member entity of B S R & Affiliates, a network registered with the Institute of Chartered Accountants of India. The other entities which are part of the B S R & Affiliates include B S R & Co. LLP, B S R & Company, B S R and Co, B S R and Associates, B S R and Company, B S S R & Co and B B S R & Co.

B S R & Associates LLP is registered in Mumbai, Gurgaon, Bangalore, Kolkata, Hyderabad, Pune, Chennai, Ahmedabad, Vadodara and Kochi.

19. Additional information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking appointment at the AGM is furnished herewith and forms a part of the Notice. The Directors have furnished the requisite consents and declarations to that effect for their appointment.

19. (a) **Brief profile of Executive Directors seeking reappointment at the Annual General Meeting:**

Name of the Director	Sri V.C.Nannapaneni	Sri Rajeev Nannapaneni	Sri P.S.R.K Prasad	Dr.D.Linga Rao
Category	Chairman & Managing Director	Vice Chairman & Chief Executive Officer	Director & Executive Vice President (Corporate Engineering Services)	Director & President (Tech. Affairs)
DIN	00183315	00183872	07011140	07088404
Birth date and Age	30th November, 1945 73 years	22nd June, 1977; 41 years	15th January, 1958; 61 years	29th October, 1952; 66 years
Qualifications	M.S (Pharmacy) & M.S (Pharmaceutical Administration)	BA (Quantitative Economics) & B.A. (History)	B.E. Mechanical Engineering	M.Sc., Ph.D. in Chemistry (JNTU)
Past experience	Worked with a) Lit Drug Company, New Jersey, USA, b) Vitarine Fine Pharmaceuticals, New York, c) Time Cap Labs Inc., USA	Worked with a) Merrill lynch financial services, USA b) NATCO Systems LLC, USA	Worked with a) Ahmedabad Textile Industry's Research Association. b) Mehta Inorganic & Marine Chemical Industries, c) Coromandel Fertilizers Limited, d) Stiles India Limited, e) Saudi Ceramic Co., Riyadh.	Worked with a) Indian Drugs and Pharmaceuticals Limited, b) Novochem Laboratories Private Limited.
Date of appointment as Directors	19th September,1981	30th November, 2005	12th November, 2014	11th February, 2015

Nature of Appointment	Reappointment	Director liable for retire by rotation and eligible for reappointment.	Reappointment	Reappointment
Tenure of Appointment	1st April, 2019 to 31st March, 2020	1st April, 2019 to 31st March, 2020	1st April, 2019 to 31st March, 2020	1st April, 2019 to 31st March, 2020
Percentage of shares held	19.31%	0.62%	0.03%	0.03%
No. of board meetings attended out of 4 (Four) meetings held.	4 (Four)	4 (Four)	4 (Four)	4 (Four)
Relationship with other directors or KMP of the company	Father of Sri Rajeev Nannapaneni	Son of Sri V.C. Nannapaneni	None	None
Directorship in other companies	1. NATCO Aqua Limited 2. NDL Infratech Private Limited 3. NATCO Power Private Limited	1. NATCO Aqua Limited 2. Natsoft Information Systems Private Limited	None	None

19(b) Brief profile of independent Directors seeking reappointment at the Annual General Meeting:

Name of the Director	Sri G. S. Murthy	Sri D.G.Prasad	Sri T.V.Rao	Dr. Mrs. Leela Digumarti
Category	Independent Director	Independent Director	Independent Director	Independent Director
DIN	00122454	00160408	05273533	06980440
Birth date and Age	4th May,1937; 82 years	30th June, 1948 70 years	1st July, 1952 66 years	1st May, 1960 59 years
Qualifications	B.A (Economics), LL.M., FCS & C.A.I.I.B	B.Com. and Chartered Accountant	B.Com and C.A.I.I.B	MBBS, Diploma in Obstetrics & Gynaecology, MD (obstetrics & Gynaecology, Diplomate in National Boards in Obstetrics and Gynaecology.
Past experience	a) Practised as an advocate, later joined as officer in RBI, Mumbai. b) Retired as ED-(Legal), IDBI, Mumbai. c) While in service, he was deputed as the first Managing Director of Investor Services of India Ltd., Mumbai promoted by IDBI, LIC, UTI, SBI CAPS etc. d) Legal Consultant to Essar Group of Companies, Mumbai. e) Served as a Nominee Director on the Boards of several companies. f) Advisor/Senior Advisor for the Public Enterprises Dept., Government of undivided Andhra Pradesh, Hyderabad.	Worked with a) Exim bank as a Chief General Manager and was the head of corporate banking, Agri Business and SME Business groups. b) Guest faculty at leading business schools on International Finance and International Marketing.	a) Experience in General Banking, Corporate Finance, Mortgage backed securitisation and Treasury Management. b) He headed the Treasuries of National Housing Bank, Small Industries Development Bank of India (SIDBI) and Exim Bank.	a) At present, Assistant Professor of Gynaecological oncology at Homi Bhabha Cancer Hospital & Research Centre, Visakapatnam. b) She is a fellow member of Royal College of Obstetricians and Gynaecologists (FRCOG) (UK).

Name of the Director	Sri G. S. Murthy	Sri D.G.Prasad	Sri T.V.Rao	Dr. Mrs. Leela Digumarti
Date of appointment as Directors	31st January, 2000	13th February, 2014	25th August, 2014	22nd September, 2014
Nature of Appointment	Re- appointment as an Independent Director who is not liable to retire by rotation.	Re-appointment as an Independent Director who is not liable to retire by rotation.	Re-appointment as an Independent Director who is not liable to retire by rotation.	Re-appointment as an Independent Director who is not liable to retire by rotation.
Tenure of Appointment	5 years term up to 41st Annual General Meeting to be held in the calendar year 2024	5 years term up to 41st Annual General Meeting to be held in the calendar year 2024	5 years term up to 41st Annual General Meeting to be held in the calendar year 2024	5 years term up to 41st Annual General Meeting to be held in the calendar year 2024
Percentage of shares held	Nil	Nil	Nil	Nil
No. of Board meetings attended out of 4 (Four) meetings held.	4 (Four)	4 (Four)	3 (Three)	2 (Two)
Relationship with other directors or KMP of the company	None	None	None	None
Directorship in other companies	None	1. Gokak Textiles limited 2. Suven Life sciences Limited 3. Moschip Technologies Limited 4. Suven Pharmaceuticals limited	1. Electronica Finance Limited 2. Ladderup Finance Limited 3. STCI Finance Limited 4. Sanvira Industries Limited 5. STCI Primary Dealer Limited 6. Fidas Tech Private Limited 7. Easy Home Finance Limited 8. BGSE Financials Limited	None

Explanatory statement (Pursuant to Section 102(1) of the Companies Act, 2013)

Item No. 5

Reappointment of Sri V.C.Nannapaneni (DIN: 00183315) as Chairman and Managing Director

Sri V.C. Nannapaneni (DIN: 00183315) is associated with the Company as founder/promoter since its incorporation in the year 1981 and has rich and varied experience in the Industry and driving the company towards higher growth in terms of revenues as well as profitability. The company is poised for next level of growth.

Sri V.C.Nannapaneni attained the age of 73 years (DOB: 30-11-1945) as on 30th November, 2018. Services of Sri V.C.Nannapaneni are very much essential for the Company's future prospects and further growth of the Company. It would be in the interest of the Company to have his vast experience and professional services as Chairman and Managing Director to your company. The Board believes that the Company will benefit from his professional expertise and rich experience.

As recommended by the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 12th February, 2019 after receiving the consent from Sri V.C. Nannapaneni, approved the reappointment of Sri V.C.Nannapaneni as Chairman & Managing Director of the Company for a period of one (1) year from 1st April, 2019 to 31st March, 2020 with such remuneration as specified in the resolution which is recommended by the Nomination and Remuneration Committee and approved by the Board of Directors in their respective meetings held on 27th May, 2019, subject to the consent of members which is just and reasonable to Sri V.C. Nannapaneni.

For Additional information relating to Sri V.C. Nannapaneni requested to refer to the section on "Brief Profile of the Executive Directors seeking Reappointment at the Annual General Meeting" in Note No. 19 (a).

Except Sri V.C. Nannapaneni & Sri Rajeev Nannapaneni, no other Director or Key managerial personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No.5 of the notice for approval of the members.

Item No. 6

Reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive officer

Sri Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer is associated with the company for the past 19 years and he is looking after all the functional operations of the company including but not limited to Production, Financial, Legal & Secretarial, new drug launches, Domestic and International Marketing, Exports, Imports, etc.

Based on recommendation of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on 12th February, 2019, after receiving consent from Sri Rajeev Nannapaneni, approved the reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive officer, for a period of one (1) year with effect from 1st April, 2019 to 31st March, 2020 with such remuneration as specified in the resolution which is recommended by the Nomination and Remuneration Committee and approved by the Board in their respective meetings held on 27th May, 2019, subject to the consent of members which is just and reasonable to Sri Rajeev Nannapaneni.

For Additional information relating to Sri Rajeev Nannapaneni requested to refer to the section on "Brief Profile of the Executive Directors seeking Reappointment at the Annual General Meeting" in Note No. 19(a).

Except Sri V.C. Nannapaneni & Sri Rajeev Nannapaneni, no other Director or Key managerial personnel or their relative is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No. 6 of the Notice for approval of the members.

Item No. 7

Reappointment of Sri P.S.R.K Prasad (DIN: 07011140) as a Director and Executive Vice President (Corporate Engineering Services)

Sri P.S.R.K.Prasad has over 30 years of experience in various sectors such as textile, chemicals and pharmaceuticals and working with our Company for the past 24 years. He has got vast and good knowledge in procuring right equipment(s) and machinery for production processes and to provide all utility services and to utilize the resources like manpower, material in an optimum way and to ensure safety of life and property.

In view of the highly competitive employee market, inflationary trends, and taking into consideration industry standards and other relevant factors and as recommended by the nomination and remuneration committee, the Board of Directors at their meeting held on 12th February, 2019, after receiving consent from Sri P.S.R.K Prasad, approved the reappointment of Sri P.S.R.K. Prasad, (DIN: 07011140) for a period of one (1) year on the Board of the Company with effect from 1st April, 2019 to 31st March, 2020 with such remuneration as specified in the resolution which is recommended by the Nomination and Remuneration Committee and approved by the Board in their respective meetings held on 27th May, 2019, subject to the consent of members which is just and reasonable to Sri P.S.R.K. Prasad.

For Additional information relating to Sri P.S.R.K.Prasad members are requested to refer to the section on "Brief Profile of the Executive Directors seeking Reappointment at the Annual General Meeting" in Note No.19 (a).

Except Sri P.S.R.K.Prasad, no Director or Key managerial personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No. 7 of the Notice for approval of the members.

Item No. 8

Reappointment of Dr. D. Linga Rao (DIN: 07088404) as a Director & President (Tech. Affairs)

Dr. D. Linga Rao is working as Director and President (Technical Affairs) of the Company. He has over 40 years of experience in the pharmaceutical industry and has been working with our Company for over 25 years. He has vast experience in various departments like R & D, Quality Control, Quality Assurance and Regulatory affairs.

In view of the job responsibilities, taking into consideration the industry standards and other relevant factors and as recommended by the nomination and remuneration Committee, the board of directors at its meeting held on 12th February, 2019, after receiving consent from Dr.D.Linga Rao approved the reappointment of Dr.D.Linga Rao (DIN: 07088404) for a period of one (1) year on the Board of the company with effect from 1st April, 2019 to 31st March, 2020 with such remuneration as specified in the resolution which is recommended by the Nomination and Remuneration Committee and approved by the Board in their respective meetings held on 27th May, 2019, subject to the consent of members which is just and reasonable to Dr. D. Linga Rao.

For Additional information relating to Dr. D. Linga Rao members are requested to refer to the section on "Brief Profile of the Executive Directors seeking Reappointment at the Annual General Meeting" in Note No. 19 (a).

Except Dr. D. Linga Rao, no Director or Key managerial personnel or their relatives is/are concerned or interested in the said item of business.

The Board accordingly recommends the special resolution as set out in Item No. 8 of the Notice for approval of the members.

Item No. 9
Reappointment of Sri G.S. Murthy (DIN: 00122454) as an Independent Director

At the Annual General Meeting held on 27th September, 2014, Sri G.S. Murthy (DIN: 00122454) was appointed as an Independent Director for a term of five (5) consecutive years i.e up to the 36th Annual General Meeting of the Company to be held in the calendar year 2019. He attained the age of 82 years (04-05-1937) as on 4th May, 2019. His vast professional experience in the past in various reputed offices are very essential for the company. It would be in the interest of the company to have his professional experience to act as an independent director of the company for a further term of five (5) years.

Based upon the recommendation of Nomination and Remuneration Committee and pursuant to Sections 149, 152, read with Schedule IV of the Act and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and qualification of Directors) Rules, 2014, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Board recommends to the members for their approval to reappoint Sri G.S. Murthy (DIN: 00122454) as an Independent Director for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

In the opinion of the Board, Sri G.S. Murthy (DIN: 00122454), fulfil the conditions specified in the Act and rules framed thereunder for reappointment as Independent Director. SriG.S.Murthy meets the criteria of Independence as prescribed in the Act and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Additional information relating to SriG.S.Murthy members are requested to refer to the Section on "Brief Profile of the Independent Directors seeking Reappointment at the Annual General Meeting" in Note No.19 (b).

Except Sri G.S.Murthy, no Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of the business.

The Board accordingly recommends the special resolution as set out in Item No. 9 of the Notice for approval of the members.

Item No. 10
Reappointment of Sri D.G.Prasad (DIN: 00160408) as an Independent Director

At the Annual General Meeting held on 27th September, 2014, Sri D.G.Prasad (DIN: 00160408) was appointed as an Independent Director for a term of five (5) consecutive years i.e up to the 36th Annual General Meeting of the Company to be held in the calendar year 2019.

Upon recommendation of Nomination and Remuneration Committee and pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Board recommends to the members for their approval to reappoint Sri D.G.Prasad (DIN: 00160408) as an Independent Director for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

In the opinion of the Board, Sri D.G.Prasad (DIN: 00160408), fulfil the conditions specified in the Act and rules framed thereunder for appointment as Independent Director Sri D.G.Prasad meets the criteria of Independence as prescribed in the Act and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Additional information relating to Sri D.G.Prasad members are requested to refer to the Section on

"Brief Profile of the Independent Directors seeking Reappointment at the Annual General Meeting" in Note No.19 (b).

Except Sri D.G.Prasad, no Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of the business.

The Board accordingly recommends the special resolution as set out in Item No. 10 of the Notice for approval of the members.

Item No. 11
Reappointment of Sri T.V.Rao (DIN: 05273533) as an Independent Director
At the Annual General Meeting held on 27th September, 2014 Sri T.V.Rao (DIN: 05273533) was appointed as an Independent Director for a term of five (5) consecutive years i.e up to the 36th Annual General Meeting of the Company to be held in the calendar year 2019.

Upon recommendation of Nomination and Remuneration Committee and pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Board recommends to the members for their approval to reappoint Sri T.V.Rao (DIN: 05273533) as an Independent Director for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

In the opinion of the Board, Sri T.V.Rao (DIN: 05273533), fulfil the conditions specified in the Act and rules framed thereunder for appointment as an Independent Director. Sri T.V.Rao meets the criteria of Independence as prescribed in the Act and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Additional information relating to Sri T.V.Rao members are requested to refer to the Section on "Brief Profile of the Independent Directors seeking Reappointment at the Annual General Meeting" in Note No. 19 (b).

Except Sri T.V.Rao, no Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of the business.

The Board accordingly recommends the special resolution as set out in Item No. 11 of the Notice for approval of the members.

Item No.12
Reappointment of Dr. Mrs. Leela Digumarti (DIN: 06980440) as an Independent Director
At the Annual General Meeting held on 27th September, 2014 Dr. Mrs. Leela Digumarti (DIN: 06980440) was appointed as an Independent Director for a term of five (5) consecutive years i.e up to the 36th Annual General Meeting of the Company to be held in the calendar year 2019.

Upon recommendation of Nomination and Remuneration Committee and pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and qualification of Directors) Rules, 2014 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended from time to time, Board recommends to the members for their approval to reappoint Dr. Mrs. Leela Digumarti (DIN: 06980440) as an Independent Director for a further term of 5 (five) years i.e. up to 41st Annual General Meeting of the Company to be held in the Calendar year 2024.

In the opinion of the Board, Dr. Mrs. Leela Digumarti (DIN: 06980440), fulfil the conditions specified in the Act and rules framed thereunder for appointment as Independent Director. Dr. Mrs. Leela Digumarti meets the criteria of Independence as prescribed in the Act and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Additional information relating to Dr. Leela Digumarti members are requested to refer to the Section on "Brief Profile of the Independent Directors seeking Reappointment at the Annual General Meeting" in Note No. 19(b).

Except Dr. Mrs. Leela Digumarti, no Director or Key Managerial Personnel or their relatives is/are concerned or interested in the said item of the business.

The Board accordingly recommends the special resolution as set out in Item No. 12 of the Notice for approval of the members.

Item No. 13
Alteration of Articles of Association
At the Extra Ordinary General Meeting held on 14th November, 2013, members approved the preferential allotment of equity shares to M/s. CX Securities Limited subsequent to which it subscribed to 17,00,000 (seventeen lakh only) equity shares of ₹ 10/- each of the Company ("Investor Shares") on preferential basis which were allotted on 29th November, 2013 by the Committee of Board of Directors of the Company at an issue price of

₹ 638.40/- per equity share (including securities premium of ₹ 628.40/- per equity share). On 28th November, 2013, Company entered into an Investment Agreement with M/s. CX Securities Limited, pursuant to which existing Part II of the Articles of Association of the Company was inserted after obtaining approval of the members of the Company at their Annual General Meeting held on 27th September, 2014.

In the above agreement entered with M/s. CX Securities Limited as per Clause 18.2, the agreement shall be terminated up on the aggregate shareholding of the investor i.e M/s. CX Securities Limited together with their Permitted Transferees in the Company falling below 51% of the subscription shares. The present shareholding of M/s. CX Securities Limited is below 51% of the subscribed shares and consequently the agreement will get terminated. Accordingly, the Board recommends to the members for their approval for deletion of existing Part II of the Articles of Association of the Company which are incorporated as per the above agreement.

None of the Directors/key managerial personnel / their relatives is/are concerned or interested in the said item of the business.

The Board accordingly recommends the special resolution as set out in Item No. 13 of the Notice for approval of the members.

Item No. 14
Ratification of remuneration of Cost Auditors
The Board, on the recommendation of the Audit Committee, had approved the appointment and remuneration of M/s S.S. Zanwar & Associates, (Firm Registration No. 100283) Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2020.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Rules made thereunder, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution for ratification of the remuneration payable to Cost Auditors to conduct Cost Audit for the financial year ending 31st March, 2020.

None of the Directors and key managerial personnel of the Company or their respective relatives is concerned or interested in the said item of business.

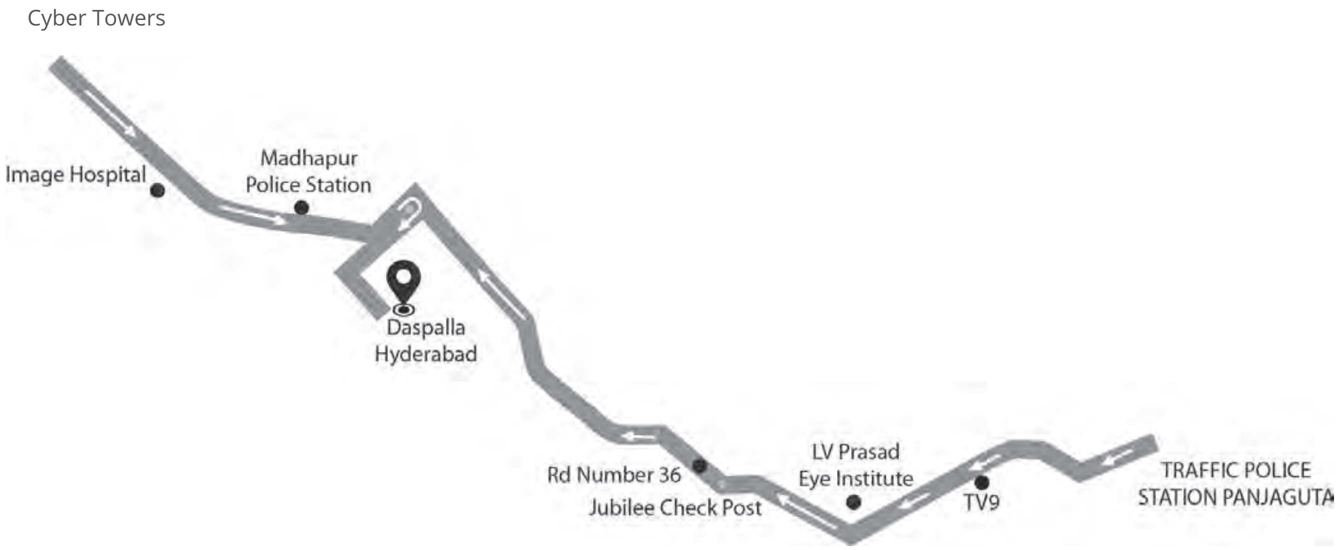
The Board accordingly recommends the resolution as set out in Item No.14 of the notice for approval of the members.

By Order of the Board
For **NATCO Pharma Limited**

M. Adinarayana
Company Secretary and
Vice President
(Legal & Corp. Affairs)
(FCS: 3808)

Date: 27th May, 2019
Place: Hyderabad

ROUTE MAP TO THE VENUE



VENUE:
Daspalla Hotel, Road No. 37,
Jubilee Hills, Hyderabad – 500033,
Telangana

PROMINENT LANDMARK:
Madhapur Police Station

NATCO Pharma Limited

Registered Office: NATCO House, Road # 2, Banjara Hills, Hyderabad 500034, Telangana
Email id: investors@natcopharma.co.in, website: www.natcopharma.co.in
Phone No.040-23547532 Fax No.040-23548243
CIN : L24230TG1981PLC003201

Form No. MGT-11

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

PROXY FORM

Name of the member(s)			
Registered Address			
Email ID			
Folio No./Client ID		DP ID	

I/We, being the member (s) of shares of ______________________ the above named company, hereby appoint

1	Name			
	Address			
	E-mail ID		Signature	
	or failing him			
2	Name			
	Address			
	E-mail ID		Signature	
	or failing him			
3	Name			
	Address			
	E-mail ID		Signature	

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the **36th Annual General Meeting of the members of the Company to be held on Thursday, the 5th day of September, 2019 at 10.30 a.m. at Hotel Daspalla, Road No. 37, Jubilee Hills, Hyderabad - 500 033, Telangana, India** and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Description	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
ORDINARY BUSINESS			
1	Adoption of audited Annual Financial Statements for the Financial Year 2018-19		
2	To confirm the already paid three interim dividends on equity shares during the Financial Year 2018-19 as final dividend		
3	Reappointment of Sri Rajeev Nannapaneni (DIN:00183872) as a Director liable to retire by rotation		
4	Appointment of Statutory Auditors		
SPECIAL BUSINESS			
5	Reappointment of Mr.V.C.Nannapaneni (DIN: 00183315) as Chairman and Managing Director		
6	Reappointment of Sri Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive officer		
7	Reappointment of Sri P.S.R.K Prasad (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)		
8	Reappointment of Dr.D.Linga Rao (DIN: 07088404) as Director and President (Tech. Affairs)		
9	Reappointment of Sri G.S.Murthy (DIN: 00122454) as an Independent Director		
10	Reappointment of Sri D.G.Prasad (DIN: 00160408) as an Independent Director		
11	Reappointment of Sri T.V.Rao (DIN: 05273533) as an Independent Director		
12	Reappointment of Dr. Mrs. Leela Digumarti (DIN: 06980440) as an Independent Director		
13	Alteration of Articles of Association		
14	Ratification of remuneration of Cost Auditors		

Signed this ____________________ day of ____________________ 2019.

Affix a
1 Rupee
Revenue
Stamp

Signature of shareholder: ____________________________

Signature of Proxy holder(s): ____________________________

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

NATCO

BALLOT FORM (in lieu of remote e-voting)

I/We hereby exercise my/our vote in respect of the Ordinary / Special Resolution (s) passed for the business stated in the Notice of Annual General Meeting of the Company to be held on Thursday, the 5th day of September, 2019 by conveying my/our assent or dissent to the said Resolution(s) by placing (✓) mark at the appropriate box below

Sl No.	Description	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
Ordinary Business			
1	Adoption of audited Annual Financial Statements for the Financial Year 2018-19		
2	To confirm the already paid three interim dividends on equity shares during the Financial Year 2018-19 as final dividend		
3	Reappointment of Sri. Rajeev Nannapaneni (DIN:00183872) as a Director liable to retire by rotation		
4	Appointment of Statutory Auditors		
Special Business			
5	Reappointment of Mr.V.C.Nannapaneni (DIN: 00183315) as Chairman and Managing Director		
6	Reappointment of Sri. Rajeev Nannapaneni (DIN: 00183872) as Vice Chairman and Chief Executive officer		
7	Reappointment of Sri. P.S.R.K Prasad (DIN: 07011140) as Director and Executive Vice President (Corporate Engineering Services)		
8	Reappointment of Dr.D.Linga Rao (DIN: 07088404) as Director and President (Tech. Affairs)		
9	Reappointment of Sri. G.S.Murthy (DIN: 00122454) as an Independent Director		
10	Reappointment of Sri. D.G.Prasad (DIN: 00160408) as an Independent Director		
11	Reappointment of Sri. T.V.Rao (DIN: 05273533) as an Independent Director		
12	Reappointment of Dr. Leela Digumarti (DIN: 06980440) as an Independent Director		
13	Alteration of Articles of Association		
14	Ratification of remuneration of Cost Auditors		

Instructions and other information relating to ballot paper voting:

i) Those members who are unable to cast their vote through remote e-voting mechanism, may fill up the Ballot Form printed above and submit the same in a sealed envelope to The Scrutinizer, M/s. NATCO Pharma Limited, NATCO House, Road No.2, Banjara Hills, Hyderabad 500 034, so as to reach latest by 5.00 p.m. on 4th September, 2019. Ballot Form received thereafter will strictly be treated as if not received.

ii) The Company will not be responsible if the envelope containing the Ballot Form is lost in transit.

iii) Unsigned, incomplete or incorrectly ticked forms are liable to be rejected and the decision of the Scrutinizer on the validity of the forms will be final.

iv) In the event member casts his/her votes through both the process i.e. e-voting and Ballot Form, the votes in the electronic system would be considered and the Ballot Form would be ignored.

v) The Proxy cannot vote through Ballot Form.

vi) In case of Joint holders, the Ballot Form should be signed by the first named Shareholder and in his/her absence by the next named shareholders can sign in Ballot Form.

vii) Ballot form has been signed by an authorised representative of the Body Corporate / Trust / Societies etc. should be accompanied by a certified copy of the relevant authorisation / Board Resolution.

Notes

Notes

Corporate information

Board of Directors

Mr. V C Nannapaneni
Chairman & Managing Director

Mr. G. S. Murthy
Independent Director

Mr. T. V. Rao
Independent Director

Mr. Rajeev Nannapaneni
Vice Chairman & CEO

Mr. D. G. Prasad
Independent Director

Dr. Leela Digumarti
Independent Director

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

Dr. M. U. R. Naidu
Independent Director

Dr. D. Linga Rao Donthineni
Director & President
(Technical Affairs)

Mr. Sridhar Sankararaman
Non-Executive and
Non-Independent Director

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

Mr. S. V. V. N. Appa Rao
Chief Financial Officer

Registered Office
NATCO House, Road # 2
Banjara Hills,
Hyderabad - 500 034, India
Ph: 040-23547532,
Fax: 040-23548243

Registrar and Share Transfer Agent
M/s. Venture Capital & Corporate
Investments Pvt. Ltd.
12-10-167, Bharat Nagar,
Hyderabad - 500 018, India
Ph: 040-23818475, 23818476
Email: info@vccilindia.com,
Website: www.vccipl.com

Statutory Auditors
M/s. Walker Chandiok & Co. LLP,
7th Floor, Block III,
White House,
Kundan Bagh, Begumpet,
Hyderabad - 500 016, India

Internal Auditors
M/s. Seshachalam & Co
1-11-256, Street No. 1, Wall Street
Plaza, 6th Floor,
ICICI Building, Begumpet,
Hyderabad - 500 016, India

Cost Auditors
M/s. S. S. Zanwar & Associates
Office No. 802, 8th Floor
Raghava Ratna Towers
Chirag Ali Lane, Abids
Hyderabad - 500 001, India

Secretarial Auditor
CS Balachandra Sunku
Abhaya, 6-3-609/140/1
Ananda Nagar, Khairathabad
Hyderabad - 500 004, India

NATCO PHARMA LIMITED

NATCO HOUSE, ROAD NO. 2, BANJARA HILLS,
HYDERABAD – 500 034.
www.natcopharma.co.in
Cin: L24230TG1981PLC003201

/Concept, content and design at AICL (hello@aicl.in)
www.kalajyothi.com